

**SHAWN CARTER SCHOLARSHIP FUND**

**FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2016 and 2015**



# Shawn Carter Scholarship Fund Table of Contents

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Shawn Carter Scholarship Fund  
Miami, Florida

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, 2016 and 2015, 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, 2016 and 2015, 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, P.A.*

Coral Gables, Florida  
October 6, 2017

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

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash	\$ 180,760	\$ 629,015
Accounts receivable	4,451	-
TOTAL CURRENT ASSETS	185,211	629,015
PROPERTY AND EQUIPMENT, NET	714	1,163
<b>TOTAL ASSETS</b>	<b>\$ 185,925</b>	<b>\$ 630,178</b>
<b>LIABILITIES AND UNRESTRICTED NET ASSETS</b>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 51,780	\$ 47,436
TOTAL CURRENT LIABILITIES	51,780	47,436
COMMITMENTS AND CONTINGENCIES		
UNRESTRICTED NET ASSETS	134,145	582,742
<b>TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS</b>	<b>\$ 185,925</b>	<b>\$ 630,178</b>

The accompanying notes are an integral part of these financial statements.

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

	<u>2016</u>	<u>2015</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS:</b>		
<b>REVENUES</b>		
Contribution Income	\$ 363,282	\$ 59,811
Registration Fee	6,650	7,127
In Kind Donations	13,460	47,645
Other Income	46	360
<b>TOTAL REVENUES</b>	<u>383,438</u>	<u>114,943</u>
<b>EXPENSES</b>		
Program Service Expenses:		
Donations and Grants	556,117	631,647
Programs	115,806	114,501
<b>Total Program Service Expenses</b>	<u>671,923</u>	<u>746,148</u>
Supporting Services Expenses:		
Management and General	98,738	108,685
Fundraising	61,374	60,571
<b>Total Supporting Services Expenses</b>	<u>160,112</u>	<u>169,256</u>
<b>TOTAL EXPENSES</b>	<u>832,035</u>	<u>915,404</u>
<b>NET CHANGE IN UNRESTRICTED NET ASSETS</b>	(448,597)	(800,461)
<b>UNRESTRICTED NET ASSETS - Beginning of Year</b>	<u>582,742</u>	<u>1,383,203</u>
<b>UNRESTRICTED NET ASSETS - End of Year</b>	<u><u>\$ 134,145</u></u>	<u><u>\$ 582,742</u></u>

The accompanying notes are an integral part of these financial statements.

**Shawn Carter Scholarship Fund  
Statement of Functional Expenses  
For the Year Ended December 31, 2016**

	Program Services		Supporting Services		Total
	Donations and Grants	Programs	Management and General	Fundraising	
Scholarships awarded	\$ 499,438	\$ -	\$ -	\$ -	\$ 499,438
Payroll expenses	-	111,655	58,137	58,137	227,929
Other grants and assistance	56,679	-	-	-	56,679
Professional fees	-	-	20,859	-	20,859
Other expenses	-	-	11,507	865	12,372
Office expenses	-	739	4,410	-	5,149
Advertising and promotion	-	-	3,682	-	3,682
Information technology	-	3,412	-	-	3,412
Travel	-	-	-	2,063	2,063
Supplies	-	-	-	309	309
Merchandise costs and gifts	-	-	143	-	143
	<b>\$ 556,117</b>	<b>\$ 115,806</b>	<b>\$ 98,738</b>	<b>\$ 61,374</b>	<b>\$ 832,035</b>

The accompanying notes are an integral part of these financial statements.

**Shawn Carter Scholarship Fund  
Statement of Functional Expenses  
For the Year Ended December 31, 2015**

	Program Services		Supporting Services		Total
	Donations and Grants	Programs	Management and General	Fundraising	
Scholarships awarded	\$ 521,079	\$ -	\$ -	\$ -	\$ 521,079
Payroll expenses	-	109,831	57,494	57,494	224,819
Other grants and assistance	110,568	-	-	-	110,568
Professional fees	-	-	31,003	-	31,003
Other expenses	-	2,870	14,779	997	18,646
Merchandise costs and gifts	-	-	2,013	-	2,013
Office expenses	-	-	2,010	-	2,010
Information technology	-	1,800	-	-	1,800
Advertising and promotion	-	-	1,386	-	1,386
Travel	-	-	-	1,333	1,333
Supplies	-	-	-	747	747
	<b>\$ 631,647</b>	<b>\$ 114,501</b>	<b>\$ 108,685</b>	<b>\$ 60,571</b>	<b>\$ 915,404</b>

The accompanying notes are an integral part of these financial statements.

**Shawn Carter Scholarship Fund  
Statements of Cash Flows  
For The Years Ended December 31,**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Change in Unrestricted Net Assets	\$ (448,597)	\$ (800,461)
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Used in Operating Activities		
Depreciation	449	736
Changes in Operating Assets and Liabilities:		
Increase in accounts receivable	(4,451)	-
Increase in accounts payable and accrued expenses	4,344	2,555
	<u>(448,255)</u>	<u>(797,170)</u>
Net Cash Used in Operating Activities	(448,255)	(797,170)
Net Decrease in Cash	(448,255)	(797,170)
<b>CASH - Beginning of Year</b>	<u>629,015</u>	<u>1,426,185</u>
<b>CASH - End of Year</b>	<u><u>\$ 180,760</u></u>	<u><u>\$ 629,015</u></u>

The accompanying notes are an integral part of these financial statements.

# Shawn Carter Scholarship Fund

## Notes to Financial Statements

### December 31, 2016 and 2015

#### **1. Organization and Summary of Significant Accounting Policies**

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##### 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

##### **Cash Balances**

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 had no material balances in excess of the insured limits as of December 31, 2016. The Fund maintained cash balances in excess of FDIC insurance limits by \$129,139 as of December 31, 2015. 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, 2016 and 2015

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

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##### Concentration of Credit Risk (Continued)

##### **Revenues**

The majority of the Fund's revenues were derived from contribution income during the years ended December 31, 2016 and 2015.

##### Property and Equipment, Net

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, 2016 and 2015.

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 beginning with fiscal year ended 2014.

##### 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.

##### In Kind Donations

The Fund records various types of in-kind support for overhead expenses including office space, technology support, printing costs, office equipment and furniture, phones and computers. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in donations and grants expenses. In kind donations for the years ended December 31, 2016 and 2015 was approximately \$13,000 and \$48,000, respectively.

# Shawn Carter Scholarship Fund

## Notes to Financial Statements

### December 31, 2016 and 2015

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

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##### Recent Accounting Pronouncement

In August 2016, the Financial Accounting Standards Boards issued Accounting Standard Update 2016-14 ("ASU"), "*Presentation of Financial Statements of Not-for-Profit Entities*". The ASU eliminates the distinction between resources with permanent restrictions and those with temporary restrictions from the face of not-for-profit financial statements by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes: net assets with donor restrictions and net assets without donor restrictions. Further, the ASU requires enhanced disclosures and also allows not-for-profits to present operating cash flows on the statement of cash flows using either the direct method or the indirect method. The ASU will be effective for fiscal years starting after December 15, 2017, and the interim periods within. Reporting entities should apply the ASU retrospectively to all periods presented. Earlier application is permitted, however, the Fund did not early adopt the ASU. Management is in the process of evaluating the ASU for the potential impact on its financial statements upon adoption.

##### Subsequent Events

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 6, 2017, the date that the financial statements were available to be issued.

#### 2. Property and equipment, net

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Property and equipment include the following at December 31:

	2016	2015
Computers	\$ 5,890	\$ 5,890
Furniture & Fixtures	649	649
	6,539	6,539
Less: accumulated depreciation	(5,825)	(5,376)
	\$ 714	\$ 1,163

Depreciation expense for the years ended December 31, 2016 and 2015 was \$449 and \$736, 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

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##### 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.

**Shawn Carter Scholarship Fund  
Notes to Financial Statements  
December 31, 2016 and 2015**

**4. Subsequent Events**

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In 2017, the founder contributed \$230,000 to the Fund in order to support the Fund's operations.

In 2017, the founder entered into a contract with an entity that will provide the Fund two contributions of \$750,000 by September 30, 2019 and September 30, 2020.