

SHAWN CARTER SCHOLARSHIP FUND

FINANCIAL STATEMENTS

For the Years Ended December 31, 2015 and 2014



Shawn Carter Scholarship Fund

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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, 2015 and 2014, and the related statements of activities and changes in unrestricted 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, 2015 and 2014, and the changes in its unrestricted 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, Perez & Barbeito, CPA

October 17, 2016

Shawn Carter Scholarship Fund
Statements of Financial Position
December 31,

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash	\$ 629,015	\$ 1,426,185
TOTAL CURRENT ASSETS	629,015	1,426,185
PROPERTY AND EQUIPMENT, NET	1,163	1,899
TOTAL ASSETS	\$ 630,178	\$ 1,428,084
LIABILITIES AND UNRESTRICTED NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 47,436	\$ 44,881
TOTAL CURRENT LIABILITIES	47,436	44,881
COMMITMENTS AND CONTINGENCIES		
UNRESTRICTED NET ASSETS	582,742	1,383,203
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$ 630,178	\$ 1,428,084

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

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

	<u>2015</u>	<u>2014</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
REVENUES		
Contribution Income	\$ 59,811	\$ 1,241,422
Registration Fee	7,127	7,200
In Kind Donations	47,645	215,713
Other Income	360	256
TOTAL REVENUES	<u>114,943</u>	<u>1,464,591</u>
EXPENSES		
Program Service Expenses		
Scholarships Awarded	521,079	507,740
Other Grants and Assistance	110,568	285,340
Payroll Expenses	109,831	82,719
Information Technology Expenses	1,800	4,902
Advertising and Promotion	-	2,639
Other Expenses	2,870	5,032
Total Program Service Expenses	<u>746,148</u>	<u>888,372</u>
Fundraising Expenses		
Payroll Expenses	57,494	67,417
Travel	1,333	-
Supplies	747	1,995
Other Expenses	997	1,883
Total Fundraising Expenses	<u>60,571</u>	<u>71,295</u>
Management and General Expenses		
Payroll Expenses	57,494	67,417
Professional Expenses	31,003	39,433
Information Technology Expenses	-	12,770
Merchandise Costs and Gifts	2,013	15,544
Office Expenses	2,010	5,048
Advertising and Promotion	1,386	150
Other Expenses	14,779	8,332
Total Management and General Expenses	<u>108,685</u>	<u>148,694</u>
TOTAL EXPENSES	<u>915,404</u>	<u>1,108,361</u>
NET CHANGE IN UNRESTRICTED NET ASSETS	(800,461)	356,230
UNRESTRICTED NET ASSETS - Beginning of Year	<u>1,383,203</u>	<u>1,026,973</u>
UNRESTRICTED NET ASSETS - End of Year	<u><u>\$ 582,742</u></u>	<u><u>\$ 1,383,203</u></u>

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,

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Unrestricted Net Assets	\$ (800,461)	\$ 356,230
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation	736	2,631
Changes in Operating Assets and Liabilities:		
Decrease in other assets	-	4,448
Increase in accounts payable and accrued expenses	2,555	33,008
Net Cash (Used in) Provided by Operating Activities	<u>(797,170)</u>	<u>396,317</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>-</u>	<u>(4,252)</u>
Net Cash Used in Investing Activities	<u>-</u>	<u>(4,252)</u>
Net (Decrease) Increase in Cash	(797,170)	392,065
CASH - Beginning of Year	<u>1,426,185</u>	<u>1,034,120</u>
CASH - End of Year	<u><u>\$ 629,015</u></u>	<u><u>\$ 1,426,185</u></u>

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

Shawn Carter Scholarship Fund

Notes to Financial Statements

December 31, 2015 and 2014

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 annual goodwill programs during the holiday season and throughout the year to support youth and communities in need.

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.

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 \$129,139 and \$1,176,185 as of December 31, 2015 and 2014, respectively. The Fund mitigates this risk by maintaining its cash balances at high quality financial institutions.

Shawn Carter Scholarship Fund

Notes to Financial Statements

December 31, 2015 and 2014

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

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 unrestricted 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, 2015 and 2014.

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 2015 and for the last three years through fiscal 2012.

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 October 17, 2016, the date that the financial statements were available to be issued.

**Shawn Carter Scholarship Fund
Notes to Financial Statements
December 31, 2015 and 2014**

2. Property and equipment, net

Property and equipment include the following at December 31:

	<u>2015</u>	<u>2014</u>
Computers	\$ 5,890	\$ 5,890
Furniture & Fixtures	649	649
	6,539	6,539
Less: accumulated depreciation	<u>5,376</u>	<u>4,640</u>
	<u>\$ 1,163</u>	<u>\$ 1,899</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$736 and \$2,631, respectively, and is included under the caption management and general expenses - other expenses in the accompanying statements of activities and changes in unrestricted net assets.

3. Commitments and Contingencies

Litigation

The Fund, from time to time, may be subject to potential claims encountered in the normal course of business. In the opinion of management, the resolution of such claims will not have a material adverse effect on the Fund's financial position, results of operations or cash flows.