

MEET EACH NEED WITH DIGNITY
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2008

MEET EACH NEED WITH DIGNITY

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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, 2008, 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, 2008, 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
October 31, 2008

MEET EACH NEED WITH DIGNITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
UNRESTRICTED NET ASSETS

At June 30, 2008

	MEND	Treasure Trunk	Consolidated Total
ASSETS:			
Cash and cash equivalents	\$ 363,271	\$ 1,044	\$ 364,315
Accounts receivable	1,381		1,381
Inventory (Note 4)	559,533		559,533
Property and equipment-net (Note 5)	10,653,125		10,653,125
Security deposit		40,000	40,000
Total assets	\$ 11,577,310	\$ 41,044	\$ 11,618,354
 LIABILITIES AND NET ASSETS:			
Liabilities			
Accounts payable and accrued liabilities	\$ 122,637	\$ 2,126	\$ 124,763
Accrued vacation	47,132		47,132
Lease security deposit	10,415	20,070	30,485
Loans payable (Note 7)		193,124	193,124
Total liabilities	180,184	215,320	395,504
Net assets			
Unrestricted-(deficit)	11,397,126	(174,276)	11,222,850
Total net assets	11,397,126	(174,276)	11,222,850
Total liabilities and net assets	\$ 11,577,310	\$ 41,044	\$ 11,618,354

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, 2008

		MEND Capital Campaign
ASSETS:		
Cash and cash equivalents-Capital Campaign	\$	58,260
Pledges receivable-Capital Campaign (Note 3)		<u>115,000</u>
Total assets	\$	<u><u>173,260</u></u>
LIABILITIES AND NET ASSETS:		
Liabilities		
Note payable-Capital Campaign (Note 6)	\$	<u>816,824</u>
Total liabilities		<u>816,824</u>
Net assets		
Restricted for Capital Campaign-(deficit)		<u>(643,564)</u>
Total net assets		<u>(643,564)</u>
Total liabilities and net assets	\$	<u><u>173,260</u></u>

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, 2008

	MEND	Treasure Trunk	Consolidated Total
CHANGES IN UNRESTRICTED NET ASSETS:			
Support and revenues			
In-kind contributions	\$ 6,168,375	\$	\$ 6,168,375
Contributions - foundations	845,448		845,448
Contributions - individuals	286,218		286,218
Contributions - businesses	300,001		300,001
Fundraising	115,784		115,784
Program income	95,240		95,240
Other income	114,010	26,032	140,042
Operating revenues		28,947	28,947
Total support and revenues	7,925,076	54,979	7,980,055
Expenditures			
Program services	7,618,022		7,618,022
General and administrative	187,690		187,690
Fundraising-operations	115,055		115,055
MEND-Capital Campaign	95,632		95,632
Operating expenses		231,533	231,533
Total expenditures	8,016,399	231,533	8,247,932
Decrease in net assets from operations	(91,323)	(176,554)	(267,877)
Net assets released from restrictions	191,104		191,104
Increase (decrease) in net assets before operating transfers and extraordinary income	99,781	(176,554)	(76,773)
Operating transfers (out) in	(150,739)	150,739	-
Decrease in net assets before extraordinary income	(50,958)	(25,815)	(76,773)
Extraordinary income-Forgiveness of loans payable		109,418	109,418
(Decrease) increase in net assets	(50,958)	83,603	32,645
Net assets, beginning of the year	11,448,084	(257,879)	11,190,205
Net assets, end of the year	\$ 11,397,126	\$ (174,276)	\$ 11,222,850

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, 2008

MEND
Capital
Campaign

**CHANGES IN TEMPORARILY RESTRICTED
NET ASSETS:**

Support and revenues

Contributions - foundations	\$	122,500
Contributions - individuals		73,472
		<hr/>
Total support and revenues		195,972
 Net assets released from restrictions		 (191,104)
		<hr/>
Increase in net assets		4,868
 Net assets, beginning of the year		 (648,432)
		<hr/>
Net assets, end of the year	\$	(643,564)
		<hr/> <hr/>

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, 2008

	Food Distribution	Clothing and Sewing	Learning Center	Medical, Dental, and Vision	Other Program Expense	Total programs
EXPENDITURES:						
Salaries	\$ 118,583	\$ 40,223	\$ 78,719	\$ 72,220	\$ 151,960	\$ 461,705
Employee benefits	8,940	4,559	4,559	4,965	13,321	36,344
Payroll taxes	8,412	3,562	6,723	6,287	12,926	37,910
Total salaries and benefits	135,935	48,344	90,001	83,472	178,207	535,959
Donated goods and services (Note 8)						
Marketing and advertising	4,862,276	631,353		674,746		6,168,375
Depreciation	84,138	44,699	39,439	49,958	36,809	255,043
Medicine and laboratory expenses				73,584		73,584
Repairs and maintenance	65,716	34,906	30,798	39,014	28,744	199,178
Utilities and trash	26,799	14,236	12,563	15,912	12,545	82,055
Insurance	17,812	9,462	8,350	22,381	7,792	65,797
Supplies	1,492	146	704	31,040	10,229	43,611
Equipment	22			65,287		65,309
Rent						-
Fundraising expenses						-
General program expenses	711		2,972	4,350	4,791	12,824
Postage and freight	2,949	1,567	1,382	1,751	1,290	8,939
Professional fees						-
Bookkeeping						-
Food	5,854					5,854
Clothing		9,997				9,997
Auto expenses	17,971	6,677				24,648
Education and training			50	415		465
Internet	9,457	5,023	4,435	5,616	4,136	28,667
Telephone	2,539	1,348	1,190	1,507	1,110	7,694
Printing	2,047				3,814	2,047
Volunteer development						3,814
Special events						-
Office expenses	6,600	4,592	4,055	5,134	3,781	24,162
Computer expenses						-
Miscellaneous expenses						-
Property tax						-
Capital campaign expenses						-
Interest						-
Total expenditures	\$ 5,242,318	\$ 812,350	\$ 195,939	\$ 1,074,167	\$ 293,248	\$ 7,618,022
Percentage of total cost for 2008	65%	10%	2%	13%	4%	95%
Total 2007 functional 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%

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, 2008

	General and administrative	MEND Capital Campaign	Fundraising operations	MEND Total 2008	MEND Total 2007	Treasure Trunk operations	Consolidated Total 2008	Consolidated Total 2007
EXPENDITURES:								
Salaries	\$ 125,541	\$ 4,368	\$ 58,048	\$ 649,662	\$ 517,439	\$ 12,662	\$ 662,324	\$ 568,329
Employee benefits	4,841	222	2,952	44,359	47,799		44,359	47,799
Payroll taxes	9,658	443	5,887	53,898	43,990	1,202	55,100	48,899
Total salaries and benefits	140,040	5,033	66,887	747,919	609,228	13,864	761,783	665,027
Donated goods and services (Note 8)				6,168,375	5,825,805		6,168,375	5,825,805
Marketing and advertising				-	-	1,000	1,000	32,749
Depreciation	7,894			262,937	59,596	42,104	305,041	101,701
Medicine and laboratory expenses				73,584	87,428		73,584	87,428
Repairs and maintenance	6,173			205,351	13,796	360	205,711	14,303
Utilities and trash	1,692			83,747	70,899		83,747	80,842
Insurance	1,670			67,467	54,308	907	68,374	56,900
Supplies	5,270			48,881	48,143		48,881	52,937
Equipment	4,000			69,309	-	681	69,990	247
Rent				-	-	133,630	133,630	142,106
Fundraising expenses			15,894	15,894	11,024		15,894	11,024
General program expenses	438			13,262	14,172	1,050	14,312	14,172
Postage and freight	277			9,216	15,859		9,216	15,859
Professional fees	7,500			7,500	6,000		7,500	6,000
Bookkeeping				-	19,156		-	19,156
Food				5,854	5,648		5,854	5,648
Clothing				9,997	11,693		9,997	11,693
Auto expenses				24,648	8,895	138	24,786	8,895
Education and training	2,416			2,881	1,560		2,881	1,560
Internet	886			29,553	13,131	856	30,409	17,303
Telephone	239			7,933	-		7,933	-
Printing	1,285			3,332	9,034		3,332	9,034
Volunteer development				3,814	4,390		3,814	4,390
Special events			32,274	32,274	59,596		32,274	59,596
Office expenses	811			24,973	3,944	783	25,756	3,944
Computer expenses	1,849			1,849	4,349		1,849	4,349
Miscellaneous expenses	885			885	1,339		885	1,339
Property tax	2,636			2,636	1,471	4,871	5,756	8,040
Capital campaign expenses		465		465	-		465	-
Interest	1,729	90,134		91,863	-	14,833	106,696	22,640
Total expenditures	\$ 187,690	\$ 95,632	\$ 115,055	\$ 8,016,399	\$ 6,960,464	\$ 231,533	\$ 8,247,932	\$ 7,287,227
Percentage of total cost for 2008	2%	1%	1%	1%				
Total 2007 functional 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%					

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, 2008

	<u>MEND</u>	<u>Treasure Trunk</u>	<u>Consolidated Total</u>
Cash flows from operating activities:			
(Decrease) increase in net assets	\$ (50,958)	\$ 83,603	\$ 32,645
Adjustment to reconcile increase (decrease) in net assets to net cash provided (used) by operations:			
Depreciation	262,937	42,104	305,041
Inventory	79,844		79,844
Changes in operating assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(1,381)		(1,381)
Pledges receivable	17,500		17,500
Security deposit		5,290	5,290
Prepaid expenses	170		170
Increase (decrease) in liabilities:			
Accrued vacation	6,402		6,402
Accounts payable and accrued liabilities	30,526	(6,719)	23,807
Security deposit	1,415	20,070	21,485
Net cash provided by operating activities	<u>346,455</u>	<u>144,348</u>	<u>490,803</u>
Cash flows from investing activities:			
Cash paid for purchase of property and equipment	<u>(56,680)</u>		<u>(56,680)</u>
Net cash used in investing activities	<u>(56,680)</u>	<u>-</u>	<u>(56,680)</u>
Cash flows from financing activities:			
Principal payments on loans		<u>(146,607)</u>	<u>(146,607)</u>
Net cash used in financing activities	<u>-</u>	<u>(146,607)</u>	<u>(146,607)</u>
Net increase (decrease) in cash and cash equivalents	289,775	(2,259)	287,516
Cash and cash equivalent - beginning of the year	<u>73,496</u>	<u>3,303</u>	<u>76,799</u>
Cash and cash equivalent - end of the year	<u>\$ 363,271</u>	<u>\$ 1,044</u>	<u>\$ 364,315</u>
SUPPLEMENTAL INFORMATION:			
Cash paid for interest	<u>\$ 1,729</u>	<u>\$ 14,833</u>	<u>\$ 16,562</u>

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, 2008

	<u>MEND Capital Campaign</u>
Cash flows from operating activities:	
Increase in net assets	\$ 4,868
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 - Capital Campaign	431,600
CRA grant receivable	500,000
Increase (decrease) in liabilities:	
Accounts payable-construction	<u>(689,780)</u>
Net cash provided by operating activities	<u>246,688</u>
Cash flows from financing activities:	
Principal payments on loans	<u>(423,618)</u>
Net cash used in financing activities	<u>(423,618)</u>
Net decrease in cash and cash equivalents	(176,930)
Cash and cash equivalent - beginning of the year	<u>235,190</u>
Cash and cash equivalent - end of the year	<u><u>\$ 58,260</u></u>
SUPPLEMENTAL INFORMATION:	
Cash paid for interest	<u><u>\$ 90,134</u></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, Dental and Vision Clinics, Home Visitors Program, Job Training, Education and Training Center, Clothing Center and a Christmas Basket Program.

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, after-school and Saturday programs for kids, 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.

Christmas Basket Program

The Christmas Basket Program brings volunteers together to prepare baskets of donated food, blankets, and toys for up to 1,100 needy families.

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

Principles of Consolidation

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. (See Note 10)

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, 2008 has a deficit balance of \$643,564, 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 \$6,168,375 were recorded for the year ended June 30, 2008.

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)

Functional 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, 2008, MEND had the following pledges outstanding:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Unrestricted Capital Campaign	\$	\$ 115,000	\$ 115,000
Total	\$ -0-	\$ 115,000	\$ 115,000

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, 2008 consists of the following:

<u>Description</u>	<u>Amount</u>
Food	\$ 328,891
Clothing	20,179
Medical and dental	<u>210,463</u>
Total	<u>\$ 559,533</u>

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2008 consists of the following:

<u>Description</u>	<u>MEND</u>	<u>Treasure Trunk</u>
Program equipment	\$ 179,120	\$
Leasehold improvements		84,209
Vehicles	117,437	
Building	8,549,337	
Building improvement	<u>1,407,699</u>	
Total cost	10,253,593	84,209
Less accumulated depreciation	<u>(1,041,302)</u>	<u>(84,209)</u>
Sub-total	<u>9,212,291</u>	<u>0</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>\$ 10,653,125</u>	<u>\$ 0</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, 2008, the loan has a balance of \$816,824. 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>
2009	\$	50,912
2010		55,001
2011		59,419
2012		64,191
2013		69,346
Thereafter		<u>517,955</u>
Total	\$	<u>816,824</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, 2008 is \$141,903

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 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. The loan balance on June 30, 2008 is 32,552.

Principal maturities are listed as follows:

<u>Year ended June 30,</u>		<u>Amount</u>
2009	\$	164,588
2010		2,824
2011		2,968
2012		3,120
2013		3,280
Thereafter		<u>16,344</u>
Total	\$	<u>193,124</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 \$6,168,375 were recorded for the year ended June 30, 2008.

In-kind contributions for the year ended June 30, 2008 consisted of the following:

Food	\$	4,862,276
Clothing		631,353
Medical, dental and vision materials		77,366
Medical and dental professional services		<u>597,380</u>
Total	\$	<u>6,168,375</u>

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.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2008 was \$133,630. (See Note 10)

The future minimum obligation under this lease agreement as of June 30, 2008 is as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2009	\$ 115,068
2010	115,068
2011	<u>67,123</u>
Total	<u>\$ 297,259</u>

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)

NOTE 10: DISCONTINUED OPERATIONS

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

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