

*FRIENDSHIP TRAYS, INC.*

*FINANCIAL STATEMENTS*  
*DECEMBER 31, 2010*

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***FRIENDSHIP TRAYS, INC.***  
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**December 31, 2010**

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# **C. DEWITT FOARD & COMPANY, P.A.**

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CERTIFIED PUBLIC ACCOUNTANTS  
1001 MOREHEAD SQUARE DRIVE • SUITE 450  
CHARLOTTE, NORTH CAROLINA 28203  
TELEPHONE: 704-372-1515 • FACSIMILE: 704-372-6066

PHILLIP G. WILSON  
TERRY W. LANCASTER

## **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, 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 the Organization's 2009 financial statements and in our report dated May 11, 2010, 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, 2010, 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.*

April 26, 2011

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***FRIENDSHIP TRAYS, INC.*****STATEMENT OF FINANCIAL POSITION****December 31, 2010, With Prior Year Comparative Totals**

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	<u>2010</u>	<u>2009</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 1,136,041	\$ 727,989
Receivables:		
Contributions	4,876	9,843
Accounts receivable, net	56,519	41,672
Sales tax	5,824	5,848
Inventory - at cost	1,960	5,695
Prepaid expenses	15,572	15,048
Investments:		
Beneficial interest in assets held in trust by third party	2,389	2,211
Other	1,233,109	1,535,649
Property and equipment, net	<u>118,589</u>	<u>111,009</u>
TOTAL ASSETS	<u>\$ 2,574,879</u>	<u>\$ 2,454,964</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 30,415	\$ 42,816
Net Assets:		
Unrestricted	1,515,255	1,426,169
Temporarily restricted	92,589	49,359
Permanently restricted	<u>936,620</u>	<u>936,620</u>
Total Net Assets	<u>2,544,464</u>	<u>2,412,148</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,574,879</u>	<u>\$ 2,454,964</u>

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**FRIENDSHIP TRAYS, INC.****STATEMENT OF ACTIVITIES****Year Ended December 31, 2010, With Prior Year Comparative Totals**

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	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2010	2009
<b><u>SUPPORT AND REVENUE</u></b>					
Support:					
Contributions and grants	\$ 836,162	\$ 22,261	\$ -	\$ 858,423	\$ 1,037,185
Revenue:					
Sale of meals, net of \$474,387 subsidies	334,798	-	-	334,798	307,821
Special events, net of \$3,089 direct benefit to donors	38,241	-	-	38,241	19,800
Investment earnings	104,622	32,673	-	137,295	190,819
Other income	11,348	-	-	11,348	7,803
Gain on disposal of equipment	7,499	-	-	7,499	-
Total Revenue	496,508	32,673	-	529,181	526,243
Net assets released from restrictions:					
Restrictions satisfied by payment	11,704	(11,704)	-	-	-
TOTAL SUPPORT, REVENUE, AND RECLASSIFICATIONS	1,344,374	43,230	-	1,387,604	1,563,428
<b><u>EXPENSES</u></b>					
Program services	1,107,380	-	-	1,107,380	928,132
Management and general	71,953	-	-	71,953	126,975
Fund raising	75,955	-	-	75,955	104,524
TOTAL EXPENSES	1,255,288	-	-	1,255,288	1,159,631
CHANGE IN NET ASSETS	89,086	43,230	-	132,316	403,797
NET ASSETS, BEGINNING	1,426,169	49,359	936,620	2,412,148	2,008,351
NET ASSETS, ENDING	\$ 1,515,255	\$ 92,589	\$ 936,620	\$ 2,544,464	\$ 2,412,148

**FRIENDSHIP TRAYS, INC.****STATEMENT OF FUNCTIONAL EXPENSES****Year Ended December 31, 2010, With Prior Year Comparative Totals**

	Program Services	Management and General	Fund Raising	Totals	
				2010	2009
<b><u>SALARIES AND RELATED EXPENSES</u></b>					
Salaries	\$ 410,256	\$ 29,893	\$ 32,949	\$ 473,098	\$ 469,834
Payroll taxes and benefits	101,444	7,939	8,751	118,134	121,884
Total	511,700	37,832	41,700	591,232	591,718
<b><u>OTHER EXPENSES</u></b>					
Food	310,423	-	-	310,423	242,498
Supplies	93,921	1,429	1,429	96,779	82,728
Occupancy	66,080	14,567	3,641	84,288	79,263
Communications	12,588	689	24,646	37,923	57,049
Travel, meetings, and seminars	43,693	1,873	-	45,566	31,819
Professional fees	-	5,366	3,644	9,010	9,554
Repairs and maintenance	20,332	575	144	21,051	13,111
Insurance	13,079	2,062	986	16,127	19,377
Telephone	3,202	404	446	4,052	3,523
Bank and credit card	-	3,990	-	3,990	3,476
Miscellaneous	2,484	1,826	1,826	6,136	1,393
Dues and subscriptions	331	330	330	991	903
Total	566,133	33,111	37,092	636,336	544,694
TOTAL EXPENSES BEFORE DEPRECIATION	1,077,833	70,943	78,792	1,227,568	1,136,412
Depreciation	29,547	1,010	252	30,809	32,092
TOTAL EXPENSES	1,107,380	71,953	79,044	1,258,377	1,168,504
Less - Amounts deducted directly against support	-	-	3,089	3,089	8,873
NET EXPENSES	\$ 1,107,380	\$ 71,953	\$ 75,955	\$ 1,255,288	\$ 1,159,631

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**FRIENDSHIP TRAYS, INC.****STATEMENT OF CASH FLOWS****Year Ended December 31, 2010, With Prior Year Comparative Totals**

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	<u>2010</u>	<u>2009</u>
<b><u>OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 132,316	\$ 403,797
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	30,809	32,092
Realized and unrealized gain on investments	(119,124)	(162,700)
Gain on disposal of equipment	(7,499)	-
(Increase) decrease in operating assets:		
Contributions receivable	4,967	5,157
Accounts receivable	(14,823)	17,340
Sales tax receivable	(178)	(310)
Inventory	3,735	(2,052)
Prepaid expenses	(524)	13,487
Increase in operating liabilities:		
Accounts payable and accrued expenses	(12,401)	8,515
Cash Flows from Operating Activities	<u>17,278</u>	<u>315,326</u>
<b><u>INVESTING ACTIVITIES</u></b>		
Proceeds from sale of equipment	7,499	-
Proceeds from sale of investments	709,181	490,449
Purchase of investments	(287,517)	(650,250)
Purchase of equipment	(38,389)	-
Cash Flows from Investing Activities	<u>390,774</u>	<u>(159,801)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	408,052	155,525
CASH AND CASH EQUIVALENTS, BEGINNING	<u>727,989</u>	<u>572,464</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,136,041</u>	<u>\$ 727,989</u>

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***FRIENDSHIP TRAYS, INC.***  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010**

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**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.



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***FRIENDSHIP TRAYS, INC.***  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010**

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**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	5-7 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 \$2,956.

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 charge for meals delivered net of the full or partial amount subsidized by the Organization. The amount of subsidy is based on the recipient's monthly income and medical expenses.

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.

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***FRIENDSHIP TRAYS, INC.***  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010**

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**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, 2010.

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 2009 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, 2010, consists of the following:

Leasehold improvements	\$ 394,756
Kitchen equipment	207,211
Office furniture and equipment	46,096
Vehicles	60,874
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	708,937
Less – Accumulated depreciation	590,348
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	\$ 118,589
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**NOTE C - DONATED FACILITIES**

Effective April 1, 2010, the Organization entered into a five year agreement for the use of a facility located at 2401 Distribution Street. Under the terms of the lease the monthly rent is \$5,000. The landlord has pledged a contribution to the Organization in an amount equal to the lease payments. During the year ended December 31, 2010, the Organization has recorded an in-kind contribution of \$57,600 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.

The Organization also uses space at Friendship Missionary Baptist Church for which it was not charged for seven months of 2010. The fair market value of this space is \$500 per month. During the year ended December 31, 2010, the Organization has recorded an in-kind contribution of \$3,500 for the donated space with a like amount recorded in occupancy expense.

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**FRIENDSHIP TRAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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 \$3,856 for the year ended December 31, 2010.

**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, 2010, are as follows:

Tom Bradbury	\$	2,261
Garden salaries		8,296
Endowment earnings		82,032
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	\$	92,589
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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, 2010, is comprised of the following:

Large CAP Equities	\$	526
International Equities		413
Fixed Income Pool		583
Small CAP Equities		275
Hedge Funds		365
Alternative Investments		227
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	\$	2,389
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**FRIENDSHIP TRAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE F - INVESTMENTS, continued**

Other investments as of December 31, 2010, are composed of the following:

Mutual Funds:

IShares Barclay's Aggregate Bond Fund	\$	125,948
Loomis Sayles Bond Fund		162,271
PIMCO Total Return Fund		152,621
American Century Small Cap Growth Fund		74,130
Dodge & Cox Stock Fund		166,719
Harbor International Fund		132,153
Royce Premier Fund		77,837
Wells Fargo Advantage Intrinsic Value Fund		46,156
Wells Fargo Advantage Large Cap Growth Fund		230,099
ING Real Estate Fund		38,120
PIMCO Commodity Real Return Strategy Fund		27,055
		<hr/>
	\$	1,233,109

Investment earnings for the year ended December 31, 2010, were comprised of the following:

Interest and dividends	\$	25,949
Realized and unrealized gains		119,124
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		145,073
Less – fees		(7,778)
		<hr/>
	\$	137,295

**NOTE G - ENDOWMENT**

The Organization's endowment consists of one fund established to preserve the real value of invested capital and to provide immediate income to operations. Its endowment includes donor-restricted funds to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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***FRIENDSHIP TRAYS, INC.***  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE G – ENDOWMENT, continued**

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Under this policy, as approved by the Board of Directors, endowment assets are invested in a well diversified asset mix, which includes equity and debt securities that is intended to produce results that attempt to match the price and yield results of the S&P 500 index. Actual returns in any given year may vary.

*Spending Policy.* 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, 2010, the fair value of the endowment is \$1,264,748, which exceeds the corpus of \$936,620 by a total of \$328,128; therefore, \$246,096 is available to support operations and is included in unrestricted net assets. The remaining earnings of \$82,032 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:

**FRIENDSHIP TRAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE H - FAIR VALUE MEASUREMENTS, continued**

- 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, 2010, as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Mutual Funds	\$ 1,233,109	\$ 1,233,109	\$ -	\$ -
Foundation For The Carolinas	<u>2,389</u>	<u>-</u>	<u>-</u>	<u>2,389</u>
<b>TOTAL</b>	<u><u>\$ 1,235,498</u></u>	<u><u>\$ 1,233,109</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,389</u></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, 2010.

Balance, beginning of year	\$ 2,211
Net increase (decrease) in value	208
Purchases, sales, issuances, and settlements (net)	<u>(30)</u>
Balance, end of year	<u><u>\$ 2,389</u></u>

**NOTE I - 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.

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***FRIENDSHIP TRAYS, INC.***  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE J - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events from the date of the statement of financial position through the date of the independent auditors' report. During this period, no material recognizable subsequent events were identified.