

**FORTY CARROTS OF SARASOTA, INC.**  
**FINANCIAL REPORT**  
**YEARS ENDED MAY 31, 2023 AND 2022**

**FORTY CARROTS OF SARASOTA, INC.**

**FINANCIAL REPORT  
YEARS ENDED MAY 31, 2023 AND 2022**

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## INDEPENDENT AUDITOR'S REPORT

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**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. (the "Organization") (a non-profit organization), which comprise the statements of financial position as of May 31, 2023 and 2022, 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, 2023 and 2022, 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 the Organization 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## **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 the Organization'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 the Organization'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 22, 2023

**FORTY CARROTS OF SARASOTA, INC.**

**STATEMENTS OF FINANCIAL POSITION  
MAY 31, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,432,180	\$ 2,689,805
Accounts receivable	34,192	35,236
Unconditional promises to give, net	9,040	7,500
Prepaid expenses	122,859	100,596
Investments	1,773,794	1,876,450
Property and equipment, net	3,920,539	2,559,661
Total assets	\$ 10,292,604	\$ 7,269,248
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 643,768	\$ 157,439
Deferred revenue	383,690	424,672
Total liabilities	1,027,458	582,111
<b>NET ASSETS</b>		
Without donor restrictions		
Designated by Board for operating reserve	2,767,968	2,297,469
Undesignated	4,765,686	3,757,159
With donor restrictions		
Time or purpose	1,710,887	611,904
Perpetual	20,605	20,605
Total net assets	9,265,146	6,687,137
Total liabilities and net assets	\$ 10,292,604	\$ 7,269,248

**See Notes to Financial Statements.**

**FORTY CARROTS OF SARASOTA, INC.**

**STATEMENT OF ACTIVITIES  
YEAR ENDED MAY 31, 2023**

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual	
<b>Support and revenue</b>				
Preschool fees	\$ 811,897	\$ -	\$ -	\$ 811,897
Parenting program fees	22,415	-	-	22,415
Mental health program	127,401	-	-	127,401
Contributions	494,343	1,642,314	-	2,136,657
Grants	601,438	1,064,040	-	1,665,478
Special events revenue, net	1,141,913	-	-	1,141,913
Investment income, net	61,428	-	-	61,428
Net assets released from restrictions	1,607,371	(1,607,371)	-	-
<b>Total support and revenue</b>	<b>4,868,206</b>	<b>1,098,983</b>	<b>-</b>	<b>5,967,189</b>
<b>Expenses</b>				
Program services				
Preschool	1,102,971	-	-	1,102,971
Parenting program	962,456	-	-	962,456
Mental health program	765,686	-	-	765,686
Supporting services				
General and administrative	204,891	-	-	204,891
Fundraising	353,176	-	-	353,176
<b>Total expenses</b>	<b>3,389,180</b>	<b>-</b>	<b>-</b>	<b>3,389,180</b>
<b>Change in net assets</b>	<b>1,479,026</b>	<b>1,098,983</b>	<b>-</b>	<b>2,578,009</b>
Net assets, beginning of year	6,054,628	611,904	20,605	6,687,137
Net assets, end of year	<u>\$ 7,533,654</u>	<u>\$ 1,710,887</u>	<u>\$ 20,605</u>	<u>\$ 9,265,146</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	
<b>Support and revenue</b>				
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 loss, net	(135,619)	-	-	(135,619)
Other	13,823	-	-	13,823
Net assets released from restrictions	795,472	(795,472)	-	-
<b>Total support and revenue</b>	<b>4,322,597</b>	<b>328,146</b>	<b>-</b>	<b>4,650,743</b>
<b>Expenses</b>				
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
<b>Total expenses</b>	<b>2,978,001</b>	<b>-</b>	<b>-</b>	<b>2,978,001</b>
<b>Change in net assets</b>	<b>1,344,596</b>	<b>328,146</b>	<b>-</b>	<b>1,672,742</b>
Net assets, beginning of year	4,710,032	283,758	20,605	5,014,395
Net assets, end of year	<u>\$ 6,054,628</u>	<u>\$ 611,904</u>	<u>\$ 20,605</u>	<u>\$ 6,687,137</u>

**See Notes to Financial Statements.**

**FORTY CARROTS OF SARASOTA, INC.**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED MAY 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,578,009	\$ 1,672,742
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	81,955	87,709
Gain (loss) on disposal of property and equipment	5,828	(3,000)
Realized and unrealized losses	37,372	175,260
PPP loan forgiveness	-	(370,795)
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	1,044	(29,998)
(Increase) in unconditional promises to give	(1,540)	(7,500)
(Increase) decrease in prepaid expenses	(22,263)	339,337
Increase in accounts payable and accrued liabilities	486,329	50,374
(Decrease) in deferred revenue	(40,982)	(612,970)
Net cash provided by operating activities	<u>3,125,752</u>	<u>1,301,159</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,448,661)	(168,935)
Proceeds from sale of investments	863,266	572,793
Purchase of investments	(797,982)	(1,086,195)
Net cash (used in) investing activities	<u>(1,383,377)</u>	<u>(682,337)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on notes payable	-	(5,635)
Net cash (used in) financing activities	<u>-</u>	<u>(5,635)</u>
Change in cash and cash equivalents	1,742,375	613,187
Cash and cash equivalents, beginning of year	<u>2,689,805</u>	<u>2,076,618</u>
Cash and cash equivalents, end of year	<u>\$ 4,432,180</u>	<u>\$ 2,689,805</u>

**See Notes to Financial Statements.**



**FORTY CARROTS OF SARASOTA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED MAY 31, 2023**

	Program Services			Supporting Services		Total
	Preschool	Parenting Program	Mental Health Program	General and Administrative	Fundraising	
Salaries	\$ 711,612	\$ 695,541	\$ 555,700	\$ 140,785	\$ 262,027	\$ 2,365,665
Employee benefits	64,871	52,590	58,873	11,553	23,474	211,361
Payroll taxes	50,928	48,707	38,804	9,547	17,853	165,839
Advertising	7,612	36,087	6,787	2,361	12,206	65,053
Bank and credit card charges	3,493	1,130	1,790	632	1,958	9,003
Depreciation	53,276	8,191	16,393	1,636	2,459	81,955
Equipment rental	18,835	19,116	24,420	2,595	8,454	73,420
Insurance	43,264	26,974	16,075	9,917	5,638	101,868
Other	-	-	-	5,829	-	5,829
Occupancy	87,684	24,801	19,419	5,773	261	137,938
Postage	339	770	215	217	1,222	2,763
Printing and publications	4,294	9,000	2,365	779	2,681	19,119
Professional fees	9,358	9,284	3,119	10,871	2,601	35,233
Appreciation and recognition	3,159	2,559	2,110	938	6,537	15,303
Supplies	33,643	12,051	7,540	853	4,139	58,226
Telephone	3,363	2,184	1,345	336	336	7,564
Travel	66	9,705	429	269	432	10,901
Training	7,174	3,766	10,302	-	898	22,140
	<b>\$ 1,102,971</b>	<b>\$ 962,456</b>	<b>\$ 765,686</b>	<b>\$ 204,891</b>	<b>\$ 353,176</b>	<b>\$ 3,389,180</b>

See Notes to Financial Statements.

**FORTY CARROTS OF SARASOTA, INC.**

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

	Program Services			Supporting Services		Total
	Preschool	Parenting Program	Mental Health Program	General and Administrative	Fundraising	
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	93,080
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
Appreciation and 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
	\$ 1,068,793	\$ 857,018	\$ 623,674	\$ 158,073	\$ 270,443	\$ 2,998,001

**See Notes to Financial Statements.**

# FORTY CARROTS OF SARASOTA, INC.

## NOTES TO FINANCIAL STATEMENTS MAY 31, 2023 AND 2022

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### 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, 2023 AND 2022

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### 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, 2023 AND 2022**

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**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, 2023 and 2022 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, 2023 AND 2022

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### 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, 2023 and 2022 consist of an operating reserve in the amount of \$2,767,968 and \$2,297,469, respectively.

#### **Recently Adopted Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This update includes a lease accounting model that recognized two types of leases – finance leases and operating leases. The standard requires that a lessee recognize on the balance sheet assets and liabilities relating to leases with terms of more than 12 months. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. For the year ending May 31, 2023, the Organization adopted ASU 2016-02. The adoption of the standard did not have an effect on total net assets or the change in the total net assets for the year ended May 31, 2023.

#### **Subsequent Events**

The Organization has evaluated subsequent events through September 22, 2023, the date on which the financial statements were available to be issued.

# FORTY CARROTS OF SARASOTA, INC.

## NOTES TO FINANCIAL STATEMENTS MAY 31, 2023 AND 2022

### 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, 2023 and 2022 that are available within 12 months to meet operating expenditures:

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

	<u>2023</u>	<u>2022</u>
Cash and equivalents	\$ 4,432,180	\$ 2,689,805
Accounts receivable	34,192	35,236
Unconditional promises to give	9,040	7,500
Investments	1,773,794	1,876,450
Less Board designated reserves	(2,767,968)	(2,297,469)
Less donor restricted amounts for future programs and endowments	(1,731,492)	(632,509)
Financial assets available to meet operating expenditures	<u>\$ 1,749,746</u>	<u>\$ 1,679,013</u>

# FORTY CARROTS OF SARASOTA, INC.

## NOTES TO FINANCIAL STATEMENTS MAY 31, 2023 AND 2022

### NOTE 3 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give as of May 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 9,040	\$ 7,500
Receivable in one to five years	-	-
	<u>9,040</u>	<u>7,500</u>
Less discounts to net present value	-	-
Less allowance for uncollectible promises to give	-	-
	<u>-\$</u>	<u>-\$</u>
Net unconditional promises to give	<u>\$ 9,040</u>	<u>\$ 7,500</u>

The Organization has one conditional pledge in the amount of \$500,000 relating to the development of the land purchase in 2021. The conditional pledge will be recognized as follows: \$250,000 when the building is 50% constructed, and \$250,000 when the building construction is complete. As of May 31, 2023, the Organization has not met 50% construction on the building.

The Organization has one conditional pledge in the amount of \$750,000 relating to the development of the land purchased in 2021. The conditional pledge will be recognized as follows: \$250,000 by May 31, 2024 provided the building is at least 90% constructed, \$250,000 by May 31, 2025 provided the building is complete and services are operational, and \$250,000 by May 31, 2026 provided that the building is complete and services are operational. As of May 31, 2023, the Organization has not met 90% construction on the building.

The Organization has one conditional pledge in the amount of \$500,000 relating to the development of the land purchased in 2021. The conditional pledge will be recognized when the Organization has raised or allocated \$9,500,000 towards the development of the land. As of May 31, 2023, the Organization has not raised the required amount.



**FORTY CARROTS OF SARASOTA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2023 AND 2022**

**NOTE 4. INVESTMENTS**

Investments are stated at fair value. The composition of investments as of May 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Money market	\$ 65,491	\$ 12,394
Equity mutual funds	1,230,632	1,321,560
Fixed income mutual funds	371,316	334,120
Corporate stock	<u>106,355</u>	<u>208,376</u>
Balance, end of year	<u>\$ 1,773,794</u>	<u>\$ 1,876,450</u>

Investments are held in professionally managed accounts. Investment income is comprised of the following for the years ended May 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 107,798	\$ 46,218
Realized and unrealized (losses)	(37,372)	(175,260)
Investment fees	<u>(8,998)</u>	<u>(6,577)</u>
	<u>\$ 61,428</u>	<u>\$ (135,619)</u>

**NOTE 5. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at May 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,411,656	\$ 1,411,656
Building	1,026,474	1,026,474
Building improvements	424,464	417,088
Vehicles	136,623	136,623
Furniture and equipment	375,329	463,717
Construction in progress	<u>1,577,473</u>	<u>142,232</u>
	4,952,019	3,597,790
Less accumulated depreciation	<u>(1,031,480)</u>	<u>(1,038,129)</u>
	<u>\$ 3,920,539</u>	<u>\$ 2,559,661</u>

Depreciation expense was \$81,955 and \$87,709 for the years ended May 31, 2023 and 2022, respectively.

**FORTY CARROTS OF SARASOTA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2023 AND 2022**

**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, 2024. At May 31, 2023 and 2022, there was not an outstanding balance on the line of credit.

**NOTE 7. 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, 2023 and 2022:

	<b>2023</b>	2022
Pledges receivable	<b>\$ 9,040</b>	\$ 7,500
Preschool scholarship fund	<b>25,162</b>	152,142
Child and family therapy	<b>50,000</b>	-
Expansion initiative	<b>1,601,685</b>	452,262
Vehicle	<b>25,000</b>	-
	<b>\$ 1,710,887</b>	\$ 611,904

Net assets released from restrictions were for the following:

	<b>2023</b>	2022
Parenting program	<b>\$ -</b>	\$ 126,000
Preschool scholarship fund	<b>164,630</b>	159,950
Child and family therapy	<b>-</b>	423,000
Expansion initiative	<b>1,435,241</b>	86,522
Payments on unconditional promises to give	<b>7,500</b>	-
	<b>\$ 1,607,371</b>	\$ 795,472

# FORTY CARROTS OF SARASOTA, INC.

## NOTES TO FINANCIAL STATEMENTS MAY 31, 2023 AND 2022

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### NOTE 7. NET ASSETS WITH DONOR 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, 2023 AND 2022**

**NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

The endowment net asset composition as of May 31, 2023 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, 2022	\$ -	\$ -	\$ 20,605	\$ 20,605
Contributions	-	-	-	-
Endowment net assets, May 31, 2023	\$ -	\$ -	\$ 20,605	\$ 20,605

There were no changes in the Organization's endowment net assets during the years ended May 31, 2023 and 2022.

**NOTE 8. 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, 2023, 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, 2023 and 2022 was \$55,983 and \$50,148, respectively.

# FORTY CARROTS OF SARASOTA, INC.

## NOTES TO FINANCIAL STATEMENTS MAY 31, 2023 AND 2022

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### NOTE 9. 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, 2023 AND 2022**

**NOTE 9. 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, 2023 and 2022:

Assets at Fair Value as of May 31, 2023				
	Level 1	Level 2	Level 3	Total
<b>Investments</b>				
Money market	\$ 65,491	\$ -	\$ -	\$ 65,491
Equity mutual funds	1,230,632	-	-	1,230,632
Fixed income mutual funds	371,316	-	-	371,316
Corporate stock	106,355	-	-	106,355
	\$ 1,773,794	\$ -	\$ -	\$ 1,773,794
Assets at Fair Value as of May 31, 2022				
	Level 1	Level 2	Level 3	Total
<b>Investments</b>				
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
	\$ 1,542,330	\$ 334,120	\$ -	\$ 1,876,450

**NOTE 10. COMMITMENTS AND CONTINGENCIES**

The Organization has several contracts for architectural and engineering services totaling \$4,367,520 in conjunction with the development of land purchased during 2021. At May 31, 2023, \$1,542,578 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 11. EXPANSION CAMPAIGN**

The Organization is engaged in an ongoing Generations of Change expansion campaign of \$10M that will support of over 100% in Mental Health services and over 30% in Parenting Education services over the next several years. The expansion includes a construction of a new building and increases in staff to support the increased services. The need for prevention, intervention and treatment services is critical and timely in the face of increasing hardship in our community and as demand for those services continues to rise, the Organization continues to expand access to Mental Health and Parenting Education services. The need for more space to allow for additional services is being addressed by our additional campus to house the growing programs. To that end, the Board has earmarked funds from the Board Designated Reserves towards this expansion project.