
FRIENDSHIP TRAYS, INC.
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December 31, 2009

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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, 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. The prior-year summarized comparative information has been derived from the Organization's 2008 financial statements and in our report dated May 10, 2009, 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, 2009, 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.

May 11, 2010

FRIENDSHIP TRAYS, INC.**STATEMENT OF FINANCIAL POSITION****December 31, 2009, With Prior Year Comparative Totals**

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 727,989	\$ 572,464
Receivables:		
Contributions	9,843	15,000
Accounts receivable, net	41,672	57,923
Sales tax	5,848	6,937
Inventory - at cost	5,695	3,643
Prepaid expenses	15,048	28,535
Investments:		
Beneficial interest in assets held in trust by third party	2,211	1,901
Other	1,535,649	1,213,148
Property and equipment, net	<u>111,009</u>	<u>143,101</u>
TOTAL ASSETS	<u>\$ 2,454,964</u>	<u>\$ 2,042,652</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 42,816	\$ 34,301
Net Assets:		
Unrestricted	1,426,169	1,068,194
Temporarily restricted	49,359	3,537
Permanently restricted	<u>936,620</u>	<u>936,620</u>
Total Net Assets	<u>2,412,148</u>	<u>2,008,351</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,454,964</u>	<u>\$ 2,042,652</u>

FRIENDSHIP TRAYS, INC.**STATEMENT OF ACTIVITIES****Year Ended December 31, 2009, With Prior Year Comparative Totals**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2009	2008
<u>SUPPORT AND REVENUE</u>					
Support:					
Contributions and grants	\$ 1,021,422	\$ -	\$ -	\$ 1,021,422	\$ 1,017,689
Revenue:					
Sale of meals	738,870	-	-	738,870	798,424
Special events, net of \$8,873 direct benefit to donors	19,800	-	-	19,800	27,716
Investment earnings	144,997	45,822	-	190,819	(286,063)
Other income	7,803	-	-	7,803	1,180
Gain (loss) on disposal of equipment	-	-	-	-	(62)
Total Revenue	911,470	45,822	-	957,292	541,195
Net assets released from restrictions:					
Restrictions satisfied by payment	-	-	-	-	-
TOTAL SUPPORT, REVENUE, AND RECLASSIFICATIONS	1,932,892	45,822	-	1,978,714	1,558,884
<u>EXPENSES</u>					
Program services	1,343,418	-	-	1,343,418	1,459,065
Management and general	126,975	-	-	126,975	151,619
Fund raising	104,524	-	-	104,524	140,129
TOTAL EXPENSES	1,574,917	-	-	1,574,917	1,750,813
CHANGE IN NET ASSETS	357,975	45,822	-	403,797	(191,929)
NET ASSETS, BEGINNING	1,068,194	3,537	936,620	2,008,351	2,200,280
NET ASSETS, ENDING	\$ 1,426,169	\$ 49,359	\$ 936,620	\$ 2,412,148	\$ 2,008,351

FRIENDSHIP TRAYS, INC.**STATEMENT OF FUNCTIONAL EXPENSES****Year Ended December 31, 2009, With Prior Year Comparative Totals**

	Program Services	Management and General	Fund Raising	Totals	
				2009	2008
<u>SALARIES AND RELATED EXPENSES</u>					
Salaries	\$ 353,319	\$ 69,332	\$ 47,183	\$ 469,834	\$ 514,712
Payroll taxes and benefits	89,131	19,490	13,263	121,884	110,323
Total	<u>442,450</u>	<u>88,822</u>	<u>60,446</u>	<u>591,718</u>	<u>625,035</u>
<u>OTHER EXPENSES</u>					
Subsidy	415,286	-	-	415,286	477,726
Food	242,498	-	-	242,498	303,617
Supplies	80,587	1,606	535	82,728	78,448
Occupancy	61,120	13,818	4,325	79,263	77,248
Communications	7,471	6,678	42,900	57,049	67,486
Travel, meetings, and seminars	31,252	567	-	31,819	36,910
Professional fees	-	5,984	3,570	9,554	25,160
Repairs and maintenance	12,750	289	72	13,111	22,049
Insurance	15,932	2,829	616	19,377	18,846
Telephone	2,172	804	547	3,523	4,567
Bank and credit card	-	3,476	-	3,476	1,885
Miscellaneous	836	557	-	1,393	1,070
Dues and subscriptions	452	361	90	903	912
Total	<u>870,356</u>	<u>36,969</u>	<u>52,655</u>	<u>959,980</u>	<u>1,115,924</u>
TOTAL EXPENSES BEFORE DEPRECIATION	1,312,806	125,791	113,101	1,551,698	1,740,959
Depreciation	<u>30,612</u>	<u>1,184</u>	<u>296</u>	<u>32,092</u>	<u>29,402</u>
TOTAL EXPENSES	1,343,418	126,975	113,397	1,583,790	1,770,361
Less - Amounts deducted directly against support	<u>-</u>	<u>-</u>	<u>8,873</u>	<u>8,873</u>	<u>19,548</u>
NET EXPENSES	<u>\$ 1,343,418</u>	<u>\$ 126,975</u>	<u>\$ 104,524</u>	<u>\$ 1,574,917</u>	<u>\$ 1,750,813</u>

FRIENDSHIP TRAYS, INC.**STATEMENT OF CASH FLOWS****Year Ended December 31, 2009, With Prior Year Comparative Totals**

	<u>2009</u>	<u>2008</u>
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 403,797	\$ (191,929)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	32,092	29,402
Realized and unrealized (gain) loss on investments	(162,700)	350,255
Loss on disposal of assets	-	62
(Increase) decrease in operating assets:		
Contributions receivable	5,157	(15,000)
Accounts receivable	17,340	(4,201)
Sales tax receivable	(310)	234
Inventory	(2,052)	177
Prepaid expenses	13,487	(11,027)
Increase in operating liabilities:		
Accounts payable and accrued expenses	8,515	(8,802)
Cash Flows from Operating Activities	<u>315,326</u>	<u>149,171</u>
<u>INVESTING ACTIVITIES</u>		
Proceeds from sale of investments	490,449	1,421,925
Purchase of investments	(650,250)	(1,412,941)
Purchase of equipment	-	(65,668)
Cash Flows from Investing Activities	<u>(159,801)</u>	<u>(56,684)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	155,525	92,487
CASH AND CASH EQUIVALENTS, BEGINNING	<u>572,464</u>	<u>479,977</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 727,989</u>	<u>\$ 572,464</u>

FRIENDSHIP TRAYS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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 Organization is required under U.S. generally accepted accounting principles (GAAP) 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.

Contributions

In accordance with GAAP, 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.

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 GAAP. The Organization receives more than 60,000 volunteer hours per year relating to the preparation of meals and deliveries to recipients.

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.

FRIENDSHIP TRAYS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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 \$1,800.

Contributions Receivable

In accordance with GAAP, 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 GAAP 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, 2009

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.

GAAP requires an organization to recognize a tax benefit or expense from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Organization has no uncertain tax positions as of December 31, 2009.

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 2008 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, 2009, consists of the following:

Leasehold improvements	\$ 392,350
Kitchen equipment	211,663
Office furniture and equipment	48,953
Vehicles	81,683
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	734,649
Less – Accumulated depreciation	623,640
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	\$ 111,009
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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 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, 2009, 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. Although the lease has not yet been renewed since its expiration on April 1, 2010, the terms have not changed.

FRIENDSHIP TRAYS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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 \$2,757 for the year ended December 31, 2009.

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, 2009, are as follows:

Endowment earnings	\$ 49,359
	<u>\$ 49,359</u>

Permanently restricted net assets relate to the corpus of the Endowment described in Note G below.

NOTE F - INVESTMENTS

In accordance with GAAP, the Organization's investments are presented in the financial statements at fair value.

Beneficial Interest in Assets Held in Trust by Third Party

In accordance with GAAP, the Organization 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, 2009, is comprised of the following:

Large CAP Equities	\$ 286
International Equities	354
Fixed Income Pool	796
Small CAP Equities	254
Hedge Funds	309
Alternative Investments	212
	<u>\$ 2,211</u>

FRIENDSHIP TRAYS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE F - INVESTMENTS, continued

Other investments as of December 31, 2009, are composed of the following:

Merrill Lynch - Certificates of deposit with various financial institutions:

Matures 01-04-10, interest at .45%	\$ 94,988
Matures 01-11-10, interest at 1.80%	50,002
Matures 03-30-10, interest at .50%	94,847
Matures 04-30-10, interest at .75%	49,923
Matures 06-30-10, interest at .60%	94,726
Matures 09-25-10, interest at .85%	46,862
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	431,348
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Wachovia Bank - Mutual Funds:

IShares Barclay's Aggregate Bond Fund	396,250
Evergreen Strategic Growth Fund	208,143
Dodge & Cox Stock Fund	162,511
Harbor International Fund	119,756
Royce Premier Fund	62,308
American Century New Opportunities Fund	56,859
ING Real Estate Fund	34,881
PIMCO Commodity Real Return Strategy Fund	24,114
Evergreen Equity Intrinsic Value Fund	39,479
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	1,104,301
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	\$ 1,535,649
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Investment earnings for the year ended December 31, 2009, were comprised of the following:

Interest and dividends	\$ 34,836
Realized and unrealized gains	162,700
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	197,536
Less – fees	(6,717)
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	\$ 190,819
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FRIENDSHIP TRAYS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE G - ENDOWMENT

Contributions to the endowment are 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, 2009, the fair value of the endowment is \$1,134,056, which exceeds the corpus of \$936,620 by a total of \$197,436; therefore, \$148,077 is available to support operations and is included in unrestricted net assets. The remaining earnings of \$49,359 is included in temporarily restricted net assets.

NOTE H - FAIR VALUE MEASUREMENTS

Current accounting standards require fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It establishes a three-level valuation hierarchy based upon observable and unobservable inputs, as follows:

- Level 1 - Fair value is based on quoted prices in active markets for identical assets or liabilities.
- Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are - or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Organization has segregated its financial instruments into the most appropriate level within the fair value hierarchy at December 31, 2009, as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Wachovia - Mutual Funds	\$ 1,104,301	\$ 1,104,301	\$ -	\$ -
Certificates of Deposit	431,348	-	431,318	-
Foundation For The Carolinas	<u>2,211</u>	<u>-</u>	<u>-</u>	<u>2,211</u>
TOTAL	<u>\$ 1,537,860</u>	<u>\$ 1,104,301</u>	<u>\$ 431,318</u>	<u>\$ 2,211</u>

The following table sets forth a summary of changes in the fair value of the Organization's level 3 assets for the year ended December 31, 2009.

Balance, beginning of year	\$ 1,901
Net increase (decrease) in value	397
Purchases, sales, issuances, and settlements (net)	<u>(87)</u>
Balance, end of year	<u>\$ 2,211</u>

FRIENDSHIP TRAYS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE I - LEASE COMMITMENT

The Organization leases additional space under an operating lease expiring on December 30, 2010. Future minimum rental payments under this lease as of December 31, 2009, are \$6,000. Total rental expense related to this lease during the year ended December 31, 2009, was \$8,591.

NOTE J - CONCENTRATIONS OF CREDIT RISK

Investments

Investments held in financial institutions are insured up to \$500,000 by the Securities Investor Protection Corporation (SPIC); however, this insurance does not cover the loss of value of the underlying assets. As disclosed in Note F above, the Organization maintains a variety of investments which are subject to fluctuations in market values and expose the Organization to a certain degree of investment risk.

Support and Revenue

The Organization operates and receives funding within a limited geographical area.

NOTE K - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the date of the statement of financial position through May 11, 2010. During this period, no material recognizable subsequent events were identified.