MEET EACH NEED WITH DIGNITY

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR’S REPORT

YEAR ENDED JUNE 30, 2006
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent auditor’s report</td>
<td>3</td>
</tr>
<tr>
<td>Consolidated statement of financial position-unrestricted net assets</td>
<td>4</td>
</tr>
<tr>
<td>Consolidated statement of financial position-temporarily restricted net assets</td>
<td>5</td>
</tr>
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<td>Consolidated statement of activities-unrestricted net assets</td>
<td>6</td>
</tr>
<tr>
<td>Consolidated statement of activities-temporarily restricted net assets</td>
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<td>Consolidated statement of functional expenditures</td>
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<td>Consolidated statement of cash flows-unrestricted net assets</td>
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<tr>
<td>Consolidated statement of cash flows-temporarily restricted net assets</td>
<td>11</td>
</tr>
<tr>
<td>Notes to the consolidated financial statements</td>
<td>12</td>
</tr>
</tbody>
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The Board of Directors of
Meet Each Need With Dignity
Pacoima, California 91331

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, 2006, 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, 2006, 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
Carson, California
September 27, 2006
MEET EACH NEED WITH DIGNITY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
UNRESTRICTED NET ASSETS  
At June 30, 2006  

<table>
<thead>
<tr>
<th></th>
<th>MEND</th>
<th>Treasure Trunk</th>
<th>Consolidated Total</th>
</tr>
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<tbody>
<tr>
<td><strong>ASSETS:</strong></td>
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</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 82,301</td>
<td>$ 5,529</td>
<td>$ 87,830</td>
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<td>Pledge receivable (Note 3)</td>
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<td>20,000</td>
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<tr>
<td>Inventory (Note 4)</td>
<td>443,567</td>
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<td>443,567</td>
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<tr>
<td>Property and equipment-net (Note 5)</td>
<td>2,453,593</td>
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<td>2,537,802</td>
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<td>Construction in progress-10641 San Fernando Rd.</td>
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<td>4,204,936</td>
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<td>Security deposit</td>
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<td></td>
<td>45,290</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td>$ 7,204,397</td>
<td>$ 135,028</td>
<td>$ 7,339,425</td>
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</table>

**LIABILITIES AND NET ASSETS:**

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<thead>
<tr>
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<th>MEND</th>
<th>Treasure Trunk</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
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<tr>
<td>Accrued liabilities</td>
<td>$ 35,525</td>
<td>$ 847</td>
<td>$ 36,372</td>
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<td>Accounts payable-construction</td>
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<tr>
<td>Loans payable (Note 7)</td>
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<td>216,405</td>
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<td><strong>Total Liabilities</strong></td>
<td>$ 257,899</td>
<td>$ 217,252</td>
<td>$ 475,151</td>
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<table>
<thead>
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<th>Treasure Trunk</th>
<th>Consolidated Total</th>
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</thead>
<tbody>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted-(deficit)</td>
<td>6,946,498</td>
<td>(82,224)</td>
<td>6,864,274</td>
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<tr>
<td><strong>Total net assets</strong></td>
<td>6,946,498</td>
<td>(82,224)</td>
<td>6,864,274</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>MEND</th>
<th>Treasure Trunk</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td>$ 7,204,397</td>
<td>$ 135,028</td>
<td>$ 7,339,425</td>
</tr>
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</table>

The accompanying notes are an integral part of these financial statements.
# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2006

<table>
<thead>
<tr>
<th>Assets:</th>
<th>MEND</th>
<th>Treasure Trunk</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents-Capital Campaign</td>
<td>$ 40,649</td>
<td>$</td>
<td>$ 40,649</td>
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<tr>
<td>Pledges receivable-Program services (Note 3)</td>
<td>40,000</td>
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<td>40,000</td>
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<tr>
<td>Pledges receivable-Capital Campaign (Note 3)</td>
<td>1,300,000</td>
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<td>1,300,000</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$ 1,380,649</td>
<td>$</td>
<td>$ 1,380,649</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Note payable-Capital Campaign (Note 6)</td>
<td>$ 244,791</td>
<td>$</td>
<td>$ 244,791</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>244,791</td>
<td></td>
<td>244,791</td>
</tr>
<tr>
<td>Net Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted for Capital Campaign</td>
<td>1,095,858</td>
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<td>1,095,858</td>
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<tr>
<td>Restricted for Program services</td>
<td>40,000</td>
<td></td>
<td>40,000</td>
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<tr>
<td><strong>Total net assets</strong></td>
<td>1,135,858</td>
<td></td>
<td>1,135,858</td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td>$ 1,380,649</td>
<td>$</td>
<td>$ 1,380,649</td>
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</table>

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, 2006

<table>
<thead>
<tr>
<th>CHANGES IN UNRESTRICTED NET ASSETS:</th>
<th>MEND</th>
<th>Treasure Trunk</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support and Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In-kind contributions</td>
<td>$ 5,791,728</td>
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<td>$ 5,791,728</td>
</tr>
<tr>
<td>Contributions - foundations</td>
<td>353,750</td>
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<td>353,750</td>
</tr>
<tr>
<td>Contributions - individuals</td>
<td>203,891</td>
<td></td>
<td>203,891</td>
</tr>
<tr>
<td>Contributions - businesses</td>
<td>157,742</td>
<td></td>
<td>157,742</td>
</tr>
<tr>
<td>Fundraising</td>
<td>81,131</td>
<td></td>
<td>81,131</td>
</tr>
<tr>
<td>Other income</td>
<td>75,218</td>
<td></td>
<td>75,218</td>
</tr>
<tr>
<td>Operating revenues</td>
<td></td>
<td>12,525</td>
<td>12,525</td>
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<tr>
<td><strong>Total Support and Revenues</strong></td>
<td>6,663,460</td>
<td>12,525</td>
<td>6,675,985</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>6,702,473</td>
<td></td>
<td>6,702,473</td>
</tr>
<tr>
<td>General and administrative</td>
<td>123,994</td>
<td></td>
<td>123,994</td>
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<tr>
<td>Fundraising-operations</td>
<td>68,994</td>
<td></td>
<td>68,994</td>
</tr>
<tr>
<td>Fundraising-Capital Campaign</td>
<td>38,005</td>
<td></td>
<td>38,005</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td>94,749</td>
<td>94,749</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>6,933,466</td>
<td>94,749</td>
<td>7,028,215</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Decrease in net assets from operations</strong></td>
<td>(270,006)</td>
<td>(82,224)</td>
<td>(352,230)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net assets released from restrictions</strong></td>
<td>4,119,570</td>
<td>-</td>
<td>4,119,570</td>
</tr>
<tr>
<td><strong>Increase (decrease) in net assets</strong></td>
<td>3,849,564</td>
<td>(82,224)</td>
<td>3,767,340</td>
</tr>
<tr>
<td><strong>Net Assets, beginning of the year</strong></td>
<td>3,096,934</td>
<td>-</td>
<td>3,096,934</td>
</tr>
<tr>
<td><strong>Net Assets, end of the year</strong></td>
<td>$ 6,946,498</td>
<td>$(82,224)</td>
<td>$ 6,864,274</td>
</tr>
</tbody>
</table>

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, 2006

<table>
<thead>
<tr>
<th></th>
<th>MEND Capital Campaign</th>
<th>MEND program services</th>
<th>Treasure Trunk</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support and Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions - foundations</td>
<td>$1,690,550</td>
<td>$40,000</td>
<td>$</td>
<td>$1,730,550</td>
</tr>
<tr>
<td>Contributions - individuals</td>
<td>82,017</td>
<td></td>
<td></td>
<td>82,017</td>
</tr>
<tr>
<td>Contributions - businesses</td>
<td>252,600</td>
<td></td>
<td></td>
<td>252,600</td>
</tr>
<tr>
<td>Fundraising</td>
<td>315,792</td>
<td></td>
<td></td>
<td>315,792</td>
</tr>
<tr>
<td><strong>Total Support and Revenues</strong></td>
<td>2,340,959</td>
<td>40,000</td>
<td>-</td>
<td>2,380,959</td>
</tr>
<tr>
<td><strong>Net assets released from restrictions</strong></td>
<td>(4,119,570)</td>
<td>-</td>
<td>-</td>
<td>(4,119,570)</td>
</tr>
<tr>
<td><strong>(Decrease) increase in net assets</strong></td>
<td>(1,778,611)</td>
<td>40,000</td>
<td>-</td>
<td>(1,738,611)</td>
</tr>
<tr>
<td><strong>Net Assets, beginning of the year</strong></td>
<td>2,874,469</td>
<td>-</td>
<td>-</td>
<td>2,874,469</td>
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<tr>
<td><strong>Net Assets, end of the year</strong></td>
<td>$1,095,858</td>
<td>$40,000</td>
<td>$</td>
<td>$1,135,858</td>
</tr>
</tbody>
</table>

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, 2006

<table>
<thead>
<tr>
<th></th>
<th>Food Distribution</th>
<th>Clothing and Sewing</th>
<th>Learning Center</th>
<th>Medical, Dental, and Vision</th>
<th>Other programs</th>
<th>Total programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$106,290</td>
<td>$29,679</td>
<td>$55,046</td>
<td>$51,211</td>
<td>$101,368</td>
<td>$343,594</td>
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<td>Employee benefits</td>
<td>9,227</td>
<td>2,198</td>
<td>1,166</td>
<td>2,194</td>
<td>4,613</td>
<td>19,398</td>
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<tr>
<td>Payroll taxes</td>
<td>9,078</td>
<td>2,759</td>
<td>4,128</td>
<td>4,345</td>
<td>8,490</td>
<td>29,400</td>
</tr>
<tr>
<td><strong>Total salaries and benefits</strong></td>
<td><strong>124,595</strong></td>
<td><strong>34,636</strong></td>
<td><strong>60,540</strong></td>
<td><strong>57,750</strong></td>
<td><strong>114,471</strong></td>
<td><strong>392,392</strong></td>
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<td>Donated goods and services (Note 8)</td>
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<td>452,925</td>
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<td>693,167</td>
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<td>5,987,538</td>
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<td>Marketing and advertising</td>
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<td>Depreciation</td>
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<td>10,370</td>
<td>9,150</td>
<td>11,590</td>
<td>8,539</td>
<td>59,168</td>
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<td>Medicine and laboratory expenses</td>
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<td>59,167</td>
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<td>Repairs and maintenance</td>
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<td>6,607</td>
<td>5,530</td>
<td>7,385</td>
<td>5,441</td>
<td>37,702</td>
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<td>Utilities and trash</td>
<td>10,090</td>
<td>5,360</td>
<td>4,730</td>
<td>5,991</td>
<td>4,723</td>
<td>30,894</td>
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<td>Insurance</td>
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<td>6,080</td>
<td>21,796</td>
<td>5,674</td>
<td>53,410</td>
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<tr>
<td>Supplies</td>
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<td>14,835</td>
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<td>18,852</td>
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<td>Fundraising expenses</td>
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<td>5,554</td>
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<td>General program expenses</td>
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<td>5,554</td>
</tr>
<tr>
<td>Postage and freight</td>
<td>1,666</td>
<td>1,080</td>
<td>1,211</td>
<td>7,012</td>
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<td>11,069</td>
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<td>Professional fees</td>
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<td>1,216</td>
<td>1,615</td>
<td>1,134</td>
<td>7,937</td>
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<td>Food</td>
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<td>Clothing</td>
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<td>6,168</td>
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<td>Auto expenses</td>
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<td>1,300</td>
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<td>353</td>
<td></td>
<td>8,264</td>
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<td>Education and training</td>
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<td>806</td>
<td>1,021</td>
<td>806</td>
<td>5,267</td>
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<td>1,083</td>
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<td>Volunteer development</td>
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<td>398</td>
<td>352</td>
<td>445</td>
<td>398</td>
<td>2,343</td>
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<td>Special events</td>
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<td>Office expenses</td>
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<td>Computer expenses</td>
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</tr>
<tr>
<td>Miscellaneous expenses</td>
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<td></td>
</tr>
<tr>
<td>Property tax</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Capital campaign expenses</td>
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</tr>
<tr>
<td>Fire damage</td>
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<td></td>
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<td>698</td>
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<td>698</td>
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<tr>
<td>Interest</td>
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<td>Trailer expenses</td>
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</tr>
<tr>
<td>San Fernando property expenses</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>$5,045,388</strong></td>
<td><strong>$530,545</strong></td>
<td><strong>$97,581</strong></td>
<td><strong>$881,774</strong></td>
<td><strong>$147,185</strong></td>
<td><strong>$6,702,473</strong></td>
</tr>
<tr>
<td>Total 2005 Functional Expenditures</td>
<td>$4,430,370</td>
<td>$622,126</td>
<td>$103,357</td>
<td>$921,499</td>
<td>$72,601</td>
<td>$6,149,953</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>General and administrative</th>
<th>Fundraising Capital Campaign</th>
<th>Fundraising operations</th>
<th>MEND Total 2006</th>
<th>MEND Total 2005</th>
<th>Treasure Trunk operations</th>
<th>Consolidated Total 2006</th>
<th>Consolidated Total 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries $58,989</td>
<td>$32,735</td>
<td>$32,734</td>
<td>$468,052</td>
<td>$465,500</td>
<td>$13,514</td>
<td>$481,566</td>
<td>$465,500</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>3,846</td>
<td>2,083</td>
<td>2,083</td>
<td>27,410</td>
<td>43,965</td>
<td>27,410</td>
<td>43,965</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>5,885</td>
<td>3,187</td>
<td>3,188</td>
<td>41,660</td>
<td>40,230</td>
<td>41,660</td>
<td>40,230</td>
</tr>
<tr>
<td><strong>Total salaries and benefits</strong></td>
<td><strong>68,720</strong></td>
<td><strong>38,005</strong></td>
<td><strong>38,005</strong></td>
<td><strong>537,122</strong></td>
<td><strong>549,695</strong></td>
<td><strong>13,514</strong></td>
<td><strong>550,636</strong></td>
</tr>
<tr>
<td>Donated goods and services (Note 8)</td>
<td>$5,987,538</td>
<td>$5,414,626</td>
<td>$5,987,538</td>
<td>$5,414,626</td>
<td>$5,987,538</td>
<td>$5,414,626</td>
<td>$5,987,538</td>
</tr>
<tr>
<td>Marketing and advertising</td>
<td>-</td>
<td>-</td>
<td>$5,353</td>
<td>$5,353</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,831</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicine and laboratory expenses</td>
<td>60,999</td>
<td>65,989</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>1,169</td>
<td></td>
<td>59,167</td>
<td>79,662</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities and trash</td>
<td>657</td>
<td></td>
<td>38,871</td>
<td>16,396</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>1,216</td>
<td></td>
<td>1,169</td>
<td>16,396</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplies</td>
<td>8,058</td>
<td></td>
<td>657</td>
<td>16,396</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>26,910</td>
<td></td>
<td>26,910</td>
<td>32,317</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>10,115</td>
<td></td>
<td>7,417</td>
<td>28,682</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fundraising expenses</td>
<td>12,971</td>
<td></td>
<td>12,971</td>
<td>16,987</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General program expenses</td>
<td>12,000</td>
<td></td>
<td>12,000</td>
<td>16,987</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Postage and freight</td>
<td>11,681</td>
<td></td>
<td>11,681</td>
<td>16,987</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional fees</td>
<td>21,493</td>
<td></td>
<td>21,493</td>
<td>16,987</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bookkeeping</td>
<td>12,355</td>
<td></td>
<td>12,355</td>
<td>16,987</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>10,115</td>
<td></td>
<td>10,115</td>
<td>16,987</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clothing</td>
<td>6,168</td>
<td></td>
<td>6,168</td>
<td>7,927</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auto expenses</td>
<td>8,264</td>
<td></td>
<td>8,264</td>
<td>15,923</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education and training</td>
<td>2,932</td>
<td></td>
<td>2,932</td>
<td>15,923</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td>3,295</td>
<td></td>
<td>3,295</td>
<td>15,923</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Printing</td>
<td>5,376</td>
<td></td>
<td>5,376</td>
<td>15,923</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volunteer development</td>
<td>2,343</td>
<td></td>
<td>2,343</td>
<td>15,923</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special events</td>
<td>13,823</td>
<td></td>
<td>13,823</td>
<td>15,923</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office expenses</td>
<td>1,383</td>
<td></td>
<td>1,383</td>
<td>15,923</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer expenses</td>
<td>4,489</td>
<td></td>
<td>4,489</td>
<td>15,923</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous expenses</td>
<td>531</td>
<td></td>
<td>531</td>
<td>15,923</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property tax</td>
<td>1,459</td>
<td></td>
<td>1,459</td>
<td>15,923</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital campaign expenses</td>
<td>2,350</td>
<td></td>
<td>2,350</td>
<td>15,923</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fire damage</td>
<td>698</td>
<td></td>
<td>698</td>
<td>15,923</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>3,251</td>
<td></td>
<td>3,251</td>
<td>15,923</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trailer expenses</td>
<td>-</td>
<td></td>
<td>-</td>
<td>3,251</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Fernando property expenses</td>
<td>-</td>
<td></td>
<td>-</td>
<td>3,251</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>123,994</strong></td>
<td><strong>38,005</strong></td>
<td><strong>68,994</strong></td>
<td><strong>94,749</strong></td>
<td><strong>19,831</strong></td>
<td><strong>19,831</strong></td>
<td><strong>643,436</strong></td>
</tr>
<tr>
<td>Total 2005 Functional Expenditures</td>
<td><strong>170,677</strong></td>
<td><strong>-</strong></td>
<td><strong>117,805</strong></td>
<td><strong>94,749</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>643,436</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
## CONSOLIDATED STATEMENT OF CASH FLOWS

### UNRESTRICTED NET ASSETS

For the year ended June 30, 2006

<table>
<thead>
<tr>
<th>Cash flows from operating activities:</th>
<th>MEND</th>
<th>Treasure Trunk</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase (decrease) in net assets</td>
<td>$3,849,564</td>
<td>(82,224)</td>
<td>$3,767,340</td>
</tr>
<tr>
<td>Adjustment to reconcile increase (decrease) in net assets to net cash provided (used) by operations:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>60,999</td>
<td>60,999</td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>(20,000)</td>
<td>(20,000)</td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>10,187</td>
<td>10,187</td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td>195,809</td>
<td>195,809</td>
<td></td>
</tr>
<tr>
<td>Accounts payable-construction</td>
<td>222,374</td>
<td>222,374</td>
<td></td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>(16,602)</td>
<td>847</td>
<td>(15,755)</td>
</tr>
</tbody>
</table>

Net cash provided by (used in) operating activities

<table>
<thead>
<tr>
<th>MEND</th>
<th>Treasure Trunk</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,302,331</td>
<td>(81,377)</td>
<td>4,220,954</td>
</tr>
</tbody>
</table>

### Cash flows from investing activities:

| Cash paid for construction in progress | (3,738,078) | (3,738,078) |
| Cash paid for security deposit         | (45,290)    | (45,290)    |
| Cash paid for purchase of property and equipment | (84,209) | (84,209) |

Net cash used in investing activities

<table>
<thead>
<tr>
<th>MEND</th>
<th>Treasury Trunk</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(3,738,078)</td>
<td>(129,499)</td>
<td>(3,867,577)</td>
</tr>
</tbody>
</table>

### Cash flows from financing activities:

| Proceeds from loan | 220,000 | 220,000 |
| Principal payments on loans | (491,017) | (3,595) | (494,612) |

Net cash (used in) provided by financing activities

<table>
<thead>
<tr>
<th>MEND</th>
<th>Treasury Trunk</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(491,017)</td>
<td>216,405</td>
<td>(274,612)</td>
</tr>
</tbody>
</table>

### Net increase in cash and cash equivalents

<table>
<thead>
<tr>
<th>MEND</th>
<th>Treasury Trunk</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>73,236</td>
<td>5,529</td>
<td>78,765</td>
</tr>
</tbody>
</table>

Cash and cash equivalent - beginning of the year

<table>
<thead>
<tr>
<th>MEND</th>
<th>Treasury Trunk</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>9,065</td>
<td>-</td>
<td>9,065</td>
</tr>
</tbody>
</table>

Cash and cash equivalent - end of the year

<table>
<thead>
<tr>
<th>MEND</th>
<th>Treasury Trunk</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$82,301</td>
<td>$5,529</td>
<td>$87,830</td>
</tr>
</tbody>
</table>

### SUPPLEMENTAL INFORMATION:

<table>
<thead>
<tr>
<th>Cash paid for interest</th>
<th>MEND</th>
<th>Treasure Trunk</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,315</td>
<td>$5,315</td>
<td>$5,315</td>
<td></td>
</tr>
</tbody>
</table>

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, 2006

<table>
<thead>
<tr>
<th></th>
<th>MEND</th>
<th>Treasure Trunk</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease in net assets</td>
<td>$(1,738,611)</td>
<td>$</td>
<td>$(1,738,611)</td>
</tr>
<tr>
<td>Adjustment to reconcile increase (decrease) in net assets to net cash provided (used) by operations:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pledges receivable - Capital Campaign</td>
<td>979,550</td>
<td>979,550</td>
<td></td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>(27,500)</td>
<td>(27,500)</td>
<td></td>
</tr>
<tr>
<td>Due from VEDC</td>
<td>8,983</td>
<td></td>
<td>8,983</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>$(777,578)</td>
<td>-</td>
<td>(777,578)</td>
</tr>
</tbody>
</table>

| **Cash flows from financing activities:** |          |                |                    |
| Net proceeds from loan          | 244,791  | 244,791        |                    |
| Principal payments on loans     | (9,283)  |                | (9,283)            |
| **Net cash provided by financing activities** | 235,508  | -              | 235,508            |

| **Net decrease in cash and cash equivalents** |          |                |                    |
| Cash and cash equivalent - beginning of the year | 582,719  | -              | 582,719            |
| **Cash and cash equivalent - end of the year** | $40,649  | $              | $40,649            |

**SUPPLEMENTAL INFORMATION:**

Cash paid for interest

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid for interest</td>
<td>$39,914</td>
<td>$</td>
<td>$39,914</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these 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 is scheduled to be completed in January, 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 healthy aging and chiropractic treatment.

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 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.
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 has $1,095,858 of temporarily restricted net assets at June 30, 2006, which reflects the funds reserved for the construction of the new facility at 10641 San Fernando Road.

These notes are an integral part of the preceding 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 $5,791,728 were recorded for the year ended June 30, 2006.

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 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
Inventory is stated at the lower of cost or fair value. 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.
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 principle generally accepted in the United States of America requires management to make estimates and assumptions that 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, a California not-for-profit corporation, is exempt from federal 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, 2006, MEND received unconditional promises to give as follows:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Program services</th>
<th>Capital Campaign</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year</td>
<td>$20,000</td>
<td>$40,000</td>
<td>$1,300,000</td>
</tr>
<tr>
<td>Due in over one year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$20,000</td>
<td>$40,000</td>
<td>$1,300,000</td>
</tr>
</tbody>
</table>

These notes are an integral part of the preceding financial statements.
NOTE 4: INVENTORY

Inventory at June 30, 2006 consists of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>MEND</th>
<th>Treasure Trunk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>$238,780</td>
<td></td>
</tr>
<tr>
<td>Educational and training</td>
<td>4,929</td>
<td></td>
</tr>
<tr>
<td>Clothing</td>
<td>27,354</td>
<td></td>
</tr>
<tr>
<td>Medical and dental</td>
<td>172,504</td>
<td></td>
</tr>
<tr>
<td><strong>Total inventories</strong></td>
<td><strong>$443,567</strong></td>
<td></td>
</tr>
</tbody>
</table>

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2006 consist of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>MEND</th>
<th>Treasure Trunk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program equipment</td>
<td>$121,825</td>
<td></td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td></td>
<td>84,209</td>
</tr>
<tr>
<td>Vehicles</td>
<td>85,287</td>
<td></td>
</tr>
<tr>
<td>Building</td>
<td>125,457</td>
<td></td>
</tr>
<tr>
<td>Building improvement</td>
<td>1,398,959</td>
<td></td>
</tr>
<tr>
<td><strong>Total cost</strong></td>
<td><strong>1,731,528</strong></td>
<td>84,209</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(718,769)</td>
<td></td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td><strong>1,012,759</strong></td>
<td>84,209</td>
</tr>
<tr>
<td>Land</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Van Nuys Boulevard property</td>
<td>346,106</td>
<td></td>
</tr>
<tr>
<td>San Fernando property</td>
<td>1,094,834</td>
<td></td>
</tr>
<tr>
<td><strong>Total land</strong></td>
<td><strong>1,440,834</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Net property and equipment</strong></td>
<td><strong>$2,453,593</strong></td>
<td><strong>$84,209</strong></td>
</tr>
</tbody>
</table>

These notes are an integral part of the preceding financial statements.
NOTE 6: NOTE PAYABLE-CAPITAL CAMPAIGN

On September 28, 2004, MEND entered into a loan agreement and 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. The loan is for $500,000, with interest at an initial rate of 7.25%, and a variable interest rate to be calculated each January 1 and July 1 based on 2.5% over the prime rate but not less than 4%. A loan servicing fee of 0.75% of each payment is also charged. Payments are to be made in monthly installments of $3,043, commencing on the 16th day of October, 2004 and continuing until October 16, 2007 when the full unpaid balance of principal and interest is due and payable. The loan balance at June 30, 2006 is $244,791.

Principal maturities are listed as follows:

<table>
<thead>
<tr>
<th>Year ended June 30</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$36,516</td>
</tr>
<tr>
<td>2008</td>
<td>$208,275</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$244,791</strong></td>
</tr>
</tbody>
</table>

NOTE 7: LOANS PAYABLE-TREASURE TRUNK

In April 2006, MEND entered into a loan agreement and promissory note with Mission Valley Bank. The loan is for $200,000 for working capital of Treasure Trunk, LLC, with interest at a fixed rate of 7.75% annually. The loan is for three years; during the first six months, monthly payments are for interest only, thereafter for the remaining 30 months, monthly payments will include principal and interest. The loan balance at June 30, 2006 is $196,405.

In January 2006, MEND entered 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.
NOTE 7: LOANS PAYABLE-TREASURE TRUNK-(continued)

Principal maturities are listed as follows:

<table>
<thead>
<tr>
<th>Year ended June 30</th>
<th>Corporation</th>
<th>Bank</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$</td>
<td>-0-</td>
<td>196,405</td>
</tr>
<tr>
<td>2008</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>2009</td>
<td>20,000</td>
<td>-0-</td>
<td>20,000</td>
</tr>
<tr>
<td>Total</td>
<td>$ 20,000</td>
<td>$ 196,405</td>
<td>$ 216,405</td>
</tr>
</tbody>
</table>

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 $5,791,728 were recorded for the year ended June 30, 2006.

In-kind contributions for the year ended June 30, 2006 consisted of the following:

- Food $ 4,645,637
- Clothing 452,925
- Medical, dental and vision materials 291,795
- Medical and dental professional services 401,371

Total $ 5,791,728

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.
NOTE 9: COMMITMENTS AND CONTINGENCIES

Construction in Progress
MEND has entered into a construction agreement with R.E. Lee Design and Construction, Inc. dated June 4, 2004 to build a new facility at 10641 San Fernando Road, Pacoima, CA 91331. The estimated cost for this facility is approximately $6.55 million. A capital campaign has already commenced to raise the necessary funds to pay for the facility. The project is scheduled to be completed in January 2007. The construction costs are accumulated in the general ledger and reported as construction in progress on the Statement of Financial Position. Depreciation of these costs will commence once the facility is complete.

Lease Commitment
On January 20, 2006, MEND entered a lease agreement on behalf of the Treasure Trunk with Devonshire, Ltd for a 4,460 square feet of retail space for sixty-one months, with 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, 2006 was $47,363.

The future minimum obligation under this lease agreement as of June 30, 2006 is as follows:

<table>
<thead>
<tr>
<th>Year ended June 30</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$119,082</td>
</tr>
<tr>
<td>2008</td>
<td>86,301</td>
</tr>
<tr>
<td>Total</td>
<td>$205,383</td>
</tr>
</tbody>
</table>

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