

SHAWN CARTER SCHOLARSHIP FUND

FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013



Shawn Carter Scholarship Fund

Table of Contents

Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 7

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Shawn Carter Scholarship Fund
New York, New York

We have audited the accompanying financial statements of Shawn Carter Scholarship Fund (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shawn Carter Scholarship Fund as of December 31, 2014 and 2013, 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.

De La Hoz & Associates, CPA

May 20, 2015

**Shawn Carter Scholarship Fund
Statements of Financial Position
December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash	\$ 1,426,185	\$ 1,034,120
Other assets	-	4,448
TOTAL CURRENT ASSETS	<u>1,426,185</u>	<u>1,038,568</u>
 Property and equipment, net	 <u>1,899</u>	 <u>278</u>
TOTAL ASSETS	<u>\$ 1,428,084</u>	<u>\$ 1,038,846</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 44,881	\$ 11,873
 UNRESTRICTED NET ASSETS	 <u>1,383,203</u>	 <u>1,026,973</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,428,084</u>	<u>\$ 1,038,846</u>

The accompanying notes are an integral part of this financial statement.

Shawn Carter Scholarship Fund
Statements of Activities and Changes in Net Assets
For The Years Ended December 31, 2014 and 2013

	2014	2013
CHANGES IN UNRESTRICTED NET ASSETS:		
REVENUES		
Contribution Income	\$ 1,241,422	\$ 862,555
Registration Fee	7,200	5,400
In Kind Donations	215,713	-
Special Event Revenue, Net of Expenses	-	161,619
Other Income	256	246
	1,464,591	1,029,820
EXPENSES		
Program Service Expenses		
Scholarships Awarded	507,740	430,500
Other Grants and Assistance	285,340	81,378
Payroll Expenses	82,719	108,957
Information Technology Expenses	4,902	5,300
Advertising and Promotion	2,639	-
Other Expenses	5,032	4,414
	888,372	630,549
Total Program Service Expenses		
Fundraising Expenses		
Payroll Expenses	67,417	78,481
Supplies	1,995	745
Advertising and Promotion	-	3,200
Other Expenses	1,883	9,925
	71,295	92,351
Total Fundraising Expenses		
Management and General Expenses		
Payroll Expenses	67,417	78,480
Professional Expenses	39,433	20,733
Information Technology Expenses	12,770	345
Merchandise Costs and Gifts	15,544	-
Office Expenses	5,048	4,062
Advertising and Promotion	150	252
Other Expenses	8,332	6,156
	148,694	110,028
Total Management and General Expenses		
TOTAL EXPENSES	1,108,361	832,928
NET CHANGE IN UNRESTRICTED NET ASSETS	356,230	196,892
NET ASSETS - Beginning of Year	1,026,973	830,081
NET ASSETS - End of Year	\$ 1,383,203	\$ 1,026,973

The accompanying notes are an integral part of this financial statement.

Shawn Carter Scholarship Fund
Statements of Cash Flows
For The Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 356,230	\$ 196,892
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided By Operating Activities		
Depreciation	2,631	370
Changes in Operating Assets and Liabilities:		
Decrease (increase) in other assets	4,448	(4,448)
Increase in accounts payable and accrued expenses	33,008	11,705
Net Cash Provided by Operating Activities	396,317	204,519
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(4,252)	(648)
Net Cash Used in Investing Activities	(4,252)	(648)
Net Increase in Cash	392,065	203,871
CASH - Beginning of Year	1,034,120	830,249
CASH - End of Year	\$ 1,426,185	\$ 1,034,120

The accompanying notes are an integral part of this financial statement.

Shawn Carter Scholarship Fund

Notes to Financial Statements

December 31, 2014 and 2013

1. Organization and Summary of Significant Accounting Policies

Organization

Shawn Carter Scholarship Fund (the "Fund") was established in 2002. The Fund helps individuals facing socio-economic hardships further their education at institutions of higher learning by providing them with educational scholarships and related educational support services to ensure their path toward success. Scholarships allocated to qualified applicant students in need, selected by an admissions committee is comprised by the Fund's management team, staff and volunteers.

The Fund holds an annual food drive, in partnership with the food bank of New York City, wherein food and books are distributed for families in the Red Hook and Coney Island sections of Brooklyn.

Basis of Accounting

The financial statements of Fund have been prepared on the accrual basis.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from the estimates.

Financial Statement Presentation

The Fund reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted – Resources over which the Board of Directors has discretionary control. Designated amounts represent those net assets, which the Fund has set aside for particular purpose.

Temporarily Restricted – Resources subject to donor imposed restrictions that either expire by the passage of time or can be fulfilled and removed by actions of the Fund pursuant to the donors' stipulations.

Permanently Restricted – Resources from contributions and other inflows of assets whose use by the Fund is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Fund. The donors of these resources permit the Fund to use all or part of the income earned, excluding capital appreciation, for unrestricted purposes.

Contribution Income

Contributions are unconditional and are recognized as revenues in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

Shawn Carter Scholarship Fund

Notes to Financial Statements

December 31, 2014 and 2013

1. Organization and Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk

Financial instruments that potentially expose the Fund to concentrations of credit risk consist primarily of cash balances in excess of federally insured limits. The Fund maintained cash balances in excess of FDIC insurance limits by \$1,176,185 and \$784,120 as of December 31, 2014 and 2013, respectively. The Fund mitigates this risk by maintaining its cash balances at high quality financial institutions.

Property and Equipment

Property and equipment are stated at cost and depreciated over the economic lives of the respective assets using the double declining method. The lives of the respective assets range from 5 to 7 years.

Expenditures for maintenance and repairs are charged to income as incurred; replacements and betterments that extend the useful lives of the assets are capitalized.

Income Taxes

The Fund is exempt from income taxes as an organization (not a private foundation) formed for charitable purposes and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions made to the Fund within Internal Revenue Code regulations. The Fund is subject to federal and state tax on income from any unrelated business.

Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Fund has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Fund believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Fund's financial condition, changes in net assets or cash flows. Accordingly, the Fund has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2014 and 2013.

The Fund is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Fund's federal and state income tax returns are generally open to examination for fiscal 2013 and for the last three years through fiscal 2011.

Donated Services

The value of contributed time by unpaid volunteers is not reflected in these statements to the extent that the services did not enhance non-financial assets or require specialized skills.

Subsequent Events

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through May 20, 2015, the date that the financial statements were available to be issued.

**Shawn Carter Scholarship Fund
Notes to Financial Statements
December 31, 2014 and 2013**

2. Property and equipment, net

Property and equipment include the following at December 31.

	<u>2014</u>	<u>2013</u>
Computers	\$ 5,890	\$ 2,287
Furniture & Fixtures	<u>649</u>	<u>-</u>
	6,539	2,287
Less: accumulated depreciation	<u>4,640</u>	<u>2,009</u>
	<u>\$ 1,899</u>	<u>\$ 278</u>

Depreciation expense for the years ended December 31, 2014 and 2013 was \$2,631 and \$370, respectively.

3. Special Events

During the year ended December 31, 2013, the Fund conducted various special events in order to raise funds. The Fund has reported the revenues for these events, net of direct expenses incurred. Gross revenues earned during the year ended December 31, 2013 were \$365,668, net of direct expenses of \$204,049. There were no special events for the year ended December 31, 2014.