

FORTY CARROTS OF SARASOTA, INC.
FINANCIAL REPORT
YEARS ENDED MAY 31, 2022 AND 2021

FORTY CARROTS OF SARASOTA, INC.

**FINANCIAL REPORT
YEARS ENDED MAY 31, 2022 AND 2021**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Forty Carrots of Sarasota, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Forty Carrots of Sarasota, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Forty Carrots of Sarasota, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Forty Carrots of Sarasota, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mauldin & Jenkins, LLC

Bradenton, Florida
September 12, 2022

FORTY CARROTS OF SARASOTA, INC.

**STATEMENTS OF FINANCIAL POSITION
MAY 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 2,689,805	\$ 2,076,618
Accounts receivable	35,236	5,238
Unconditional promises to give, net	7,500	-
Prepaid expenses	100,596	439,933
Investments	1,876,450	1,538,308
Property and equipment, net	<u>2,559,661</u>	<u>2,475,435</u>
Total assets	<u><u>\$ 7,269,248</u></u>	<u><u>\$ 6,535,532</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 157,439	\$ 107,065
Deferred revenue	424,672	1,037,642
Notes payable	<u>-</u>	<u>376,430</u>
Total liabilities	<u>582,111</u>	<u>1,521,137</u>
NET ASSETS		
Without donor restrictions		
Designated by Board for operating reserve	2,297,469	1,517,703
Undesignated	3,757,159	3,192,329
With donor restrictions		
Time or purpose	611,904	283,758
Perpetual	<u>20,605</u>	<u>20,605</u>
Total net assets	<u>6,687,137</u>	<u>5,014,395</u>
Total liabilities and net assets	<u><u>\$ 7,269,248</u></u>	<u><u>\$ 6,535,532</u></u>

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

**STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2022**

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual	
Support and revenue				
Preschool fees	\$ 756,496	\$ -	\$ -	\$ 756,496
Parenting program fees	20,410	-	-	20,410
Mental health program	117,450	-	-	117,450
Contributions	764,491	275,100	-	1,039,591
Grants	983,856	848,518	-	1,832,374
Special events revenue, net	1,006,218	-	-	1,006,218
Investment income, net	(135,619)	-	-	(135,619)
Other	13,823			13,823
Net assets released from restrictions	795,472	(795,472)	-	-
 Total support and revenue	 4,322,597	 328,146	 -	 4,650,743
Expenses				
Program services				
Preschool	1,068,793	-	-	1,068,793
Parenting program	857,018	-	-	857,018
Mental health program	623,674	-	-	623,674
Supporting services				
General and administrative	158,073	-	-	158,073
Fundraising	270,443	-	-	270,443
 Total expenses	 2,978,001	 -	 -	 2,978,001
 Change in net assets	 1,344,596	 328,146	 -	 1,672,742
 Net assets, beginning of year	 4,710,032	 283,758	 20,605	 5,014,395
 Net assets, end of year	 \$ 6,054,628	 \$ 611,904	 \$ 20,605	 \$ 6,687,137

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

**STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2021**

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual	
Support and revenue				
Preschool fees	\$ 584,137	\$ -	\$ -	\$ 584,137
Parenting program fees	14,203	-	-	14,203
Mental health program	105,293	-	-	105,293
Contributions	447,543	62,125	-	509,668
Grants	1,194,381	714,479	-	1,908,860
Special events revenue, net	15,758	-	-	15,758
Investment income, net	301,803	-	-	301,803
Net assets released from restrictions	580,504	(580,504)	-	-
Total support and revenue	3,243,622	196,100	-	3,439,722
Expenses				
Program services				
Preschool	846,537	-	-	846,537
Parenting program	734,362	-	-	734,362
Mental health program	526,296	-	-	526,296
Supporting services				
General and administrative	119,388	-	-	119,388
Fundraising	239,895	-	-	239,895
Total expenses	2,466,478	-	-	2,466,478
Change in net assets	777,144	196,100	-	973,244
Net assets, beginning of year	3,932,888	87,658	20,605	4,041,151
Net assets, end of year	<u>\$ 4,710,032</u>	<u>\$ 283,758</u>	<u>\$ 20,605</u>	<u>\$ 5,014,395</u>

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

**STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2022 AND 2021**

CASH FLOWS FROM OPERATING ACTIVITIES	2022	2021
Change in net assets	\$ 1,672,742	\$ 973,244
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	87,709	81,580
Bad debt expense	-	2,000
Gain on disposal of property and equipment	(3,000)	-
Realized and unrealized (gains) losses	175,260	(277,562)
PPP loan forgiveness	(370,795)	(340,000)
Changes in operating assets and liabilities		
(Increase) in accounts receivable	(29,998)	(2,257)
(Increase) decrease in unconditional promises to give	(7,500)	369
(Increase) decrease in prepaid expenses	339,337	(27,254)
Increase (decrease) in accounts payable and accrued liabilities	50,374	(36,859)
Increase (decrease) in deferred revenue	(612,970)	135,842
Net cash provided by operating activities	<u>1,301,159</u>	<u>509,103</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(168,935)	(483,128)
Proceeds from sale of investments	572,793	2,803,174
Purchase of investments	(1,086,195)	(1,668,341)
Net cash provided by (used in) investing activities	<u>(682,337)</u>	<u>651,705</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	-	376,430
Principal payments on notes payable	(5,635)	-
Net cash provided by (used in) financing activities	<u>(5,635)</u>	<u>376,430</u>
Change in cash and cash equivalents	613,187	1,537,238
Cash and cash equivalents, beginning of year	<u>2,076,618</u>	<u>539,380</u>
Cash and cash equivalents, end of year	<u>\$ 2,689,805</u>	<u>\$ 2,076,618</u>

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2022**

	Program Services			Supporting Services		
		Parenting	Mental	General		
	Preschool	Program	Health	and		
			Program	Administrative	Fundraising	Total
Salaries	\$ 697,442	\$ 597,111	\$ 449,030	\$ 111,527	\$ 194,601	\$ 2,049,711
Employee benefits	53,933	45,543	40,697	9,216	18,539	167,928
Payroll taxes	51,213	42,753	31,853	7,766	13,361	146,946
Advertising	8,812	44,462	9,312	13	15,235	77,834
Bank and credit card charges	2,650	994	1,291	2,035	1,574	8,544
Depreciation	60,269	6,731	17,369	1,368	1,972	87,709
Equipment rental	14,325	28,514	21,573	2,839	5,829	73,080
Insurance	38,238	23,614	13,525	8,531	4,409	88,317
Occupancy	82,374	21,766	17,440	6,252	276	128,108
Postage	330	990	220	95	805	2,440
Printing and publications	1,734	4,481	1,133	479	2,546	10,373
Professional fees	4,829	8,840	2,744	2,335	1,911	20,659
Staff and volunteer recognition	2,663	2,591	1,097	396	6,592	13,339
Supplies	33,937	14,574	10,245	1,834	1,512	62,102
Telephone	3,066	2,040	1,226	307	307	6,946
Travel	32	8,132	312	-	46	8,522
Training	12,946	3,882	4,607	3,080	928	25,443
	<u>\$ 1,068,793</u>	<u>\$ 857,018</u>	<u>\$ 623,674</u>	<u>\$ 158,073</u>	<u>\$ 270,443</u>	<u>\$ 2,978,001</u>
Total expenses	<u>\$ 1,068,793</u>	<u>\$ 857,018</u>	<u>\$ 623,674</u>	<u>\$ 158,073</u>	<u>\$ 270,443</u>	<u>\$ 2,978,001</u>

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2021**

	Program Services			Supporting Services		
		Parenting	Mental	General		
	Preschool	Program	Health	and		
			Program	Administrative	Fundraising	Total
Salaries	\$ 528,394	\$ 488,341	\$ 363,724	\$ 94,217	\$ 160,732	\$ 1,635,408
Employee benefits	42,832	40,496	38,871	8,557	15,400	146,156
Payroll taxes	41,283	36,887	26,271	6,785	11,378	122,604
Advertising	11,738	50,177	10,377	-	17,963	90,255
Bank and credit card charges	1,601	778	877	95	1,997	5,348
Depreciation	53,031	8,154	16,318	1,629	2,448	81,580
Equipment rental	15,109	20,887	20,213	2,229	5,812	64,250
Insurance	32,464	23,856	12,906	3,748	5,786	78,760
Occupancy	76,443	19,630	16,662	288	2,073	115,096
Postage	98	424	65	-	65	652
Printing and publications	1,015	5,293	1,114	19	937	8,378
Professional fees	8,240	15,403	9,818	150	11,191	44,802
Staff and volunteer recognition	737	141	211	42	653	1,784
Supplies	26,409	13,419	5,629	1,202	3,034	49,693
Telephone	2,537	1,826	1,015	254	253	5,885
Travel	-	7,289	-	-	2	7,291
Training	4,606	1,361	2,225	173	171	8,536
Total expenses	<u>\$ 846,537</u>	<u>\$ 734,362</u>	<u>\$ 526,296</u>	<u>\$ 119,388</u>	<u>\$ 239,895</u>	<u>\$ 2,466,478</u>

See Notes to Financial Statements.

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2022 AND 2021

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 12 months are considered fully collectible by management.

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2022 AND 2021

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, 2022 AND 2021

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

Deferred Revenue

Income from fees received 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, 2022 and 2021 is depreciated over three 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, 2022 AND 2021

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, 2022 and 2021 consist of an operating reserve in the amount of \$2,297,469 and \$1,517,703, respectively.

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, and establishment of an operating reserve fund.

The following table reflects the Organization's financial assets as of May 31, 2022 and 2021 that are available within 12 months to meet operating expenditures:

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

	2022	2021
Cash and equivalents	\$ 2,689,805	\$ 2,076,618
Accounts receivable	35,236	5,238
Unconditional promises to give	7,500	-
Investments	1,876,450	1,538,308
Less Board designated reserves	(2,297,469)	(1,517,703)
Less donor restricted amounts for future programs and endowments	(632,509)	(304,363)
Financial assets available to meet operating expenditures	<u>\$ 1,679,013</u>	<u>\$ 1,798,098</u>

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2022 AND 2021

NOTE 3 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give as of May 31, 2022 and 2021 consisted of the following:

	2022	2021
Receivable in less than one year	\$ 7,500	\$ -
Receivable in one to five years	-	-
	<u>7,500</u>	<u>-</u>
Less discounts to net present value	-	-
Less allowance for uncollectible promises to give	-	-
	<u>-</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 7,500</u>	<u>\$ -</u>

The Organization has one conditional pledge in the amount of \$1,000,000 relating to the development of the land purchased in 2021. The conditional pledge will be recognized when the Organization secures building permits to begin construction of the new facility. As of September 12, 2022, the Organization has not secured building permits.

NOTE 4. INVESTMENTS

Investments are stated at fair value. The composition of investments as of May 31, 2022 and 2021 is as follows:

	2022	2021
Money market	\$ 12,394	\$ 14,910
Mutual funds	1,321,560	1,523,398
Corporate bonds	334,120	-
Corporate stock	<u>208,376</u>	<u>-</u>
Balance, end of year	<u>\$ 1,876,450</u>	<u>\$ 1,538,308</u>

Investments are held in professionally managed accounts. Investment income is comprised of the following for the years ended May 31, 2022 and 2021:

	2022	2021
Interest and dividends	\$ 46,218	\$ 32,849
Realized and unrealized gains (losses)	(175,260)	277,562
Investment fees	<u>(6,577)</u>	<u>(8,608)</u>
	<u>\$ (135,619)</u>	<u>\$ 301,803</u>

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2022 AND 2021

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at May 31, 2022 and 2021:

	2022	2021
Land	\$ 1,411,656	\$ 1,411,656
Building	1,026,474	1,026,474
Building improvements	417,088	409,714
Vehicles	136,623	120,183
Furniture and equipment	463,717	509,178
Construction in progress	142,232	59,587
	3,597,790	3,536,792
Less accumulated depreciation	(1,038,129)	(1,061,357)
	<u>\$ 2,559,661</u>	<u>\$ 2,475,435</u>

Depreciation expense was \$87,709 and \$81,580 for the years ended May 31, 2022 and 2021, respectively.

NOTE 6. LINE OF CREDIT

The Organization has a \$1,000,000 line of credit from a local financial institution. The line of credit bears interest at LIBOR plus 2.00% and matures on July 28, 2022. At May 31, 2022 and 2021, there was not an outstanding balance on the line of credit. Subsequent to year-end, the line was renewed with a new maturity date of July 28, 2023.

NOTE 7. NOTES PAYABLE

On April 16, 2020, the Organization received \$340,000 in funding through the Small Business Administration (SBA) Payroll Protection Program. During 2021, the Organization spent all funds in accordance with the terms of the program and the loan was forgiven by SBA. Contribution revenue of \$340,000 is included in the accompanying statement of activities.

On January 24, 2021, the Organization received \$370,795 in funding through the Small Business Administration Payroll Protection Program. During 2022, the Organization spent all funds in accordance with the terms of the program and the loan was forgiven by SBA. Contribution revenue of \$370,795 is included in the accompanying statement of activities.

The Organization borrowed \$6,283 from the Community Foundation of Sarasota County, Inc. to assist with the purchase of a solar PV system. The note bears interest at 1% with annual principal and interest payments due each December 17th. The balance on the note at May 31, 2021 was \$5,635 and the note was paid-off during the year ended May 31, 2022.

FORTY CARROTS OF SARASOTA, INC.

**NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021**

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, 2022 and 2021:

	2022	2021
Parenting program	\$ -	\$ 3,000
Pledges receivable	7,500	-
Preschool scholarship fund	152,142	190,492
Child and family therapy	-	50,000
Expansion initiative	452,262	40,266
	\$ 611,904	\$ 283,758

Net assets released from restrictions were for the following:

	2022	2021
Parenting program	\$ 126,000	\$ 5,000
Preschool scholarship fund	159,950	78,892
Child and family therapy	423,000	24,107
Expansion initiative	86,522	472,136
Payments on unconditional promises to give	-	369
	\$ 795,472	\$ 580,504

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2022 AND 2021

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.

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.

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2022 AND 2021

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

The endowment net asset composition as of May 31, 2022 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, 2021	\$ -	\$ -	\$ 20,605	\$ 20,605
Contributions	-	-	-	-
Endowment net assets, May 31, 2022	\$ -	\$ -	\$ 20,605	\$ 20,605

There were no changes in the Organization's endowment net assets during the years ended May 31, 2022 and 2021.

NOTE 9. OPERATING LEASES

The Organization leases certain equipment under non-cancelable operating leases. Total rental expense for the years ended May 31, 2022 and 2021, including interest, taxes and other fees, was \$8,414 and \$7,905, respectively. Future minimum payments consist of the following at May 31, 2022:

2023	\$ 6,728
2024	6,728
2025	4,160
2026	47
	<u>\$ 17,663</u>

FORTY CARROTS OF SARASOTA, INC.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2022 AND 2021

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, 2022, 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, 2022 and 2021 was \$50,148 and \$45,456, respectively.

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, mutual 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, 2022 AND 2021

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, 2022 and 2021:

Assets at Fair Value as of May 31, 2022				
	Level 1	Level 2	Level 3	Total
Investments				
Money market	\$ 12,394	\$ -	\$ -	\$ 12,394
Mutual funds	1,321,560	-	-	1,321,560
Corporate bonds	-	334,120	-	334,120
Corporate stock	208,376	-	-	208,376
	<u>\$ 1,542,330</u>	<u>\$ 334,120</u>	<u>\$ -</u>	<u>\$ 1,876,450</u>
Assets at Fair Value as of May 31, 2021				
	Level 1	Level 2	Level 3	Total
Investments				
Money market	\$ 14,910	\$ -	\$ -	\$ 14,910
Mutual funds	1,523,398	-	-	1,523,398
	<u>\$ 1,538,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,538,308</u>

NOTE 12. COMMITMENTS AND CONTINGENCIES

The Organization has several contracts for architectural and engineering services totaling \$125,205 in conjunction with the development of land purchased during 2021. At May 31, 2022, \$121,034 has been incurred on these contracts. 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 12, 2022, the date on which the financial statements were available to be issued.