

FRIENDSHIP TRAYS, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2011

FRIENDSHIP TRAYS, INC.
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C. DEWITT FOARD & COMPANY, P.A.

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, 2011, 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 2010 financial statements and in our report dated April 26, 2011, 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, 2011, 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 9, 2012

FRIENDSHIP TRAYS, INC.**STATEMENT OF FINANCIAL POSITION****December 31, 2011, With Prior Year Comparative Totals**

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 475,383	\$ 1,136,041
Receivables:		
Contributions	8,681	4,876
Accounts receivable, net	50,639	56,519
Sales tax	6,503	5,824
Inventory - at cost	3,564	1,960
Prepaid expenses	9,646	15,572
Investments:		
Beneficial interest in assets held in trust by third party	2,217	2,389
Other	1,690,751	1,233,109
Property and equipment, net	215,675	118,589
<u>TOTAL ASSETS</u>	<u>\$ 2,463,059</u>	<u>\$ 2,574,879</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 59,649	\$ 30,415
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Net Assets:

Unrestricted	1,376,619	1,515,255
Temporarily restricted	90,171	92,589
Permanently restricted	936,620	936,620

Total Net Assets	2,403,410	2,544,464
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<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 2,463,059</u>	<u>\$ 2,574,879</u>
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FRIENDSHIP TRAYS, INC.**STATEMENT OF ACTIVITIES****Year Ended December 31, 2011, With Prior Year Comparative Totals**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2011	2010
<u>SUPPORT AND REVENUE</u>					
Support:					
Contributions and grants	\$ 795,893	\$ 27,386	\$ -	\$ 823,279	\$ 858,423
Revenue:					
Sale of meals, net of \$519,558 subsidies	289,009	-	-	289,009	334,798
Special events, net of \$9,248 direct benefit to donors	12,371	-	-	12,371	38,241
Investment earnings	(556)	(933)	-	(1,489)	137,295
Other income	23,223	-	-	23,223	11,348
Gain on disposal of equipment	24,026	-	-	24,026	7,499
Total Revenue	348,073	(933)	-	347,140	529,181
Net assets released from restrictions:					
Restrictions satisfied by payment	28,871	(28,871)	-	-	-
TOTAL SUPPORT, REVENUE, AND RECLASSIFICATIONS	1,172,837	(2,418)	-	1,170,419	1,387,604
<u>EXPENSES</u>					
Program services	1,166,324	-	-	1,166,324	1,107,380
Management and general	74,998	-	-	74,998	71,953
Fund raising	70,151	-	-	70,151	75,955
TOTAL EXPENSES	1,311,473	-	-	1,311,473	1,255,288
CHANGE IN NET ASSETS	(138,636)	(2,418)	-	(141,054)	132,316
NET ASSETS, BEGINNING	1,515,255	92,589	936,620	2,544,464	2,412,148
NET ASSETS, ENDING	\$ 1,376,619	\$ 90,171	\$ 936,620	\$ 2,403,410	\$ 2,544,464

FRIENDSHIP TRAYS, INC.**STATEMENT OF FUNCTIONAL EXPENSES****Year Ended December 31, 2011, With Prior Year Comparative Totals**

	Program Services	Management and General	Fund Raising	Totals	
				2011	2010
<u>SALARIES AND RELATED EXPENSES</u>					
Salaries	\$ 427,624	\$ 32,496	\$ 28,356	\$ 488,476	\$ 473,098
Payroll taxes and benefits	102,622	7,881	6,876	117,379	118,134
<i>Total</i>	530,246	40,377	35,232	605,855	591,232
<u>OTHER EXPENSES</u>					
Food	342,432	-	-	342,432	310,423
Supplies	96,583	1,665	1,665	99,913	96,779
Occupancy	65,926	14,827	3,707	84,460	84,288
Communications	12,007	560	30,525	43,092	37,923
Travel, meetings, and seminars	45,028	50	-	45,078	45,566
Professional fees	-	5,589	3,770	9,359	9,010
Repairs and maintenance	20,916	697	174	21,787	21,051
Insurance	11,835	2,379	1,045	15,259	16,127
Telephone	2,845	366	319	3,530	4,052
Bank and credit card	-	4,060	-	4,060	3,990
Miscellaneous	2,230	2,545	2,223	6,998	6,136
Dues and subscriptions	359	358	358	1,075	991
<i>Total</i>	600,161	33,096	43,786	677,043	636,336
TOTAL EXPENSES					
<i>BEFORE DEPRECIATION</i>	1,130,407	73,473	79,018	1,282,898	1,227,568
Depreciation	35,917	1,525	381	37,823	30,809
TOTAL EXPENSES	1,166,324	74,998	79,399	1,320,721	1,258,377
Less - Amounts deducted directly against support	-	-	9,248	9,248	3,089
NET EXPENSES	\$ 1,166,324	\$ 74,998	\$ 70,151	\$ 1,311,473	\$ 1,255,288

FRIENDSHIP TRAYS, INC.**STATEMENT OF CASH FLOWS****Year Ended December 31, 2011, With Prior Year Comparative Totals**

	<u>2011</u>	<u>2010</u>
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ (141,054)	\$ 132,316
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	37,823	30,809
Realized and unrealized (gain) loss on investments	34,080	(119,124)
Gain on disposal of equipment	(24,026)	(7,499)
(Increase) decrease in operating assets:		
Contributions receivable	(3,805)	4,967
Accounts receivable	5,880	(14,823)
Sales tax receivable	(679)	(178)
Inventory	(1,604)	3,735
Prepaid expenses	5,926	(524)
Increase in operating liabilities:		
Accounts payable and accrued expenses	29,234	(12,401)
<u>Cash Flows from Operating Activities</u>	<u>(58,225)</u>	<u>17,278</u>
<u>INVESTING ACTIVITIES</u>		
Proceeds from disposal of property and equipment	28,734	7,499
Proceeds from sale of investments	53,742	709,181
Purchase of investments	(545,292)	(287,517)
Purchase of equipment	(139,617)	(38,389)
<u>Cash Flows from Investing Activities</u>	<u>(602,433)</u>	<u>390,774</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(660,658)	408,052
CASH AND CASH EQUIVALENTS, BEGINNING	1,136,041	727,989
CASH AND CASH EQUIVALENTS, ENDING	\$ 475,383	\$ 1,136,041

FRIENDSHIP TRAYS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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 donated goods of \$700 and donated services of \$1,468.

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, 2011

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 \$3,344.

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 the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain 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 support, revenues, and expenses during the reporting period. 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, 2011

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, 2011.

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 2010 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, 2011, consists of the following:

Leasehold improvements	\$ 511,264
Kitchen equipment	209,616
Office furniture and equipment	47,014
Vehicles	31,530
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	799,424
Less – Accumulated depreciation	583,749
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	\$ 215,675
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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, 2011, the Organization has recorded an in-kind contribution of \$60,000 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 is not charged. The fair market value of this space is \$500 per month. During the year ended December 31, 2011, the Organization has recorded an in-kind contribution of \$6,000 for the donated space with a like amount recorded in occupancy expense.

FRIENDSHIP TRAYS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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 \$3,367 for the year ended December 31, 2011.

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, 2011, are as follows:

Tom Bradbury Memorial	\$	3,261
Garden salaries and other expenses		5,871
Endowment earnings		81,039
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	\$	90,171
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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, 2011, is comprised of the following:

Large CAP Equities	\$	493
International Equities		432
Fixed Income Pool		315
Small CAP Equities		222
Hedge Funds		400
Alternative Investments		355
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	\$	2,217
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FRIENDSHIP TRAYS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE F - INVESTMENTS, continued

Other investments as of December 31, 2011, are composed of the following:

Mutual Funds:

IShares Barclay's Aggregate Bond Fund	\$ 131,308
Loomis Sayles Bond Fund	158,405
PIMCO Total Return Fund	152,903
American Century Small Cap Growth Fund	70,410
Dodge & Cox Stock Fund	157,250
Federated Strategic Value Dividend Fund	50,161
Royce Premier Fund	70,855
Harbor International Fund	114,474
Wells Fargo Advantage Large Cap Growth Fund	226,729
ING Real Estate Fund	40,944
PIMCO Commodity Real Return Strategy Fund	19,046
	1,192,485

Certificates of Deposit:

Publically traded with various maturities and interest rates	498,266
	<u>\$ 1,690,751</u>

Investment earnings for the year ended December 31, 2011, were comprised of the following:

Interest and dividends	\$ 41,283
Realized and unrealized gains	<u>(34,080)</u>
	7,203
Less – fees	<u>(8,692)</u>
	<u>\$ (1,489)</u>

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.

FRIENDSHIP TRAYS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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, 2011, the fair value of the endowment is \$1,260,776, which exceeds the corpus of \$936,620 by a total of \$324,156; therefore, \$243,117 is available to support operations and is included in unrestricted net assets. The remaining earnings of \$81,039 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
December 31, 2011

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, 2011, as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Mutual Funds	\$ 1,192,485	\$ 1,192,485	\$ -	\$ -
Certificates of Deposit:				
Publically Traded	498,266	498,266	-	-
Foundation For The Carolinas	<u>2,217</u>	<u>-</u>	<u>-</u>	<u>2,217</u>
TOTAL	<u>\$ 1,692,968</u>	<u>\$ 1,690,751</u>	<u>\$ -</u>	<u>\$ 2,217</u>

The Organization's investments at the Foundation are classified as Level 3 assets. Values of these investments are determined by the Foundation based on the market value of the underlying assets, which generally consist of publicly-traded securities.

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, 2011.

Balance, beginning of year	\$ 2,389
Net increase (decrease) in value	(78)
Sales	(124)
Purchases	<u>30</u>
Balance, end of year	<u>\$ 2,217</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.

FRIENDSHIP TRAYS, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE I - CONCENTRATIONS OF CREDIT RISK, continued

Support and Revenue

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

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, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.