

MEET EACH NEED WITH DIGNITY
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2007

MEET EACH NEED WITH DIGNITY

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Jeffrey Hill, CPA
Raymond Morgan, CPA

To the Board of Directors of
Meet Each Need With Dignity
Pacoima, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated statements of financial position of **Meet Each Need With Dignity** (a California not-for-profit corporation) as of June 30, 2007, and the related consolidated statements of activities, functional expenditures and cash flows for the year then ended. These consolidated financial statements are the responsibility of **Meet Each Need With Dignity's** management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Meet Each Need With Dignity** as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Hill, Morgan and Associates, LLP
Hill, Morgan and Associates, LLP
Carson, California
September 27, 2007

MEET EACH NEED WITH DIGNITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
UNRESTRICTED NET ASSETS
 At June 30, 2007

	MEND	Treasure Trunk	Consolidated Total
ASSETS:			
Cash and cash equivalents	\$ 73,496	\$ 3,303	\$ 76,799
Pledge receivable (Note 3)	17,500		17,500
Prepaid expense	170		170
Inventory (Note 4)	639,377		639,377
Property and equipment-net (Note 5)	10,859,382	42,104	10,901,486
Security deposit		45,290	45,290
Total Assets	\$ 11,589,925	\$ 90,697	\$ 11,680,622

LIABILITIES AND NET ASSETS:

Liabilities			
Accounts payable and accrued liabilities	\$ 92,111	\$ 8,845	\$ 100,956
Accrued vacation	40,730		40,730
Unearned income	9,000		9,000
Loans payable (Note 7)		339,731	339,731
Total Liabilities	141,841	348,576	490,417
Net Assets			
Unrestricted-(deficit)	11,448,084	(257,879)	11,190,205
Total net assets	11,448,084	(257,879)	11,190,205
Total Liabilities and Net Assets	\$ 11,589,925	\$ 90,697	\$ 11,680,622

The accompanying notes are an integral part of these financial statements.

MEET EACH NEED WITH DIGNITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
TEMPORARILY RESTRICTED NET ASSETS
 At June 30, 2007

	MEND Capital Campaign	Treasure Trunk	Consolidated Total
ASSETS:			
Cash and cash equivalents-Capital Campaign	\$ 235,190	\$	\$ 235,190
Pledges receivable-Capital Campaign (Note 3)	546,600		546,600
CRA grant receivable	500,000		500,000
Total Assets	\$ 1,281,790	\$ -	\$ 1,281,790
LIABILITIES AND NET ASSETS:			
Liabilities			
Accounts payable-construction	\$ 689,780	\$	\$ 689,780
Note payable-Capital Campaign (Note 6)	1,240,442		1,240,442
Total Liabilities	1,930,222	-	1,930,222
Net Assets			
Restricted for Capital Campaign-(deficit)	(648,432)		(648,432)
Total net assets	(648,432)	-	(648,432)
Total Liabilities and Net Assets	\$ 1,281,790	\$ -	\$ 1,281,790

The accompanying notes are an integral part of these financial statements.

MEET EACH NEED WITH DIGNITY
CONSOLIDATED STATEMENT OF ACTIVITIES
UNRESTRICTED NET ASSETS
For the year ended June 30, 2007

	MEND	Treasure Trunk	Consolidated Total
CHANGES IN UNRESTRICTED NET ASSETS:			
Support and Revenues			
In-kind contributions	\$ 5,825,805	\$	\$ 5,825,805
Contributions - foundations	479,900		479,900
Contributions - individuals	230,448		230,448
Contributions - businesses	177,364		177,364
Fundraising	152,477		152,477
Program income	87,164		87,164
Operating revenues		97,208	97,208
Total Support and Revenues	6,953,158	97,208	7,050,366
Expenditures			
Program services	6,661,431		6,661,431
General and administrative	142,675		142,675
Fundraising-operations	115,837		115,837
Fundraising-Capital Campaign	40,521		40,521
Operating expenses		326,763	326,763
Total Expenditures	6,960,464	326,763	7,287,227
Decrease in net assets from operations	(7,306)	(229,555)	(236,861)
Net assets released from restrictions	4,600,526		4,600,526
Increase (decrease) in net assets before operating transfers	4,593,220	(229,555)	4,363,665
Operating transfers in (out)	(53,900)	53,900	-
Increase (decrease) in net assets	4,539,320	(175,655)	4,363,665
Net assets, beginning of the year	6,946,498	(82,224)	6,864,274
Prior period adjustment-accrued vacation at 6/30/06	(37,734)		(37,734)
Net assets, beginning of the year-restated	6,908,764	(82,224)	6,826,540
Net assets, end of the year	\$ 11,448,084	\$ (257,879)	\$ 11,190,205

The accompanying notes are an integral part of these financial statements.

MEET EACH NEED WITH DIGNITY
CONSOLIDATED STATEMENT OF ACTIVITIES
TEMPORARILY RESTRICTED NET ASSETS
For the year ended June 30, 2007

	MEND	Treasure	Consolidated
	Capital	Trunk	Total
	Campaign		
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:			
Support and Revenues			
In-kind contributions	\$ 324,099	\$	\$ 324,099
Contributions - foundations	1,172,062		1,172,062
Contributions - individuals	103,807		103,807
Contributions - businesses	132,700		132,700
CRA grant	500,000		500,000
Fundraising	583,568		583,568
Total Support and Revenues	2,816,236	-	2,816,236
Net assets released from restrictions	<u>(4,600,526)</u>	<u>-</u>	<u>(4,600,526)</u>
Decrease in net assets	(1,784,290)	-	(1,784,290)
Net Assets, beginning of the year	<u>1,135,858</u>		<u>1,135,858</u>
Net Assets, end of the year	\$ <u>(648,432)</u>	\$ <u>-</u>	\$ <u>(648,432)</u>

The accompanying notes are an integral part of these financial statements.

MEET EACH NEED WITH DIGNITY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENDITURES

For the year ended June 30, 2007

	<u>Food Distribution</u>	<u>Clothing and Sewing</u>	<u>Learning Center</u>	<u>Medical, Dental, and Vision</u>	<u>Other programs</u>	<u>Total programs</u>
EXPENDITURES:						
Salaries	\$ 114,186	\$ 32,425	\$ 59,312	\$ 59,235	\$ 95,040	\$ 360,198
Employee benefits	13,544	5,351	6,126	2,576	8,534	36,131
Payroll taxes	8,883	2,929	4,900	5,105	9,182	30,999
Total salaries and benefits	136,613	40,705	70,338	66,916	112,756	427,328
Donated goods and services (Note 8)						
Marketing and advertising	4,905,762	500,586		419,457		5,825,805
Depreciation	19,070	10,131	8,939	11,323	8,344	57,807
Medicine and laboratory expenses				87,428		87,428
Repairs and maintenance	4,415	2,345	2,069	2,621	1,931	13,381
Utilities and trash	22,689	12,052	10,635	13,471	10,620	69,467
Insurance	14,338	7,617	6,721	18,016	6,272	52,964
Supplies	2,761	270	1,303	15,133	18,925	38,392
Equipment						-
Rent						-
Fundraising expenses						-
General program expenses	425	213	3,001	4,536	5,997	14,172
Postage and freight	5,075	2,696	2,379	3,013	2,220	15,383
Professional fees	1,920	1,020	900	1,140	840	5,820
Bookkeeping						-
Food	5,648					5,648
Clothing	7,663	11,693				11,693
Auto expenses		1,232				8,895
Education and training			98			98
Telephone	4,202	2,232	1,970	2,495	1,838	12,737
Printing	1,417	432				1,849
Volunteer development				125	4,265	4,390
Special events						-
Office expenses	1,262	670	592	749	552	3,825
Computer expenses			4,349			4,349
Miscellaneous expenses						-
Property tax						-
Capital campaign expenses						-
Fire damage						-
Interest						-
Total Expenditures	\$ 5,133,260	\$ 593,894	\$ 113,294	\$ 646,423	\$ 174,560	\$ 6,661,431
Percentage of total cost for 2007	74%	9%	2%	9%	3%	96%
Total 2006 Functional Expenditures	\$ 5,045,388	\$ 530,545	\$ 97,581	\$ 881,774	\$ 147,185	\$ 6,702,473
Percentage of total cost for 2006	73%	8%	1%	13%	2%	97%

The accompanying notes are an integral part of these financial statements.

MEET EACH NEED WITH DIGNITY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENDITURES
For the year ended June 30, 2007
(continued)

	General and administrative	Fundraising Capital Campaign	Fundraising operations	MEND Total 2007	MEND Total 2006	Treasure Trunk operations	Consolidated Total 2007	Consolidated Total 2006
EXPENDITURES:								
Salaries	\$ 87,195	\$ 35,023	\$ 35,023	\$ 517,439	\$ 468,052	\$ 50,890	\$ 568,329	\$ 481,566
Employee benefits	7,466	2,101	2,101	47,799	27,410		47,799	27,410
Payroll taxes	6,197	3,397	3,397	43,990	41,660	4,909	48,899	41,660
Total salaries and benefits	100,858	40,521	40,521	609,228	537,122	55,799	665,027	550,636
Donated goods and services (Note 8)								
Marketing and advertising				5,825,805	5,987,538		5,825,805	5,987,538
Depreciation	1,789			59,596	60,999	32,749	32,749	5,353
Medicine and laboratory expenses				87,428	59,167	42,105	101,701	60,999
Repairs and maintenance	415			13,796	38,871	507	87,428	59,167
Utilities and trash	1,432			70,899	31,551	9,943	14,303	38,871
Insurance	1,344			54,308	54,626	2,592	80,842	32,536
Supplies	9,751			48,143	26,910	4,794	56,900	59,347
Equipment				-	-	247	52,937	32,317
Rent			11,024	-	-	142,106	142,106	7,163
Fundraising expenses				11,024	12,971		11,024	47,363
General program expenses				14,172	12,000		14,172	12,971
Postage and freight	476			15,859	11,681		15,859	12,000
Professional fees	180			6,000	21,493	2,408	8,408	11,681
Bookkeeping	19,156			19,156	12,355		19,156	21,493
Food				5,648	10,115		5,648	12,355
Clothing				11,693	6,168		11,693	10,115
Auto expenses	1,462			8,895	8,264		8,895	6,168
Education and training	394			1,560	3,295		1,560	8,264
Telephone	2,489			13,131	5,376		17,303	3,295
Printing			4,696	9,034	5,333		9,034	6,859
Volunteer development				4,390	2,343	4,172	4,390	5,333
Special events			59,596	59,596	13,823		59,596	2,343
Office expenses	119			3,944	1,938		3,944	1,938
Computer expenses				4,349	4,489		4,349	4,489
Miscellaneous expenses	1,339			1,339	531		8,040	3,976
Property tax	1,471			1,471	1,459	6,701	1,471	1,459
Capital campaign expenses				-	2,350		-	2,350
Fire damage				-	698		-	698
Interest				-	-	22,640	22,640	-
Total Expenditures	\$ 142,675	\$ 40,521	\$ 115,837	\$ 6,960,464	\$ 6,933,466	\$ 326,763	\$ 7,287,227	\$ 7,028,215
Percentage of total cost for 2007	2%	1%	2%	2%				
Total 2006 Functional Expenditures	\$ 123,994	\$ 38,005	\$ 68,994	\$ 6,933,466	\$ 6,933,466	\$ -	\$ -	\$ 6,933,466
Percentage of total cost for 2006	2%	1%	1%					

The accompanying notes are an integral part of these financial statements.

MEET EACH NEED WITH DIGNITY
CONSOLIDATED STATEMENT OF CASH FLOWS
UNRESTRICTED NET ASSETS
For the year ended June 30, 2007

	MEND	Treasure Trunk	Consolidated Total
Cash flows from operating activities:			
Increase (decrease) in net assets	\$ 4,539,320	\$ (175,655)	\$ 4,363,665
Adjustment to reconcile increase (decrease) in net assets to net cash provided (used) by operations:			
Depreciation	59,596	42,105	101,701
Inventory	(195,810)		(195,810)
Changes in operating assets and liabilities:			
(Increase) decrease in assets:			
Pledges receivable	2,500		2,500
Prepaid expenses	(170)		(170)
Increase (decrease) in liabilities:			
Accounts payable-construction	(222,374)		(222,374)
Accrued vacation	2,996		2,996
Accounts payable and accrued liabilities	56,586	7,998	64,584
Unearned income	9,000		9,000
Net cash provided by (used in) operating activities	4,251,644	(125,552)	4,126,092
Cash flows from investing activities:			
Cash paid for purchase of property and equipment	(4,260,449)		(4,260,449)
Net cash used in investing activities	(4,260,449)	-	(4,260,449)
Cash flows from financing activities:			
Principal payments on loans		(18,088)	(18,088)
Proceeds from loans		141,414	141,414
Net cash provided by financing activities	-	123,326	123,326
Net decrease in cash and cash equivalents	(8,805)	(2,226)	(11,031)
Cash and cash equivalent - beginning of the year	82,301	5,529	87,830
Cash and cash equivalent - end of the year	\$ 73,496	\$ 3,303	\$ 76,799
SUPPLEMENTAL INFORMATION:			
Cash paid for interest	\$ -	\$ 22,640	\$ 22,640

The accompanying notes are an integral part of these financial statements.

MEET EACH NEED WITH DIGNITY
CONSOLIDATED STATEMENT OF CASH FLOWS
TEMPORARILY RESTRICTED NET ASSETS
For the year ended June 30, 2007

	<u>MEND Capital Campaign</u>	<u>Treasure Trunk</u>	<u>Consolidated Total</u>
Cash flows from operating activities:			
Decrease in net assets	\$ (1,784,290)	\$ -	\$ (1,784,290)
Adjustment to reconcile increase (decrease) in net assets to net cash provided (used) by operations:			-
Changes in operating assets and liabilities:			
(Increase) decrease in assets:			
Pledges receivable - Program services	40,000		40,000
Pledges receivable - Capital Campaign	753,400		753,400
CRA grant receivable	(500,000)		(500,000)
Increase (decrease) in liabilities:			
Accounts payable-construction	689,780		689,780
Net cash used in operating activities	<u>(801,110)</u>	<u>-</u>	<u>(801,110)</u>
Cash flows from financing activities:			
Principal payments on loans	(254,348)		(254,348)
Proceeds from loans	1,249,999		1,249,999
Net cash provided by financing activities	<u>995,651</u>	<u>-</u>	<u>995,651</u>
Net increase in cash and cash equivalents	194,541	-	194,541
Cash and cash equivalent - beginning of the year	<u>40,649</u>		<u>40,649</u>
Cash and cash equivalent - end of the year	<u>\$ 235,190</u>	<u>\$ -</u>	<u>\$ 235,190</u>
SUPPLEMENTAL INFORMATION:			
Cash paid for interest	<u>\$ 84,305</u>	<u>\$ -</u>	<u>\$ 84,305</u>

The accompanying notes are an integral part of these financial statements.

MEET EACH NEED WITH DIGNITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND OPERATIONS

Meet Each Need with Dignity (MEND) is a California not-for-profit corporation. MEND is the largest and most comprehensive poverty-fighting agency in the San Fernando Valley. MEND receives financial donations from individuals, foundations and businesses, as well as in-kind contributions to provide services that meet the basic human needs of individuals who reside in the Northeast San Fernando Valley. MEND programs include an Emergency Food Bank, Medical and Dental Clinic, Home Visitors Program, Employment Support Services, Education and Training Center, Clothing Center and a Christmas Basket Program. In June, 2006, MEND opened a resale store called the Treasure Trunk, the profits from which are intended to benefit MEND. Also, in fiscal year 2005-06, construction began on a second MEND facility which will triple MEND's total space and allow for program expansion. The new center was occupied in June 2007.

Emergency Food Bank

The Emergency Food Bank prepares food baskets several times a week using donated food collected from various organizations. MEND operates food distribution sites in the Northeast San Fernando Valley and distributes excess food to smaller pantries and non-profit organizations each month.

Medical Clinic and Dental Clinic

The Medical Clinic and Dental Clinic are staffed by volunteer health professionals and provide free health and dental care. Specialty clinics include vision, diabetes education and treatment, hypertension education and treatment, women's clinic, healthy aging, chiropractic treatment, and acupuncture.

Home Visitors Program

The Home Visitors Program volunteers meet with families and refer them to appropriate MEND programs and community agencies.

Employment Support Services

Employment Support Services provides training and assistance with job referrals and employment issues.

Education and Training Center

The Education and Training Center offers instruction in English as a Second Language, a computer lab, job training, a women's support group and Family Club in addition to other activities.

Clothing Center

The Clothing Center distributes usable clothing and small household items to families year round. The sewing groups make new clothes for small children.

These notes are an integral part of the preceding financial statements.

MEET EACH NEED WITH DIGNITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND OPERATIONS-(continued)

Christmas Basket Program

The Christmas Basket Program brings volunteers together to prepare baskets of donated food, blankets, and toys for up to 1,000 needy families.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidations

MEND consolidates all subsidiaries in which they have a direct or indirect controlling interest. The accompanying financial statements include the financial position and results of operation for the Treasure Trunk, a for-profit entity that is wholly owned by MEND.

Treasure Trunk

Treasure Trunk L.L.C. is a for-profit retail thrift shop and a wholly owned subsidiary of MEND. The operating purpose of the Treasure Trunk is to accept donations of clothes, toys, electronics, books, videos and other merchandise for resale to the public. All sales proceeds are used for the benefit of the program services provided by MEND.

Basis of Presentation

The financial statements of MEND have been prepared on the accrual basis of accounting in accordance with the AICPA's Audit and Accounting Guide, "Not-For-Profit Organizations."

Net Assets

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of MEND are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted net assets are not subject to donor-imposed stipulations and may be used for any purpose in performing the primary objectives of MEND. Donor imposed restricted contributions that are received and expended in the same period are considered unrestricted in the accompanying consolidated financial statements.

Temporarily restricted net assets include contributions that have donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions. MEND's temporarily restricted net assets at June 30, 2007 has a deficit balance of \$648,432, which reflects the funds needed for the repayment of the outstanding loan used for the construction of the new facility at 10641 San Fernando Road.

These notes are an integral part of the preceding financial statements.

MEET EACH NEED WITH DIGNITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(continued)

In-Kind Contributions

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, provided by individuals possessing those skills, that would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. Contributions of donated materials and services of \$6,149,904 were recorded for the year ended June 30, 2007.

A number of unpaid volunteers have made significant contributions of their time to MEND. MEND receives donated services from volunteers who serve as drivers, cooks, clothing and food distribution helpers, English as a Second Language and computer lab teachers, and administrative and various other program assistants. However, the value of these services is not reflected in these financial statements because the criteria for recognition have not been satisfied.

Cash and Cash Equivalents

MEND considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents.

Pledges Receivable

Unconditional promises to give cash and other assets to MEND are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

Inventory

Donated items placed into inventory are stated at fair value.

Property and Equipment

Property and equipment are recorded at cost or at estimated fair value at the date of gift. Donations of fixed assets are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. MEND follows the policy of capitalizing expenditures that materially increase asset lives, and charging ordinary maintenance and repairs to operations as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is included in income. Depreciation is calculated using the straight-line method on all assets.

These notes are an integral part of the preceding financial statements.

MEET EACH NEED WITH DIGNITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(continued)

Function Allocation of Expenditures

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Indirect or shared costs are allocated among program and support services by the method that best measures the relative degree of benefit. MEND uses square footage and time studies to allocate indirect costs.

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 estimates and assumptions that could affect the reported amounts of assets 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.

Income Tax

MEND is a California not-for-profit corporation that is exempt from Federal and state income taxes under the provisions of Section 501(c) (3) of the Internal Revenue Code and Section 23701 (d) of the California Revenue and Taxation Code.

MEND is the sole shareholder of the Treasure Trunk, L.L.C. which is a California limited liability company. Federal and state income tax laws require the Treasure Trunk's operating income or loss to be passed through to MEND.

NOTE 3: PLEDGES RECEIVABLE

As of June 30, 2007, MEND had the following pledges outstanding:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Unrestricted	\$ 17,500	\$	\$ 17,500
Capital Campaign	<u> </u>	<u>546,600</u>	<u>546,600</u>
Total	<u>\$ 17,500</u>	<u>\$ 546,600</u>	<u>\$ 564,100</u>

These notes are an integral part of the preceding financial statements.

MEET EACH NEED WITH DIGNITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: INVENTORY

Inventory at June 30, 2007 consists of the following:

<u>Description</u>	<u>Amount</u>
Food	\$ 445,011
Clothing	14,841
Medical and dental	<u>179,525</u>
Total	<u>\$ 639,377</u>

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2007 consists of the following:

<u>Description</u>	<u>MEND</u>	<u>Treasure Trunk</u>
Program equipment	\$ 163,330	\$
Leasehold improvements		84,209
Vehicles	85,287	
Building	8,549,337	
Building improvement	<u>1,398,959</u>	
Total cost	10,196,913	84,209
Less accumulated depreciation	<u>(778,365)</u>	<u>(42,105)</u>
Sub-total	<u>9,418,548</u>	<u>42,104</u>
Land		
Van Nuys Boulevard property	346,106	
San Fernando property	<u>1,094,728</u>	
Total land	<u>1,440,834</u>	
Net property and equipment	<u>\$ 10,859,382</u>	<u>\$ 42,104</u>

These notes are an integral part of the preceding financial statements.

MEET EACH NEED WITH DIGNITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: NOTE PAYABLE-CAPITAL CAMPAIGN

On September 28, 2004, MEND entered into a loan agreement and a promissory note with Valley Economic Development Corporation, dba the Los Angeles Business Development Corporation (VEDC), using the land and building at 10641 San Fernando Road, Pacoima, California as collateral for the loan. At June 30, 2007, the loan has a balance of \$1,240,442. On July 17, 2007, the loan was converted to a permanent term loan amortized over 25 years. The terms of the loan require interest only payments over the first six months using a variable rate that is based upon the Wall Street Journal Prime Rate. Principal and interest payments will be made using a fixed interest rate based on the current Prime Rate for the duration of the sixty-month term. At the end of the first sixty months the interest rate will be reset to the then five year treasury rate plus 3.25 percent.

Principal maturities are listed as follows:

<u>Year ended June 30,</u>		<u>Amount</u>
2008	\$	8,282
2009		17,558
2010		18,965
2011		20,488
2012		22,134
Thereafter		<u>1,153,015</u>
Total	\$	<u>1,240,442</u>

NOTE 7: LOANS PAYABLE-TREASURE TRUNK

In April 2006, MEND entered into a loan agreement and a promissory note with Mission Valley Bank. The \$200,000 loan is for working capital for Treasure Trunk, LLC, with a fixed annual interest rate of 8.75%. The repayment terms require interest only payments for the first six months. Beginning in December 2006, twenty-nine (29) monthly principal and interest payments of \$4,505.61 are due. One final balloon payment is due on May 20, 2009. The loan balance at June 30, 2007 is \$178,317.

In January 2006, MEND entered into a loan agreement and a promissory note with another corporation for \$20,000. Interest is being charged at a rate of 3% on an annual basis starting on December 31, 2006 until the note is paid in full. All unpaid principal is due on December 31, 2008.

These notes are an integral part of the preceding financial statements.

MEET EACH NEED WITH DIGNITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: LOANS PAYABLE-TREASURE TRUNK-(continued)

MEND entered into a loan agreement and a promissory note with an individual for \$108,000. Interest is being charged at a rate of 5% annually starting in September 2007. The note will be paid over a ten year period of equal installments of \$1,145.51 starting in September 2007. (See Note 10)

MEND entered into a loan agreement and a promissory note with another individual for \$33,414. Interest is being charged at a rate of 5% annually starting in September 2007. The note will be paid over a ten year period of equal installments of \$354.41 starting in September 2007.

Principal maturities are listed as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2008	\$ 51,084
2009	170,170
2010	12,356
2011	12,988
2012	13,652
Thereafter	<u>79,481</u>
Total	\$ <u>339,731</u>

NOTE 8: DONATED MATERIALS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. Contributions of donated materials and services of \$6,149,904 were recorded for the year ended June 30, 2007.

In-kind contributions for the year ended June 30, 2007 consisted of the following:

Food	\$ 4,905,762
Clothing	500,586
Medical, dental and vision materials	139,972
Medical and dental professional services	279,485
Building construction	<u>324,099</u>
Total	\$ <u>6,149,904</u>

These notes are an integral part of the preceding financial statements.

MEET EACH NEED WITH DIGNITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: DONATED MATERIALS AND SERVICES-(continued)

Various other services are performed for MEND by volunteers. Those donated services are not reflected in the accompanying financial statements, as no objective basis is available to measure the value of such services.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Lease Commitment

On January 20, 2006, MEND entered into a lease agreement on behalf of the Treasure Trunk with Devonshire, Ltd for 4,460 square feet of retail space located at 16860 Devonshire Street, Granada Hills. The term of the lease is for sixty-one months, with a minimum monthly rent of \$10,035 from the second to the thirteenth month, \$9,589 from the fourteenth to the twenty-fifth month, thereafter to be increased by a minimum of three percent and a maximum of six percent per year with reference to the Consumer Price Index. The total rent expense for the year ended June 30, 2007 was \$142,106. (See Note 10)

The future minimum obligation under this lease agreement as of June 30, 2007 is as follows:

Year ended June 30,	Amount
2008	\$ 115,068
2009	115,068
2010	115,068
2011	<u>67,123</u>
Total	<u>\$ 412,327</u>

These notes are an integral part of the preceding financial statements.

MEET EACH NEED WITH DIGNITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: SUBSEQUENT EVENTS

Sub-lease agreement

Effective September 24, 2007, MEND entered into a four-year sub-lease agreement for the property that was occupied by the Treasure Trunk located at 16860 Devonshire Street, Granada Hills. The terms of the lease agreement require monthly rent payments that range between \$7,983 to \$10,035. (See Note 9)

Loan payable

Effective September 25, 2007, MEND received documentation from one of its lenders requesting that their loan be converted into a gift. The outstanding balance of \$108,000 will be recognized as a contribution to MEND in the fiscal year ended June 30, 2008. (See Note 7)

Note payable

On September 30, 2007, MEND made a \$400,000 principal payment on the outstanding loan with Valley Economic Development Corporation. (See Note 6)

Discontinued operations

Effective September 30, 2007, the Treasure Trunk discontinued operations.