

FORTY CARROTS OF SARASOTA, INC.

FINANCIAL REPORT

YEARS ENDED MAY 31, 2020 AND 2019

FORTY CARROTS OF SARASOTA, INC.

FINANCIAL REPORT YEARS ENDED MAY 31, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 9, 2020

FORTY CARROTS OF SARASOTA, INC.

STATEMENTS OF FINANCIAL POSITION MAY 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 539,380	\$ 859,958
Accounts receivable	4,981	7,626
Unconditional promises to give, net	369	2,145
Prepaid expenses	412,679	49,046
Investments	2,395,579	2,169,407
Property and equipment, net	2,073,887	2,090,364
Total assets	\$ 5,426,875	\$ 5,178,546
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued liabilities	\$ 143,924	\$ 147,046
Deferred revenue	901,800	827,654
Note payable	340,000	-
Total liabilities	1,385,724	974,700
NET ASSETS		
Without donor restrictions		
Designated by Board for long-term purposes	1,619,913	1,572,125
Undesignated	2,312,975	2,210,035
With donor restrictions		
Time or purpose	87,658	401,081
Perpetual	20,605	20,605
Total net assets	4,041,151	4,203,846
Total liabilities and net assets	\$ 5,426,875	\$ 5,178,546

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

STATEMENT OF ACTIVITIES YEAR ENDED MAY 31, 2020

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual	
Support and revenue				
Preschool fees	\$ 662,376	\$ -	\$ -	\$ 662,376
Parenting program fees	12,739	-	-	12,739
Mental health program	52,710	-	-	52,710
Contributions	376,682	114,178	-	490,860
Grants	378,965	37,500	-	416,465
Special events revenue, net	721,331	-	-	721,331
Investment income	73,762	-	-	73,762
Net assets released from restrictions	465,101	(465,101)	-	-
Total support and revenue	2,743,666	(313,423)	-	2,430,243
Expenses				
Program services				
Preschool	984,417	-	-	984,417
Parenting program	761,499	-	-	761,499
Mental health program	451,093	-	-	451,093
Supporting services				
General and administrative	145,554	-	-	145,554
Fundraising	250,375	-	-	250,375
Total expenses	2,592,938	-	-	2,592,938
Change in net assets	150,728	(313,423)	-	(162,695)
Net assets, beginning of year	3,782,160	401,081	20,605	4,203,846
Net assets, end of year	<u>\$ 3,932,888</u>	<u>\$ 87,658</u>	<u>\$ 20,605</u>	<u>\$ 4,041,151</u>

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

STATEMENT OF ACTIVITIES YEAR ENDED MAY 31, 2019

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual	
Support and revenue				
Preschool fees	\$ 799,419	\$ -	\$ -	\$ 799,419
Parenting program fees	18,771	-	-	18,771
Mental health program	57,025	-	-	57,025
Contributions	317,289	210,335	-	527,624
Grants	350,991	330,000	-	680,991
Special events revenue, net	902,226	-	-	902,226
Investment income	5,817	-	-	5,817
Miscellaneous	900	-	-	900
Net assets released from restrictions	275,115	(275,115)	-	-
Total support and revenue	2,727,553	265,220	-	2,992,773
Expenses				
Program services				
Preschool	1,052,126	-	-	1,052,126
Parenting program	691,249	-	-	691,249
Mental health program	390,219	-	-	390,219
Supporting services				
General and administrative	129,469	-	-	129,469
Fundraising	224,428	-	-	224,428
Total expenses	2,487,491	-	-	2,487,491
Change in net assets	240,062	265,220	-	505,282
Net assets, beginning of year	3,542,098	135,861	20,605	3,698,564
Net assets, end of year	\$ 3,782,160	\$ 401,081	\$ 20,605	\$ 4,203,846

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED MAY 31, 2020 AND 2019

CASH FLOWS FROM OPERATING ACTIVITIES	2020	2019
Change in net assets	\$ (162,695)	\$ 505,282
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	86,590	99,205
Bad debt expense	2,000	-
Realized and unrealized (gains) losses	(20,004)	36,162
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	645	(3,463)
Decrease in unconditional promises to give	1,776	11,091
(Increase) in prepaid expenses	(363,633)	(10,214)
Increase (decrease) in accrued liabilities	(3,122)	52,916
Increase (decrease) in deferred revenue	74,146	(310,307)
Net cash provided by (used in) operating activities	(384,297)	380,672
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(70,113)	(39,830)
Proceeds from sale of investments	297,877	421,752
Purchase of investments	(504,045)	(1,570,360)
Net cash (used in) investing activities	(276,281)	(1,188,438)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	340,000	-
Net cash provided by financing activities	340,000	-
Change in cash and cash equivalents	(320,578)	(807,766)
Cash and cash equivalents, beginning of year	859,958	1,667,724
Cash and cash equivalents, end of year	\$ 539,380	\$ 859,958

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MAY 31, 2020

	Program Services			Supporting Services		Total
	Preschool	Parenting Program	Mental Health Program	General and Administrative	Fundraising	
Salaries	\$ 639,977	\$ 527,071	\$ 310,261	\$ 110,031	\$ 165,611	\$ 1,752,951
Employee benefits	55,910	35,453	32,584	9,928	18,207	152,082
Payroll taxes	49,866	41,638	23,087	8,287	11,891	134,769
Advertising	10,093	56,203	10,342	-	21,814	98,452
Bad debt	-	-	-	-	2,000	2,000
Bank and credit card charges	7,962	776	669	177	442	10,026
Depreciation	56,283	8,659	17,318	1,732	2,598	86,590
Equipment rental	12,895	11,271	10,034	3,149	3,478	40,827
Insurance	34,554	25,328	11,804	4,190	3,364	79,240
Occupancy	69,977	18,702	18,634	1,870	2,039	111,222
Postage	236	1,754	141	-	855	2,986
Printing and publications	2,236	3,848	2,071	320	2,599	11,074
Professional fees	3,127	9,329	2,523	126	9,321	24,426
Staff and volunteer recognition	1,919	1,687	646	4,360	1,183	9,795
Supplies	24,954	8,785	4,823	603	3,251	42,416
Telephone	3,156	2,005	971	243	243	6,618
Travel	216	4,409	608	235	324	5,792
Training	11,056	4,581	4,577	303	1,155	21,672
Total expenses	<u>\$ 984,417</u>	<u>\$ 761,499</u>	<u>\$ 451,093</u>	<u>\$ 145,554</u>	<u>\$ 250,375</u>	<u>\$ 2,592,938</u>

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2019**

	Program Services			Supporting Services		Total
	Preschool	Parenting Program	Mental Health Program	General and		
				Administrative	Fundraising	
Salaries	\$ 651,526	\$ 460,275	\$ 258,357	\$ 103,075	\$ 150,297	\$ 1,623,530
Employee benefits	49,290	29,494	25,463	5,561	14,596	124,404
Payroll taxes	51,924	36,848	19,586	8,329	10,929	127,616
Advertising	8,614	45,906	8,924	-	21,345	84,789
Bad debt expense	10,778	862	1,149	95	1,146	14,030
Bank and credit card charges	64,483	9,921	19,841	1,984	2,976	99,205
Depreciation	16,459	11,442	8,946	420	2,665	39,932
Equipment rental	37,196	15,816	11,352	3,836	2,657	70,857
Insurance	69,228	18,902	17,522	297	595	106,544
Occupancy	-	-	-	-	5,802	5,802
Postage	278	1,357	192	-	248	2,075
Printing and publications	1,690	5,630	1,883	96	1,750	11,049
Professional fees	2,621	8,265	1,780	2,829	1,290	16,785
Staff and volunteer recognition	2,605	2,084	673	304	4,884	10,550
Supplies	73,374	13,897	7,162	826	1,991	97,250
Telephone	2,785	3,070	857	215	215	7,142
Travel	223	5,602	1,527	237	465	8,054
Training	9,052	21,878	5,005	1,365	577	37,877
	<u>\$ 1,052,126</u>	<u>\$ 691,249</u>	<u>\$ 390,219</u>	<u>\$ 129,469</u>	<u>\$ 224,428</u>	<u>\$ 2,487,491</u>

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

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 two classes:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions—Net assets subject to donor-imposed stipulations. Some donor-imposed stipulations will be met either by actions of the Organization and/or the passage of time. Other donor-imposed stipulations are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 contributions without donor restrictions.

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 support with donor restrictions 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), net assets with donor restrictions are reclassified as net assets without donor restrictions 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 support without donor restrictions. 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, 2020 AND 2019

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

Revenue Recognition

Revenue from preschool fees, parenting program fees and the mental health program are recognized as services are rendered.

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 (with donor restrictions). 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 to give. 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.

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

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

Deferred Revenue

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

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, 2020 and 2019, is depreciated over 3 to 39 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.

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

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

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.

Board Designated Net Assets

Board designated net assets at May 31, 2020 and 2019, consist of an operating reserve in the amount of \$1,619,913 and \$1,572,125, respectively.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 as of June 1, 2018, and has adjusted the presentation in these financial statements accordingly.

Recently Issued and Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which provides guidance for revenue recognition. This ASU's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects consideration to which the organization expects to be entitled in exchange for those goods or services.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or contributions.

The Organization adopted the new guidance in ASU No. 2014-09 and ASU No. 2018-08 as of January 1, 2019, without any significant changes to how revenue is recorded.

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

NOTE 2. LIQUIDITY AND AVAILABILITY

The Organization's working capital and cash flows have seasonal variations during the year attributable to cash receipts for preschool fees and a concentration of sponsorships received for special events. The Organization manages liquidity during the year by utilizing the following strategies: operating with a balanced budget which assumes collection of sufficient revenue via contributions, grants, and fees to cover operating expenditures not covered by donor-restricted resources, regular analysis of actual operating results versus budget, establishment of an operating reserve fund and the use of the \$500,000 line of credit.

The following table reflects the Organization's financial assets as of May 31, 2020 and 2019, that are available within 12 months to meet operating expenditures:

Financial assets available to meet operating expenditures over the next 12 months

	<u>2020</u>	<u>2019</u>
Cash and equivalents	\$ 539,380	\$ 859,958
Accounts receivable	4,981	7,626
Unconditional promises to give	369	2,145
Investments	2,395,579	2,169,407
Less Board designated reserves	(1,619,913)	(1,572,125)
Less donor restricted amounts for future programs and endowments	(108,263)	(421,686)
Financial assets available to meet operating expenditures	<u>\$ 1,212,133</u>	<u>\$ 1,045,325</u>

NOTE 3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give as of May 31, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 369	\$ 2,145
Receivable in one to five years	-	-
	<u>369</u>	<u>2,145</u>
Less discounts to net present value	-	-
Less allowance for uncollectible promises to give	-	-
Net unconditional promises to give	<u>\$ 369</u>	<u>\$ 2,145</u>

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

NOTE 4. INVESTMENTS

Investments are stated at fair value. The composition of investments as of May 31, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Money market	\$ 18,232	\$ 15,508
Certificates of deposit	1,155,058	968,840
Commodity funds	29,776	33,842
Corporate bonds	498,690	475,784
Corporate stock	665,486	641,831
Real estate funds	<u>28,336</u>	<u>33,602</u>
Balance, end of year	<u>\$ 2,395,579</u>	<u>\$ 2,169,407</u>

Investments are held in professionally managed accounts. Investment income is comprised of the following for the years ended May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 62,275	\$ 49,801
Realized and unrealized gains (losses)	20,004	(36,162)
Investment fees	<u>(8,517)</u>	<u>(7,822)</u>
	<u>\$ 73,762</u>	<u>\$ 5,817</u>

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 952,763	\$ 952,763
Building	1,026,474	1,026,474
Building improvements	388,914	388,913
Vehicles	120,183	120,183
Furniture and equipment	509,178	495,218
Construction in progress	56,152	-
	<u>3,053,664</u>	<u>2,983,551</u>
Less accumulated depreciation	<u>(979,777)</u>	<u>(893,187)</u>
	<u><u>\$ 2,073,887</u></u>	<u><u>\$ 2,090,364</u></u>

Depreciation expense was \$86,590 and \$99,205 for the years ended May 31, 2020 and 2019, respectively.

NOTE 6. LINE OF CREDIT

The Organization renewed a \$500,000 line of credit in May 2019, with a local financial institution. The line of credit bears interest at LIBOR plus 2.25% (4.62313% at May 31, 2020) and matures on May 3, 2021. The line of credit is secured by virtually all assets of the Organization. At May 31, 2020 and 2019, there were no outstanding balance on the line of credit.

NOTE 7. NOTE PAYABLE

On April 16, 2020, the Organization received \$340,000 in funding through the Small Business Administration Payroll Protection Program. Management anticipates with the 24 week forgiveness period the entire amount of the loan will be forgiven.

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

Certain portions of cash and investments are restricted for time or purpose. Net assets with donor restrictions – time or purpose consist of the following at May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Parenting program	\$ 5,000	\$ 32,721
Preschool scholarship fund	45,259	1,215
Child and family therapy	24,107	-
Expansion initiative	12,923	365,000
Unconditional promises to give	369	2,145
	<u>\$ 87,658</u>	<u>\$ 401,081</u>

Net assets released from restrictions were for the following:

	<u>2020</u>	<u>2019</u>
Parenting program	\$ 32,721	\$ 75,702
Preschool scholarship fund	28,056	142,100
Preschool professional training	38,003	6,234
Child and family therapy	8,393	39,988
Expansion initiative	356,152	-
Payments on unconditional promises to give	1,776	11,091
	<u>\$ 465,101</u>	<u>\$ 275,115</u>

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

NOTE 8. NET ASSETS WITH RESTRICTIONS (CONTINUED)

During 2013, the Organization received contributions which are perpetual in nature 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, 2020 AND 2019

NOTE 8. NET ASSETS WITH RESTRICTIONS (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, 2020, is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual	
Donor-restricted endowment funds	\$ -	\$ -	\$ 20,605	\$ 20,605

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

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual	
Endowment net assets, May 31, 2019	\$ -	\$ -	\$ 20,605	\$ 20,605
Contributions	-	-	-	-
Endowment net assets, May 31, 2020	\$ -	\$ -	\$ 20,605	\$ 20,605

There were no changes in the Organization's endowment net assets during the year ended May 31, 2019.

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

NOTE 9. OPERATING LEASES

The Organization leases certain equipment under non-cancelable operating leases. Total rental expense for the years ended May 31, 2020 and 2019, including interest, taxes and other fees was \$8,363 and \$8,721, respectively. Future minimum payments consist of the following at May 31, 2020:

2021	\$ 6,704
2022	6,704
2023	6,164
2024	6,164
2025	<u>3,595</u>
	<u>\$ 29,331</u>

NOTE 10. 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. During the year ended May 31, 2020, the Organization changed from matching employee contributions on a calendar year to a fiscal year. As a result of the change in Organization policy, the pension expense recognized for the years ended May 31, 2020 and 2019, was \$65,336 and \$38,012, respectively.

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

NOTE 11. 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, 2020 AND 2019

NOTE 11. 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, 2020 and 2019:

Assets at Fair Value as of May 31, 2020				
	Level 1	Level 2	Level 3	Total
Investments				
Money market	\$ 18,232	\$ -	\$ -	\$ 18,232
Certificates of deposit	1,155,058	-	-	1,155,058
Commodity funds	29,776	-	-	29,776
Corporate bonds	498,690	-	-	498,690
Corporate stock	665,486	-	-	665,486
Real estate funds	28,336	-	-	28,336
	\$ 2,395,579	\$ -	\$ -	\$ 2,395,579
Assets at Fair Value as of May 31, 2019				
	Level 1	Level 2	Level 3	Total
Investments				
Money market	\$ 15,508	\$ -	\$ -	\$ 15,508
Certificates of deposit	968,840	-	-	968,840
Commodity funds	33,842	-	-	33,842
Corporate bonds	475,784	-	-	475,784
Corporate stock	641,831	-	-	641,831
Real estate funds	33,602	-	-	33,602
	\$ 2,169,407	\$ -	\$ -	\$ 2,169,407

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

NOTE 12. COMMITMENTS AND CONTINGENCIES

During March 2020, the World Health Organization declared the Coronavirus outbreak a global pandemic. Actions taken around the world to help mitigate the spread of the Coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The Coronavirus and actions taken to mitigate it have had, and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, to date, the Organization has not seen a significant decrease in support and revenues. The ultimate impact of the pandemic on the Organization's results of operations, financial position, and liquidity or capital resources cannot be reasonably estimated at this time.

The Organization has a contract to acquire real property in Sarasota, Florida to expand its programs for \$455,000. At May 31, 2020, a deposit of \$20,000 is being held in escrow for this purchase. The purchase is expected to close in November 2020. In conjunction with this purchase, the Organization has several contracts for architectural and engineering services totaling \$108,705. At May 31, 2020, \$33,552 has been incurred on these contracts. The deposit held in escrow and the fees under the architectural and engineering contracts are included with property and equipment on the accompanying statement of financial position as construction in progress.

NOTE 13. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 9, 2020, the date on which the financial statements were available to be issued.