MEET EACH NEED WITH DIGNITY

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2006

MEET EACH NEED WITH DIGNITY

TABLE OF CONTENTS

HILL, MORGAN AND ASSOCIATES, LLP

Certified Public Accountants

19602 Fariman Drive, Carson, CA 90746
(310) 639-0498

Partners
Jeffrey Hill, CPA
Raymond Morgan, CPA

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

	MEND	Treasure Trunk	Consolidated Total
ASSETS:			
Cash and cash equivalents	$ 82,301	$ 5,529	$ 87,830
Pledge receivable (Note 3)	20,000		20,000
Inventory (Note 4)	443,567		443,567
Property and equipment-net (Note 5)	2,453,593	84,209	2,537,802
Construction in progress-10641 San Fernando Rd.	4,204,936		4,204,936
Security deposit		45,290	45,290
Total Assets	$ 7,204,397	$ 135,028	$ 7,339,425
LIABILITIES AND NET ASSETS:			
Liabilities			
Accrued liabilities	$ 35,525	$ 847	$ 36,372
Accounts payable-construction	222,374		222,374
Loans payable (Note 7)		216,405	216,405
Total Liabilities	257,899	217,252	475,151
Net Assets			
Unrestricted-(deficit)	6,946,498	(82,224)	6,864,274
Total net assets	6,946,498	(82,224)	6,864,274
Total Liabilities and Net Assets	$ 7,204,397	$ 135,028	$ 7,339,425

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, 2006

	MEND	Treasure Trunk	Consolidated Total
ASSETS:			
Cash and cash equivalents-Capital Campaign	$ 40,649	$	$ 40,649
Pledges receivable-Program services (Note 3)	40,000		40,000
Pledges receivable-Capital Campaign (Note 3)	1,300,000		1,300,000
Total Assets	$ 1,380,649	$ -	$ 1,380,649
LIABILITIES AND NET ASSETS:			
Liabilities			
Note payable-Capital Campaign (Note 6)	$ 244,791	$	$ 244,791
Total Liabilities	244,791	-	244,791
Net Assets			
Restricted for Capital Campaign	1,095,858		1,095,858
Restricted for Program services	40,000		40,000
Total net assets	1,135,858	-	1,135,858
Total Liabilities and Net Assets	$ 1,380,649	$ -	$ 1,380,649

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

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

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

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

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

	Food Distribution	Clothing and Sewing	Learning Center	Medical, Dental, and Vision	Other programs	Total programs
EXPENDITURES:						
Salaries	$ 106,290	$ 29,679	$ 55,046	$ 51,211	$ 101,368	$ 343,594
Employee benefits	9,227	2,198	1,166	2,194	4,613	19,398
Payroll taxes	9,078	2,759	4,728	4,345	8,490	29,400
Total salaries and benefits	124,595	34,636	60,940	57,750	114,471	392,392
Donated goods and services (Note 8)	4,841,446	452,925		693,167		5,987,538
Marketing and advertising						-
Depreciation	19,519	10,370	9,150	11,590	8,539	59,168
Medicine and laboratory expenses				59,167		59,167
Repairs and maintenance	12,439	6,607	5,830	7,385	5,441	37,702
Utilities and trash	10,090	5,360	4,730	5,991	4,723	30,894
Insurance	12,970	6,890	6,080	21,796	5,674	53,410
Supplies		1,703	2,314	14,835		18,852
Equipment						-
Rent						-
Fundraising expenses					5,554	5,554
General program expenses	1,666	1,080	1,311	7,012		11,069
Postage and freight	2,594	1,378	1,216	1,615	1,134	7,937
Professional fees						-
Bookkeeping						-
Food	10,115					10,115
Clothing		6,131			37	6,168
Auto expenses	6,611	1,300			353	8,264
Education and training			363			363
Telephone	1,720	914	806	1,021	806	5,267
Printing	873	155			55	1,083
Volunteer development	750	398	352	445	398	2,343
Special events						-
Office expenses						-
Computer expenses			4,489			4,489
Miscellaneous expenses						-
Property tax						-
Capital campaign expenses						-
Fire damage		698				698
Interest						-
Trailer expenses						-
San Fernando property expenses						-
Total Expenditures	$ 5,045,388	$ 530,545	$ 97,581	$ 881,774	$ 147,185	$ 6,702,473
Total 2005 Functional Expenditures	$ 4,430,370	$ 622,126	$ 103,357	$ 921,499	$ 72,601	$ 6,149,953

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
(continued)

	General and administrative	Fundraising Capital Campaign	Fundraising operations	MEND Total 2006	MEND Total 2005	Treaure Trunk operations	Consolidated Total 2006	Consolidated Total 2005
EXPENDITURES:								
Salaries	$ 58,989	$ 32,735	$ 32,734	$ 468,052	$ 465,500	$ 13,514	$ 481,566	$ 465,500
Employee benefits	3,846	2,083	2,083	27,410	43,965		27,410	43,965
Payroll taxes	5,885	3,187	3,188	41,660	40,230		41,660	40,230
Total salaries and benefits	68,720	38,005	38,005	537,122	549,695	13,514	550,636	549,695
Donated goods and services (Note 8)				5,987,538	5,414,626		5,987,538	5,414,626
Marketing and advertising				-		5,353	5,353	
Depreciation	1,831			60,999	65,989		60,999	65,989
Medicine and laboratory expenses				59,167	79,662		59,167	79,662
Repairs and maintenance	1,169			38,871	16,396		38,871	16,396
Utilities and trash	657			31,551	32,778	985	32,536	32,778
Insurance	1,216			54,626	22,859	4,721	59,347	22,859
Supplies	8,058			26,910	28,682	5,407	32,317	28,682
Equipment				-		7,163	7,163	
Rent				-		47,363	47,363	
Fundraising expenses			7,417	12,971	16,987		12,971	16,987
General program expenses			931	12,000	13,460		12,000	13,460
Postage and freight	244		3,500	11,681	12,781		11,681	12,781
Professional fees	21,493			21,493	9,500		21,493	9,500
Bookkeeping	12,355			12,355	12,355		12,355	12,355
Food				10,115	11,401		10,115	11,401
Clothing				6,168	7,927		6,168	7,927
Auto expenses				8,264	15,923		8,264	15,923
Education and training	2,932			3,295	4,267		3,295	4,267
Telephone	109			5,376	5,731	1,483	6,859	5,731
Printing	1,282		2,968	5,333	2,442		5,333	2,442
Volunteer development				2,343	2,244		2,343	2,244
Special events			13,823	13,823	3,421		13,823	3,421
Office expenses	1,938			1,938	840		1,938	840
Computer expenses				4,489	4,654		4,489	4,654
Miscellaneous expenses	531			531	5,652	3,445	3,976	5,652
Property tax	1,459			1,459	1,461		1,459	1,461
Capital campaign expenses			2,350	2,350	36,960		2,350	36,960
Fire damage				698	36,661		698	36,661
Interest				-		5,315	5,315	
Trailer expenses				-	3,251		-	3,251
San Fernando property expenses	-			-	19,831		-	19,831
Total Expenditures	$ 123,994	$ 38,005	$ 68,994	$ 6,933,466	$ 6,438,436	$ 94,749	$ 7,028,215	$ 6,438,436
Total 2005 Functional Expenditures	$ 170,677	$ -	$ 117,805	$ 6,438,436	$	$ -	$ -	$ 6,438,436

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, 2006

	MEND	Treasure Trunk	Consolidated Total
Cash flows from operating activities:			
Increase (decreease) in net assets	$ 3,849,564	$ (82,224)	$ 3,767,340
Adjustment to reconcile increase (decrease) in net assets to net cash provided (used) by operations:			
Depreciation	60,999		60,999
(Increase) decrease in assets:			
Pledges receivable	(20,000)		(20,000)
Prepaid expenses	10,187		10,187
Inventory	195,809		195,809
Accounts payable-construction	222,374		222,374
Accrued liabilities	(16,602)	847	(15,755)
Net cash provided by (used in) operating activities	4,302,331	(81,377)	4,220,954
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	(3,738,078)	(129,499)	(3,867,577)
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	(491,017)	216,405	(274,612)
Net increase in cash and cash equivalents	73,236	5,529	78,765
Cash and cash equivalent - beginning of the year	9,065	-	9,065
Cash and cash equivalent - end of the year	$ 82,301	$ 5,529	$ 87,830
SUPPLEMENTAL INFORMATION:			
Cash paid for interest	$	$ 5,315	$ 5,315

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

	MEND	Treasure Trunk	Consolidated Total
Cash flows from operating activities:			
Decrease in net assets	$ (1,738,611)	$	$ (1,738,611)
Adjustment to reconcile increase (decrease) in net assets to net cash provided (used) by operations:			
(Increase) decrease in assets:			
Pledges receivable - Capital Campaign	979,550		979,550
Pledges receivable	(27,500)		(27,500)
Due from VEDC	8,983		8,983
Net cash used in operating activities	(777,578)	-	(777,578)
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	(542,070)	-	(542,070)
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	$ 39,914	$ -	$ 39,914

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.

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.

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.

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 Untied 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:

	Unrestricted	Program services	Capital Campaign
Due within one year	$20,000	$40,000	$1,300,000
Due in over one year			
Total	$20,000	$40,000	$1,300,000

NOTE 4: INVENTORY

Inventory at June 30, 2006 consists of the following:

Food	$	238,780
Educational and training		4,929
Clothing		27,354
Medical and dental		172,504
Total inventories	$	443,567

NOTE 5: PROPERTY AND EQUIPMENT

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

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

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:

Year ended June 30		Amount
2007	$	36,516
2008		208,275
Total	$	244,791

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.

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

Principal maturities are listed as follows:

Year ended June 30	Corporation	Bank	Total
2007	$ -0-	$ 196,405	$ 196,405
2008	-0-	-0-	-0-
2009	20,000	-0-	20,000
Total	$ 20,000	$ 196,405	$ 216,405

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.

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:

Year ended June 30		Amount
2007	$	119,082
2008		86,301
Total	$	205,383