

*FRIENDSHIP TRAYS, INC.*

*FINANCIAL STATEMENTS*  
*DECEMBER 31, 2016*

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***FRIENDSHIP TRAYS, INC.***  
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**December 31, 2016**

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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. (the "Organization" - a nonprofit corporation), which comprise the statement of financial position as of December 31, 2016, 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 involves 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.

### *Opinion*

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Friendship Trays, Inc., as of December 31, 2016 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 Organization's 2015 financial statements, and our report dated July 5, 2016, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*C. DeWitt Foard & Company, P.A.*  
May 10, 2017

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**FRIENDSHIP TRAYS, INC.****STATEMENT OF FINANCIAL POSITION****December 31, 2016, With Prior Year Comparative Totals**

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	<u>2016</u>	<u>2015</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 586,183	\$ 679,591
Receivables:		
Contributions	2,500	5,000
Accounts receivable, net	40,010	43,632
Sales tax	14,102	9,336
Prepaid expenses	6,082	3,933
Investments:		
Beneficial interest in assets held in trust by third party	2,182	2,356
Other	1,509,627	1,504,585
Property and equipment, net	902,319	967,871
<b><i>TOTAL ASSETS</i></b>	<b><i>\$ 3,063,005</i></b>	<b><i>\$ 3,216,304</i></b>

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable and accrued expenses	\$ 59,395	\$ 57,043
Annuities payable	40,551	38,329
Total Liabilities	99,946	95,372
Net Assets:		
Unrestricted	1,797,786	1,979,917
Temporarily restricted	213,961	193,871
Permanently restricted	951,312	947,144
Total Net Assets	2,963,059	3,120,932
<b><i>TOTAL LIABILITIES AND NET ASSETS</i></b>	<b><i>\$ 3,063,005</i></b>	<b><i>\$ 3,216,304</i></b>

**FRIENDSHIP TRAYS, INC.****STATEMENT OF ACTIVITIES****Year Ended December 31, 2016, With Prior Year Comparative Totals**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2016	2015
<b><u>SUPPORT AND REVENUE</u></b>					
Support:					
Contributions and grants	\$ 759,426	\$ 55,151	\$ 4,168	\$ 818,745	\$ 950,404
Revenue:					
Sale of meals, net of \$465,308 subsidies	306,424	-	-	306,424	286,357
Special events, net of \$29,226 direct benefit to donors	58,113	-	-	58,113	31,014
Investment earnings	61,083	17,705	-	78,788	(4,366)
Other income net of \$149,447 of expenses	58,153	-	-	58,153	23,021
<b>Total Revenue</b>	<b>483,773</b>	<b>17,705</b>	<b>-</b>	<b>501,478</b>	<b>336,026</b>
Net assets released from restrictions:					
Restrictions satisfied by payment	52,766	(52,766)	-	-	-
<b>TOTAL SUPPORT, REVENUE, AND RECLASSIFICATIONS</b>	<b>1,295,965</b>	<b>20,090</b>	<b>4,168</b>	<b>1,320,223</b>	<b>1,286,430</b>
<b><u>EXPENSES</u></b>					
Program services	1,296,165	-	-	1,296,165	1,388,018
Management and general	117,565	-	-	117,565	87,702
Fund raising	64,366	-	-	64,366	75,824
<b>TOTAL EXPENSES</b>	<b>1,478,096</b>	<b>-</b>	<b>-</b>	<b>1,478,096</b>	<b>1,551,544</b>
<b>CHANGE IN NET ASSETS</b>	<b>(182,131)</b>	<b>20,090</b>	<b>4,168</b>	<b>(157,873)</b>	<b>(265,114)</b>
<b>NET ASSETS, BEGINNING</b>	<b>1,979,917</b>	<b>193,871</b>	<b>947,144</b>	<b>3,120,932</b>	<b>3,386,046</b>
<b>NET ASSETS, ENDING</b>	<b>\$ 1,797,786</b>	<b>\$ 213,961</b>	<b>\$ 951,312</b>	<b>\$ 2,963,059</b>	<b>\$ 3,120,932</b>

**FRIENDSHIP TRAYS, INC.****STATEMENT OF FUNCTIONAL EXPENSES****Year Ended December 31, 2016, With Prior Year Comparative Totals**

	Program Services	Management and General	Fund Raising	Totals	
				2016	2015
<b><u>SALARIES AND RELATED EXPENSES</u></b>					
Salaries	\$ 479,143	\$ 57,079	\$ 32,906	\$ 569,128	\$ 580,421
Payroll taxes and benefits	100,534	12,287	7,083	119,904	123,649
<b><i>Total</i></b>	<b>579,677</b>	<b>69,366</b>	<b>39,989</b>	<b>689,032</b>	<b>704,070</b>
<b><u>OTHER EXPENSES</u></b>					
Food	478,134	-	-	478,134	471,312
Supplies	142,582	1,170	1,170	144,922	126,228
Occupancy	82,217	14,414	3,604	100,235	115,692
Communications	15,082	511	37,507	53,100	53,707
Delivery and travel	28,504	-	-	28,504	38,713
Professional fees	-	6,903	4,475	11,378	10,858
Repairs and maintenance	34,243	1,475	369	36,087	45,803
Insurance	20,426	4,468	1,479	26,373	19,928
Telephone	6,283	889	512	7,684	7,025
Bank and credit card	-	7,567	-	7,567	6,116
Miscellaneous	2,412	2,131	2,131	6,674	5,445
Dues and subscriptions	254	252	252	758	2,438
<b><i>Total</i></b>	<b>810,137</b>	<b>39,780</b>	<b>51,499</b>	<b>901,416</b>	<b>903,265</b>
<b>TOTAL EXPENSES</b>					
<b><i>BEFORE DEPRECIATION</i></b>	<b>1,389,814</b>	<b>109,146</b>	<b>91,488</b>	<b>1,590,448</b>	<b>1,607,335</b>
Depreciation	55,798	8,419	2,104	66,321	72,608
<b>TOTAL EXPENSES</b>	<b>1,445,612</b>	<b>117,565</b>	<b>93,592</b>	<b>1,656,769</b>	<b>1,679,943</b>
Less - Amounts deducted directly against support and revenue	149,447	-	29,226	178,673	128,399
<b>NET EXPENSES</b>	<b>\$ 1,296,165</b>	<b>\$ 117,565</b>	<b>\$ 64,366</b>	<b>\$ 1,478,096</b>	<b>\$ 1,551,544</b>

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**FRIENDSHIP TRAYS, INC.****STATEMENT OF CASH FLOWS****Year Ended December 31, 2016, With Prior Year Comparative Totals**

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	<u>2016</u>	<u>2015</u>
<b><u>OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ (157,873)	\$ (265,114)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	66,321	72,608
Realized and unrealized loss (gain) on investments	(59,299)	16,716
Loss on disposal of equipment	-	2,842
Change in value of annuities payable	2,222	38,329
(Increase) decrease in operating assets:		
Contributions receivable	2,500	(2,500)
Accounts receivable	3,622	(5,870)
Sales tax receivable	(4,766)	(2,916)
Prepaid expenses	(2,149)	8,497
Increase in operating liabilities:		
Accounts payable and accrued expenses	2,352	14,941
<b><i>Cash Flows from Operating Activities</i></b>	<b><i>(147,070)</i></b>	<b><i>(122,467)</i></b>
<b><u>INVESTING ACTIVITIES</u></b>		
Proceeds from sale of investments	780,731	1,475,420
Purchase of investments	(726,300)	(1,274,922)
Purchase of property and equipment	(769)	(3,815)
<b><i>Cash Flows from Investing Activities</i></b>	<b><i>53,662</i></b>	<b><i>196,683</i></b>
<b><u>FINANCING ACTIVITIES</u></b>		
Principal payments on note payable	-	(193,000)
<b><i>Cash Flows from Financing Activities</i></b>	<b><i>-</i></b>	<b><i>(193,000)</i></b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(93,408)</b>	<b>(118,784)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>679,591</b>	<b>798,375</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>\$ 586,183</b>	<b>\$ 679,591</b>

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***FRIENDSHIP TRAYS, INC.***  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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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.

The accompanying financial statements include the activities of 2400 Distribution Street LLC, a limited liability company owned entirely by the Organization. This entity was established to own real estate purchased by the Organization.

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.



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***FRIENDSHIP TRAYS, INC.***  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

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.

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 \$500 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 \$4,450. 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 at year-end 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.

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**FRIENDSHIP TRAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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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.

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 2015 financial statements, from which the summarized information was derived. Certain prior-year amounts have been reclassified to conform to the current year's presentation.

**NOTE B - PROPERTY AND EQUIPMENT**

Property and equipment at year-end consists of the following:

Building	\$ 660,620
Leasehold improvements	487,670
Kitchen equipment	212,377
Office furniture and equipment	45,559
Vehicles	31,530
	<hr/>
	1,437,756
Less – Accumulated depreciation	803,957
	<hr/>
	633,799
Land	268,520
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	\$ 902,319
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**NOTE C - CHARITABLE GIFT ANNUITIES**

The Organization has entered into a charitable gift annuity agreement with an individual donor. This agreement stipulates that, in exchange for a one-time charitable contribution, the Organization will make payments to this individual during their lifetime. The present value of the estimated liability for amounts payable to the donor is included as annuities payable on the accompanying Statement of Financial Position and is based on the life expectancy of the individual utilizing an interest rate of two percent.

**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 are \$2,970 for the year.

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**FRIENDSHIP TRAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE E - LEASED FACILITIES**

The Organization leases a facility (approximately 10,000 square feet) for its operations located at 2401 Distribution Street. Under the terms of the lease, monthly rent is \$5,000 through March 31, 2020. During a prior year the Organization purchased a building and land located at 2400 Distribution Street. Approximately two-thirds of this facility (10,000 square feet) is leased to the owner/landlord of 2401 Distribution Street in exchange for the space used by the Organization.

**NOTE F - RESTRICTED NET ASSETS**

Temporarily restricted net assets at year-end as follows:

Tom Bradbury Memorial	\$ 3,261
Friendship Gardens and Mobile Market	57,854
Grub to Grub	20,000
Endowment earnings	132,846
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	\$ 213,961
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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

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. Assets at the Foundation at year-end are held in an investment pool with a fund type of *Endowed-Designated* and an investment strategy of *Endowed Long-Term*, and as of year-end has a fair value estimated by the Foundation of \$2,182.

Other investments as of year-end are composed of the following:

Mutual Funds:

Fixed income mutual funds	\$ 409,465
Equity mutual funds	878,373
Real estate funds	104,603
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	1,392,441

Certificates of Deposit:

Publicly-traded with various maturities and interest rates	117,186
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	\$ 1,509,627
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**FRIENDSHIP TRAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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**NOTE G - INVESTMENTS, continued**

Investment earnings (loss) for the year is comprised of the following:

Interest and dividends	\$ 31,065
Realized and unrealized gains	59,299
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	90,364
Less – fees	11,576
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	\$ 78,788
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**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.

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.

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**FRIENDSHIP TRAYS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE H - ENDOWMENT, continued**

*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.

At year-end, the fair value of the endowment is \$1,482,695, which exceeds the corpus of \$951,312 by a total of \$531,383; therefore, \$398,537 is available to support operations and is included in unrestricted net assets. The remaining earnings of \$132,846 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:

- 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's mutual funds and certificates of deposits are classified as Level 1 assets. The Organization's annuities payable is classified as a Level 2 liability based on the variables as described in Note C above. The Organization's beneficial interest in assets held by the Foundation are classified as Level 3 assets. Values of these investments are determined by the Foundation based on the fair value of the underlying assets, which consists of assets some of which are publicly traded and some of which are not publicly traded.

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

Balance, beginning of year	\$	2,356
Net decrease in value		<u>(174)</u>
Balance, end of year	\$	<u>2,182</u>

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***FRIENDSHIP TRAYS, INC.***  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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**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 year-end includes \$67,634 in excess of insured limits covered by the FDIC.

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 G 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.

**NOTE K - UNRELATED BUSINESS INCOME TAX**

During the year the Organization received catering income from the general public and personal property 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 years open to examination by the Internal Revenue Service are the year ended December 31, 2016, 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.