
FRIENDSHIP TRAYS, INC.
TABLE OF CONTENTS
December 31, 2007

	Page
Independent Auditors' Report	1
Audited Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows.....	5
Notes to Financial Statements	6-11

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Friendship Trays, Inc.
Charlotte, North Carolina

We have audited the accompanying statement of financial position of Friendship Trays, Inc., (a nonprofit organization) as of December 31, 2007, 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 the Organization's 2006 financial statements and in our report dated May 18, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 Friendship Trays, Inc., as of December 31, 2007, and its changes in net assets and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

C. DeWitt Foard & Company, P.A.

August 27, 2008

FRIENDSHIP TRAYS, INC.**STATEMENT OF FINANCIAL POSITION****December 31, 2007, With Prior Year Comparative Totals**

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 479,977	\$ 481,609
Accounts Receivable:		
Meals, net	53,721	42,945
Sales tax and other	7,172	6,801
Contributions receivable	-	17,550
Inventory - at cost	3,820	3,800
Prepaid expenses	17,508	6,124
Investments:		
Beneficial interest in assets held in trust by third party	2,635	2,638
Other	1,571,653	1,466,605
Property and equipment, net	<u>106,897</u>	<u>86,368</u>
TOTAL ASSETS	<u>\$ 2,243,383</u>	<u>\$ 2,114,440</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 43,103	\$ 7,053
Net Assets:		
Unrestricted	1,158,951	1,040,440
Temporarily restricted	104,709	130,327
Permanently restricted	<u>936,620</u>	<u>936,620</u>
Total Net Assets	<u>2,200,280</u>	<u>2,107,387</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,243,383</u>	<u>\$ 2,114,440</u>

FRIENDSHIP TRAYS, INC.**STATEMENT OF ACTIVITIES****Year Ended December 31, 2007, With Prior Year Comparative Totals**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2007	2006
<u>SUPPORT AND REVENUE</u>					
Support:					
Contributions and grants	\$ 902,059	\$ 3,100	\$ -	\$ 905,159	\$ 819,418
Revenue:					
Sale of meals	778,957	-	-	778,957	829,751
Special events, net of \$8,845 direct benefit to donors	27,375	-	-	27,375	36,355
Investment earnings	87,696	18,725	-	106,421	145,288
Gain (loss) on disposal of equipment	2,500	-	-	2,500	(1,350)
Total Revenue	896,528	18,725	-	915,253	1,010,044
Net assets released from restrictions:					
Restrictions satisfied by payment	47,443	(47,443)	-	-	-
TOTAL SUPPORT, REVENUE, AND RECLASSIFICATIONS	1,846,030	(25,618)	-	1,820,412	1,829,462
<u>EXPENSES</u>					
Program services	1,472,491	-	-	1,472,491	1,526,685
Management and general	131,631	-	-	131,631	136,009
Fund raising	123,397	-	-	123,397	108,171
TOTAL EXPENSES	1,727,519	-	-	1,727,519	1,770,865
CHANGE IN NET ASSETS	118,511	(25,618)	-	92,893	58,597
NET ASSETS, BEGINNING	1,040,440	130,327	936,620	2,107,387	2,048,790
NET ASSETS, ENDING	\$ 1,158,951	\$ 104,709	\$ 936,620	\$ 2,200,280	\$ 2,107,387

FRIENDSHIP TRAYS, INC.**STATEMENT OF FUNCTIONAL EXPENSES****Year Ended December 31, 2007, With Prior Year Comparative Totals**

	Program Services	Management and General	Fund Raising	Totals	
				2007	2006
<u>SALARIES AND RELATED EXPENSES</u>					
Salaries	\$ 343,025	\$ 67,226	\$ 67,818	\$ 478,069	\$ 469,203
Payroll taxes and benefits	72,289	13,973	14,096	100,358	98,017
Total	415,314	81,199	81,914	578,427	567,220
<u>OTHER EXPENSES</u>					
Subsidy	513,654	-	-	513,654	597,306
Food	322,328	-	-	322,328	294,588
Supplies	53,942	3,867	773	58,582	77,471
Occupancy	57,823	11,969	4,426	74,218	84,906
Communications	9,056	6,533	36,421	52,010	56,477
Travel, meetings, and seminars	24,336	1,115	-	25,451	28,685
Insurance	25,841	4,584	829	31,254	21,405
Repairs and maintenance	23,854	3,429	752	28,035	17,440
Professional fees	284	7,926	4,706	12,916	8,721
Telephone	3,174	1,312	1,323	5,809	5,249
Dues and subscriptions	554	443	111	1,108	2,312
Bank and credit card	-	2,985	-	2,985	1,803
Miscellaneous	3,452	2,322	-	5,774	-
Total	1,038,298	46,485	49,341	1,134,124	1,196,363
TOTAL EXPENSES BEFORE DEPRECIATION	1,453,612	127,684	131,255	1,712,551	1,763,583
Depreciation	18,879	3,947	987	23,813	18,013
TOTAL EXPENSES	1,472,491	131,631	132,242	1,736,364	1,781,596
Less - Amounts deducted directly against support	-	-	8,845	8,845	10,731
NET EXPENSES	\$ 1,472,491	\$ 131,631	\$ 123,397	\$ 1,727,519	\$ 1,770,865

FRIENDSHIP TRAYS, INC.**STATEMENT OF CASH FLOWS****Year Ended December 31, 2007, With Prior Year Comparative Totals**

	<u>2007</u>	<u>2006</u>
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 92,893	\$ 58,597
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	23,813	18,013
Realized and unrealized gain on investments	(44,590)	(52,038)
(Gain) loss on disposal of assets	(2,500)	1,350
(Increase) decrease in operating assets:		
Accounts receivable	(11,147)	18,051
Contributions receivable	17,550	(17,550)
Inventory	(20)	511
Prepaid expenses	(11,384)	(1,228)
Increase in operating liabilities:		
Accounts payable and accrued expenses	36,050	491
Cash Flows from Operating Activities	<u>100,665</u>	<u>26,197</u>
<u>INVESTING ACTIVITIES</u>		
Proceeds from sale of investments	373,362	319,192
Purchase of investments	(433,816)	(287,056)
Proceeds from sale of equipment	2,500	-
Purchase of equipment	(44,343)	(54,443)
Cash Flows from Investing Activities	<u>(102,297)</u>	<u>(22,307)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(1,632)	3,890
CASH AND CASH EQUIVALENTS, BEGINNING	<u>481,609</u>	<u>477,719</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 479,977</u></u>	<u><u>\$ 481,609</u></u>

FRIENDSHIP TRAYS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Friendship Trays, Inc., (the Organization) located in Charlotte, North Carolina, was established in 1976 to deliver balanced meals daily to individuals in the community who are unable, because of age or infirmity, to obtain or prepare their own meals. The Organization's support is received from contributions from individuals, companies, foundations, and other nonprofit organizations. The majority of the Organization's revenue is received from fees charged for meals.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in conformity with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash within three months of purchase.

Property and Equipment

Property and equipment donated to the Organization is carried at its estimated fair market value as of the date of the donation. All other property and equipment is carried at historical cost. Property and equipment with a cost of \$250 or greater is capitalized. Depreciation expense is computed on all property and equipment by use of the straight-line method over the following useful lives:

Leasehold improvements	7 years
Kitchen equipment	10 years
Vehicle	5 years
Office equipment and furnishings	5-7 years

Contributions

The Organization accounts for contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. Accordingly, the Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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. Restricted grants and contributions whose restrictions are met in the same reporting period as received are reported as unrestricted support.

FRIENDSHIP TRAYS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Donated Goods and Services

Donated services are reported as contributions when the services (a) create or enhance non-financial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated goods, if significant, are included in support at fair value. During the year, the Organization recorded no donated goods or services.

In addition, the Organization receives a substantial amount of donated services from unpaid volunteers in carrying out its program activities. No amounts have been reflected in the financial statements for these services since they do not meet the criteria for recognition under SFAS No. 116. The Organization receives more than 60,000 volunteer hours per year relating to the preparation of meals and deliveries to recipients.

Accounts Receivable

Purchased meals are recognized as a receivable and revenue when the meals have been served and are expected to be collected shortly after year-end. The balance at year-end is shown net of an allowance for uncollectible accounts of \$9,000.

Contributions Receivable

In accordance with SFAS No. 116, the Organization records support at the time a promise is made rather than when received. All promises are expected to be collected within one year and no allowance for doubtful accounts has been provided. Conditional promises of support are recognized when the conditions on which they depend are substantially met.

Inventory

Inventory primarily consists of food and related supplies, which are stated at cost. Cost is determined using the first-in, first-out method.

Revenue and Subsidy

Program service revenue has been reflected in the financial statements as sales based on the gross price charged for each meal delivered, without regard to recipients fully or partially subsidized by the Organization. The amount of subsidy is based on the recipient's monthly income and medical expenses. Subsidized meals have been reflected in the financial statements as a functional expense.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

Expenses are allocated to program, management and general, and fund raising based on management's estimates of time spent and various allocation methods appropriate to the type of expense.

FRIENDSHIP TRAYS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Tax Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not classified as a private foundation.

Prior Year Comparative Totals

The financial statements include certain prior-year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with the Organization's 2006 financial statements, from which the summarized information was derived. Certain prior-year amounts have been reclassified to conform to the presentation in the current-year financial statements.

NOTE B - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2007, consists of the following:

Leasehold improvements	\$ 349,461
Kitchen equipment	204,296
Office furniture and equipment	41,379
Vehicles	81,683
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	676,819
Less – Accumulated depreciation	569,922
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	\$ 106,897
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NOTE C - DONATED FACILITIES

Effective April 1, 2003, the Organization entered into a seven year agreement for the use of a facility located at 2401 Distribution Street. Under the terms of the new lease the monthly rent is \$4,200. The landlord has pledged a contribution to the Organization in an amount equal to the lease payments. During the year ended December 31, 2007, the Organization has recorded an in-kind contribution of \$50,400 for the donated facility with a like amount recorded as an occupancy expense. The Organization considers the pledge of future contributions of rent to be a conditional promise.

NOTE D - PENSION PLAN

The Organization maintains a tax-deferred annuity plan for its employees qualifying under Section 403(b) of the Internal Revenue Code. The Organization matches fifty percent of the first four percent of eligible employee elective deferrals. Matching contributions are 100 percent vested after five years of service. The Organization's contributions to the plan were \$1,679 for the year ended December 31, 2007.

FRIENDSHIP TRAYS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE E - RESTRICTED NET ASSETS

Temporarily restricted net assets represent amounts with donor stipulations that limit the use of the funds. Temporarily restricted net assets at December 31, 2007, are as follows:

Kitchen equipment and leasehold improvements	\$	24,660
Endowment earnings		80,049
		<hr/>
	\$	104,709
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Permanently restricted net assets relate to the corpus of the Endowment described in Note G below.

NOTE F - INVESTMENTS

The Organization has adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments are presented in the financial statements at fair market value.

Beneficial Interest in Assets Held in Trust by Third Party

Friendship Trays has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*. Accordingly, Friendship Trays has included in these financial statements the fair value of investments and related income earned on certain funds held in trust solely for the benefit of Friendship Trays.

The Foundation for the Carolinas (the Foundation) holds in trust an account for the benefit of Friendship Trays. Friendship Trays may request annual distributions of accumulated income from this account. The Foundation has complete discretion as to the timing and amounts of distributions from this fund; however, the Foundation has no variance power to distribute any portion of this fund to another not-for-profit entity. This account as of December 31, 2007, is comprised of the following:

Large CAP Equities	\$	750
International Equities		593
Fixed Income Pool		527
Small CAP Equities		448
Absolute Return Strategy		264
Alternative Investments		53
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	\$	2,635
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FRIENDSHIP TRAYS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE F - INVESTMENTS, continued

Other investments as of December 31, 2007, are composed of the following:

Merrill Lynch:

Certificates of deposit with various financial institutions:

Matures 03-05-08, interest at 4.50%	\$ 96,834
Matures 06-05-08, interest at 4.45%	96,632
Matures 06-19-08, interest at 5.09%	79,713
Matures 06-19-08, interest at 5.09%	34,957
Pimco Corp Opportunity Auction Rate Security	25,000
Blackrock Preferred and Equity Advantage Auction Rate Security	25,000
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	358,136
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Wachovia Bank and Trust:

Charitable Fixed Income Investment Fund	518,337
Evergreen Strategic Growth Fund	226,511
Dodge & Cox Stock Fund	204,322
Evergreen International Equity Fund	135,969
Evergreen Special Values Fund	66,060
Evergreen Growth Fund	62,318
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	1,213,517
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	\$ 1,571,653
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Investment earnings for the year ended December 31, 2007, were comprised of the following:

Interest	\$ 47,580
Dividends	18,415
Capital gain distributions	44,247
Other realized gains	12,005
Unrealized gain (loss)	(11,662)
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	110,585
Less – fees	4,164
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	\$ 106,421
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FRIENDSHIP TRAYS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE G - ENDOWMENT

Contributions to the endowment will be permanently restricted and not available for use. A total return spending policy has been adopted by which up to 75 percent of the endowment's total annual return will be available to help support the operation of Friendship Trays, Inc. As of December 31, 2007, the market value of the endowment is \$1,256,818, which exceeds the corpus by a total of \$320,198; therefore, \$240,149 is available to support operations and is included in unrestricted net assets. The remaining earnings of \$80,049 is included in temporarily restricted net assets.

NOTE H - CONCENTRATION OF CREDIT RISK

The Organization regularly maintains a cash balance in excess of insured limits. At December 31, 2007, the uninsured balance of this account was \$107,668. However, management believes that the risk related to the account is minimal.

Investments are insured by the Securities Investor Protection Corporation up to \$500,000. The Organization invests in a variety of investments, which are subject to fluctuations in market values and expose the Society to a certain degree of investment risk.