

MEND-MEET EACH NEED WITH DIGNITY
FINANCIAL STATEMENTS
JUNE 30, 2010 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2009

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of MEND-Meet Each Need With Dignity (a nonprofit organization) as of June 30, 2010 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. The prior year summarized comparative information has been derived from MEND-Meet Each Need With Dignity's 2009 financial statements and, in our report dated December 22, 2009 we expressed an unqualified opinion on those financial statements.

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 MEND-Meet Each Need With Dignity as of June 30, 2010, 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 10, 2010

MEND-MEET EACH NEED WITH DIGNITY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010 WITH COMPARATIVE TOTALS FOR JUNE 30, 2009

	Unrestricted		Temporarily Restricted			2010 Total Funds	2009 Total Funds	
	MEND	Treasure Trunk	Total	Capital Campaign	Operating			Total
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	\$ 356,396	\$ 7,448	\$ 363,844	\$ 23,267	\$ -	\$ 23,267	\$ 387,111	\$ 710,427
Short term investments	-	-	-	1,337	-	1,337	1,337	69,416
Accounts receivable	49,762	-	49,762	5,000	-	5,000	54,762	126,125
Interfund receivable (payable)	(156,308)	-	(156,308)	-	156,308	156,308	-	-
Inventory	411,308	-	411,308	-	-	-	411,308	373,060
Prepaid expenses	20,620	-	20,620	5,000	-	5,000	25,620	11,604
Total Current Assets	681,778	7,448	689,226	34,604	156,308	190,912	880,138	1,290,632
PROPERTY AND EQUIPMENT, Net	10,313,588	-	10,313,588	-	-	-	10,313,588	10,565,593
OTHER ASSETS								
Security deposit	715	40,000	40,715	-	-	-	40,715	40,000
TOTAL ASSETS	\$10,996,081	\$ 47,448	\$ 11,043,529	\$ 34,604	\$156,308	\$190,912	\$ 11,234,441	\$ 11,896,225
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts payable	\$ 41,258	\$ -	\$ 41,258	\$ -	\$ -	\$ -	\$ 41,258	\$ 94,688
Accrued payroll and payroll taxes	33,218	-	33,218	-	-	-	33,218	32,375
Accrued vacation	51,431	-	51,431	-	-	-	51,431	48,337
Unearned rental income	-	-	-	-	-	-	-	10,665
Security deposit	12,915	-	12,915	-	-	-	12,915	30,485
Line of credit	247,000	-	247,000	-	-	-	247,000	250,000
Current portion of long-term debt	87,141	41,605	128,746	-	-	-	128,746	112,785
Total Current Liabilities	472,963	41,605	514,568	-	-	-	514,568	579,335
LONG-TERM LIABILITIES								
Notes payable	363,459	22,528	385,987	-	-	-	385,987	798,778
Total Long-Term Liabilities	363,459	22,528	385,987	-	-	-	385,987	798,778
Total Liabilities	836,422	64,133	900,555	-	-	-	900,555	1,378,113
NET ASSETS								
Unrestricted								
Designated	22,018	-	22,018	-	-	-	22,018	23,722
Undesignated	10,137,641	(16,685)	10,120,956	-	-	-	10,120,956	10,794,032
Temporarily restricted	-	-	-	34,604	156,308	190,912	190,912	(299,642)
Total Net Assets	10,159,659	(16,685)	10,142,974	34,604	156,308	190,912	10,333,866	10,518,112
TOTAL LIABILITIES AND NET ASSETS	\$10,996,081	\$ 47,448	\$ 11,043,529	\$ 34,604	\$156,308	\$190,912	\$ 11,234,441	\$ 11,896,225

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT

MEND-MEET EACH NEED WITH DIGNITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010 WITH COMPARATIVE
TOTALS FOR THE YEAR ENDED JUNE 30, 2009

	Unrestricted		Temporarily Restricted			2010 Total Funds	2009 Total Funds	
	MEND	Treasure Trunk	Total	Capital Campaign	Operating			Total
SUPPORT AND REVENUE								
Contributions								
Foundations	\$ 492,400	\$ -	\$ 492,400	\$ -	\$226,000	\$ 226,000	\$ 718,400	\$ 1,059,574
Individuals	350,781	-	350,781	38,852	-	38,852	389,633	312,987
Businesses & other organizations	286,768	-	286,768	10,596	115,371	125,967	412,735	339,656
In-kind	8,886,718	-	8,886,718	-	-	-	8,886,718	5,043,808
Fundraising and other income	314,421	-	314,421	16	-	16	314,437	299,162
Program income	132,278	-	132,278	-	-	-	132,278	105,064
Rental income	164,636	-	164,636	-	-	-	164,636	133,018
Net assets released from program restrictions	412,999	-	412,999	-	(412,999)	(412,999)	-	-
Total Support and Revenue	11,041,001	-	11,041,001	49,464	(71,628)	(22,164)	11,018,837	7,293,269
EXPENSES								
Operating Expenses								
Programs	10,533,982	-	10,533,982	-	-	-	10,533,982	6,632,359
Management and general	178,101	-	178,101	-	-	-	178,101	189,137
Fundraising	378,743	-	378,743	-	-	-	378,743	310,365
Capital campaign fund	-	-	-	46,729	-	46,729	46,729	143,426
Total Operating Expenses	11,090,826	-	11,090,826	46,729	-	46,729	11,137,555	7,275,287
CHANGE IN NET ASSETS FROM CONTINUING OPERATIONS	(49,825)	-	(49,825)	2,735	(71,628)	(68,893)	(118,718)	17,982
Discontinued Operations								
Rental income	-	89,865	89,865	-	-	-	89,865	85,103
Management and general	-	(155,373)	(155,373)	-	-	-	(155,373)	(164,259)
	-	(65,508)	(65,508)	-	-	-	(65,508)	(79,156)
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(49,825)	(65,508)	(115,333)	2,735	(71,628)	(68,893)	(184,226)	(61,174)
Interfund transfers								
Cash	(291,561)	182,714	(108,847)	108,847	-	108,847	-	-
Assumption of debt liability	(450,600)	-	(450,600)	450,600	-	450,600	-	-
	(742,161)	182,714	(559,447)	559,447	-	559,447	-	-
CHANGE IN NET ASSETS	(791,986)	117,206	(674,780)	562,182	(71,628)	490,554	(184,226)	(61,174)
NET ASSETS, BEGINNING OF YEAR	10,951,645	(133,891)	10,817,754	(527,578)	227,936	(299,642)	10,518,112	10,579,286
NET ASSETS, END OF YEAR	\$10,159,659	\$ (16,685)	\$10,142,974	\$ 34,604	\$156,308	\$ 190,912	\$10,333,886	\$10,518,112

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT

MEND-MEET EACH NEED WITH DIGNITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010 WITH COMPARATIVE
TOTALS FOR THE YEAR ENDED JUNE 30, 2009

	Programs					Total Program Expenses
	Food Distribution	Clothing	Education & Training Center	Medical, Dental, Vision	Other Program Expenses	
Compensation & Related Expenses:						
Salaries	\$ 170,954	\$ 65,055	\$ 104,269	\$ 127,488	\$ 122,290	\$ 590,056
Payroll taxes	12,032	5,477	8,792	10,475	12,779	49,555
Employee benefits	19,735	9,716	5,042	10,605	12,128	57,226
	<u>202,721</u>	<u>80,248</u>	<u>118,103</u>	<u>148,568</u>	<u>147,197</u>	<u>696,837</u>
Other Expenses						
Donated goods and services	5,533,375	2,148,129	-	1,166,967	-	8,848,471
Auto expenses	34,299	5,606	-	-	-	39,905
Bad debts	-	-	-	-	-	-
Bank charges	414	165	-	409	128	1,116
Clinics	-	-	-	87,244	-	87,244
Clothing	-	5,877	-	-	-	5,877
Computer expense	494	198	808	689	153	2,342
Depreciation	104,151	41,661	13,614	103,016	32,192	294,634
Equipment	5,510	3,376	2,214	5,159	933	17,192
Food	3,993	-	-	-	-	3,993
Fundraising expenses	-	-	-	-	-	-
General program expenses	1,404	166	4,205	4,985	8,678	19,438
Insurance	23,507.00	9,242.00	9,974.00	26,514.00	10,634.00	79,871
Interest	5,489	2,196	1,774	5,429	1,697	16,585
Internet	1,727	1,462	4,732	3,007	1,422	12,350
Janitorial	11,168	4,467	8,792	11,047	3,452	38,926
License and permits	19	8	1,590	19	6	1,642
Office expenses	5,983	2,393	1,934	6,330	1,849	18,489
Postage	353	141	114	397	109	1,114
Printing	143	57	46	141	44	431
Professional fees	5,815	2,326	1,881	5,751	1,797	17,570
Property taxes	3,345	1,338	1,081	3,309	1,034	10,107
Marketing and materials	-	-	-	-	-	-
Medical and laboratory expenses	-	-	-	111,028	-	111,028
Repairs and maintenance	11,585	4,095	9,156	14,369	3,164	42,369
Rent	-	-	-	-	-	-
Security	915	366	2,514	905	283	4,983
Special events	-	-	-	-	-	-
Supplies	5,597	1,659	11,854	31,866	1,282	52,258
Telephone	873	349	2,713	864	270	5,069
Volunteer development	-	-	-	-	2,795	2,795
Utilities	21,269	8,508	40,990	24,005	6,574	101,346
	<u>\$ 5,984,149</u>	<u>\$ 2,324,033</u>	<u>\$ 238,089</u>	<u>\$ 1,762,018</u>	<u>\$ 225,693</u>	<u>\$ 10,533,982</u>
Percentage of total operating expenses	<u>53.7%</u>	<u>20.9%</u>	<u>2.1%</u>	<u>15.8%</u>	<u>2.0%</u>	<u>94.6%</u>

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT

**MEND-MEET EACH NEED WITH DIGNITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010 WITH COMPARATIVE
TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

	Management and General	Fundraising	Capital Campaign	Total Operating Expenses	Discontinued Operations Treasure Trunk	2010 Total Expenses	2009 Total Expenses
Compensation & Related Expenses:							
Salaries	\$ 136,266	\$ 117,478	\$ -	\$ 843,800	\$ -	\$ 843,800	764,299
Payroll taxes	11,593	9,949	-	71,097	-	71,097	65,137
Employee benefits	3,934	7,589	-	68,749	-	68,749	51,027
	<u>151,793</u>	<u>135,016</u>	<u>-</u>	<u>983,646</u>	<u>-</u>	<u>983,646</u>	<u>880,463</u>
Other Expenses							
Donated goods and services	-	-	-	8,848,471	-	8,848,471	5,133,092
Auto expenses	-	-	-	39,905	-	39,905	32,214
Bad debts	-	1,503	-	1,503	-	1,503	85,000
Bank charges	42	45	221	1,424	41	1,465	1,069
Clinics	-	-	-	87,244	-	87,244	71,851
Clothing	-	-	-	5,877	-	5,877	9,367
Computer expense	50	54	-	2,446	-	2,446	14,424
Depreciation	10,605	11,362	-	316,601	-	316,601	297,917
Equipment	307	1,629	-	19,128	-	19,128	29,387
Food	-	-	-	3,993	-	3,993	2,464
Fundraising expenses	-	83,584	-	83,584	-	83,584	97,859
General program expenses	-	-	-	19,438	-	19,438	33,230
Insurance	7,914	7,096	-	94,881	-	94,881	64,998
Interest	559	599	45,323	63,066	9,955	73,021	88,481
Internet	45	1,334	-	13,729	-	13,729	20,722
Janitorial	1,137	1,219	-	41,282	-	41,282	48,772
License and permits	2	2	-	1,646	-	1,646	1,300
Office expenses	851	913	-	20,253	-	20,253	17,933
Postage	36	38	-	1,188	-	1,188	5,833
Printing	15	16	-	462	-	462	4,323
Professional fees	592	634	-	18,796	1,112	19,908	17,321
Property taxes	341	365	-	10,813	-	10,813	5,317
Marketing and materials	-	24,194	-	24,194	-	24,194	7,791
Medical and laboratory expenses	-	-	-	111,028	-	111,028	59,599
Repairs and maintenance	1,042	1,117	1,185	45,713	166	45,879	40,214
Rent	-	-	-	-	142,183	142,183	138,469
Security	93	100	-	5,176	-	5,176	4,798
Special events	-	105,055	-	105,055	-	105,055	70,218
Supplies	422	453	-	53,133	-	53,133	44,258
Telephone	89	96	-	5,254	-	5,254	6,086
Volunteer development	-	-	-	2,795	-	2,795	698
Utilities	2,166	2,319	-	105,831	1,916	107,747	104,078
	<u>\$ 178,101</u>	<u>\$ 378,743</u>	<u>\$ 46,729</u>	<u>\$ 11,137,555</u>	<u>\$ 155,373</u>	<u>\$ 11,292,928</u>	<u>\$ 7,439,546</u>
Percentage of total operating expenses	<u>1.5%</u>	<u>3.4%</u>	<u>0.4%</u>				

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT

MEND-MEET EACH NEED WITH DIGNITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010 WITH COMPARATIVE
TOTALS FOR THE YEAR ENDED JUNE 30, 2009

	Unrestricted		Temporarily Restricted			2010 Total Funds	2009 Total Funds	
	MEND	Treasure Trunk	Total	Capital Campaign	Operating			Total
CASH FLOWS FROM OPERATING ACTIVITIES								
Net increase (decrease) in net assets	\$(791,986)	\$ 117,206	\$(674,780)	\$ 562,182	\$ (71,628)	\$ 490,554	\$ (184,226)	\$ (61,174)
Adjustments to reconcile net increase (decrease) in net assets to net cash provided by (used in) operating activities:								
Depreciation and amortization	316,601	-	316,601	-	-	-	316,601	297,917
Bad debts	1,503	-	1,503	-	-	-	1,503	85,000
Transfer of long-term debt to unrestricted fund	450,600	-	450,600	(450,600)	-	(450,600)	-	-
Decrease (increase) in assets -								
Accounts receivable	(30,140)	-	(30,140)	100,000	-	100,000	69,860	(94,744)
Inventory	(38,248)	-	(38,248)	-	-	-	(38,248)	186,473
Prepaid expenses	(9,016)	-	(9,016)	(5,000)	-	(5,000)	(14,016)	(11,604)
Interfund receivable (payable)	(3,533)	-	(3,533)	-	3,533	3,533	-	-
Deposits	(715)	-	(715)	-	-	-	(715)	-
Increase (decrease) in liabilities -								
Accounts payable	(53,430)	-	(53,430)	-	-	-	(53,430)	(30,075)
Accrued payroll and payroll taxes	843	-	843	-	-	-	843	32,375
Accrued vacation	3,094	-	3,094	-	-	-	3,094	1,205
Unearned rental income	(10,665)	-	(10,665)	-	-	-	(10,665)	10,665
Security deposit	2,500	(20,070)	(17,570)	-	-	-	(17,570)	-
Net Cash Provided By (Used In) Operating Activities	<u>(162,592)</u>	<u>97,136</u>	<u>(65,456)</u>	<u>206,582</u>	<u>(68,095)</u>	<u>138,487</u>	<u>73,031</u>	<u>416,038</u>
CASH FLOWS FROM INVESTING ACTIVITIES								
Net (increase) decrease in short term investments	-	-	-	(16)	68,095	68,079	68,079	(69,416)
Purchase of property and equipment	(64,596)	-	(64,596)	-	-	-	(64,596)	(210,385)
Net Cash Provided by (Used In) Investing Activities	<u>(64,596)</u>	<u>-</u>	<u>(64,596)</u>	<u>(16)</u>	<u>68,095</u>	<u>68,079</u>	<u>3,483</u>	<u>(279,801)</u>
CASH FLOWS FROM FINANCING ACTIVITIES								
Net decrease in line of credit	(3,000)	-	(3,000)	-	-	-	(3,000)	250,000
Repayment of long-term debt	-	(89,788)	(89,788)	(307,042)	-	(307,042)	(396,830)	(98,385)
Net Cash Provided by (Used In) Financing Activities	<u>(3,000)</u>	<u>(89,788)</u>	<u>(92,788)</u>	<u>(307,042)</u>	<u>-</u>	<u>(307,042)</u>	<u>(399,830)</u>	<u>151,615</u>
Net Increase (Decrease) In Cash and Cash Equivalents	<u>(230,188)</u>	<u>7,348</u>	<u>(222,840)</u>	<u>(100,476)</u>	<u>-</u>	<u>(100,476)</u>	<u>(323,316)</u>	<u>287,852</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>586,584</u>	<u>100</u>	<u>586,684</u>	<u>123,743</u>	<u>-</u>	<u>123,743</u>	<u>710,427</u>	<u>422,575</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 356,396</u>	<u>\$ 7,448</u>	<u>\$ 363,844</u>	<u>\$ 23,267</u>	<u>\$ -</u>	<u>\$ 23,267</u>	<u>\$ 387,111</u>	<u>\$ 710,427</u>
SUPPLEMENTARY INFORMATION								
Interest paid							<u>\$ 73,021</u>	<u>\$ 88,481</u>
Non-Cash Investing Activities:								
Note payable due from the Capital Campaign fund was transferred to the Unrestricted fund							<u>\$ 450,600</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT

**MEND-MEET EACH NEED WITH DIGNITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1: NATURE OF ORGANIZATION

MEND-Meet Each Need with Dignity 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 volunteers meet with families and refer them to appropriate MEND programs and community agencies.

Education and Training Center

The Education and Training Center offers instruction in English as a Second Language, a computer lab, sewing training, job training, after-school and Saturday programs for children, in addition to other activities.

Shower Program

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

MEND-MEET EACH NEED WITH DIGNITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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. Clothing center personnel also coordinate baby showers, dress-up events for teens, job interview workshops and other events to support families in need.

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.

Comparative Financial Information

The Financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

MEND-MEET EACH NEED WITH DIGNITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

MEND-MEET EACH NEED WITH DIGNITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

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

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.

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.

**MEND-MEET EACH NEED WITH DIGNITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 155,000 volunteer hours per year, the equivalent of 75 full-time employees. For the year ended June 30, 2010, the Organization recorded total in-kind contributions of \$8,886,718, which consisted of \$7,777,045 of food, clothing, medical and dental supplies and \$1,109,673 of donated professional medical and dental services.

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, 2010, cash and cash equivalents and short term investments consisted of the following:

	Unrestricted	Temporarily Restricted
Cash and cash equivalents		
Citibank - checking account	\$ 19,346	\$ -
Citibank - money market account	3,816	-
Citibank - SF Pierce Building Fund	-	23,267
Mission Valley Bank - Reserve account	100,242	-
Wells Fargo - Executive Director's Discretionary Fund	22,018	-
Wells Fargo - money market account	209,631	-
Wells Fargo - Treasure Trunk checking account	6,948	-
Wells Fargo - Treasure Trunk savings account	500	-
Petty cash funds	1,343	-
	<u>\$ 363,844</u>	<u>\$ 23,267</u>

**MEND-MEET EACH NEED WITH DIGNITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3: CASH AND CASH EQUIVALENTS AND SHORT TERM INVESTMENTS (Continued)

Short term investments

Certificates of deposit Pacoima Credit Union	<u>\$ -</u>	<u>\$ 1,337</u>
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NOTE 4: INVENTORY

At June 30, 2010 inventory was comprised of the following:

Food	\$ 310,783
Clothing	52,623
Medical	30,753
Dental	<u>17,149</u>
	<u>\$ 411,308</u>

NOTE 5: PROPERTY AND EQUIPMENT

At June 30, 2010, property and equipment consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Building	\$ 8,549,338	\$ 710,053	\$ 7,839,285
Land	1,440,834	-	1,440,834
Building improvements	1,448,888	614,336	834,552
Leasehold improvements	84,209	84,209	-
Program equipment	394,230	224,540	169,690
Vehicles	<u>130,050</u>	<u>100,823</u>	<u>29,227</u>
	<u>\$ 12,047,549</u>	<u>\$ 1,733,961</u>	<u>\$ 10,313,588</u>

Depreciation expense for the year ended June 30, 2010 was \$316,601.

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, 2010 was 7%. At June 30, 2010 the balance outstanding was \$247,000.

MEND-MEET EACH NEED WITH DIGNITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7: LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2010 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, 2010 was 7.25%.	\$ 450,600
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.	38,561
Note payable, unsecured, payable in monthly payments of \$354 principal and interest, at 5% maturing August 30, 2017.	<u>25,572</u> 514,733
Less current maturities	<u>(128,746)</u>
	<u><u>\$ 385,987</u></u>

Maturities of long-term liabilities are as follows:

Year Ending June 30,	
2011	\$ 128,746
2012	96,966
2013	104,258
2014	112,100
2015	63,949
2016 and thereafter	<u>8,714</u>
	<u><u>\$ 514,733</u></u>

MEND-MEET EACH NEED WITH DIGNITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 subleased this property for a portion of the year and received \$89,865 in rental income. The tenant was unable to continue making rental payments and moved out. The facility is currently vacant.

The Organization is subleasing office and warehouse space at its Van Nuys facility to another non profit entity for \$13,398 per month on a month to month basis.

The future minimum lease payments required under existing noncancelable operating leases as of June 30, 2010, are as follows:

Year Ending June 30,	
2011	<u>\$ 84,704</u>

Total rent expense for the year ended June 30, 2010 was \$142,183.

NOTE 9: SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 10, 2010, the date on which the financial statements were available to be issued.