

FORTY CARROTS OF SARASOTA, INC.

FINANCIAL REPORT

YEARS ENDED MAY 31, 2016 AND 2015

FORTY CARROTS OF SARASOTA, INC.

FINANCIAL REPORT YEARS ENDED MAY 31, 2016 AND 2015

TABLE OF CONTENTS

Page

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS.....	1 and 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4 and 5
Statements of Cash Flows	6
Statements of Functional Expenses	7 and 8
Notes to Financial Statements.....	9-17



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, 2016 and 2015, 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, 2016 and 2015, 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
August 30, 2016

FORTY CARROTS OF SARASOTA, INC.

STATEMENTS OF FINANCIAL POSITION MAY 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 340,805	\$ 523,165
Accounts receivable	6,637	1,730
Grant receivable	25,000	26,250
Unconditional promises to give, net	107,928	57,823
Prepaid expenses	44,641	25,831
Investments	901,568	926,199
Property and equipment, net	2,215,021	1,935,156
Total assets	\$ 3,641,600	\$ 3,496,154
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued liabilities	\$ 67,987	\$ 13,455
Deferred revenue	276,905	269,376
Line of credit	-	274,214
Total liabilities	344,892	557,045
NET ASSETS		
Unrestricted		
Designated by board for long-term purposes	590,243	614,874
Undesignated	2,211,325	1,702,388
Temporarily restricted	474,535	601,242
Permanently restricted	20,605	20,605
Total net assets	3,296,708	2,939,109
Total liabilities and net assets	\$ 3,641,600	\$ 3,496,154

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

STATEMENT OF ACTIVITIES YEAR ENDED MAY 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Preschool fees	\$ 614,937	\$ -	\$ -	\$ 614,937
Parenting program fees	42,204	-	-	42,204
Contributions	27,236	477,573	-	504,809
Grants	124,000	51,500	-	175,500
Special events revenue, net	809,337	-	-	809,337
Investment income	6,748	-	-	6,748
Other income	10,120	-	-	10,120
Net assets released from restrictions	655,780	(655,780)	-	-
Total support and revenue	<u>2,290,362</u>	<u>(126,707)</u>	<u>-</u>	<u>2,163,655</u>
Expenses				
Program services				
Preschool	798,756	-	-	798,756
Parenting program	728,847	-	-	728,847
Supporting services				
General and administrative	97,833	-	-	97,833
Fundraising	180,620	-	-	180,620
Total expenses	<u>1,806,056</u>	<u>-</u>	<u>-</u>	<u>1,806,056</u>
Change in net assets	484,306	(126,707)	-	357,599
Net assets, beginning of year	<u>2,317,262</u>	<u>601,242</u>	<u>20,605</u>	<u>2,939,109</u>
Net assets, end of year	<u>\$ 2,801,568</u>	<u>\$ 474,535</u>	<u>\$ 20,605</u>	<u>\$ 3,296,708</u>

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

STATEMENT OF ACTIVITIES YEAR ENDED MAY 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Preschool fees	\$ 553,546	\$ -	\$ -	\$ 553,546
Parenting program fees	36,084	-	-	36,084
Contributions	29,870	351,586	-	381,456
Grants	155,673	26,800	-	182,473
Special events revenue, net	631,424	-	-	631,424
Investment income	36,468	-	-	36,468
Net assets released from restrictions	195,258	(195,258)	-	-
Total support and revenue	1,638,323	183,128	-	1,821,451
Expenses				
Program services:				
Preschool	697,643	-	-	697,643
Parenting program	657,952	-	-	657,952
Supporting services:				
General and administrative	87,136	-	-	87,136
Fundraising	185,062	-	-	185,062
Total expenses	1,627,793	-	-	1,627,793
Change in net assets	10,530	183,128	-	193,658
Net assets, beginning of year	2,306,732	418,114	20,605	2,745,451
Net assets, end of year	<u>\$ 2,317,262</u>	<u>\$ 601,242</u>	<u>\$ 20,605</u>	<u>\$ 2,939,109</u>

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED MAY 31, 2016 AND 2015

CASH FLOWS FROM OPERATING ACTIVITIES	2016	2015
Change in net assets	\$ 357,599	\$ 193,658
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	86,946	72,410
Bad debt expense	238	-
Realized and unrealized (gains) losses	15,098	(26,558)
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	(5,145)	3,855
(Increase) decrease in grant receivable	1,250	(26,250)
(Increase) decrease in unconditional promises to give	(50,105)	1,238
(Increase) decrease in prepaid expenses	(18,810)	6,859
Increase (decrease) in accrued liabilities	54,532	(17,887)
Increase in deferred revenue	7,529	57,379
Net cash provided by operating activities	449,132	264,704
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(366,811)	(381,300)
Proceeds from sale of investments	21,501	-
Purchase of investments	(11,968)	(203,956)
Net cash used in investing activities	(357,278)	(585,256)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payments on) line of credit	(274,214)	274,214
Net cash provided by (used in) financing activities	(274,214)	274,214
 Change in cash and cash equivalents	(182,360)	(46,338)
 Cash and cash equivalents, beginning of year	523,165	569,503
 Cash and cash equivalents, end of year	\$ 340,805	\$ 523,165

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MAY 31, 2016

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Preschool</u>	<u>Parenting Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Salaries	\$ 509,027	\$ 516,362	\$ 62,086	\$ 136,648	\$ 1,224,123
Employee benefits	30,135	33,318	7,277	12,696	83,426
Payroll taxes	41,224	41,549	7,395	10,191	100,359
Advertising	1,756	2,509	155	788	5,208
Bad debt	238	-	-	-	238
Bank and credit card charges	5,606	1,146	6,074	638	13,464
Depreciation	69,557	13,041	4,348	-	86,946
Equipment rental	11,344	12,771	727	3,549	28,391
Insurance	27,047	18,825	3,577	2,858	52,307
Interest	-	2,227	124	123	2,474
Occupancy	53,554	32,478	775	1,056	87,863
Postage	473	4,069	224	862	5,628
Printing and publications	1,557	4,782	60	2,299	8,698
Professional fees	2,252	9,064	3,506	716	15,538
Staff and volunteer recognition	2,640	2,450	162	2,038	7,290
Supplies	35,659	24,505	1,689	4,675	66,528
Telephone	2,274	1,082	187	186	3,729
Travel	654	5,641	135	503	6,933
Training	3,759	3,028	(668)	794	6,913
Total expenses	<u>\$ 798,756</u>	<u>\$ 728,847</u>	<u>\$ 97,833</u>	<u>\$ 180,620</u>	<u>\$ 1,806,056</u>

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MAY 31, 2015

	Program Services		Supporting Services		Total
	Preschool	Parenting Program	General and		
			Administrative	Fundraising	
Salaries	\$ 438,841	\$ 475,409	\$ 55,368	\$ 131,116	\$ 1,100,734
Employee benefits	28,149	23,353	5,557	9,801	66,860
Payroll taxes	40,212	43,177	4,358	11,093	98,840
Advertising	2,569	7,724	12	1,490	11,795
Bank and credit card charges	4,086	995	5,261	514	10,856
Depreciation	53,032	9,944	9,434	-	72,410
Equipment rental	9,353	7,985	48	1,591	18,977
Insurance	22,786	16,340	2,885	2,478	44,489
Occupancy	54,789	18,745	53	52	73,639
Other	34	-	-	-	34
Postage	1,290	2,558	15	2,243	6,106
Printing and publications	1,694	3,849	92	2,914	8,549
Professional fees	2,143	10,285	3,625	14,700	30,753
Staff and volunteer recognition	2,209	1,950	237	3,724	8,120
Supplies	31,220	14,839	810	1,544	48,413
Telephone	2,818	1,159	19	158	4,154
Travel	254	9,443	-	519	10,216
Training	2,164	10,197	(638)	1,125	12,848
	\$ 697,643	\$ 657,952	\$ 87,136	\$ 185,062	\$ 1,627,793

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

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, 2016 AND 2015

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 used 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, 2016 AND 2015

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 \$1,000 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, 2016 and 2015, 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, 2016 AND 2015

NOTE 2. UNCONDITIONAL PROMISES TO GIVE

Promises to give that are receivable in more than one year are discounted at 5%. Unconditional promises to give as of May 31, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 96,058	\$ 38,453
Receivable in one to five years	12,500	20,000
	<u>108,558</u>	<u>58,453</u>
Less discounts to net present value	(630)	(630)
Less allowance for uncollectible promises to give	-	-
	<u> </u>	<u> </u>
Net unconditional promises to give	<u>\$ 107,928</u>	<u>\$ 57,823</u>

NOTE 3. INVESTMENTS

Investments are stated at fair value. The composition of investments as of May 31, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Money market	\$ 45,988	\$ 55,482
Corporate bonds	406,514	407,929
Corporate stock	449,066	462,788
	<u> </u>	<u> </u>
Balance, end of year	<u>\$ 901,568</u>	<u>\$ 926,199</u>

Investments are held in professionally managed accounts. Investment income is comprised of the following for the years ended May 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 21,846	\$ 9,910
Realized and unrealized gains (losses)	(15,098)	26,558
	<u> </u>	<u> </u>
	<u>\$ 6,748</u>	<u>\$ 36,468</u>

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at May 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 952,763	\$ 952,763
Building	1,026,474	1,026,451
Building improvements	356,913	55,356
Vehicles	92,210	92,210
Furniture and equipment	395,784	330,553
	<u>2,824,144</u>	<u>2,457,333</u>
Less accumulated depreciation	<u>(609,123)</u>	<u>(522,177)</u>
	<u><u>\$ 2,215,021</u></u>	<u><u>\$ 1,935,156</u></u>

Depreciation expense was \$86,946 and \$72,410 for the years ended May 31, 2016 and 2015, respectively.

NOTE 5. LINE OF CREDIT

The Organization entered into a \$500,000 line of credit in May 2015 with a local financial institution. The line of credit bears interest at 2.0% and expires May 13, 2017. The line of credit is secured by virtually all assets of the Organization. At May 31, 2016 and 2015, the outstanding balance on the line of credit was \$-- and \$274,214, respectively.

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Parenting program	\$ 68,132	\$ 45,078
Preschool scholarship fund	7,755	1,847
Building reserve	290,720	290,720
Capital campaign	-	205,774
Unconditional promises to give	107,928	57,823
	<u><u>\$ 474,535</u></u>	<u><u>\$ 601,242</u></u>

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Net assets released from restrictions were for the following:

	<u>2016</u>	<u>2015</u>
Parenting program	\$ 76,480	\$ 133,586
Preschool scholarship fund	36,302	41,672
Capital campaign	485,796	-
Payments on promises to give	<u>57,202</u>	<u>20,000</u>
	<u>\$ 655,780</u>	<u>\$ 195,258</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.

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.

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

NOTE 7. PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

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, 2016, 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, 2015	\$ -	\$ -	\$ 20,605	\$ 20,605
Contributions	-	-	-	-
Endowment net assets, May 31, 2016	\$ -	\$ -	\$ 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, 2016 and 2015, including interest, taxes and other fees was \$6,207 and \$4,865, respectively. Future minimum payments consist of the following at May 31, 2016:

2017	\$ 6,989
2018	3,363
2019	3,363
2020	1,962
	\$ 15,677

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, 2016 and 2015, was \$28,191 and \$20,132, respectively.

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

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 U.S. government securities, corporate bonds and notes, common and preferred stocks, certificates of deposit, and money market 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, 2016 AND 2015

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, 2016 and 2015:

	Assets at Fair Value as of May 31, 2016			
	Level 1	Level 2	Level 3	Total
Investments				
Money market	\$ 45,988	\$ -	\$ -	\$ 45,988
Corporate bonds	406,514	-	-	406,514
Corporate stock	449,066	-	-	449,066
	<u>\$ 901,568</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 901,568</u>

	Assets at Fair Value as of May 31, 2015			
	Level 1	Level 2	Level 3	Total
Investments				
Money market	\$ 55,482	\$ -	\$ -	\$ 55,482
Corporate bonds	407,929	-	-	407,929
Corporate stock	462,788	-	-	462,788
	<u>\$ 926,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 926,199</u>

NOTE 11. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 30, 2016, the date on which the financial statements were available to be issued.