MennoMedia, Inc.

Financial Report

June 30, 2015

Simon Lever LLP

BUSINESS ADVISORS AND
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
MennoMedia, Inc.
Harrisonburg, Virginia

We have audited the accompanying financial statements of MennoMedia, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MennoMedia, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Simon Lever LLP

Simon Lever, LLP
Lancaster, PA

November 12, 2015

FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

	2015	2014
	$	$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	127,395	128,021
Accounts receivable, net of allowance for doubtful accounts of 2015-$8,000; 2014-$8,000	196,214	198,219
Promise to give	191,222	169,977
Inventories	208,792	242,716
Prepaid expenses	53,943	24,588
Total Current Assets	777,566	763,521
PROPERTY AND EQUIPMENT, Net of Accumulated Depreciation of 2015-$867,311; 2014-$900,276	187,931	191,157
OTHER ASSETS		
Promise to give - long-term	0	182,897
Finished goods inventory, net, in excess of amounts expected to be sold currently	210,446	208,230
Miscellaneous	1,000	1,000
Total Other Assets	211,446	392,127
TOTAL ASSETS	1,176,943	1,346,805
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	200,562	195,804
Current portion of long-term debt	30,577	29,125
Current portion of pension liability	21,215	21,010
Accounts payable	120,662	135,793
Unearned subscription revenue	75,181	82,193
Accrued expenses and other payables	114,942	132,002
Total Current Liabilities	563,139	595,927
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	262,590	293,167
Pension liability, net of current portion	180,651	152,533
Total Long-Term Liabilities	443,241	445,700
TOTAL LIABILITIES	1,006,380	1,041,627
NET ASSETS		
Unrestricted	(61,865)	(97,765)
Temporarily restricted	232,428	402,943
Total Net Assets	170,563	305,178
TOTAL LIABILITIES AND NET ASSETS	1,176,943	1,346,805

See Notes to Financial Statements

MennoMedia, Inc.

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2015 and 2014

	2015		2014	
	$	%	$	%
Changes in Net Assets				
Sales				
Herald Press	873,617	32.6	887,835	33.6
Church Resources	1,762,749	65.9	1,718,870	65.2
Electronic Media	41,418	1.5	32,509	1.2
Total Sales	2,677,784	100.0	2,639,214	100.0
Cost of Sales	649,312	24.2	602,071	22.8
Gross Margin	2,028,472	75.8	2,037,143	77.2
Functional Expenses				
Program - Herald Press	394,420	14.7	329,905	12.5
Program - Church Resources	883,054	33.0	999,697	37.9
Program - Electronic Media	84,447	3.2	136,595	5.2
Fundraising	82,978	3.1	89,685	3.4
General & Administrative	1,091,030	40.7	1,166,945	44.2
Total Functional Expenses	2,535,929	94.7	2,722,827	103.2
Operating Loss	(507,457)	(18.9)	(685,684)	(26.0)
Other Income (Expense)				
Contributions received	333,926	12.5	378,528	14.3
Rental income	52,352	2.0	32,641	1.2
Interest income	244	0.0	164	0.0
Loss on foreign currency exchange	(19,816)	(0.7)	(2,030)	(0.1)
Interest expense	(24,603)	(0.9)	(21,643)	(0.8)
Bad debt recovery (expense)	10,897	0.4	(31,975)	(1.2)
Miscellaneous income	3,670	0.1	7,427	0.3
Net assets released from temporary restrictions	186,687	7.0	201,422	7.6
Total Other Income (Expense)	543,357	20.4	564,534	21.3
Increase (Decrease) in Unrestricted Net Assets	35,900	1.5	(121,150)	(4.7)
Changes in Temporarily Restricted Net Assets				
Contributions received	16,172	0.6	17,776	0.7
Net assets released from temporary restrictions	(186,687)	(7.0)	(201,422)	(7.6)
Decrease in Temporarily Restricted Net Assets	(170,515)	(6.4)	(183,646)	(6.9)
Decrease in Net Assets	(134,615)	(4.9)	(304,796)	(11.6)

See Notes to Financial Statements

MennoMedia, Inc.

STATEMENTS OF CHANGES IN NET ASSETS
For the Years Ended June 30, 2015 and 2014

	Unrestricted	Temporarily Restricted	Total
	$	$	$
Net Assets, July 1, 2013	23,385	586,589	609,974
Changes in net assets	(121,150)	(183,646)	(304,796)
Net Assets, June 30, 2014	(97,765)	402,943	305,178
Changes in net assets	35,900	(170,515)	(134,615)
Net Assets, June 30, 2015	(61,865)	232,428	170,563

See Notes to Financial Statements

MennoMedia, Inc.

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	2015	2014
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	(134,615)	(304,796)
Adjustments to reconcile change in net assets to change in cash from operating activities:		
Change in reserve for inventory obsolescence	(25,070)	(28,957)
Depreciation	20,368	38,906
Loss on foreign currency exchange	19,816	2,030
Change in assets and liabilities:		
Accounts receivable	(2,036)	25,104
Promise to give	161,652	188,632
Inventories	56,778	69,785
Prepaid expenses	(29,355)	33,900
Accounts payable	(14,870)	(6,122)
Accrued expenses and other payables	(14,662)	(66,859)
Unearned subscription revenue	(7,012)	(11,172)
Pension liability	28,323	(7,727)
Net Cash Provided by (Used in) Operating Activities	59,317	(67,276)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(17,141)	(24,077)
Net Cash Used in Investing Activities	(17,141)	(24,077)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings on line of credit	4,758	164,251
Principal payments on long-term debt	(29,125)	(27,708)
Net Cash Provided by (Used in) Financing Activities	(24,367)	136,543
Net Change in Cash and Cash Equivalents	17,809	45,190
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents	(18,435)	5,332
Cash and Cash Equivalents:		
Beginning	128,021	77,499
Ending	127,395	128,021
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest:	24,603	21,643

See Notes to Financial Statements

Notes To Financial Statements

Note 1 – Summary of Significant Accounting Policies

General – MennoMedia, Inc. (Organization) is the publishing and media agency of the Mennonite Church USA and the Mennonite Church Canada. The Organization's purpose is to provide resources for individuals, churches, and society from an Anabaptist Christian perspective.

MennoMedia, Inc. has three divisions: Herald Press, which publishes books for the Mennonite Church and for religious and general booksellers, Church Resources, which publishes congregational resource materials including periodicals, and Electronic Media, which produces electronic materials such as CDs and DVDs and enhances the Organization's online presence through website sales.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Accounts Receivable – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Shared Projects – The Organization has products which they have entered into a collaborative arrangement with another publisher. As a result of this arrangement, the Organization shares in expenses and net profits of this project, which are included in shared projects expense and sales, respectively.

Inventory Valuation – Inventories are carried at the lower of cost (first-in, first-out method) or market. The Organization has adopted a method of valuing obsolete inventory by setting up a reserve for obsolete inventory. Inventory obsolescence is estimated based on a review of damaged, obsolete or otherwise unsalable inventory. The review encompasses historical unit sale trends by title and current market conditions. The amount that is determined to be obsolete is set up as a reserve on the statement of financial position reducing the value of the inventory. Due to the inherent uncertainties in estimating customer demand and analyzing market conditions and sales trends, it is at least reasonably possible that the estimates used will change within the near term.

Property and Equipment – Property and equipment is stated at cost less accumulated depreciation. Expenditures that significantly add to productive capacity or extend the useful life of an asset are capitalized. Maintenance and repairs are charged to expense as incurred. When depreciable properties are retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is reflected in income. Depreciation is computed by the straight-line method at rates based on estimated service lives.

Note 1 – Summary of Significant Accounting Policies – Continued

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted net assets. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Long-Lived Assets – The Organization reviews the carrying value of long-lived assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In such cases, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the asset.

Foreign Currency – Currency other than U.S. dollars is translated at the rate of exchange in effect on the balance sheet date and activity in currency other than U.S. dollars is recorded at the rate of exchange in effect at the time of the transaction. Gains and losses from foreign currency transactions are included in net assets for the period.

Subscription Revenue – Revenues from subscription sales are deferred at the time of sale. As publications are delivered to subscribers, the proportionate share of the subscription price is reflected in sales.

Contributions – Contributions are recorded as unrestricted, temporarily restricted, and permanently restricted support depending on the existence or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Unconditional promises to give are recorded as received. Unconditional promises to give, which are due in the next year are recorded at their net realizable value. Unconditional promises to give which are due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the year in which the promises are received to discount the amounts. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end. Conditional promises to give are not included as support until such time as condition is substantially met.

Revenue Recognition – The Company recognizes revenue for Herald Press, Church Resources, and Electronic Media when title, ownership and risk of loss pass to the customer. This occurs typically on shipment of the product to the customer. Returned items are recorded through net sales at the time of the return.

Functional Allocation of Expenses – The costs of providing the various activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the functions benefited.

Notes To Financial Statements

Note 1 – Summary of Significant Accounting Policies – Continued

Income Taxes – The Organization was organized as a nonprofit corporation under the laws of the Commonwealth of Virginia. The Organization is exempt from United States federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from Canadian income taxes.

Retirement Plans – The Organization has two defined contribution plans covering substantially all hourly and salaried employees who meet certain eligibility requirements. The Organization adopted separate plans to cover employees who are residents of the United States of America and those who are Canadian residents. The organization contributed 8% of the employee's eligible compensation for the years ended June 30, 2015 and 2014. Contributions for the years ended June 30, 2015 and 2014 totaled $74,423 and $78,347, respectively.

The Organization is still required to make payments under a defined benefit plan that was provided to its employees prior to January 1, 1964. This plan is more fully described in Note 9.

Advertising – The Organization expenses the costs of advertising as incurred. Advertising expenses totaled $113,462 and $93,866 for the years ended June 30, 2015 and 2014, respectively.

Shipping and Handling Costs – The Organization records all costs incurred for shipping and handling in postage and delivery expenses. These costs, net of income charged to customers of $115,218 and $105,254, totaled $87,337 and $79,904 for the years ended June 30, 2015 and 2014, respectively.

Presentation of Sales Tax – The various states in which the Organization operates impose sales tax on all of the Organization's sales to non-exempt customers. The Organization collects that sales tax from customers and remits the entire amount to the various states. The Organization's accounting policy is to exclude the tax collected and remitted to the various states from revenue and cost of sales.

Subsequent Events – The date to which events occurring after June 30, 2015, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is November 12, 2015, which is the date on which the financial statements were available to be issued.

Accrued Interest and Penalties Related to Unrecognized Tax Benefits – The Organization reports accrued interest and penalties related to unrecognized tax benefits as interest and penalties expense, respectively. There were no interest or penalties related to unrecognized tax benefits for the years ended June 30, 2015 and 2014.

The Organization is no longer subject to examination by the Internal Revenue Service and the Virginia Department of Revenue for years prior to June 30, 2012.

Note 2 – New Accounting Standards

Issued:

In July 2015, the Financial Accounting Standards Board (FASB) issued an accounting standards update which simplifies the measurement of inventory. The new guidance requires most inventory to be measured at the lower of cost and net realizable value, thereby simplifying the previous guidance under which an entity must measure inventory at the lower of cost or market. Market is defined as replacement cost, net realizable value ("NRV"), or NRV less a normal profit margin. The standard will be effective prospectively for the annual reporting period beginning after December 15, 2017. Early adoption is permitted. The Organization does not expect to early adopt this guidance and is currently assessing the provisions of the guidance. The Organization has not determined the impact of the adoption of this guidance on its financial statements.

In May, 2014 the Financial Accounting Standards Board (FASB) issued an accounting standard update which clarifies the principles for recognizing revenue from contracts with customers. This update will replace nearly all current U.S. GAAP guidance related to revenue recognition and will eliminate industry specific guidance. The core principle of this new standard is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods and services. The standard also requires certain financial statement disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized. This accounting standard will be effective for annual periods beginning after December 15, 2018 and interim periods within those years. Early application is not permitted. The Organization is currently evaluating the impact this update will have on its financial statements.

Note 3 – Promise to Give

As part of the merger of Mennonite Publishing Network and Third Way Media, Mennonite Mission Network promised to give MennoMedia, Inc. a monthly subsidy over five years beginning July 1, 2011. The present value factor with a discount rate of 4% was used to value the promise to give. The present value of the promise to give as of June 30, 2015 and 2014 was $191,222 and $352,874, respectively, and the unamortized portion of the promise to give was $4,299 and $14,993, respectively. Amounts due within the next year total $191,222.

Note 4 – Inventories

As of June 30, 2015 and 2014 inventories consist of the following:

	2015	2014
	$	$
Finished goods	457,188	513,966
Reserve for inventory obsolescence	(37,950)	(63,020)
Total Inventories	419,238	450,946
Less finished goods inventory in excess of amounts expected to be sold currently	210,446	208,230
Total Inventories - Current	208,792	242,716

Notes To Financial Statements

Note 5 – Property and Equipment

As of June 30, 2015 and 2014 property and equipment consists of the following:

	2015	2014
	$	$
Land	20,555	20,555
Buildings	759,158	752,438
Machinery and equipment	62,490	65,099
Furniture and fixtures	213,039	253,341
Total Cost	1,055,242	1,091,433
Less accumulated depreciation	867,311	900,276
Total Property and Equipment, Net of Accumulated Depreciation	187,931	191,157

Depreciation charged to expense totaled $20,368 and $38,906, for the years ended June 30, 2015 and 2014, respectively.

Note 6 – Note Payable

The Organization has a $250,000 revolving line of credit, expiring September 1, 2016, available with Park View Federal Credit Union which includes interest at the Wall Street Journal Prime rate with a floor of 4.5%. This note is secured by deposit accounts and the real property located at 1251 Virginia Avenue, Harrisonburg, VA. Drawings against this line of credit totaled $200,562 and $195,804 for the years ended June 30, 2015 and 2014, respectively.

Note 7 – Long-Term Debt

The Organization has a mortgage note payable to Park View Federal Credit Union. Payments are due in monthly installments of $3,715, including interest at a fixed rate of 5.0% through June 2023. The mortgage is secured by deposit accounts and the real property located at 1251 Virginia Avenue, Harrisonburg, VA. The balance of the mortgage payable was $293,167 and $322,292, as of June 30, 2015 and 2014, respectively. Aggregate maturities during the next five years are: 2016-$30,577; 2017-$32,180; 2018-$33,826; 2019-$35,556; and 2020-$37,357.

Note 8 – Foreign Currency Assets and Liabilities

The statements of financial position reflect foreign accounts in the U.S. dollar equivalent using the rate of exchange at year end. Exchange adjustments resulting from foreign currency transactions are recognized currently in the statements of activities. Foreign currency exchanges resulted in a loss of $19,816 and $2,030 for the years ended June 30, 2015 and 2014, respectively.

Note 8 – Foreign Currency Assets and Liabilities – Continued

Included in the financial statements are translated Canadian assets and liabilities as of June 30, 2015 and 2014 as follows:

	2015	2014
	$	$
Exchange rate at June 30	0.8093	0.9371
Translated Canadian assets	34,615	66,176
Translated Canadian liabilities	(8,374)	(7,860)
Total	26,241	58,316

Note 9 – Pension Plan

The Organization assumed the liability and payments of Mennonite Publishing Network unfunded pension program as part of the merger. The Organization and formerly Mennonite Publishing Network has been paying benefits directly to retired employees who were covered under an unfunded pension program prior to January 1, 1964. The statements of financial position include an estimated pension liability for this obligation. When pension payments are made to the retired employees, the pension liability is reduced and an amount is charged to expense as follows:

	2015	2014
	$	$
Beginning pension liability	173,543	181,270
Payments to retirees	(21,112)	(20,905)
Amount charged to employee benefits expense	49,435	13,178
Ending Pension Liability	201,866	173,543
Less current portion	21,215	21,010
Long-Term Pension Liability	180,651	152,533

The pension liability is calculated by an actuary and is based on the estimated remaining life expectancy of the retirees and their promised monthly benefit as adjusted using an inflationary rate based on the September to September Consumer Price Index–U. The inflationary rates for the years ended June 30, 2015 and 2014 were 1.66% and 1.12%, respectively.

Note 10 – Commitments and Contingencies

The Organization leases office space and office equipment under the terms of operating lease agreements expiring at various dates throughout the next four years. The office space lease provides for monthly lease payments which do not include the Organization's allocated share of real estate taxes and common area maintenance charges. Minimum future rental payments for the next four years are as follows: 2016-$16,906; 2017-$16,906; 2018-$16,906; and 2019-$6,777. Total rent expense for the years ended June 30, 2015 and 2014 were $30,935 and $38,656, respectively.

Notes To Financial Statements

Note 11 – Related Party Transactions

The Organization rents various facilities from the Mennonite Church USA under month-to-month rental agreements. Rent expenses paid to this related party amounted to $6,789 and $12,838 for the years ended June 30, 2015 and 2014, respectively.

The Organization makes payments to the Mennonite Church USA and Mennonite Church Canada that support activities that agree with the mission of the Organization. Payments to these related entities totaled $32,801 and $42,734 for the years ended June 30, 2015 and 2014, respectively; of which $2,377 and $2,551 were payable at year end, respectively. The Organization receives rental income and other miscellaneous income from the Mennonite Church USA and Mennonite Church Canada, total income from related entities totaled $35,984 and $32,594 for the years ended June 30, 2015 and 2014, respectively; of which, $165 and $453 were receivable at year end, respectively.

Note 12 – Shared Projects

The Organization is involved in two collaborative arrangements with another non-profit publisher in the development, publication, and sale of curriculum ("Gather Round" and "Shine") for youth. Sales to denominations within the Mennonite Church USA and the Mennonite Church Canada, as well as incidental sales relating to these denominations are recorded in Church Resource sales and the relating cost of goods sold is recorded in cost of sales. Revenue from sales to other parties unrelated to the Mennonite Church USA and Canada are recorded in Church Resource sales, net of related cost of sales.

Gather Round sales and cost of sales to parties related to the Mennonite Church USA and Canada totaled $1,049 and $165 for 2015 and $418,000 and $66,606 for 2014. Sales, net of cost of sales, to parties unrelated to the Mennonite Church USA and Canada, recorded in Church Resource sales totaled $0 and $91,406 in 2015 and 2014, respectively. The Organization owed $0 and $4,851 to this project for costs related to Gather Round at June 30, 2015 and 2014, respectively. The Gather Round curriculum ended in the summer of 2014.

The Shine curriculum began in the fall of 2014. Shine sales and cost of sales to parties related to the Mennonite Church USA and Canada totaled $456,787 and $93,469 for the year ended June 30, 2015 and $39,476 and $7,114 for the year ended June 30, 2014. Resource sales totaled $195,319 and $22,901 for the years ended June 30, 2015 and 2014, respectively. The Organization owed $46,442 and $43,200 to this project for costs related to Shine at June 30, 2015 and 2014, respectively. The project owed $48,065 and $47,588 to the Organization at June 30, 2015 and 2014, respectively.

The Organization has included in inventory at June 30, 2015 its portion of inventory related to Shine that is jointly owned with the other publisher. The Organization's portion of jointly owned inventory was approximately $15,178 and $15,329 at June 30, 2015 and 2014, respectively.

Note 13 – Income Taxes

The Organization was granted an exemption from United States federal income taxes under Section 501(c)(3) of the Internal Revenue Code whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Organization may allocate direct expenses between exempt functions and the unrelated business activities when calculating the unrelated business income. The Organization follows Generally Accepted Accounting Principles, which requires an asset and liability approach to financial accounting and reporting for income taxes. The differences between the financial statement and tax basis of assets and liabilities are determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce the deferred tax asset and/or liability to the amount that will "more likely than not" be realized.

At June 30, 2015 and 2014, the Organization had net operating loss carryforwards totaling approximately $125,000, which may be offset against future taxable income. The net operating loss carryforwards were brought into MennoMedia, Inc. by Mennonite Publishing Network as a result of the merger and will expire starting in 2021 through 2025. A deferred tax asset has not been recognized for the years ended June 30, 2015 and 2014 due to management's expectation that the net operating loss carryforwards may not be utilized.

Note 14 – Net Assets

Temporarily restricted net assets are available for the following purposes:

	2015	2014
	$	$
Publishing	16,130	16,514
Electronic Media	25,000	32,938
Curriculum	76	617
Time restriction - operating	191,222	352,874
Total Temporarily Restricted Net Assets	232,428	402,943

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

	2015	2014
	$	$
Publishing	15,014	10,717
Electronic Media	9,481	500
Curriculum	541	1,573
Time restriction - operating	161,651	188,632
Total Net Assets Released from Restrictions	186,687	201,422

Notes To Financial Statements

Note 15 – Subsequent Event

On August 1, 2015 the Organization signed a building purchase option agreement with a third party. The third party paid the Organization a non-refundable $25,000 fee to have the option to purchase the real property located at 1251 Virginia Avenue, Harrisonburg, Virginia. The $25,000 fee will be applied to the purchase price of the property. The purchase option will remain in effect until August 31, 2016 and may be exercised at any time during the option period or extended until December 31, 2016 for additional fee. The Organization may be required to pay up to $10,000 of asbestos abatement if the purchaser's asbestos abatement costs exceed $30,000.

Note 16 – Reclassification

Certain items in the financial statements for the year ended June 30, 2014 have been reclassified in order to conform to the current year's financial statement presentation.

Simon Lever LLP

BUSINESS ADVISORS AND
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY DATA

To the Board of Directors
MennoMedia, Inc.
Harrisonburg, Virginia

We have audited the financial statements of MennoMedia, Inc. (a nonprofit organization) as of and for the years ended June 30, 2015 and 2014, and have issued our report thereon dated November 12, 2015 which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary data on pages 18 through 20 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such data is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary data has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary data is fairly stated in all material respects in relation to the financial statements as a whole.

Simon Lever LLP

Simon Lever, LLP
Lancaster, PA

November 12, 2015

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SUPPLEMENTARY DATA

MennoMedia, Inc.

STATEMENTS OF FINANCIAL POSITION DETAIL
June 30, 2015 and 2014
See Independent Auditor's Report on the Supplementary Data

	2015	2014
	$	$
PREPAID EXPENSES		
Insurance	3,040	2,976
Advanced royalties	35,675	18,325
Other	15,228	3,287
Total Prepaid Expenses	53,943	24,588
ACCRUED EXPENSES AND OTHER PAYABLES		
Salaries and wages	49,539	49,055
Vacation wages	26,860	33,642
Accrued severance	0	8,832
Royalties	33,333	33,210
Other accrued expenses	5,210	7,263
Total Accrued Expenses and Other Payables	114,942	132,002

STATEMENT OF ACTIVITIES DETAIL
For the Year Ended June 30, 2015
See Independent Auditor's Report on the Supplementary Data

	Program - Herald Press	Program - Church Resources	Program - Electronic Media	Fundraising	General and Administrative	Total Functional Expenses	
	$	$	$	$	$	$	% of Sales
FUNCTIONAL EXPENSES							
Salaries and wages	36,352	247,387	48,079	48,612	546,747	927,177	34.6
Payroll taxes	2,764	18,524	4,465	3,622	38,396	67,771	2.5
Employee benefits	2,027	31,808	7,255		91,364	132,454	5.0
Retirement plan	2,890	20,906	3,945	3,721	42,961	74,423	2.8
Supplies	296	683		14,904	31,022	46,905	1.8
Repairs and maintenance					83,632	83,632	3.1
Postage and delivery	23,642	20,025	80	2,130	41,460	87,337	3.3
Travel	2,478	9,905		8,981	25,369	46,733	1.8
Insurance				600	26,306	26,906	1.0
Dues and subscriptions		2,007			509	2,516	0.1
Professional fees	78,684	98,182	17,024	45	47,534	241,469	9.0
Advertising and promotion	96,516	13,523	130		3,293	113,462	4.2
Royalty fees	90,360	7,237				97,597	3.6
Shared projects expense		346,349				346,349	12.9
Manuscripts	5,450	46,019	1,952			53,421	2.0
Art and photo	41,846	10,624				52,470	2.0
Rent	864	1,697			28,374	30,935	1.2
Telephone	310	1,196	6	248	27,394	29,154	1.1
Utilities					17,059	17,059	0.6
Depreciation			290		20,078	20,368	0.8
Comp costs	7,298	6,933	1,161		62	15,454	0.6
Bank charges					14,664	14,664	0.6
Miscellaneous	2,643	49	60	115	4,806	7,673	0.3
Total	394,420	883,054	84,447	82,978	1,091,030	2,535,929	94.7

STATEMENT OF ACTIVITIES DETAIL
For the Year Ended June 30, 2014
See Independent Auditor's Report on the Supplementary Data

	Program - Herald Press	Program - Church Resources	Program - Electronic Media	Fundraising	General and Administrative	Total Functional Expenses	
	$	$	$	$	$	$	% of Sales
FUNCTIONAL EXPENSES							
Salaries and wages	40,562	220,147	97,241	48,779	576,131	982,860	37.2
Payroll taxes	3,208	18,229	6,218	3,571	39,858	71,084	2.7
Employee benefits	1,994	34,381	12,403		61,525	110,303	4.2
Retirement plan	3,278	20,566	6,998	3,721	43,784	78,347	3.0
Supplies	240	1,344	660	13,503	30,773	46,520	1.8
Repairs and maintenance					95,024	95,024	3.6
Postage and delivery	21,996	19,154	270	3,941	33,898	79,259	3.0
Travel	6,381	15,570	3,070	14,358	53,272	92,651	3.5
Insurance			5,383	632	24,317	30,332	1.2
Dues and subscriptions		3,605			310	3,915	0.2
Professional fees	57,425	81,515	2,663	705	57,166	199,474	7.6
Advertising and promotion	59,676	21,255	271		12,664	93,866	3.6
Royalty fees	93,111	4,999				98,110	3.7
Shared projects expense		499,933				499,933	18.9
Manuscripts	712	39,422	523			40,657	1.5
Art and photo	31,722	11,514				43,236	1.6
Rent		2,021			36,635	38,656	1.5
Telephone	440	1,536	9	248	27,016	29,249	1.1
Utilities					18,855	18,855	0.7
Depreciation			736		38,170	38,906	1.5
Comp costs	6,324	4,232	31		47	10,634	0.4
Bank charges					13,652	13,652	0.5
Miscellaneous	2,836	274	119	227	3,848	7,304	0.3
Total	329,905	999,697	136,595	89,685	1,166,945	2,722,827	103.2