

*FRIENDSHIP TRAYS, INC.*

*FINANCIAL STATEMENTS*  
*DECEMBER 31, 2012*

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***FRIENDSHIP TRAYS, INC.***  
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**December 31, 2012**

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

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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Friendship Trays, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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 misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Friendship Trays, Inc.  
Independent Auditors' Report

*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, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Report on Summarized Comparative Information*

We have previously audited the 2011 financial statements of Friendship Trays, Inc., and our report dated May 9, 2012, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*C. DeWitt Ford & Company, P.A.*

June 21, 2013

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**FRIENDSHIP TRAYS, INC.****STATEMENT OF FINANCIAL POSITION****December 31, 2012, With Prior Year Comparative Totals**

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	<u>2012</u>	<u>2011</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 658,667	\$ 475,383
Receivables:		
Contributions	-	8,681
Accounts receivable, net	33,492	50,639
Sales tax	6,109	6,503
Inventory - at cost	3,583	3,564
Prepaid expenses	9,988	9,646
Investments:		
Beneficial interest in assets held in trust by third party	2,333	2,217
Other	1,715,364	1,690,751
Property and equipment, net	178,245	215,675
<b><i>TOTAL ASSETS</i></b>	<b><i>\$ 2,607,781</i></b>	<b><i>\$ 2,463,059</i></b>

**LIABILITIES AND NET ASSETS**

## Liabilities:

Accounts payable and accrued expenses	\$ 29,282	\$ 59,649
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## Net Assets:

Unrestricted	1,458,091	1,376,619
Temporarily restricted	183,788	90,171
Permanently restricted	936,620	936,620

Total Net Assets	2,578,499	2,403,410
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<b><i>TOTAL LIABILITIES AND NET ASSETS</i></b>	<b><i>\$ 2,607,781</i></b>	<b><i>\$ 2,463,059</i></b>
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**FRIENDSHIP TRAYS, INC.****STATEMENT OF ACTIVITIES****Year Ended December 31, 2012, With Prior Year Comparative Totals**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2012	2011
<b><u>SUPPORT AND REVENUE</u></b>					
Support:					
Contributions and grants	\$ 846,731	\$ 113,393	\$ -	\$ 960,124	\$ 823,279
Revenue:					
Sale of meals, net of \$477,623 subsidies	298,992	-	-	298,992	289,009
Special events, net of \$13,427 direct benefit to donors	24,569	-	-	24,569	12,371
Investment earnings	115,491	37,344	-	152,835	(1,489)
Other income	59,376	-	-	59,376	23,223
Gain on disposal of equipment	-	-	-	-	24,026
Total Revenue	498,428	37,344	-	535,772	347,140
Net assets released from restrictions:					
Restrictions satisfied by payment	57,120	(57,120)	-	-	-
<b>TOTAL SUPPORT, REVENUE, AND RECLASSIFICATIONS</b>	<b>1,402,279</b>	<b>93,617</b>	<b>-</b>	<b>1,495,896</b>	<b>1,170,419</b>
<b><u>EXPENSES</u></b>					
Program services	1,169,881	-	-	1,169,881	1,166,324
Management and general	80,021	-	-	80,021	74,998
Fund raising	70,905	-	-	70,905	70,151
<b>TOTAL EXPENSES</b>	<b>1,320,807</b>	<b>-</b>	<b>-</b>	<b>1,320,807</b>	<b>1,311,473</b>
<b>CHANGE IN NET ASSETS</b>	<b>81,472</b>	<b>93,617</b>	<b>-</b>	<b>175,089</b>	<b>(141,054)</b>
<b>NET ASSETS, BEGINNING</b>	<b>1,376,619</b>	<b>90,171</b>	<b>936,620</b>	<b>2,403,410</b>	<b>2,544,464</b>
<b>NET ASSETS, ENDING</b>	<b>\$ 1,458,091</b>	<b>\$ 183,788</b>	<b>\$ 936,620</b>	<b>\$ 2,578,499</b>	<b>\$ 2,403,410</b>

**FRIENDSHIP TRAYS, INC.****STATEMENT OF FUNCTIONAL EXPENSES****Year Ended December 31, 2012, With Prior Year Comparative Totals**

	Program Services	Management and General	Fund Raising	Totals	
				2012	2011
<b><u>SALARIES AND RELATED EXPENSES</u></b>					
Salaries	\$ 449,365	\$ 34,081	\$ 27,800	\$ 511,246	\$ 488,476
Payroll taxes and benefits	108,299	8,205	6,694	123,198	117,379
<b><i>Total</i></b>	<b><i>557,664</i></b>	<b><i>42,286</i></b>	<b><i>34,494</i></b>	<b><i>634,444</i></b>	<b><i>605,855</i></b>
<b><u>OTHER EXPENSES</u></b>					
Food	325,860	-	-	325,860	342,432
Supplies	81,783	1,427	1,427	84,637	99,913
Occupancy	67,363	15,413	3,853	86,629	84,460
Communications	8,644	48	33,073	41,765	43,092
Delivery and travel	48,417	503	-	48,920	45,078
Professional fees	-	5,634	3,888	9,522	9,359
Repairs and maintenance	22,477	192	48	22,717	21,787
Insurance	15,829	3,239	1,301	20,369	15,259
Telephone	2,056	257	210	2,523	3,530
Bank and credit card	-	3,342	-	3,342	4,060
Miscellaneous	946	5,480	5,295	11,721	6,998
Dues and subscriptions	259	258	258	775	1,075
<b><i>Total</i></b>	<b><i>573,634</i></b>	<b><i>35,793</i></b>	<b><i>49,353</i></b>	<b><i>658,780</i></b>	<b><i>677,043</i></b>
<b>TOTAL EXPENSES</b>					
<b><i>BEFORE DEPRECIATION</i></b>	<b><i>1,131,298</i></b>	<b><i>78,079</i></b>	<b><i>83,847</i></b>	<b><i>1,293,224</i></b>	<b><i>1,282,898</i></b>
Depreciation	38,583	1,942	485	41,010	37,823
<b>TOTAL EXPENSES</b>	<b><i>1,169,881</i></b>	<b><i>80,021</i></b>	<b><i>84,332</i></b>	<b><i>1,334,234</i></b>	<b><i>1,320,721</i></b>
Less - Amounts deducted directly against support	-	-	13,427	13,427	9,248
<b>NET EXPENSES</b>	<b><i>\$ 1,169,881</i></b>	<b><i>\$ 80,021</i></b>	<b><i>\$ 70,905</i></b>	<b><i>\$ 1,320,807</i></b>	<b><i>\$ 1,311,473</i></b>

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**FRIENDSHIP TRAYS, INC.****STATEMENT OF CASH FLOWS****Year Ended December 31, 2012, With Prior Year Comparative Totals**

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	<u>2012</u>	<u>2011</u>
<b><u>OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 175,089	\$ (141,054)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	41,010	37,823
Realized and unrealized (gain) loss on investments	(129,782)	34,080
Gain on disposal of equipment	-	(24,026)
(Increase) decrease in operating assets:		
Contributions receivable	8,681	(3,805)
Accounts receivable	17,147	5,880
Sales tax receivable	394	(679)
Inventory	(19)	(1,604)
Prepaid expenses	(342)	5,926
Increase in operating liabilities:		
Accounts payable and accrued expenses	(30,367)	29,234
<b><u>Cash Flows from Operating Activities</u></b>	<b><u>81,811</u></b>	<b><u>(58,225)</u></b>
<b><u>INVESTING ACTIVITIES</u></b>		
Proceeds from disposal of property and equipment	-	28,734
Proceeds from sale of investments	1,234,416	53,742
Purchase of investments	(1,129,363)	(545,292)
Purchase of equipment	(3,580)	(139,617)
<b><u>Cash Flows from Investing Activities</u></b>	<b><u>101,473</u></b>	<b><u>(602,433)</u></b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>183,284</b>	<b>(660,658)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>475,383</b>	<b>1,136,041</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>\$ 658,667</b>	<b>\$ 475,383</b>



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***FRIENDSHIP TRAYS, INC.***  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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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* – Unrestricted net assets are those currently available for use in the day-to-day operation of the Organization and those resources invested in property and equipment.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization

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 and donated services of \$1,115.

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, 2012**

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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 \$1,699. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions.

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. There were no contributions receivable as of December 31, 2012. 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.

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***FRIENDSHIP TRAYS, INC.***  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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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, 2012.

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 2011 financial statements, from which the summarized information was derived.

**NOTE B - PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2012, consists of the following:

Leasehold improvements	\$ 511,264
Kitchen equipment	212,379
Office furniture and equipment	47,832
Vehicles	31,530
	<hr/>
	803,005
Less – Accumulated depreciation	624,760
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	\$ 178,245
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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, 2012, 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, 2012, the Organization has recorded an in-kind contribution of \$6,000 for the donated space with a like amount recorded in occupancy expense.

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**FRIENDSHIP TRAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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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 \$3,363 for the year ended December 31, 2012.

**NOTE E - RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2012, are as follows:

Tom Bradbury Memorial	\$	3,261
Small Kitchen Wares		1,891
Friendship Gardens and Mobile Market		60,253
Endowment earnings		118,383
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	\$	183,788
		<hr/> <hr/>

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, 2012, is comprised of the following:

Large CAP Equities	\$	509
International Equities		452
Fixed Income Pool		331
Small CAP Equities		231
Hedge Funds		421
Real Estate		389
		<hr/>
	\$	2,333
		<hr/> <hr/>

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***FRIENDSHIP TRAYS, INC.***  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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**NOTE F - INVESTMENTS, continued**

Other investments as of December 31, 2012, are composed of the following:

Mutual Funds:

Fixed Income	\$ 582,051
Equities	731,592
Real Estate	61,468
	<hr/>
	1,375,111

Certificates of Deposit:

Publically traded with various maturities and interest rates	340,253
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	\$ 1,715,364

Investment earnings for the year ended December 31, 2012, were comprised of the following:

Interest and dividends	\$ 33,068
Realized and unrealized gains	129,782
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	162,850
Less – fees	10,015
	<hr/>
	\$ 152,835

**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**  
**December 31, 2012**

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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, 2012, the fair value of the endowment is \$1,410,150, which exceeds the corpus of \$936,620 by a total of \$473,530; therefore, \$355,147 is available to support operations and is included in unrestricted net assets. The remaining earnings of \$118,383 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, 2012**

**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, 2012, as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Mutual Funds	\$ 1,375,111	\$ 1,375,111	\$ -	\$ -
Certificates of Deposit:				
Publicly Traded	340,253	340,253	-	-
Foundation For The Carolinas	<u>2,333</u>	<u>-</u>	<u>-</u>	<u>2,333</u>
<b>TOTAL</b>	<b><u>\$ 1,717,697</u></b>	<b><u>\$ 1,715,364</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,333</u></b>

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, 2012.

Balance, beginning of year	\$ 2,217
Net increase in value	205
Sales	(132)
Purchases	<u>43</u>
Balance, end of year	<u><u>\$ 2,333</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.

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***FRIENDSHIP TRAYS, INC.***  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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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, primarily Charlotte, North Carolina.

**NOTE J - UNRELATED BUSINESS INCOME TAX**

During the year ended December 31, 2012, the Organization received rental income from various unrelated for-profit companies for the use of kitchen facilities at contracted rates. The Organization has determined that this income less expenses is subject to unrelated business income tax. The Organization will report this activity as required on an annual "Exempt Organization Business Income Tax Return" Form 990-T. However, no unrelated business income tax is due in that allocated expenses exceed the amount of income received.

**NOTE K - 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.