

FRIENDSHIP TRAYS, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2014

FRIENDSHIP TRAYS, INC.
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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, 2014, and the related statements of activities, functional expenses, 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, 2014, 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 2013 financial statements of Friendship Trays, Inc., and our report dated May 13, 2014, 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, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. DeWitt Ford & Company, P.A.

May 26, 2015
Charlotte, North Carolina

FRIENDSHIP TRAYS, INC.**STATEMENT OF FINANCIAL POSITION****December 31, 2014, With Prior Year Comparative Totals**

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 798,375	\$ 682,240
Receivables:		
Contributions	2,500	100,000
Accounts receivable, net	37,762	29,354
Sales tax	6,420	5,712
Prepaid expenses	12,430	16,139
Investments:		
Beneficial interest in assets held in trust by third party	2,587	2,578
Other	1,721,568	2,000,625
Property and equipment, net	1,039,506	154,131
<u>TOTAL ASSETS</u>	<u>\$ 3,621,148</u>	<u>\$ 2,990,779</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 42,102	\$ 32,077
Note payable	193,000	-
<u>Total Liabilities</u>	<u>235,102</u>	<u>32,077</u>

Net Assets:

Unrestricted	2,240,422	1,759,481
Temporarily restricted	209,004	262,601
Permanently restricted	936,620	936,620
<u>Total Net Assets</u>	<u>3,386,046</u>	<u>2,958,702</u>

<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 3,621,148</u>	<u>\$ 2,990,779</u>
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FRIENDSHIP TRAYS, INC.**STATEMENT OF ACTIVITIES****Year Ended December 31, 2014, With Prior Year Comparative Totals**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2014	2013
<u>SUPPORT AND REVENUE</u>					
Support:					
Contributions and grants	\$ 859,156	\$ 669,083	\$ -	\$ 1,528,239	\$ 1,088,488
Revenue:					
Sale of meals, net of \$382,647 subsidies	274,616	-	-	274,616	299,108
Special events, net of \$16,021 direct benefit to donors	26,356	-	-	26,356	35,179
Investment earnings	9,561	41,424	-	50,985	232,908
Other income	25,598	-	-	25,598	16,913
Total Revenue	336,131	41,424	-	377,555	584,108
Net assets released from restrictions:					
Restrictions satisfied by payment	764,104	(764,104)	-	-	-
TOTAL SUPPORT, REVENUE, AND RECLASSIFICATIONS	1,959,391	(53,597)	-	1,905,794	1,672,596
<u>EXPENSES</u>					
Program services	1,329,155	-	-	1,329,155	1,150,468
Management and general	83,508	-	-	83,508	77,198
Fund raising	65,787	-	-	65,787	64,727
TOTAL EXPENSES	1,478,450	-	-	1,478,450	1,292,393
CHANGE IN NET ASSETS	480,941	(53,597)	-	427,344	380,203
NET ASSETS, BEGINNING	1,759,481	262,601	936,620	2,958,702	2,578,499
NET ASSETS, ENDING	\$ 2,240,422	\$ 209,004	\$ 936,620	\$ 3,386,046	\$ 2,958,702

FRIENDSHIP TRAYS, INC.**STATEMENT OF FUNCTIONAL EXPENSES****Year Ended December 31, 2014, With Prior Year Comparative Totals**

	Program Services	Management and General	Fund Raising	Totals	
				2014	2013
<u>SALARIES AND RELATED EXPENSES</u>					
Salaries	\$ 481,730	\$ 31,936	\$ 22,301	\$ 535,967	\$ 514,331
Payroll taxes and benefits	108,776	6,994	4,885	120,655	112,145
<i>Total</i>	590,506	38,930	27,186	656,622	626,476
<u>OTHER EXPENSES</u>					
Food	360,172	-	-	360,172	293,524
Supplies	121,885	1,412	1,412	124,709	105,134
Occupancy	95,603	17,279	4,320	117,202	99,907
Communications	8,693	464	38,183	47,340	45,606
Delivery and travel	41,725	-	-	41,725	41,105
Professional fees	-	7,576	4,278	11,854	10,070
Repairs and maintenance	36,138	345	87	36,570	22,989
Insurance	16,110	3,408	1,230	20,748	10,480
Telephone	4,186	544	380	5,110	5,517
Bank and credit card	-	4,072	-	4,072	3,553
Miscellaneous	2,552	2,545	2,544	7,641	1,483
Dues and subscriptions	608	606	606	1,820	1,882
<i>Total</i>	687,672	38,251	53,040	778,963	641,250
TOTAL EXPENSES					
<i>BEFORE DEPRECIATION</i>	1,278,178	77,181	80,226	1,435,585	1,267,726
Depreciation	50,977	6,327	1,582	58,886	40,341
TOTAL EXPENSES	1,329,155	83,508	81,808	1,494,471	1,308,067
Less - Amounts deducted directly against support	-	-	16,021	16,021	15,674
NET EXPENSES	\$ 1,329,155	\$ 83,508	\$ 65,787	\$ 1,478,450	\$ 1,292,393

FRIENDSHIP TRAYS, INC.**STATEMENT OF CASH FLOWS****Year Ended December 31, 2014, With Prior Year Comparative Totals**

	<u>2014</u>	<u>2013</u>
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 427,344	\$ 380,203
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	58,886	40,341
Realized and unrealized gain on investments	(23,261)	(214,324)
Contributions restricted for property acquisition	(560,800)	-
(Increase) decrease in operating assets:		
Contributions receivable	97,500	(100,000)
Accounts receivable	(8,408)	4,138
Sales tax receivable	(708)	397
Inventory	-	3,583
Prepaid expenses	3,709	(6,151)
Increase in operating liabilities:		
Accounts payable and accrued expenses	10,025	2,795
<i>Cash Flows from Operating Activities</i>	<u>4,287</u>	<u>110,982</u>
<u>INVESTING ACTIVITIES</u>		
Proceeds from sale of investments	1,193,708	1,057,993
Purchase of investments	(891,399)	(1,129,175)
Purchase of property and equipment	(944,261)	(16,227)
<i>Cash Flows from Investing Activities</i>	<u>(641,952)</u>	<u>(87,409)</u>
<u>FINANCING ACTIVITIES</u>		
Proceeds from note payable	200,000	-
Principal payments on note payable	(7,000)	-
Contributions restricted for property acquisition	560,800	-
<i>Cash Flows from Financing Activities</i>	<u>753,800</u>	<u>-</u>
CHANGE IN CASH AND CASH EQUIVALENTS	116,135	23,573
CASH AND CASH EQUIVALENTS, BEGINNING	682,240	658,667
CASH AND CASH EQUIVALENTS, ENDING	\$ 798,375	\$ 682,240

FRIENDSHIP TRAYS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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.

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, 2014

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:

Buildings	20 years
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 \$1,678. 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. The entire balance of contributions receivable as of December 31, 2014, relates to a single donor and was collected shortly after year-end; therefore, no allowance for doubtful accounts has been provided.

Conditional promises of support are recognized when the conditions on which they depend are substantially met.

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.

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.

FRIENDSHIP TRAYS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 2013 financial statements, from which the summarized information was derived.

NOTE B - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2014, consists of the following:

Building	\$ 660,620
Leasehold improvements	537,323
Kitchen equipment	212,377
Office furniture and equipment	46,937
Vehicles	31,530
	<hr/>
	1,488,787
Less – Accumulated depreciation	717,801
	<hr/>
	770,986
Land	268,520
	<hr/>
	\$ 1,039,506
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On May 23, 2014, the Organization purchased a building and land located at 2400 Distribution Street for \$929,000 including closing costs. The acquisition was financed with a \$200,000 loan from the seller, \$250,000 of unrestricted funds from the Endowment described in Note H below, and donor restricted contributions received during the year. During the year, the facility was used by the Organization for storage; however, effective April 1, 2015 approximately two-thirds of the facility (10,000 square feet) will be renovated by and leased to the owner/landlord of the facility described in Note E below in exchange for the space used by the Organization located at 2401 Distribution Street.

NOTE C - NOTE PAYABLE

The note payable at year-end consists of the balance due on the loan described in Note B above. The principal balance and \$1,000 of accrued interest were paid in full on January 29, 2015, in accordance with the terms of the note.

NOTE D - RETIREMENT 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 \$2,955 for the year ended December 31, 2014.

FRIENDSHIP TRAYS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE E - DONATED FACILITIES

Effective April 1, 2010, the Organization entered into a five-year agreement for the use of a facility (approximately 10,000 square feet) located at 2401 Distribution Street. Under the terms of the lease the monthly rent is \$5,000. However, during the year ended December 31, 2014, the Organization has recorded an in-kind contribution of \$60,000 for the donated facility with a like amount recorded as an occupancy expense, in that no amounts were required to be paid by the landlord. Subsequent to year-end, the landlord renewed the above lease for another five-year term in exchange for the leased space described in Note B above.

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, 2014, the Organization has recorded an in-kind contribution of \$6,000 for the donated space with a like amount recorded in occupancy expense.

NOTE F - RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2014, are as follows:

Tom Bradbury Memorial	\$ 3,261
Friendship Gardens and Mobile Market	82,236
Endowment earnings	<u>123,507</u>
	<u>\$ 209,004</u>

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

NOTE G - 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 consists of various equity and fixed income funds and as of December 31, 2014, has a fair value \$2,587.

FRIENDSHIP TRAYS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE G - INVESTMENTS, continued

Other investments as of December 31, 2014, are composed of the following:

Mutual Funds:

Fixed income mutual funds	\$ 551,863
Equity mutual funds	765,011
Real estate funds	60,620
	<hr/>
	1,377,494

Certificates of Deposit:

Publicly-traded with various maturities and interest rates	344,074
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	\$ 1,721,568

Investment earnings for the year ended December 31, 2014, were comprised of the following:

Interest and dividends	\$ 39,757
Realized and unrealized gains	23,261
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	63,018
Less – fees	12,033
	<hr/>
	\$ 50,985

NOTE H - 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, 2014

NOTE H - 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. Actual investment 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, 2014, the fair value of the endowment is \$1,430,649, which exceeds the corpus of \$936,620 by a total of \$494,029; therefore, \$370,522 is available to support operations and is included in unrestricted net assets. The remaining earnings of \$123,507 is included in temporarily restricted net assets.

NOTE I - 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, 2014

NOTE I - 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, 2014, as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Mutual Funds	\$ 1,377,494	\$ 1,377,494	\$ -	\$ -
Certificates of Deposit:				
Publicly Traded	344,074	344,074	-	-
Foundation For The Carolinas	<u>2,587</u>	<u>-</u>	<u>-</u>	<u>2,587</u>
TOTAL	<u>\$ 1,724,155</u>	<u>\$ 1,721,568</u>	<u>\$ -</u>	<u>\$ 2,587</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, 2014.

Balance, beginning of year	\$ 2,578
Net increase in value	16
Sales	(137)
Purchases	<u>130</u>
Balance, end of year	<u><u>\$ 2,587</u></u>

NOTE J - CONCENTRATIONS OF CREDIT RISK

Cash

Cash in bank accounts and certificates of deposit are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The total cash held by the Organization at December 31, 2014, includes \$215,452 in excess of insured limits covered by the FDIC.

FRIENDSHIP TRAYS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE J - CONCENTRATIONS OF CREDIT RISK, continued

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, primarily Charlotte, North Carolina.

During the year ended December 31, 2014, the Organization received a contribution of \$528,800 from a single source restricted for the purchase of the facility described in Note B above.

NOTE K - UNRELATED BUSINESS INCOME TAX

During the year ended December 31, 2014, 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. The year's open to examination by the Internal Revenue Service are the year ended December 31, 2014, and the three prior years.

NOTE L - 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.