

MENNOMEDIA, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 and 2022

(See Independent Accountants' Review Report)

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
MennoMedia, Inc.
Harrisonburg, Virginia 22801

We have reviewed the accompanying financial statements of MennoMedia, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Managements' 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of MennoMedia, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 information has been subjected to the review procedures applied in our reviews of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.



Bee, Bergvall & Company, P.C.
Certified Public Accountants

Warrington, PA
October 18, 2023

MENNOMEDIA, INC.

Statements of Financial Position

June 30, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and cash equivalents	\$ 248,309	\$ 411,468
Accounts receivable, net of allowance for doubtful accounts of \$8,000 and \$8,000	314,658	304,957
Inventories	472,710	252,562
Prepaid expenses	<u>72,957</u>	<u>78,983</u>
Total Current Assets	<u>1,108,634</u>	<u>1,047,970</u>
Non-Current Assets		
Property and equipment, net	<u>16,141</u>	<u>21,492</u>
Other Assets		
Finished goods inventory, net, in excess of amounts expected to be sold currently	42,907	252,563
MASP reserve	<u>78,026</u>	<u>66,774</u>
Total Other Assets	<u>120,933</u>	<u>319,337</u>
 TOTAL ASSETS	 <u>\$ 1,245,708</u>	 <u>\$ 1,388,799</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Current portion of pension liability	\$ 5,000	\$ 5,000
Accounts payable	170,777	175,621
Unearned subscription revenue	76,928	81,247
Accrued expenses and other payables	100,142	96,421
Deferred revenue	-	762
Line of credit	<u>227,494</u>	<u>76,000</u>
Total Current Liabilities	<u>580,341</u>	<u>435,051</u>
Long-Term Liabilities		
Pension liability, net of current portion	<u>30,521</u>	<u>33,182</u>
Total Long-Term Liabilities	<u>30,521</u>	<u>33,182</u>
 TOTAL LIABILITIES	 <u>610,862</u>	 <u>468,233</u>
Net Assets		
Without Donor Restriction	288,492	406,231
With Donor Restriction	<u>346,354</u>	<u>514,335</u>
TOTAL NET ASSETS	<u>634,846</u>	<u>920,566</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,245,708</u>	 <u>\$ 1,388,799</u>

See accompanying notes and Independent Accountants' Review Report

MENNOMEDIA, INC.

Statements of Activities

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Sales		
Herald Press	\$ 968,266	\$ 1,175,964
Curriculum	711,457	722,060
Periodicals	<u>256,149</u>	<u>249,773</u>
Total Sales	1,935,872	2,147,797
Cost of Sales	<u>657,525</u>	<u>630,902</u>
Gross Margin	<u>1,278,347</u>	<u>1,516,895</u>
Functional Expenses		
Program		
Herald Press	387,681	531,086
Curriculum	707,988	983,597
Periodicals	43,449	828
Other Programs	367,626	-
Support Services		
General and Administrative	778,360	814,235
Fundraising	<u>69,350</u>	<u>69,194</u>
Total Functional Expenses	<u>2,354,454</u>	<u>2,398,940</u>
Operating Loss	<u>(1,076,107)</u>	<u>(882,045)</u>
Other Income (Expense)		
Contributions received	488,338	292,095
Rental income	1,250	300
Interest income	2,747	542
Gain (loss) on foreign currency exchange	(5,014)	(6,274)
Interest expense	(11,645)	(1,476)
Pension recovery (expense)	(2,864)	(3,249)
Miscellaneous income	71,882	86,671
Net assets released from restrictions	<u>413,674</u>	<u>213,634</u>
Total Other Income	<u>958,368</u>	<u>582,243</u>
Changes in Net Assets Without Donor Restrictions	<u>(117,739)</u>	<u>(299,802)</u>
Changes in Net Assets With Donor Restrictions		
Contributions received	245,693	622,479
Net assets released from restrictions	<u>(413,674)</u>	<u>(213,634)</u>
Changes in Net Assets With Donor Restrictions	<u>(167,981)</u>	<u>408,845</u>
Total Changes in Net Assets	<u>\$ (285,720)</u>	<u>\$ 109,043</u>

See accompanying notes and Independent Accountants' Review Report

MENNOMEDIA, INC.

Statements of Changes in Net Assets

For the Years Ended June 30, 2023 and 2022

		<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Net Assets,	June 30, 2021	\$ 706,033	\$ 105,490	\$ 811,523
Changes in net assets		<u>(299,802)</u>	<u>408,845</u>	<u>109,043</u>
Net Assets,	June 30, 2022	406,231	514,335	920,566
Changes in net assets		<u>(117,739)</u>	<u>(167,981)</u>	<u>(285,720)</u>
Net Assets,	June 30, 2023	<u>\$ 288,492</u>	<u>\$ 346,354</u>	<u>\$ 634,846</u>

See accompanying notes and Independent Accountants' Review Report

MENNOMEDIA, INC.

Statements of Cash Flows

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (285,720)	\$ 109,043
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Change in reserve for inventory obsolescence	(24,231)	(15,105)
Depreciation expense	10,447	10,709
(Gain) loss on foreign currency exchange	5,014	6,274
Changes in operating assets and liabilities		
(Increase)/Decrease in accounts receivable	(9,701)	75,906
(Increase)/Decrease in inventories	13,739	(105,769)
(Increase)/Decrease in prepaid assets	6,026	54,820
(Increase)/Decrease in MASP reserve	(11,252)	(378)
Increase/(Decrease) in accounts payable	(4,844)	12,193
Increase/(Decrease) in unearned subscription revenue	(4,319)	17,017
Increase/(Decrease) in accrued expenses and other payables	3,721	(60,909)
Increase/(Decrease) in deferred revenue	(762)	-
Increase/(Decrease) in Pension liability	(2,661)	(1,899)
Net cash provided by (used in) operating activities	<u>(304,543)</u>	<u>101,902</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	<u>(5,096)</u>	<u>(3,404)</u>
Net cash provided by (used in) investing activities	<u>(5,096)</u>	<u>(3,404)</u>
Cash Flows from Financing Activities		
Line of credit draw	<u>151,494</u>	<u>76,000</u>
Net cash provided by (used in) financing activities	<u>151,494</u>	<u>76,000</u>
Net increase/(decrease) in cash and cash equivalents	<u>(158,145)</u>	<u>174,498</u>
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents	(5,014)	(6,274)
Cash and cash equivalents, beginning of year	<u>411,468</u>	<u>243,244</u>
Cash and cash equivalents, end of year	<u>\$ 248,309</u>	<u>\$ 411,468</u>

See accompanying notes and Independent Accountants' Review Report

MENNOMEDIA, INC.

Statements of Functional Expenses

For the Year Ended June 30, 2023

	<u>Program Services</u>					<u>Supporting Services</u>			<u>Total</u>
	<u>Herald Press</u>	<u>Curriculum</u>	<u>Periodicals</u>	<u>Other Program</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries and wages	\$ 54,926	\$ 135,054	\$ -	\$ 195,764	\$ 385,744	\$ 433,459	\$ 31,213	\$ 464,672	\$ 850,416
Payroll taxes	4,067	4,672	-	13,559	22,298	30,142	1,727	31,869	54,167
Employee benefits	7,563	14,004	-	26,873	48,440	62,082	4,771	66,853	115,293
Retirement plan	4,481	11,537	-	14,757	30,775	35,150	4,277	39,427	70,202
Commission expense	34,082	1,554	-	-	35,636	-	-	-	35,636
Editing and Professional	45,864	58,773	31,112	95,468	231,217	6,695	15,302	21,997	253,214
Fundraising	-	-	-	-	-	-	7,471	7,471	7,471
Supplies	19	511	-	2,123	2,653	2,173	324	2,497	5,150
Writing	1,496	17,272	10,029	-	28,797	-	-	-	28,797
Repairs and maintenance	-	-	-	-	-	38,861	-	38,861	38,861
Warehousing and fulfillment	145,634	-	-	-	145,634	-	-	-	145,634
Postage and delivery	706	19,944	1,652	565	22,867	37,658	1,620	39,278	62,145
Travel and Conferences	4,861	35,248	-	4,494	44,603	6,936	2,595	9,531	54,134
Board Expense	-	-	-	-	-	11,427	-	11,427	11,427
Insurance	-	-	-	-	-	7,700	-	7,700	7,700
Dues and subscriptions	22,105	1,722	31	7,637	31,495	24,939	-	24,939	56,434
Advertising	29,410	14,309	-	-	43,719	-	-	-	43,719
Promotion	24,274	83,715	321	4,396	112,706	-	-	-	112,706
Shared projects	-	301,276	-	-	301,276	-	-	-	301,276
Art and photo	750	2,560	600	1,233	5,143	-	-	-	5,143
Rent	-	-	-	-	-	19,889	-	19,889	19,889
Telephone	-	612	-	223	835	23,586	50	23,636	24,471
Depreciation	-	3,418	-	-	3,418	7,029	-	7,029	10,447
Bank charges	-	-	-	-	-	26,280	-	26,280	26,280
Cost of sales	498,747	119,270	39,508	-	657,525	-	-	-	657,525
Miscellaneous	7,443	1,807	(296)	534	9,488	4,354	-	4,354	13,842
	886,428	827,258	82,957	367,626	2,164,269	778,360	69,350	847,710	3,011,979
Less direct expenses related to:									
Cost of sales	(498,747)	(119,270)	(39,508)	-	(657,525)	-	-	-	(657,525)
Total Functional Expenses	\$ 387,681	\$ 707,988	\$ 43,449	\$ 367,626	\$ 1,506,744	\$ 778,360	\$ 69,350	\$ 847,710	\$ 2,354,454

See accompanying notes and Independent Accountants' Review Report

MENNOMEDIA, INC.

Statements of Functional Expenses

For the Year Ended June 30, 2022

	<u>Herald Press</u>	<u>Church Resources</u>	<u>Electronic Media</u>	<u>General & Admin</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 53,208	\$ 212,380	\$ -	\$ 393,855	\$ 32,737	\$ 692,180
Payroll taxes	3,841	19,620	-	19,278	1,403	44,142
Employee benefits	7,436	22,332	-	35,665	-	65,433
Retirement plan	4,240	13,712	-	32,872	5,274	56,098
Supplies	4	5,946	-	8,157	13,073	27,180
Repairs and maintenance	-	-	-	38,287	-	38,287
Warehousing and fulfillment	162,456	-	-	-	-	162,456
Postage and delivery	2,821	59,531	-	458	3,651	66,461
Travel and Conferences	1,787	7,873	-	9,455	6,552	25,667
Insurance	-	-	-	37,463	4,842	42,305
Dues and subscriptions	-	21,880	-	29,165	54	51,099
Professional Fees	58,351	104,168	-	118,313	965	281,797
Advertising and promotion	84,292	28,781	-	3	-	113,076
Royalty fees	132,970	128,208	-	-	-	261,178
Shared projects	-	316,003	-	-	-	316,003
Manuscripts	1,907	28,595	-	-	-	30,502
Art and photo	1,550	8,356	-	-	-	9,906
Rent	-	-	-	19,875	-	19,875
Telephone	-	357	-	24,122	350	24,829
Depreciation	-	3,504	-	7,205	-	10,709
Comp costs	14,392	108	828	168	-	15,496
Bank charges	-	-	-	32,383	-	32,383
Cost of sales	490,515	140,387	-	-	-	630,902
Miscellaneous	1,831	2,243	-	7,511	293	11,878
	<u>\$ 1,021,601</u>	<u>\$ 1,123,984</u>	<u>\$ 828</u>	<u>\$ 814,235</u>	<u>\$ 69,194</u>	<u>\$ 3,029,842</u>
Less direct expenses related to:						
Cost of sales	<u>(490,515)</u>	<u>(140,387)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(630,902)</u>
Total Functional Expenses	<u>\$ 531,086</u>	<u>\$ 983,597</u>	<u>\$ 828</u>	<u>\$ 814,235</u>	<u>\$ 69,194</u>	<u>\$ 2,398,940</u>

See accompanying notes and Independent Accountants' Review Report

MENNOMEDIA, INC.

Notes to Financial Statements

June 30, 2023 and 2022

NOTE 1. Summary of Significant Accounting Policies

Organization: MennoMedia, Inc. 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 main programs: Herald Press, which publishes books for the Mennonite Church and for religious and general booksellers, Curriculum, which publishes congregational resources, and Periodicals, which publishes periodicals.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimated 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 revenue 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.

Investments: Investments comprise certificates of deposit with interest rates ranging from 3.2% to 4.55% and maturities from 3 months to twelve months.

Concentration of Credit Risk: Certain cash deposits exceeded the Federal Depository Insurance Corporation (FDIC) limits. The Organization has not experienced any losses from these accounts and believes they are not exposed to any significant credit risk on cash and cash equivalents. At times, balances may exceed these limits.

Accounts Receivable: Accounts receivable is 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 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. Receivables are considered past due after 90 days.

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

MENNOMEDIA, INC.

Notes to Financial Statements

June 30, 2023 and 2022

NOTE 1. Summary of Significant Accounting Policies (Continued)

Prepaid Expenses: Prepaid expenses consists of insurance, royalties and other items paid in advance.

Inventory Valuation: Inventories are carried at the lower of cost (first-in, first -out method) or net realizable value. 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 if 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 statements 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 a least reasonably possible that the estimates used will change within the near term.

Property and Equipment: Property and equipment is stated at cost, or fair value if contributed, net of 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.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated assets to a specific purpose. Assets donated with donor restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions at the 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.

MENNOMEDIA, INC.

Note to Financial Statements

June 30, 2023 and 2022

NOTE 1. Summary of Significant Accounting Policies (Continued)

Mutual Aid Sharing plan: The Organization is a member of a mutual aid sharing plan in which medical expenses are shared among the participation agencies once the agency retention has been reached (\$12,500 per covered person). The plan requires each agency to pay into a pool of reserve funds owned by the members. The reserve pool covers the next \$250,000 of any individual's claims that exceed the Organization's retention limit with stop loss protection for claims more than \$250,000. The total reserve fund owned by the Organization as of June 30, 2023 and 2022 was \$78,026 and \$66,774, respectively. Costs related to claims are expensed as incurred.

Net Assets: The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Under these provisions, net assets and revenues, expensed, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein consist of the following:

Net Assets with Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. Net assets that have been designated by the board for specific purposes are included as net assets without donor restrictions.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization.

Foreign Currency: Currency other than U.S. dollars is translated at the rate of exchange in effect on the statement of financial position 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 the changes in net assets for the period.

Revenue Recognition: The Organization recognizes revenues from contracts with customers in accordance with Financial Accounting Standards board (FASB) Accounting Standards Codification, Accounting Standards Update (ASU) Revenue from Contracts with Customers. This applies only to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

MENNOMEDIA, INC.

Notes to Financial Statements

June 30, 2023 and 2022

NOTE 1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (continued)

Revenue is recognized when earned revenues are reported as increases in Net Assets Without Donor Restrictions, unless the related assets are limited by donor-imposed restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in Net Assets Without Donor Restrictions unless their use is restricted by explicit donor stipulation or by law.

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 promised 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 conditions substantially met. There were no unconditional or conditional promises to give at June 30, 2023 and 2022.

Royalty and Rights Income: The Organization recognizes revenue from royalties and rights on the sale of books/other publications where these rights are held. The only performance obligation is the sale, thus, rights and royalty income are recognized upon the sale of the book/other publication. Royalty and rights revenue is included in gross sales.

Profit Sharing Income: The Organization's share of income from shared projects (see Note 11) is recorded as profit sharing income.

Product Sales: The Organization sells books, curriculum and periodicals through distributors and an online store. The transaction prices for the various products are set by the Organization, and each item is individually priced, so no allocation of the transaction prices is required. With product sales, the performance obligation is delivery of the product. Revenues from product sales are recognized at a point in time when the sale takes place. This occurs when the product is shipped to the customer, or the customer can access the media electronically. All product shipments are sent, and electronic access is given to customers prior to June 30, therefore no unearned revenue was recorded. Customers have the right to return physical books and curriculum purchased. Product returns and refunds are both infrequent and immaterial, therefore, no liability was considered necessary at June 30, 2023 and 2022. Revenue recognized from product sales totaled \$1,727,193 and \$2,206,994 for the year ended June 30, 2023 and 2022, respectively.

MENNOMEDIA, INC.

Notes to Financial Statements

June 30, 2023 and 2022

NOTE 1. Summary of Significant Accounting Policies (Continued)

Subscription Sales: The Organization sells subscriptions of publications to subscribers. The transaction prices for the various subscriptions are set by the Organization, and each subscription is individually priced. With subscriptions sales, the performance obligation is delivery of the publication over a period. Revenues from subscription sales are recognized over a period until the subscription period ends. Revenue from subscription sales is included in gross sales. Unearned subscription revenue was \$76,928 and \$81,247 at June 30, 2023 and 2022, respectively. Revenue recognized from subscription sales totaled \$102,897 and \$85,250 for the years ended June 30, 2023 and 2022, respectively.

Functional Allocation of Expenses: The costs of providing the various activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the functions benefited. Functional expenses have been allocated between program services and supporting services based on an analysis of personnel time, program supplies and space utilized for the related activities.

Retirement Plans: The Organization has two defined contributions plans covering substantially all hourly and salaried employees who meet certain eligibility requirements. The Organizations 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, 2023. Contributions for the years ended June 30, 2023 and 2022 totaled \$70,202 and \$56,098, 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 and Promotion: All advertising and promotion costs are expensed when incurred. Advertising and promotion expenses totaled \$156,425 and \$113,076 for the years ended June 30, 2023 and 2022, respectively.

Shipping and Handling Costs: The Organization records all costs incurred for shipping and handling in postage and delivery expense. These costs, net of income charged to customers of \$87,583 and \$85,367, totaled \$58,566 and \$66,461 for the years ended June 30, 2023 and 2022, respectively.

MENNOMEDIA, INC.

Notes to Financial Statements

June 30, 2023 and 2022

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 501c (3) of the internal Revenue Code and is exempt from Canadian income taxes. The Organization's federal tax returns are subject to audit by taxing authorities. The Organization's returns open audit periods are for the years ending June 30, 2020-2022.

Presentation of Sales Tax: The various states in which the Organization operates impose sales tax on all 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.

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, 2023 and 2022.

Compensated Absences: The Organization allows employees to carry over certain paid time off. Upon separation, the accumulated paid time off will be paid for any time not taken.

Deferred or Unearned Revenue: Revenue that is received in advance of earning is recorded as deferred or unearned revenue. The primary category of unearned revenue is subscription revenue.

Subsequent Events: Events that occurred subsequent to June 30, 2023 have been evaluated by the Organization's management through the date of the independent accountants' review report, which is the date the financial statements were available to be issued.

Reclassifications: Certain reclassifications to the prior year amounts have been made to conform to the current year's presentation.

MENNOMEDIA, INC.

Notes to Financial Statements

June 30, 2023 and 2022

NOTE 2. New Accounting Standards

ASU No. 2016-02, “Leases (Topic 842): This standard, which requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than twelve months. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. This accounting standard is effective for fiscal years beginning after December 15, 2021. Early application is permitted. The adoption of the new standard had no effect on the financial statements, as the Organization currently has no long-term lease commitments.

NOTE 3. Liquidity and Availability

As of June 30, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, and schedule principal payments on debt, were as follows:

Financial assets:	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 248,309	\$ 411,468
Account receivables	<u>314,658</u>	<u>304,957</u>
Total financial assets	<u>562,967</u>	<u>716,425</u>
Less those unavailable for general expenditures within one year		
Donor restriction	<u>(346,354)</u>	<u>(514,335)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 216,613</u>	<u>\$ 202,090</u>

The Organization sets a goal of having financial assets on hand to meet 30 days of normal operating expenses, which are, on average, around \$250,000. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due.

MENNOMEDIA, INC.

Notes to Financial Statements

June 30, 2023 and 2022

NOTE 4. Inventories

As of June 30, 2023 and 2022 inventories consist of the following:

	<u>2023</u>	<u>2022</u>
Finished goods	\$ 617,779	\$ 583,056
Reserve for inventory obsolescence	<u>(102,162)</u>	<u>(77,931)</u>
Total inventories	<u>515,617</u>	<u>505,125</u>
Less finished goods inventory in excess of amounts expected to be sold currently	<u>42,907</u>	<u>252,563</u>
Total Current Inventories	<u>\$ 472,710</u>	<u>\$ 252,562</u>

NOTE 5. Property and Equipment

As of June 30, 2023 and 2022 property and equipment consist of the following:

	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 152,884	\$ 156,631
Less accumulated depreciation	<u>(136,743)</u>	<u>(135,139)</u>
Total Property and Equipment, Net	<u>\$ 16,141</u>	<u>\$ 21,492</u>

Depreciation expense totaled \$10,447 and \$10,709 for the year ended June 30, 2023 and 2022, respectively.

NOTE 6. Line of Credit

The Organization has a \$300,000 revolving line of credit with Everence Federal Credit Union. Interest is payable monthly at the Wall Street Journal Prime rate plus 1.00%, with a floor of 5.50%. This note is secured by substantially all assets of the Organization. The amount drawn down and outstanding at June 30, 2023 and 2022 totaled \$227,494 and \$76,000 respectively.

MENNOMEDIA, INC.

Notes to Financial Statements

June 30, 2023 and 2022

NOTE 7. 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 gain (loss) of \$(6,274) and \$8,389 for the years ended June 30, 2022 and 2021, respectively.

Included in the financial statements are translated Canadian assets and liabilities as of as follows:

	<u>2023</u>	<u>2022</u>
Exchange rate at June 30	0.7543	0.7734
Translated Canadian assets	\$ 142,543	\$ 165,787
Translated Canadian liabilities	<u>(35,024)</u>	<u>(37,565)</u>
Total	<u>\$ 107,519</u>	<u>\$ 128,222</u>

NOTE 8. 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:

	<u>2023</u>	<u>2022</u>
Beginning pension liability	\$ 38,182	\$ 40,081
Payments to retirees	(5,525)	(5,148)
Pension expense (recovery)	<u>2,864</u>	<u>3,249</u>
Ending Pension Liability	35,521	38,182
Less current portion	<u>5,000</u>	<u>5,000</u>
Total Long-Term Pension Liability	<u>\$ 30,521</u>	<u>\$ 33,182</u>

MENNOMEDIA, INC.

Notes to Financial Statements

June 30, 2023 and 2022

NOTE 8. Pension Plan (Continued)

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, 2023 and 2022 were 8.20% and 5.39%, respectively.

NOTE 9. 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 \$4,968 and \$5,035 for the years ended June 30, 2023 and 2022, respectively.

The Organization makes payments to other entities related to the Mennonite Church that support activities that agree with the mission of the Organization. Payments to these related entities totaled \$22,531 and \$25,864 for the years ended June 30, 2023 and 2022, respectively; of which \$1,207 and \$586 were payable at year end, respectively. The Organization receives expense reimbursements and other miscellaneous income from these related entities, totaling \$3,933 and \$788 for the years ended June 30, 2023 and 2022, respectively; of which \$0 and \$0 were receivable at year end, respectively.

NOTE 10. Shared Projects

The Organization is involved in a collaborative arrangement with another nonprofit publisher in the development, publication, and sale of curriculum. Customers within the Mennonite Church USA and the Mennonite Church Canada, as well as incidental sales relating to these denominations are recorded in Curriculum 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 Curriculum sales, net of related cost of sales.

MENNOMEDIA, INC.

Notes to Financial Statements

June 30, 2023 and 2022

NOTE 10. Shared Projects (Continued)

The Shine curriculum began in the fall of 2014. Shine sales to parties related to the Mennonite Church USA and Canada totaled \$249,351 and \$160,859 for the year ended June 30, 2023 and 2022, respectively. Cost of these sales totaled \$301,276 and \$316,003 for the years ended June 30, 2023 and 2022, respectively. Resource sales totaled \$28,169 and \$22,305 for the years ended June 30, 2023 and 2022, respectively. The Organization owed \$59,630 and \$44,506 to this project for costs related to Shine at June 30, 2023 and 2022, respectively. The project owed \$20,487 and \$24,579 to the Organization at June 30, 2023 and 2022, respectively.

The Organization has included in inventory at June 30, 2023 and 2022, its portion of inventory related to Shine that is jointly owned with the other publisher. The Organization's portion of jointly owned inventory was \$50,050 and \$14,732 at June 30, 2023 and 2022, respectively.

NOTE 11. Operating Leases

The Organization has a lease agreement for office space requiring monthly lease payments ranging from \$1,024 to \$1,075 through June 2024. The Organization has a separate month to month lease for \$414 per month. Total rent expense under these two leases for the year ended June 30, 2023 and 2022 was \$17,304 and \$16,735, respectively. Minimum future lease payments of \$12,899 are due during the year ended June 30, 2024 on the office space agreement.

The Organization leases office equipment under the terms of a lease agreement requiring quarterly payments of \$450 plus taxes and fees through June 2024. Total rent expense under this lease for the years ended June 30, 2023 and 2022 was \$2,585 and \$1,800, respectively. Minimum future lease payments of \$1,800 are due during the year ended June 30, 2024 on this agreement.

The Organization subleased a portion of the building for the duration of their time as lessees of the property. Total rental income received under sublease agreements was \$1,250 and \$300 for the years ended June 30, 2023 and 2022, respectively.

MENNOMEDIA, INC.

Notes to Financial Statements

June 30, 2023 and 2022

NOTE 12. 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, 2023 and 2022, 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, 2023 and 2022 due to management’s expectation that the net operating loss carryforwards may not be utilized.

NOTE 13. Net Assets

Net assets with donor restrictions are subject to the following purpose restrictions:

	<u>2023</u>	<u>2022</u>
Subject to purpose restrictions:		
Publishing	<u>\$ 346,354</u>	<u>\$ 514,335</u>
Total Net Assets with Donor Restrictions	<u>\$ 346,354</u>	<u>\$ 514,335</u>

MENNOMEDIA, INC.

Notes to Financial Statements

June 30, 2023 and 2022

NOTE 13. Net Assets (Continued)

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

	<u>2023</u>	<u>2022</u>
Subject to purpose restrictions:		
Publishing	<u>\$ 413,674</u>	<u>\$ 213,634</u>
Total	<u>\$ 413,674</u>	<u>\$ 213,634</u>

SUPPLEMENTARY INFORMATION

MENNOMEDIA, INC.

Statements of Financial Position Detail

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Prepaid Expenses		
Insurance	\$ 3,268	\$ 3,212
Advanced royalties	64,415	71,019
Other	<u>5,274</u>	<u>4,752</u>
Total Prepaid Expenses	<u>\$ 72,957</u>	<u>\$ 78,983</u>
Accrued Expenses and Other Payables		
Salaries and wages	\$ 38,491	\$ 29,303
Vacation wages	23,088	25,540
Royalties	27,992	32,005
Other accrued expenses	<u>10,571</u>	<u>9,573</u>
Total Accrued Expenses and Other Payables	<u>\$ 100,142</u>	<u>\$ 96,421</u>