

FORTY CARROTS OF SARASOTA, INC.

FINANCIAL REPORT

YEARS ENDED MAY 31, 2025 AND 2024

Table Of Contents

Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Cash Flows	6
Statements of Functional Expenses	7-8
Notes to Financial Statements	9-17



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. (the "Organization") (a non-profit organization), which comprise the statements of financial position as of May 31, 2025 and 2024, 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, 2025 and 2024, 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.

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 10, 2025

Forty Carrots of Sarasota, Inc.

STATEMENTS OF FINANCIAL POSITION MAY 31, 2025 AND 2024

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 4,077,321	\$ 2,592,019
Accounts receivable	222,181	134,890
Unconditional promises to give, net	479,145	937,606
Prepaid expenses	109,995	121,478
Investments, at fair value	2,234,568	2,058,799
Property and equipment, net	7,021,203	7,188,182
Total assets	<u>\$ 14,144,413</u>	<u>\$ 13,032,974</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 153,029	\$ 90,567
Deferred revenue	303,903	307,181
Total liabilities	<u>456,932</u>	<u>397,748</u>
NET ASSETS		
Without donor restrictions		
Designated by Board for operating reserve	3,706,533	3,159,327
Undesignated	8,390,508	7,902,688
With donor restrictions		
Time or purpose	1,569,835	1,552,606
Perpetual	20,605	20,605
Total net assets	<u>13,687,481</u>	<u>12,635,226</u>
Total liabilities and net assets	<u>\$ 14,144,413</u>	<u>\$ 13,032,974</u>

See Notes to Financial Statements.

Forty Carrots of Sarasota, Inc.

STATEMENT OF ACTIVITIES YEAR ENDED MAY 31, 2025

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual	
Support and revenue				
Preschool fees	\$ 1,178,981	\$ -	\$ -	\$ 1,178,981
Parenting program fees	39,680	-	-	39,680
Mental health program	225,822	-	-	225,822
Contributions	600,372	245,950	-	846,322
Grants	576,911	1,381,704	-	1,958,615
Special events revenue, net	1,004,154	-	-	1,004,154
Investment income, net	285,293	-	-	285,293
Gain on sale of asset	116	-	-	116
Other	60,558	-	-	60,558
Net assets released from restrictions	1,610,425	(1,610,425)	-	-
Total support and revenue	5,582,312	17,229	-	5,599,541
Expenses				
Program services				
Preschool	1,632,441	-	-	1,632,441
Parenting program	1,056,683	-	-	1,056,683
Mental health program	1,075,426	-	-	1,075,426
Supporting services				
General and administrative	258,483	-	-	258,483
Fundraising	524,253	-	-	524,253
Total expenses	4,547,286	-	-	4,547,286
Change in net assets	1,035,026	17,229	-	1,052,255
Net assets, beginning of year	11,062,015	1,552,606	20,605	12,635,226
Net assets, end of year	\$ 12,097,041	\$ 1,569,835	\$ 20,605	\$ 13,687,481

See Notes to Financial Statements.

Forty Carrots of Sarasota, Inc.

STATEMENT OF ACTIVITIES

YEAR ENDED MAY 31, 2024

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual	
Support and revenue				
Preschool fees	\$ 1,001,626	\$ -	\$ -	\$ 1,001,626
Parenting program fees	37,520	-	-	37,520
Mental health program	180,089	-	-	180,089
Contributions	554,201	10,602	-	564,803
Grants	434,372	3,800,265	-	4,234,637
Special events revenue, net	1,022,736	-	-	1,022,736
Investment income, net	342,092	-	-	342,092
Gain on sale of asset	3,500	-	-	3,500
Net assets released from restrictions	3,969,148	(3,969,148)	-	-
Total support and revenue	7,545,284	(158,281)	-	7,387,003
Expenses				
Program services				
Preschool	1,338,097	-	-	1,338,097
Parenting program	1,057,166	-	-	1,057,166
Mental health program	825,879	-	-	825,879
Supporting services				
General and administrative	302,696	-	-	302,696
Fundraising	493,085	-	-	493,085
Total expenses	4,016,923	-	-	4,016,923
Change in net assets	3,528,361	(158,281)	-	3,370,080
Net assets, beginning of year	7,533,654	1,710,887	20,605	9,265,146
Net assets, end of year	\$ 11,062,015	\$ 1,552,606	\$ 20,605	\$ 12,635,226

See Notes to Financial Statements.

Forty Carrots of Sarasota, Inc.

STATEMENTS OF CASH FLOWS YEARS ENDED MAY 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,052,255	\$ 3,370,080
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	244,586	127,434
(Gain) on disposal of property and equipment	(116)	(3,500)
Realized and unrealized (gains)	(122,946)	(210,871)
Changes in operating assets and liabilities		
(Increase) in accounts receivable	(87,291)	(100,698)
(Increase) decrease in unconditional promises to give	458,461	(928,566)
Decrease in prepaid expenses	11,483	1,381
Increase (decrease) in accounts payable and accrued liabilities	62,462	(553,201)
(Decrease) in deferred revenue	(3,278)	(76,509)
Net cash provided by operating activities	<u>1,615,616</u>	<u>1,625,550</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(81,909)	(3,391,577)
Proceeds from sale of investments	951,544	221,669
Purchase of investments	(999,949)	(295,803)
Net cash (used in) investing activities	<u>(130,314)</u>	<u>(3,465,711)</u>
Change in cash and cash equivalents	1,485,302	(1,840,161)
Cash and cash equivalents, beginning of year	<u>2,592,019</u>	<u>4,432,180</u>
Cash and cash equivalents, end of year	<u>\$ 4,077,321</u>	<u>\$ 2,592,019</u>

See Notes to Financial Statements.

Forty Carrots of Sarasota, Inc.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MAY 31, 2025

	Program Services			Supporting Services		
		Parenting	Mental	General		
	Preschool	Program	Health	and	Fundraising	Total
			Program	Administrative		
Salaries	\$ 986,014	\$ 788,604	\$ 778,290	\$ 180,004	\$ 342,429	\$ 3,075,341
Employee benefits	106,028	59,798	87,170	15,677	33,119	301,792
Payroll taxes	76,156	59,554	57,740	13,459	25,384	232,293
Advertising	12,721	15,468	7,576	-	34,404	70,169
Bank and credit card charges	2,074	1,786	2,467	14	2,013	8,354
Depreciation	158,981	24,459	48,917	4,892	7,337	244,586
Equipment rental	19,773	17,975	21,086	2,999	11,011	72,844
Insurance	75,677	21,405	16,885	11,708	5,459	131,134
Occupancy	127,751	28,604	27,456	7,079	7,217	198,107
Postage	309	1,476	243	-	918	2,946
Printing and publications	768	4,633	708	51	525	6,685
Professional fees	2,350	670	930	14,862	43,711	62,523
Appreciation and recognition	2,052	1,605	1,508	2,364	3,293	10,822
Supplies	52,776	8,830	8,741	3,641	3,786	77,774
Telephone	6,768	6,286	5,400	407	792	19,653
Travel	-	10,877	918	469	1,407	13,671
Training	2,243	4,653	9,391	857	1,448	18,592
Total expenses	\$ 1,632,441	\$ 1,056,683	\$ 1,075,426	\$ 258,483	\$ 524,253	\$ 4,547,286

See Notes to Financial Statements.

Forty Carrots of Sarasota, Inc.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MAY 31, 2024

	Program Services			Supporting Services		
			Mental	General		
	Preschool	Parenting	Health	and	Fundraising	Total
		Program	Program	Administrative		
Salaries	\$ 863,258	\$ 774,024	\$ 606,621	\$ 145,517	\$ 360,423	\$ 2,749,843
Employee benefits	84,907	53,281	66,712	11,889	31,861	248,650
Payroll taxes	61,540	54,936	42,514	10,190	25,448	194,628
Advertising	6,161	38,478	6,161	5,520	12,731	69,051
Bank and credit card charges	2,676	1,072	1,793	9,838	2,297	17,676
Depreciation	82,839	12,737	25,490	2,544	3,824	127,434
Equipment rental	15,127	17,659	16,172	4,283	13,985	67,226
Insurance	61,683	31,073	20,446	13,453	6,483	133,138
Other	-	-	-	10,000	-	10,000
Occupancy	102,024	26,735	22,674	20,089	559	172,081
Postage	355	2,310	237	710	243	3,855
Printing and publications	1,404	6,972	932	235	1,113	10,656
Professional fees	7,381	1,989	4,353	12,726	23,722	50,171
Appreciation and recognition	2,296	1,921	1,480	5,096	5,788	16,581
Supplies	36,701	10,899	5,689	44,458	2,131	99,878
Telephone	3,718	2,335	1,494	5,228	373	13,148
Travel	-	13,880	487	605	240	15,212
Training	6,027	6,865	2,624	315	1,864	17,695
Total expenses	<u>\$ 1,338,097</u>	<u>\$ 1,057,166</u>	<u>\$ 825,879</u>	<u>\$ 302,696</u>	<u>\$ 493,085</u>	<u>\$ 4,016,923</u>

See Notes to Financial Statements.

Notes To Financial Statements

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.

Revenue Recognition

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

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

Management Estimates

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

Cash and Cash Equivalents

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

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

Unconditional Promises to Give

Promises to give to the Organization in the form of cash or other assets to be received in the future are recorded as contribution revenue (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.

Deferred Revenue

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

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

Property and Equipment

Property and equipment are recorded at cost. Property and equipment is capitalized if it has a cost of \$2,500 or more and a useful life when acquired of more than one year. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Property and equipment as of May 31, 2025 and 2024 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.

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, 2025 and 2024 consist of an operating reserve in the amount of \$3,706,533 and \$3,159,327, respectively.

Subsequent Events

The Organization has evaluated subsequent events through September 10, 2025 the date on which the financial statements were available to be issued.

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, 2025 and 2024 that are available within 12 months to meet operating expenditures:

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

	2025	2024
Cash and equivalents	\$ 4,077,321	\$ 2,592,019
Accounts receivable	222,181	134,890
Unconditional promises to give	256,960	937,606
Investments	2,234,568	2,058,799
Less Board designated reserves	(3,706,533)	(3,159,327)
Less donor restricted amounts for future programs and endowments	(1,590,440)	(1,573,211)
Financial assets available to meet operating expenditures	<u>\$ 1,494,057</u>	<u>\$ 990,776</u>

NOTE 3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give as of May 31, 2025 and 2024 consisted of the following:

	2025	2024
Receivable in less than one year	\$ 256,960	\$ 501,802
Receivable in one to five years	250,000	500,000
	<u>506,960</u>	<u>1,001,802</u>
Less discounts to net present value	(27,815)	(64,196)
Less allowance for uncollectible promises to give	<u>-</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 479,145</u>	<u>\$ 937,606</u>

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, 2025, the Organization has completed the construction of the building and is providing services, and therefore has recorded a pledge receivable for the remaining balance.

NOTE 4. INVESTMENTS

Investments are stated at fair value. The composition of investments as of May 31, 2025 and 2024 is as follows:

	2025	2024
Money market	\$ 67,384	\$ 103,689
Equity mutual funds	2,067,336	1,431,901
Fixed income mutual funds	99,848	523,209
Balance, end of year	\$ 2,234,568	\$ 2,058,799

Investments are held in professionally managed accounts. Investment income is comprised of the following for the years ended May 31, 2025 and 2024:

	2025	2024
Interest and dividends	\$ 173,203	\$ 140,540
Realized and unrealized gains (losses)	122,946	210,871
Investment fees	(10,856)	(9,319)
	\$ 285,293	\$ 342,092

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at May 31, 2025 and 2024:

	2025	2024
Land	\$ 1,411,656	\$ 1,411,656
Building	5,738,785	5,742,419
Building improvements	427,990	417,122
Vehicles	161,918	161,918
Furniture and equipment	574,910	509,740
	8,315,259	8,242,855
Less accumulated depreciation	(1,294,056)	(1,054,673)
	\$ 7,021,203	\$ 7,188,182

Depreciation expense was \$244,586 and \$127,434 for the years ended May 31, 2025 and 2024, 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, 2026. At May 31, 2025 and 2024, 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, 2025 and 2024:

	2025	2024
Pledges receivable	\$ 479,145	\$ 937,606
Parenting program	240,971	30,000
Child and family therapy	144,030	585,000
Expansion initiative	691,824	-
Fence	13,865	-
	<u>\$ 1,569,835</u>	<u>\$ 1,552,606</u>

Net assets released from restrictions were for the following:

	2025	2024
Fence	\$ 16,135	\$ 25,000
Preschool scholarship fund	253,990	98,962
Parenting program	30,000	-
Child and family therapy	585,000	50,000
Expansion initiative	259,879	3,786,146
Payments on unconditional promises to give	465,421	9,040
	<u>\$ 1,610,425</u>	<u>\$ 3,969,148</u>

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.

The endowment net asset composition as of May 31, 2025 is as follows:

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

NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

	Without Donor Restrictions	With Donor Restrictions		
		Time or Purpose	Perpetual	Total
Endowment net assets, May 31, 2024	\$ -	\$ -	\$ 20,605	\$ 20,605
Contributions	-	-	-	-
Endowment net assets, May 31, 2025	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,605</u>	<u>\$ 20,605</u>

There were no changes in the Organization's endowment net assets during the years ended May 31, 2025 and 2024.

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. The pension expense recognized for the years ended May 31, 2025 and 2024 was \$77,451 and \$68,504, respectively.

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.

NOTE 9. FAIR VALUE MEASUREMENTS (CONTINUED)

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).

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, 2025 and 2024:

Assets at Fair Value as of May 31, 2025				
	Level 1	Level 2	Level 3	Total
Investments				
Money market	\$ 67,384	\$ -	\$ -	\$ 67,384
Equity mutual funds	2,067,336	-	-	2,067,336
Fixed income mutual funds	99,848	-	-	99,848
	<u>\$ 2,234,568</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,234,568</u>
Assets at Fair Value as of May 31, 2024				
	Level 1	Level 2	Level 3	Total
Investments				
Money market	\$ 103,689	\$ -	\$ -	\$ 103,689
Mutual funds	1,431,901	-	-	1,431,901
Corporate bonds	523,209	-	-	523,209
	<u>\$ 2,058,799</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,058,799</u>