

SHAWN CARTER SCHOLARSHIP FUND
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017



Shawn Carter Scholarship Fund

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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, 2018 and 2017, 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, 2018 and 2017, 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, Perez & Barbeito, P.A.

Coral Gables, Florida
November 8, 2019

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

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 270,217	\$ 155,871
Accounts receivable	250,000	8,730
TOTAL CURRENT ASSETS	520,217	164,601
PROPERTY AND EQUIPMENT, NET	166	440
TOTAL ASSETS	\$ 520,383	\$ 165,041
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 35,211	\$ 23,019
COMMITMENTS AND CONTINGENCIES (NOTE 3)		
NET ASSETS WITHOUT DONOR RESTRICTIONS	485,172	142,022
TOTAL LIABILITIES AND NET ASSETS	\$ 520,383	\$ 165,041

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

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

	<u>2018</u>	<u>2017</u>
CHANGES IN NET ASSETS:		
REVENUES		
Contribution Income	\$ 964,668	\$ 744,554
Registration Fee	2,100	6,400
In Kind Donations	104,343	95,343
Other Income	88	2,217
TOTAL REVENUES	<u>1,071,199</u>	<u>848,514</u>
EXPENSES		
Program Service Expenses:		
Donations and Grants	482,266	560,633
Programs	98,035	112,271
Total Program Service Expenses	<u>580,301</u>	<u>672,904</u>
Supporting Services Expenses:		
Management and General	108,625	112,130
Fundraising	39,123	55,603
Total Supporting Services Expenses	<u>147,748</u>	<u>167,733</u>
TOTAL EXPENSES	<u>728,049</u>	<u>840,637</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	343,150	7,877
NET ASSETS - Beginning of Year	<u>142,022</u>	<u>134,145</u>
NET ASSETS - End of Year	<u><u>\$ 485,172</u></u>	<u><u>\$ 142,022</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, 2018**

	Program Services		Supporting Services		Total
	Donations and Grants	Programs	Management and General	Fundraising	
Scholarships awarded	\$ 318,500	\$ -	\$ -	\$ -	\$ 318,500
Payroll expenses	-	97,241	57,009	28,889	183,139
Rent	89,000	-	-	-	89,000
Personnel	3,750	-	-	-	3,750
Other grants and assistance	68,423	-	-	-	68,423
Professional fees	-	-	34,210	-	34,210
Other expenses	2,593	794	11,309	1,234	15,930
Office expenses	-	-	3,568	-	3,568
Advertising and promotion	-	-	2,529	-	2,529
Legacy dinner	-	-	-	9,000	9,000
	\$ 482,266	\$ 98,035	\$ 108,625	\$ 39,123	\$ 728,049

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, 2017**

	Program Services		Supporting Services		Total
	Donations and Grants	Programs	Management and General	Fundraising	
Scholarships awarded	\$ 407,250	\$ -	\$ -	\$ -	\$ 407,250
Payroll expenses	-	111,516	72,907	48,703	233,126
Rent	89,000	-	-	-	89,000
Personnel	3,750	-	-	-	3,750
Other grants and assistance	58,040	-	-	2,494	60,534
Professional fees	-	-	23,419	-	23,419
Other expenses	2,593	755	8,050	4,060	15,458
Office expenses	-	-	3,430	-	3,430
Advertising and promotion	-	-	4,224	346	4,570
Merchandise costs and gifts	-	-	100	-	100
	\$ 560,633	\$ 112,271	\$ 112,130	\$ 55,603	\$ 840,637

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>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets Without Donor Restrictions	\$ 343,150	\$ 7,877
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	274	274
Changes in Operating Assets and Liabilities:		
Increase in accounts receivable	(241,270)	(4,279)
Increase (decrease) in accounts payable accrued expenses	<u>12,192</u>	<u>(28,761)</u>
Net Cash Provided by (Used in) Operating Activities	<u>114,346</u>	<u>(24,889)</u>
Net Increase (Decrease) in Cash	114,346	(24,889)
CASH - Beginning of Year	<u>155,871</u>	<u>180,760</u>
CASH - End of Year	<u>\$ 270,217</u>	<u>\$ 155,871</u>

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

Shawn Carter Scholarship Fund

Notes to Financial Statements

December 31, 2018 and 2017

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 of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the classes of net assets be displayed in the Statements of Financial Position and that the amounts of change in each of those classes of net assets be displayed in the Statement of Activities and Changes in Net Assets.

In accordance with U.S. generally accepted accounting principles (U.S. GAAP), the Fund reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net assets without donor restriction – net assets available for general use to support operations. The only limits on the use of net assets without donor restriction are broad limits resulting from the nature of the Fund, the environment in which it operates, and the purposes specified in its corporate documents.

Net assets with donor restriction – net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or programmatic purposes specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity.

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, 2018 and 2017

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

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, 2018 and 2017. The Fund mitigates this risk by maintaining its cash balances at high quality financial institutions.

Revenues

The majority of the Fund's revenues were derived from contribution income during the years ended December 31, 2018 and 2017.

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, 2018 and 2017.

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 2016.

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.

Shawn Carter Scholarship Fund

Notes to Financial Statements

December 31, 2018 and 2017

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

In Kind Donations

The Fund records various types of in-kind support for overhead expenses including personnel, 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, 2018 and 2017 was approximately \$104,000 and \$95,000, respectively.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-02, Leases, which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct finance leases and operating leases. The standard is effective for fiscal years beginning after December 15, 2019. The Fund does not anticipate this standard to have a material impact on its financial position, results of operations and cash flows.

In August 2016, the FASB 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. The Fund adopted the ASU at December 31, 2018.

Subsequent Events

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 8, 2019, the date that the financial statements were available to be issued.

**Shawn Carter Scholarship Fund
Notes to Financial Statements
December 31, 2018 and 2017**

2. Property and equipment, net

Property and equipment include the following at December 31:

	2018	2017
Computers	\$ 5,890	\$ 5,890
Furniture & Fixtures	649	649
	6,539	6,539
Less: accumulated depreciation	(6,373)	(6,099)
	\$ 166	\$ 440

Depreciation expense for the years ended December 31, 2018 and 2017 was \$274 and is included under the caption management and general expenses - other expenses in the accompanying statements of activities and changes in 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.

4. Related Party Transaction

In 2018 and 2017, the founder donated \$260,000 and \$430,000, respectively, to the Fund in order to support the Fund's operations.

As of November 8, 2019, the founder donated an additional \$137,500 to the Fund.

5. Liquidity and Availability of Resources

The Fund has \$520,217 of financial assets available within one year of the statement of financial position to meet cash needs for general expenditure consisting of cash of \$270,217 and accounts receivable of \$250,000. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position. The Fund has a goal to maintain financial assets, which consist of cash, on hand to meet sixty days of normal operating expenses. The Fund has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligation come due.