

**MEET EACH NEED WITH DIGNITY**  
FINANCIAL STATEMENTS  
June 30, 2009

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
MEET EACH NEED WITH DIGNITY  
Pacoima, California

We have audited the accompanying statement of financial position of Meet Each Need With Dignity (a nonprofit organization) as of June 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the financial position of Meet Each Need With Dignity as of June 30, 2009, 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.

STERN, KORY, SREDEN & MORGAN  
An Accountancy Corporation

December 22, 2009

**MEET EACH NEED WITH DIGNITY**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2009**

	Unrestricted			Temporarily Restricted			Total Funds
	MEND	Treasure Trunk	Total	Capital Campaign	Operating	Total	
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	\$ 586,584	\$ 100	\$ 586,684	\$ 123,743	\$ -	\$ 123,743	\$ 710,427
Short term investments	-	-	-	1,321	68,095	69,416	69,416
Accounts receivable	21,125	-	21,125	105,000	-	105,000	126,125
Interfund receivable (payable)	(159,841)	-	(159,841)	-	159,841	159,841	-
Inventory	373,060	-	373,060	-	-	-	373,060
Prepaid expenses	11,604	-	11,604	-	-	-	11,604
<b>Total Current Assets</b>	<b>832,532</b>	<b>100</b>	<b>832,632</b>	<b>230,064</b>	<b>227,936</b>	<b>458,000</b>	<b>1,290,632</b>
<b>PROPERTY AND EQUIPMENT, Net</b>	<b>10,565,593</b>	<b>-</b>	<b>10,565,593</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,565,593</b>
<b>OTHER ASSETS</b>							
Security deposit	-	40,000	40,000	-	-	-	40,000
<b>TOTAL ASSETS</b>	<b>\$11,398,125</b>	<b>\$ 40,100</b>	<b>\$ 11,438,225</b>	<b>\$230,064</b>	<b>\$227,936</b>	<b>\$458,000</b>	<b>\$ 11,896,225</b>
<b>LIABILITIES AND NET ASSETS</b>							
<b>CURRENT LIABILITIES</b>							
Accounts payable	\$ 94,688	\$ -	\$ 94,688	\$ -	\$ -	\$ -	\$ 94,688
Accrued payroll and payroll taxes	32,375	-	32,375	-	-	-	32,375
Accrued vacation	48,337	-	48,337	-	-	-	48,337
Unearned rental income	10,665	-	10,665	-	-	-	10,665
Security deposit	10,415	20,070	30,485	-	-	-	30,485
Line of credit	250,000	-	250,000	-	-	-	250,000
Current portion of long-term debt	-	48,977	48,977	63,808	-	63,808	112,785
<b>Total Current Liabilities</b>	<b>446,480</b>	<b>69,047</b>	<b>515,527</b>	<b>63,808</b>	<b>-</b>	<b>63,808</b>	<b>579,335</b>
<b>LONG-TERM LIABILITIES</b>							
Notes payable	-	104,944	104,944	693,834	-	693,834	798,778
<b>Total Long-Term Liabilities</b>	<b>-</b>	<b>104,944</b>	<b>104,944</b>	<b>693,834</b>	<b>-</b>	<b>693,834</b>	<b>798,778</b>
<b>Total Liabilities</b>	<b>446,480</b>	<b>173,991</b>	<b>620,471</b>	<b>757,642</b>	<b>-</b>	<b>757,642</b>	<b>1,378,113</b>
<b>NET ASSETS</b>							
Unrestricted							
Designated	23,722	-	23,722	-	-	-	23,722
Undesignated	10,927,923	(133,891)	10,794,032	-	-	-	10,794,032
Temporarily restricted	-	-	-	(527,578)	227,936	(299,642)	(299,642)
<b>Total Net Assets</b>	<b>10,951,645</b>	<b>(133,891)</b>	<b>10,817,754</b>	<b>(527,578)</b>	<b>227,936</b>	<b>(299,642)</b>	<b>10,518,112</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$11,398,125</b>	<b>\$ 40,100</b>	<b>\$ 11,438,225</b>	<b>\$230,064</b>	<b>\$227,936</b>	<b>\$458,000</b>	<b>\$ 11,896,225</b>

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT

**MEET EACH NEED WITH DIGNITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

	Unrestricted		Temporarily Restricted			Total Funds	
	MEND	Treasure Trunk	Total	Capital Campaign	Operating		Total
<b>SUPPORT AND REVENUE</b>							
Contributions							
Foundations	\$ 325,157	\$ -	\$ 325,157	\$ 209,547	\$ 524,870	\$ 734,417	\$ 1,059,574
Individuals	294,529	-	294,529	18,458	-	18,458	312,987
Businesses & other organizations	173,314	-	173,314	14,342	152,000	166,342	339,656
In-kind	5,043,808	-	5,043,808	-	-	-	5,043,808
Fundraising and other income	296,931	-	296,931	-	2,231	2,231	299,162
Program income	105,064	-	105,064	-	-	-	105,064
Rental income	133,018	-	133,018	-	-	-	133,018
Net assets released from program restrictions	434,100	-	434,100	17,065	(451,165)	(434,100)	-
<b>Total Support and Revenue</b>	<b>6,805,921</b>	<b>-</b>	<b>6,805,921</b>	<b>259,412</b>	<b>227,936</b>	<b>487,348</b>	<b>7,293,269</b>
<b>EXPENSES</b>							
Operating Expenses							
Program services	6,632,359	-	6,632,359	-	-	-	6,632,359
Management and general	189,137	-	189,137	-	-	-	189,137
Fundraising	310,365	-	310,365	-	-	-	310,365
Capital campaign fund	-	-	-	143,426	-	143,426	143,426
<b>Total Operating Expenses</b>	<b>7,131,861</b>	<b>-</b>	<b>7,131,861</b>	<b>143,426</b>	<b>-</b>	<b>143,426</b>	<b>7,275,287</b>
<b>CHANGE IN NET ASSETS FROM CONTINUING OPERATIONS</b>	<b>(325,940)</b>	<b>-</b>	<b>(325,940)</b>	<b>115,986</b>	<b>227,936</b>	<b>343,922</b>	<b>17,982</b>
<b>Discontinued Operations</b>							
Rental income	-	85,103	85,103	-	-	-	85,103
Management and general	-	(164,259)	(164,259)	-	-	-	(164,259)
	-	(79,156)	(79,156)	-	-	-	(79,156)
<b>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</b>	<b>(325,940)</b>	<b>(79,156)</b>	<b>(405,096)</b>	<b>115,986</b>	<b>227,936</b>	<b>343,922</b>	<b>(61,174)</b>
<b>Interfund transfers</b>	<b>(119,541)</b>	<b>119,541</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>(445,481)</b>	<b>40,385</b>	<b>(405,096)</b>	<b>115,986</b>	<b>227,936</b>	<b>343,922</b>	<b>(61,174)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>11,397,126</b>	<b>(174,276)</b>	<b>11,222,850</b>	<b>(643,564)</b>	<b>-</b>	<b>(643,564)</b>	<b>10,579,286</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$10,951,645</b>	<b>\$(133,891)</b>	<b>\$10,817,754</b>	<b>\$(527,578)</b>	<b>\$227,936</b>	<b>\$(299,642)</b>	<b>\$10,518,112</b>

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT

**MEET EACH NEED WITH DIGNITY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Food Distribution</u>	<u>Clothing and Sewing</u>	<u>Leaning Center</u>	<u>Medical, Dental, Vision</u>	<u>Other Program Expenses</u>	<u>Program Services</u>
<b>Compensation &amp; Related Expenses:</b>						
Salaries	\$ 163,754	\$ 61,045	\$ 86,514	\$ 98,495	\$ 119,211	\$ 529,019
Payroll taxes	11,385	5,148	7,135	8,371	12,531	44,570
Employee benefits	14,596	5,306	4,915	6,649	13,265	44,731
	<u>189,735</u>	<u>71,499</u>	<u>98,564</u>	<u>113,515</u>	<u>145,007</u>	<u>618,320</u>
<b>Other Expenses</b>						
Donated goods and services	3,262,886	961,537	-	908,669	-	5,133,092
Auto expenses	27,827	4,387	-	-	-	32,214
Bad debts	-	-	-	-	-	-
Bank charges	-	-	-	-	-	-
Clinics	-	-	-	71,851	-	71,851
Clothing	-	9,367	-	-	-	9,367
Computer expense	4,667	1,858	384	5,099	1,436	13,444
Depreciation	96,903	38,761	16,017	95,846	29,952	277,479
Education and training	-	-	2,108	362	-	2,470
Equipment	3,569	3,716	1,404	18,351	621	27,661
Food	2,464	-	-	-	-	2,464
Fundraising expenses	-	-	-	-	-	-
General program expenses	2,951	336	12,355	1,749	7,959	25,350
Insurance	17,829	7,132	5,760	22,041	5,511	58,273
Interest	2,471	988	800	2,444	764	7,467
Internet	5,052	1,741	8,268	3,091	2,342	20,494
Janitorial	13,493	5,397	9,519	13,346	4,171	45,926
License and permits	-	-	-	-	-	-
Miscellaneous	892	573	730	963	276	3,434
Office expenses	5,370	2,148	1,737	5,885	1,660	16,800
Postage	1,804	722	583	1,785	558	5,452
Printing	1,755	437	235	1,518	225	4,170
Professional fees	-	-	-	-	-	-
Property taxes	1,646	658	532	1,624	509	4,969
Marketing and advertising	-	-	-	-	-	-
Medical and laboratory expenses	-	-	-	59,599	-	59,599
Repairs and maintenance	9,393	3,540	13,680	8,754	2,736	38,103
Rent	-	-	-	-	-	-
Security	851	340	2,322	842	263	4,618
Special events	-	-	-	-	-	-
Supplies	3,994	1,598	13,802	22,786	1,235	43,415
Telephone	1,191	477	2,621	1,178	368	5,835
Volunteer development	-	-	-	-	698	698
Utilities	22,208	8,883	38,124	23,315	6,864	99,394
	<u>\$ 3,678,951</u>	<u>\$ 1,126,095</u>	<u>\$229,545</u>	<u>\$1,384,613</u>	<u>\$ 213,155</u>	<u>\$6,632,359</u>
Percentage of total operating expenses	<u>50.6%</u>	<u>15.5%</u>	<u>3.2%</u>	<u>19.0%</u>	<u>2.9%</u>	<u>91.2%</u>

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT

**MEET EACH NEED WITH DIGNITY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Management and General	Fundraising (Note 9)	Capital Campaign (Note 10)	Total Operating Expenses	Discontinued Operations Treasure Trunk	Total Expenses
Compensation & Related Expenses:						
Salaries	\$ 132,688	\$ 102,592	\$ -	\$ 764,299	\$ -	\$ 764,299
Payroll taxes	12,256	8,311	-	65,137	-	65,137
Employee benefits	3,024	3,272	-	51,027	-	51,027
	<u>147,968</u>	<u>114,175</u>	<u>-</u>	<u>880,463</u>	<u>-</u>	<u>880,463</u>
Other Expenses						
Donated goods and services	-	-	-	5,133,092	-	5,133,092
Auto expenses	-	-	-	32,214	-	32,214
Bad debts	-	-	85,000	85,000	-	85,000
Bank charges	192	-	-	192	877	1,069
Clinics	-	-	-	71,851	-	71,851
Clothing	-	-	-	9,367	-	9,367
Computer expense	473	507	-	14,424	-	14,424
Depreciation	9,867	10,571	-	297,917	-	297,917
Education and training	1,754	-	-	4,224	-	4,224
Equipment	205	219	-	28,085	1,302	29,387
Food	-	-	-	2,464	-	2,464
Fundraising expenses	-	97,859	-	97,859	-	97,859
General program expenses	-	-	-	25,350	-	25,350
Insurance	4,780	1,945	-	64,998	-	64,998
Interest	252	270	58,181	66,170	22,311	88,481
Internet	110	118	-	20,722	-	20,722
Janitorial	1,374	1,472	-	48,772	-	48,772
License and permits	-	-	-	-	1,300	1,300
Miscellaneous	91	131	-	3,656	-	3,656
Office expenses	547	586	-	17,933	-	17,933
Postage	184	197	-	5,833	-	5,833
Printing	74	79	-	4,323	-	4,323
Professional fees	17,321	-	-	17,321	-	17,321
Property taxes	168	180	-	5,317	-	5,317
Marketing and advertising	-	7,791	-	7,791	-	7,791
Medical and laboratory expenses	-	-	-	59,599	-	59,599
Repairs and maintenance	901	965	245	40,214	-	40,214
Rent	-	-	-	-	138,469	138,469
Security	87	93	-	4,798	-	4,798
Special events	-	70,218	-	70,218	-	70,218
Supplies	407	436	-	44,258	-	44,258
Telephone	121	130	-	6,086	-	6,086
Volunteer development	-	-	-	698	-	698
Utilities	2,261	2,423	-	104,078	-	104,078
	<u>\$ 189,137</u>	<u>\$ 310,365</u>	<u>\$ 143,426</u>	<u>\$ 7,275,287</u>	<u>\$ 164,259</u>	<u>\$7,439,546</u>
Percentage of total operating expenses	<u>2.5%</u>	<u>4.3%</u>	<u>2.0%</u>			

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT

**MEET EACH NEED WITH DIGNITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009**

	Unrestricted		Temporarily Restricted			Total Funds	
	MEND	Treasure Trunk	Total	Capital Campaign	Operating		Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Net increase (decrease) in net assets	\$(445,481)	\$ 40,385	\$(405,096)	\$115,986	\$227,936	\$ 343,922	\$(61,174)
Adjustments to reconcile net increase (decrease) in net assets to net cash provided by operating activities:							
Depreciation and amortization	297,917	-	297,917	-	-	-	297,917
Bad debts	-	-	-	85,000	-	85,000	85,000
Decrease (increase) in assets -							-
Accounts receivable	(19,744)	-	(19,744)	(75,000)	-	(75,000)	(94,744)
Inventory	186,473	-	186,473	-	-	-	186,473
Prepaid expenses	(11,604)	-	(11,604)	-	-	-	(11,604)
Interfund receivable (payable)	159,841	-	159,841	-	(159,841)	(159,841)	-
Increase (decrease) in liabilities -							
Accounts payable	(27,949)	(2,126)	(30,075)	-	-	-	(30,075)
Accrued payroll and payroll taxes	32,375	-	32,375	-	-	-	32,375
Accrued vacation	1,205	-	1,205	-	-	-	1,205
Unearned rental income	10,665	-	10,665	-	-	-	10,665
<b>Net Cash Provided By Operating Activities</b>	<b>183,698</b>	<b>38,259</b>	<b>221,957</b>	<b>125,986</b>	<b>68,095</b>	<b>194,081</b>	<b>416,038</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Net increase in short term investments	-	-	-	(1,321)	(68,095)	(69,416)	(69,416)
Purchase of property and equipment	(210,385)	-	(210,385)	-	-	-	(210,385)
<b>Net Cash Used In Investing Activities</b>	<b>(210,385)</b>	<b>-</b>	<b>(210,385)</b>	<b>(1,321)</b>	<b>(68,095)</b>	<b>(69,416)</b>	<b>(279,801)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Net increase in line of credit	250,000	-	250,000	-	-	-	250,000
Repayment of long-term debt	-	(39,203)	(39,203)	(59,182)	-	(59,182)	(98,385)
<b>Net Cash Provided by (Used In) Financing Activities</b>	<b>250,000</b>	<b>(39,203)</b>	<b>210,797</b>	<b>(59,182)</b>	<b>-</b>	<b>(59,182)</b>	<b>151,615</b>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	<b>223,313</b>	<b>(944)</b>	<b>222,369</b>	<b>65,483</b>	<b>-</b>	<b>65,483</b>	<b>287,852</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>363,271</b>	<b>1,044</b>	<b>364,315</b>	<b>58,260</b>	<b>-</b>	<b>58,260</b>	<b>422,575</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 586,584</b>	<b>\$ 100</b>	<b>\$ 586,684</b>	<b>\$123,743</b>	<b>\$ -</b>	<b>\$ 123,743</b>	<b>\$710,427</b>
<b>SUPPLEMENTARY INFORMATION</b>							
Interest paid							<u>\$ 88,481</u>

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT

**MEET EACH NEED WITH DIGNITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1: NATURE OF ORGANIZATION**

Meet Each Need with Dignity, (MEND), is a community-based, California non-profit public benefit corporation which provides those in need with basic and empowerment services. MEND receives financial donations from individuals, foundations and businesses, as well as, in-kind contributions to fund these services to individuals who reside within the Northeast San Fernando Valley. MEND programs include Emergency Food Bank; Medical, Dental and Vision Clinics; Home Visiting Program; Job Training; Education and Training Center; Clothing Center; Showers for the Homeless; 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, Dental and Vision Clinics**

The Medical, Dental and Vision Clinics are staffed by volunteer health professionals and provide free health, dental and vision care, including laboratory services and pharmaceuticals to un-insured, low-income patients. Specialty clinics include vision, diabetes and hypertension education and treatment, women's clinic, healthy aging, chiropractic treatment, and acupuncture.

**Home Visiting Program**

The Home Visiting Program meets with families and refers them to appropriate MEND programs and community agencies.

**Job Training, 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. Employment Support Services provides training and assistance with employment issues.



**MEET EACH NEED WITH DIGNITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1: NATURE OF ORGANIZATION (Continued)**

**Clothing Center**

The Clothing Center receives donations of usable clothing and small household items which are distributed to needy families. Sewing groups make new clothes for small children.

**Shower Program**

The Shower Program offers showers and a change of clothing to those who are homeless.

**Christmas Basket Program**

The Christmas Basket Program distributes baskets of donated food, blankets and toys for up to 1,200 needy families during the Holidays.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Organization utilizes the accrual method of accounting in accordance with generally accepted accounting principles whereby revenue is recognized when earned and expenses are recognized when incurred.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards, Financial Statements for Not-for-Profit Organizations. Under these guidelines, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization presently has no permanently restricted net assets.

**Discontinued Operations**

The accompanying financial statements include the financial activity of Treasure Trunk LLC, a wholly owned for-profit entity which was liquidated in 2008. Current activity represents the outstanding lease commitment assumed by MEND, net of sub-lease rental income.

**MEET EACH NEED WITH DIGNITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Accounts Receivable**

Accounts receivables are recorded at their net realizable value as determined by experience, third party contracts, and other circumstances, which may affect the ability of the Organization to collect the full obligation. Receivables are considered impaired if payments are not received in accordance with contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

**Inventory**

Inventory consists of donated food, clothing, household items, pharmaceuticals and medical supplies. Donated items are valued at their estimated fair market value.

**Property, Plant and Equipment**

Property, plant and equipment are valued at cost if purchased or at fair value at the date of donation, if donated. Depreciation is computed using the straight-line method over the estimated useful life of the assets. Maintenance and repairs are expensed in the period incurred. The estimated useful lives of property, plant and equipment are as follows:

Buildings	40	Years
Leasehold improvements	5 - 40	Years
Furniture and equipment	5 - 7	Years

**MEET EACH NEED WITH DIGNITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

**Contributions and Promises to Give**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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 restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**Expense Allocation**

The costs for providing programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Donated Materials and Services**

Donations of materials are recorded as contributions at their estimated fair value at the date of the donation. Donated services that create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased if not provided by donation, are recorded at fair values in the period received. Other donated services from volunteers who provide services such as drivers, cooks, clothing and food distribution helpers, teachers, administrative assistants and other voluntary positions are not recognized as contributions for financial statement purposes as the recognition criteria have not been satisfied. The Organization estimates that they receive more than 100,000 volunteer hours per year. For the year ended June 30, 2009, the Organization recorded total in-kind contributions of \$5,043,808, which consisted of \$4,199,117 of food, clothing, medical and dental supplies and \$844,691 of donated professional medical and dental services.

**MEET EACH NEED WITH DIGNITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

**Income Taxes**

The Organization is a not-for-profit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as an organization that is not a private foundation. Accordingly, no provision for income tax is made in the financial statements.

**NOTE 3: CASH AND CASH EQUIVALENTS AND SHORT TERM INVESTMENTS**

Financial instruments which potentially subject the Organization to concentrations of credit risk include cash deposits at commercial institutions. As of June 30, 2009, cash and cash equivalents and short term investments consisted of the following:

	Unrestricted	Temporarily Restricted
<b>Cash and cash equivalents</b>		
Citibank - checking account	\$ 107,729	\$ -
Citibank - money market account	203,399	-
Citibank - SF Pierce Building Fund	-	123,536
Wells Fargo - Executive Director's Discretionary Fund	23,722	-
Wells Fargo - Lion's Club Fund	-	207
Wells Fargo - money market account	250,565	-
Wells Fargo - Treasure Trunk checking account	100	-
Petty cash funds	1,169	-
Cash and cash equivalents	\$ 586,684	\$ 123,743
 <b>Short term investments</b>		
Certificates of deposit		
Mission Valley Bank	-	68,095
Pacoima Credit Union	-	1,321
	\$ -	\$ 69,416

**MEET EACH NEED WITH DIGNITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 4: INVENTORY**

At June 30, 2009, inventory was comprised of the following:

Food	\$ 206,107
Clothing	82,266
Medical	73,455
Dental	<u>11,232</u>
	<u>\$ 373,060</u>

**NOTE 5: PROPERTY AND EQUIPMENT**

At June 30, 2009, property and equipment consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Building	\$ 8,549,338	\$ 496,320	\$ 8,053,018
Land	1,440,834	-	1,440,834
Building improvements	1,448,888	579,082	869,806
Leasehold improvements	84,209	84,209	-
Program equipment	346,786	172,566	174,220
Vehicles	<u>118,967</u>	<u>91,252</u>	<u>27,715</u>
	<u>\$11,989,022</u>	<u>\$ 1,423,429</u>	<u>\$10,565,593</u>

Depreciation expense for the year ended June 30, 2009 was \$297,917.

**NOTE 6: LINE OF CREDIT**

The Organization has a \$250,000 revolving line of credit from Citibank at an interest rate of prime plus 3.75%. The effective interest rate at June 30, 2009 was 7%. At June 30, 2009 there was a balance of \$250,000 outstanding.

**MEET EACH NEED WITH DIGNITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 7: LONG-TERM LIABILITIES**

Long-term liabilities as of June 30, 2009 consisted of the following:

Note payable, Valley Economic Development Center, secured by land and building, payable in monthly payments of \$9,780 principal and interest, at the prime rate of interest for the first sixty months and at the 5-year treasury note rate plus 3.25% thereafter, maturing August 16, 2017. The effective interest rate at June 30, 2009 was 7.25%.

\$ 757,642

Note payable, Mission Valley Bank, secured by a commercial security agreement, payable in monthly payments of \$1,159 principal and interest, at 8.75% maturing May 20, 2012.

125,454

Note payable, unsecured, payable in monthly payments of \$354 principal and interest, at 5% maturing August 30, 2017.

28,467

911,563

Less current maturities

(112,785)

\$ 798,778

Maturities of long-term liabilities are as follows:

Year Ending June 30,

2010	\$ 112,785
2011	110,238
2012	117,912
2013	82,858
2014	89,074
2015 and thereafter	<u>398,696</u>
	<u><u>\$ 911,563</u></u>

**MEET EACH NEED WITH DIGNITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

**Operating leases**

The Organization leases a building in Granada Hills, California which was the former location of its Treasure Trunk operation. The lease is for 61 months with minimum lease payments of \$10,035 plus CAM and taxes for the second through thirteenth months, \$9,589 plus CAM and taxes for the next twelve months, with annual increases of between 3% and 6% thereafter, based upon the current Consumer Price Index. The lease expires in February 2011.

The Organization is currently subleasing this property at \$8,875 per month through September 2009, with scheduled increases to \$9,767 in October 2009 and \$10,035 in October 2010. The lease expires in February 2011. As of March 2009, the monthly payments were reduced to \$4,500. The tenant has subsequently fallen behind on payments and future collections are considered doubtful.

The Organization is subleasing office and warehouse space at its Van Nuys facility to another non profit entity for \$10,665 per month on a month to month basis.

The future minimum lease payments required under existing noncancelable operating leases as of June 30, 2009, are as follows:

Year Ending June 30,	Rent	Sub lease	Net
2010	\$ 142,740	\$ 114,533	\$ 28,207
2011	84,704	89,512	(4,808)
	<u>\$ 227,444</u>	<u>\$ 204,045</u>	<u>\$ 23,399</u>

Total rent expense for the year ended June 30, 2009 was \$138,469.

**NOTE 9: FUNDRAISING EXPENSES**

The Organization received two foundation grants that funded a large direct mail campaign, several fundraising-related expenses, and the new position of Development Manager.

**NOTE 10: BAD DEBT**

For the year ended June 30, 2009, the Organization wrote off an \$85,000 pledge for the Capital Campaign which was deemed uncollectible.

**MEET EACH NEED WITH DIGNITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 11: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 22, 2009, the date on which the financial statements were available to be issued.