

FORTY CARROTS OF SARASOTA, INC.

FINANCIAL REPORT

YEARS ENDED MAY 31, 2018 AND 2017

FORTY CARROTS OF SARASOTA, INC.

FINANCIAL REPORT YEARS ENDED MAY 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

**To the Board of Trustees
Forty Carrots of Sarasota, Inc.
Sarasota, Florida**

We have audited the accompanying financial statements of Forty Carrots of Sarasota, Inc. (a non-profit organization), which comprise the statements of financial position as of May 31, 2018 and 2017, and the related statements of activities, cash flows and functional expenses for the years 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 audits. We conducted our audits 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 from 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 above present fairly, in all material respects, the financial position of Forty Carrots of Sarasota, Inc. as of May 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mauldin & Jenkins, LLC

Bradenton, Florida
September 5, 2018

FORTY CARROTS OF SARASOTA, INC.

STATEMENTS OF FINANCIAL POSITION MAY 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 1,667,724	\$ 567,622
Accounts receivable	4,163	3,341
Unconditional promises to give, net	13,236	20,550
Prepaid expenses	38,832	56,901
Investments	1,056,961	1,034,038
Property and equipment, net	<u>2,149,739</u>	<u>2,218,217</u>
Total assets	<u>\$ 4,930,655</u>	<u>\$ 3,900,669</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued liabilities	\$ 94,130	\$ 81,451
Deferred revenue	<u>1,137,961</u>	<u>314,378</u>
Total liabilities	<u>1,232,091</u>	<u>395,829</u>
NET ASSETS		
Unrestricted		
Designated by board for long-term purposes	1,036,356	1,044,672
Undesignated	2,505,742	2,262,380
Temporarily restricted	135,861	177,183
Permanently restricted	<u>20,605</u>	<u>20,605</u>
Total net assets	<u>3,698,564</u>	<u>3,504,840</u>
Total liabilities and net assets	<u>\$ 4,930,655</u>	<u>\$ 3,900,669</u>

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

**STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Preschool fees	\$ 702,192	\$ -	\$ -	\$ 702,192
Parenting program fees	71,854	-	-	71,854
Contributions	147,235	58,270	-	205,505
Grants	244,781	210,391	-	455,172
Special events revenue, net	986,738	-	-	986,738
Investment income	86,977	-	-	86,977
Net assets released from restrictions	309,983	(309,983)	-	-
Total support and revenue	<u>2,549,760</u>	<u>(41,322)</u>	<u>-</u>	<u>2,508,438</u>
Expenses				
Program services				
Preschool	937,358	-	-	937,358
Parenting program	1,016,056	-	-	1,016,056
Supporting services				
General and administrative	90,005	-	-	90,005
Fundraising	271,295	-	-	271,295
Total expenses	<u>2,314,714</u>	<u>-</u>	<u>-</u>	<u>2,314,714</u>
Change in net assets	235,046	(41,322)	-	193,724
Net assets, beginning of year	<u>3,307,052</u>	<u>177,183</u>	<u>20,605</u>	<u>3,504,840</u>
Net assets, end of year	<u>\$ 3,542,098</u>	<u>\$ 135,861</u>	<u>\$ 20,605</u>	<u>\$ 3,698,564</u>

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

STATEMENT OF ACTIVITIES YEAR ENDED MAY 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Preschool fees	\$ 640,893	\$ -	\$ -	\$ 640,893
Parenting program fees	39,897	-	-	39,897
Contributions	102,769	107,036	-	209,805
Grants	115,759	160,719	-	276,478
Special events revenue, net	986,553	-	-	986,553
Investment income	90,426	-	-	90,426
Other income	-	-	-	-
Net assets released from restrictions	565,107	(565,107)	-	-
Total support and revenue	2,541,404	(297,352)	-	2,244,052
Expenses				
Program services				
Preschool	877,836	-	-	877,836
Parenting program	837,728	-	-	837,728
Supporting services				
General and administrative	79,861	-	-	79,861
Fundraising	240,495	-	-	240,495
Total expenses	2,035,920	-	-	2,035,920
Change in net assets	505,484	(297,352)	-	208,132
Net assets, beginning of year	2,801,568	474,535	20,605	3,296,708
Net assets, end of year	<u>\$ 3,307,052</u>	<u>\$ 177,183</u>	<u>\$ 20,605</u>	<u>\$ 3,504,840</u>

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED MAY 31, 2018 AND 2017

CASH FLOWS FROM OPERATING ACTIVITIES	2018	2017
Change in net assets	\$ 193,724	\$ 208,132
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	125,537	103,796
Bad debt expense	89	2,743
Realized and unrealized (gains)	(56,053)	(68,253)
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	(911)	553
Decrease in grant receivable	-	25,000
Decrease in unconditional promises to give	7,314	87,378
(Increase) decrease in prepaid expenses	18,069	(12,260)
Increase in accrued liabilities	12,679	13,464
Increase in deferred revenue	823,583	37,473
Net cash provided by operating activities	1,124,031	398,026
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(57,059)	(106,992)
Proceeds from sale of investments	702,909	281,812
Purchase of investments	(669,779)	(346,029)
Net cash (used in) investing activities	(23,929)	(171,209)
Change in cash and cash equivalents	1,100,102	226,817
Cash and cash equivalents, beginning of year	567,622	340,805
Cash and cash equivalents, end of year	\$ 1,667,724	\$ 567,622

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MAY 31, 2018

	Program Services		Supporting Services		Total
	Preschool	Parenting Program	General and		
			Administrative	Fundraising	
Salaries	\$ 586,174	\$ 705,113	\$ 64,167	\$ 209,869	\$ 1,565,323
Employee benefits	43,645	47,582	3,603	12,341	107,171
Payroll taxes	47,086	55,354	5,009	16,418	123,867
Advertising	1,674	9,682	-	2,243	13,599
Bad debt expense	89	-	-	-	89
Bank and credit card charges	9,060	1,846	7,237	798	18,941
Depreciation	83,771	35,486	2,514	3,766	125,537
Equipment rental	14,069	29,933	1,167	6,533	51,702
Insurance	32,741	26,242	3,181	3,435	65,599
Occupancy	59,508	37,472	456	1,031	98,467
Postage	282	2,738	-	1,378	4,398
Printing and publications	2,564	8,559	40	1,775	12,938
Professional fees	2,310	10,575	198	2,403	15,486
Staff and volunteer recognition	2,733	3,361	153	5,378	11,625
Supplies	44,595	21,838	822	2,891	70,146
Telephone	2,726	2,470	211	211	5,618
Travel	284	7,009	134	270	7,697
Training	4,047	10,796	1,113	555	16,511
	\$ 937,358	\$ 1,016,056	\$ 90,005	\$ 271,295	\$ 2,314,714

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MAY 31, 2017

	Program Services		Supporting Services		Total
	Preschool	Parenting Program	General and		
			Administrative	Fundraising	
Salaries	\$ 539,928	\$ 593,956	\$ 57,756	\$ 174,461	\$ 1,366,101
Employee benefits	35,923	35,938	3,533	14,787	90,182
Payroll taxes	44,485	48,843	4,591	13,655	111,574
Advertising	1,916	3,848	-	1,302	7,065
Bad debt expense	-	-	-	2,743	2,743
Bank and credit card charges	7,968	960	7,158	1,508	17,594
Depreciation	77,847	20,759	2,076	3,114	103,796
Equipment rental	9,109	15,484	895	3,588	29,076
Insurance	30,389	21,003	3,160	2,542	57,094
Occupancy	67,307	35,192	375	869	103,743
Postage	444	2,867	-	1,035	4,347
Printing and publications	1,040	5,953	21	4,690	11,704
Professional fees	12,356	18,414	185	1,634	32,589
Staff and volunteer recognition	2,081	2,675	387	9,536	14,679
Supplies	36,223	19,841	849	2,959	59,872
Telephone	2,578	992	198	198	3,967
Travel	182	4,361	176	173	4,891
Training	8,060	6,644	(1,500)	1,699	14,903
	\$ 877,836	\$ 837,728	\$ 79,861	\$ 240,495	\$ 2,035,920

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2018 AND 2017

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Forty Carrots of Sarasota, Inc. (the "Organization") was incorporated in 1993 as a non-profit preschool and family center in Sarasota, Florida.

Basis of Presentation

The Organization's financial statements have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Accordingly, net assets are reported in each of the following three classes:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same accounting period are reported as unrestricted contributions.

Permanently restricted net assets—Net assets subject to donor-imposed stipulations that require that they be maintained permanently by the Organization.

Contributions

Unconditional promises to give cash and other assets are reported at estimated fair value at the date the promise is received. Conditional promises to give are recognized when the conditions are substantially met, and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted support. All promises to give that are due within the next twelve months are considered fully collectible by management.

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2018 AND 2017

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity date of three months or less at the date of acquisition to be cash equivalents.

The Organization maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Unconditional Promises to Give

Promises to give to the Organization in the form of cash or other assets to be received in the future are recorded as contribution revenue (temporarily restricted). If management expects the cash from the receivable to be received more than one year in the future, the contribution revenue and related asset is discounted for the time value of money. Allowances for uncollectible amounts are calculated based on historical collection rates and specific identification of uncollectible accounts.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included as investment income in the statement of activities.

Deferred Revenue

Income from fees is deferred and recognized over the period to which the fees relate.

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2018 AND 2017

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost. Property and equipment is capitalized if it has a cost of \$2,500 or more and a useful life when acquired of more than one year. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Property and equipment as of May 31, 2018 and 2017, is depreciated over three to thirty-nine years. Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized.

Functional Allocation of Expenses

The costs of providing various programs and other activities and the administration of the Organization have been summarized on a functional basis in the Statement of Activities. Expenses are charged directly to program, general and administrative, and fundraising categories based on specific identification, and certain indirect expenses have been allocated based on level of effort.

Income Taxes

The Organization qualifies as a charitable organization as defined by Internal Revenue Code Section 501(c)(3) and, accordingly is exempt from federal income taxes under Internal Revenue Code Section 501(a) and from state income taxes under Chapter 220.13 of the Florida Statutes.

It is the Organization's policy to account for any uncertainties in income tax law in accordance with FASB ASC 740-10 *Accounting for Uncertainty in Income Taxes*. ASC 740-10 clarifies the accounting for uncertain income tax positions and requires that the Organization recognize the impact of such a tax position in its financial statements if, upon ultimate settlement, that position is more likely than not to be sustained. Management has evaluated the Organization's tax positions and concluded that the Organization has maintained its tax-exempt status and has taken no uncertain tax positions that require adjustment to the financial statements. As a result, no provision or liability for income taxes has been included in the financial statements.

Donated Material and Services

The Organization's policy is to record donated materials and equipment at their estimated fair market values at the date of the receipt. No amounts have been reflected in the statements for donated services, since no objective basis is available to measure the value of such services. A substantial number of volunteers donated significant amounts of their time to provide the Organization's services and in its fundraising efforts.

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2018 AND 2017

NOTE 2. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give as of May 31, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 13,236	\$ 20,550
Receivable in one to five years	-	-
	<u>13,236</u>	<u>20,550</u>
Less discounts to net present value	-	-
Less allowance for uncollectible promises to give	-	-
	<u>13,236</u>	<u>20,550</u>
Net unconditional promises to give	<u>\$ 13,236</u>	<u>\$ 20,550</u>

NOTE 3. INVESTMENTS

Investments are stated at fair value. The composition of investments as of May 31, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Money market	\$ 10,465	\$ 15,173
Commodity funds	54,928	28,980
Corporate bonds	325,376	357,766
Corporate stock	626,999	612,667
Real estate funds	39,193	19,452
	<u>1,056,961</u>	<u>1,034,038</u>
Balance, end of year	<u>\$ 1,056,961</u>	<u>\$ 1,034,038</u>

Investments are held in professionally managed accounts. Investment income is comprised of the following for the years ended May 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 30,924	\$ 22,173
Realized and unrealized gains	56,053	68,253
	<u>\$ 86,977</u>	<u>\$ 90,426</u>

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2018 AND 2017

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at May 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 952,763	\$ 952,763
Building	1,026,474	1,026,474
Building improvements	361,404	361,404
Vehicles	120,183	92,210
Furniture and equipment	520,436	498,285
	<u>2,981,260</u>	<u>2,931,136</u>
Less accumulated depreciation	<u>(831,521)</u>	<u>(712,919)</u>
	<u>\$ 2,149,739</u>	<u>\$ 2,218,217</u>

Depreciation expense was \$125,537 and \$103,796 for the years ended May 31, 2018 and 2017, respectively.

NOTE 5. LINE OF CREDIT

The Organization renewed a \$500,000 line of credit in May 2018 with a local financial institution. The line of credit bears interest at LIBOR plus 2.25% (3.68% at May 31, 2018) and matures on May 3, 2019. The line of credit is secured by virtually all assets of the Organization. At May 31, 2018 and 2017, there were no outstanding balance on the line of credit.

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Certain portions of cash and investments are temporarily restricted. Temporarily restricted net assets consist of the following at May 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Parenting program	\$ 78,422	\$ 123,366
Preschool scholarship fund	1,215	4,025
Preschool professional training	3,000	-
Child and family therapy	39,988	29,242
Unconditional promises to give	13,236	20,550
	<u>\$ 135,861</u>	<u>\$ 177,183</u>

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2018 AND 2017

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Net assets released from restrictions were for the following:

	<u>2018</u>	<u>2017</u>
Parenting program	\$ 169,934	\$ 82,527
Preschool scholarship fund	45,010	50,855
Capital campaign	-	290,720
Technology in classrooms	-	9,319
Child and family therapy	74,655	36,158
Payments on promises to give	<u>20,384</u>	<u>95,528</u>
	<u>\$ 309,983</u>	<u>\$ 565,107</u>

NOTE 7. PERMANENTLY RESTRICTED NET ASSETS

During 2013, the Organization received contributions which were permanently restricted by the donors in the amount of \$20,605 which are currently held in cash and cash equivalents. The Board of Trustees of the Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) 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 the gift 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 FUPMIFA. In accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Organization and the donor-restricted endowment fund;
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;
7. The investment policies of the Organization.

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2018 AND 2017

NOTE 7. PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

The Organization has adopted investment and spending policies for endowment assets that attempt to protect the principal of the fund, provide consistent long-term income returns and protect the Organization against long-term inflation trends.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The endowment net asset composition as of May 31, 2018, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 20,605	\$ 20,605

The changes in the Organization's endowment net assets are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, May 31, 2017	\$ -	\$ -	\$ 20,605	\$ 20,605
Contributions	-	-	-	-
Endowment net assets, May 31, 2018	\$ -	\$ -	\$ 20,605	\$ 20,605

NOTE 8. OPERATING LEASES

The Organization leases certain equipment under non-cancelable operating leases. Total rental expense for the years ended May 31, 2018 and 2017, including interest, taxes and other fees was \$8,888 and \$8,640, respectively. Future minimum payments consist of the following at May 31, 2018:

2019	\$ 6,989
2020	2,502
2021	540
2022	540
	\$ 10,571

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2018 AND 2017

NOTE 9. SIMPLE-IRA PLAN

The Organization participates in a SIMPLE-IRA (“Savings Incentive Match Plan for Employees”) retirement plan. Employees who expect to earn at least \$5,000 in compensation during the current calendar year and have earned at least \$5,000 in compensation during the prior calendar year are eligible to participate. The Organization makes a matching contribution equal to the employee’s salary reduction contribution up to a limit of 3% of the employee’s compensation. The pension expense recognized for the years ended May 31, 2018 and 2017, was \$36,330 and \$32,153, respectively.

NOTE 10. FAIR VALUE MEASUREMENTS

The Organization has adopted the methods of fair value as described in ASC Topic 820, *Fair Value Measurements* (“ASC 820”) to value its financial assets and liabilities. As defined in ASC 820, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk in its assessment of fair value. The carrying amounts reported in the balance sheet for investments and unconditional promises to give approximate fair values because of the short maturities of those instruments.

The following methods and assumptions were used by the Organization in estimating the fair value of its financial instruments:

Investments: The fair value of investments in certain money market funds, commodity funds, corporate bonds, common stocks and real estate funds are based on quoted prices in principal active markets for identical assets as of the valuation date (Level 1).

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2018 AND 2017

NOTE 10. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the Organization's fair value hierarchy for the financial assets measured at fair value on a recurring basis at May 31, 2018 and 2017:

Assets at Fair Value as of May 31, 2018				
	Level 1	Level 2	Level 3	Total
Investments				
Money market	\$ 10,465	\$ -	\$ -	\$ 10,465
Commodity funds	54,928	-	-	54,928
Corporate bonds	325,376	-	-	325,376
Corporate stock	626,999	-	-	626,999
Real estate funds	39,193	-	-	39,193
	\$ 1,056,961	\$ -	\$ -	\$ 1,056,961
Assets at Fair Value as of May 31, 2017				
	Level 1	Level 2	Level 3	Total
Investments				
Money market	\$ 15,173	\$ -	\$ -	\$ 15,173
Commodity funds	28,980	-	-	28,980
Corporate bonds	357,766	-	-	357,766
Corporate stock	612,667	-	-	612,667
Real estate funds	19,452	-	-	19,452
	\$ 1,034,038	\$ -	\$ -	\$ 1,034,038

NOTE 11. RECENTLY ISSUED ACCOUNTING STANDARDS

In August 2016 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-14 (ASU 2016-14), Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this update require changes to the way not-for-profit entities present their financial statements.

ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Earlier application is permitted. Management is currently evaluating the effects of ASU 2016-14.

NOTE 12. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 5, 2018, the date on which the financial statements were available to be issued.