

SHAWN CARTER SCHOLARSHIP FUND
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019



Shawn Carter Scholarship Fund

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DE LA HOZ, PEREZ & BARBEITO
CERTIFIED PUBLIC ACCOUNTANTS
304 PALERMO AVENUE CORAL GABLES, FL 33134
PHONE: (305) 448-5585 | FAX: (305) 448-7590

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Shawn Carter Scholarship Fund (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows 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 Shawn Carter Scholarship Fund as of December 31, 2020 and 2019, 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 Shawn Carter Scholarship Fund 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.

Coronavirus ("COVID-19")

As discussed in Note 1 to the financial statements, on March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. Management has taken steps to mitigate the risks. Nevertheless, due to uncertainties on the ultimate impact the COVID-19 pandemic will have, it is at least reasonably possible that management's view of the outcome will change in the near term. Our opinion is not modified with respect to that matter.

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 Shawn Carter Scholarship Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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, including omissions, 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 judgment 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 Shawn Carter Scholarship Fund'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 Shawn Carter Scholarship Fund'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.

De La Hoz, Perez & Barbeito, PLLC

Coral Gables, Florida
October 11, 2021

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

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 3,770,693	\$ 4,714,031
PROPERTY AND EQUIPMENT, NET	-	14
TOTAL ASSETS	\$ 3,770,693	\$ 4,714,045
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 51,574	\$ 94,159
COMMITMENTS AND CONTINGENCIES (NOTE 3)		
NET ASSETS WITHOUT DONOR RESTRICTIONS	3,719,119	4,619,886
TOTAL LIABILITIES AND NET ASSETS	\$ 3,770,693	\$ 4,714,045

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>2020</u>	<u>2019</u>
REVENUES		
Contribution Income	\$ 3,409,530	\$ 213,221
Special Event Revenue, Net of Expenses	279,050	4,615,345
In Kind Donations	31,939	95,343
Other Income	1,160	257
	<u>3,721,679</u>	<u>4,924,166</u>
TOTAL REVENUES		
EXPENSES		
Program Service Expenses:		
Donations and Grants	4,394,073	561,243
Programs	107,572	92,089
	<u>4,501,645</u>	<u>653,332</u>
Total Program Service Expenses		
Supporting Services Expenses:		
Management and General	125,335	98,851
Fundraising	29,729	37,269
	<u>155,064</u>	<u>136,120</u>
Total Supporting Services Expenses		
TOTAL EXPENSES	<u>4,656,709</u>	<u>789,452</u>
OTHER INCOME	<u>34,263</u>	<u>-</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(900,767)	4,134,714
NET ASSETS - Beginning of Year	<u>4,619,886</u>	<u>485,172</u>
NET ASSETS - End of Year	<u>\$ 3,719,119</u>	<u>\$ 4,619,886</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, 2020**

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Donations and Grants</u>	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	
Scholarships awarded	\$ 478,519	\$ -	\$ -	\$ -	\$ 478,519
Payroll expenses	-	106,684	57,031	28,952	192,667
Rent	28,189	-	-	-	28,189
Personnel	3,750	-	-	-	3,750
Other grants and assistance	3,883,615	-	-	-	3,883,615
Professional fees	-	-	51,062	-	51,062
Other expenses	-	888	11,698	777	13,363
Office expenses	-	-	3,546	-	3,546
Advertising and promotion	-	-	1,998	-	1,998
	<u>\$ 4,394,073</u>	<u>\$ 107,572</u>	<u>\$ 125,335</u>	<u>\$ 29,729</u>	<u>\$ 4,656,709</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, 2019**

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Donations and Grants</u>	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	
Scholarships awarded	\$ 395,750	\$ -	\$ -	\$ -	\$ 395,750
Payroll expenses	-	88,517	53,110	35,407	177,034
Rent	89,000	-	-	-	89,000
Personnel	3,750	-	-	-	3,750
Other grants and assistance	70,150	-	-	-	70,150
Professional fees	-	-	27,440	-	27,440
Other expenses	2,593	3,572	12,578	1,862	20,605
Office expenses	-	-	3,877	-	3,877
Advertising and promotion	-	-	1,846	-	1,846
	<u>\$ 561,243</u>	<u>\$ 92,089</u>	<u>\$ 98,851</u>	<u>\$ 37,269</u>	<u>\$ 789,452</u>

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>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets Without Donor Restrictions	\$ (900,767)	\$ 4,134,714
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation	14	152
Forgiveness of Small Business Administration Loan	(34,263)	-
Changes in Operating Assets and Liabilities:		
Decrease in accounts receivable	-	250,000
(Decrease) Increase in accounts payable and accrued expenses	(42,585)	58,948
Net Cash (Used in) Provided by Operating Activities	<u>(977,601)</u>	<u>4,443,814</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Small Business Administration Loan	<u>34,263</u>	<u>-</u>
Net (Decrease) Increase in Cash	(943,338)	4,443,814
CASH - Beginning of Year	<u>4,714,031</u>	<u>270,217</u>
CASH - End of Year	<u><u>\$ 3,770,693</u></u>	<u><u>\$ 4,714,031</u></u>

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

Shawn Carter Scholarship Fund

Notes to Financial Statements

December 31, 2020 and 2019

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.

Revenue and Revenue Recognition

The Fund recognizes unconditional contributions 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, 2020 and 2019

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

COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The impact of the COVID-19 outbreak on the Fund will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions. These developments and the impact of COVID-19 on the financial markets and the overall economy are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Fund's future results may be materially adversely affected. Management is assessing the impact of the current virus outbreak on the operations which could be significant over time.

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 maintained cash balances in excess of FDIC insurance limits by approximately \$7,232,000 as of December 31, 2020. The Fund maintained cash balances in excess of FDIC insurance limits by approximately \$4,415,000 as of December 31, 2019. 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, 2020 and 2019.

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, 2020 and 2019.

Shawn Carter Scholarship Fund

Notes to Financial Statements

December 31, 2020 and 2019

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

Income Taxes (Continued)

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 2017.

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 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, 2020 and 2019 was approximately \$32,000 and \$95,000, respectively.

Functional Expenses

The cost of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses allocated include payroll, which are allocated based on analysis of personnel time and effort.

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, 2021. The Fund does not anticipate this standard to have a material impact on its financial position, results of operations and cash flows.

Subsequent Events

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 11, 2021, the date that the financial statements were available to be issued.

Shawn Carter Scholarship Fund Notes to Financial Statements December 31, 2020 and 2019

2. Property and equipment, net

Property and equipment include the following at December 31:

	2020	2019
Computers	\$ 5,890	\$ 5,890
Furniture & Fixtures	649	649
	6,539	6,539
Less: accumulated depreciation	(6,539)	(6,525)
	\$ -	\$ 14

Depreciation expense for the years ended December 31, 2020 and 2019 was \$14 and \$152, respectively, 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 2020 and 2019, the founder donated \$0 and \$137,500, respectively, to the Fund in order to support the Fund's operations.

5. Liquidity and Availability of Resources

The Fund has \$3,770,693 of financial assets available within one year of the statement of financial position to meet cash needs for general expenditure consisting of cash of \$3,770,693. 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.

6. Forgiveness of Small Business Administration Loan

During 2020, the Fund was granted a loan (the "Loan") from City National Bank, in the aggregate amount of \$34,263, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), which was enacted on March 27, 2020.

Funds from the Loan may only be used for payroll costs, mortgage interest payments, rent payments, and utilities for the eight week period following the Loan.

Shawn Carter Scholarship Fund
Notes to Financial Statements
December 31, 2020 and 2019

6. Forgiveness of Small Business Administration Loan (Continued)

Under the terms of the PPP program, funds used for these purposes are eligible for loan forgiveness, whereby the Fund would not need to repay the borrowed funds. As of December 31, 2020, the Fund has fully used the loan proceeds for eligible expenses and has recorded \$34,263 as other income in the accompanying statements of activities and changes in net assets for the year ended December 31, 2020. As of December 31, 2020, management believes the Fund has met the forgiveness requirements, and was fully forgiven by City National Bank on May 13, 2021.