

THE SHAWN CARTER SCHOLARSHIP FUND
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

**THE SHAWN CARTER SCHOLARSHIP FUND
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9-14

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Shawn Carter Scholarship Fund

Opinion

We have audited the accompanying financial statements of The Shawn Carter Scholarship Fund (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and changes in net assets, 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 The Shawn Carter Scholarship Fund as of December 31, 2023 and 2022, and the changes in its net assets and 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 The 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.

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 The 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.

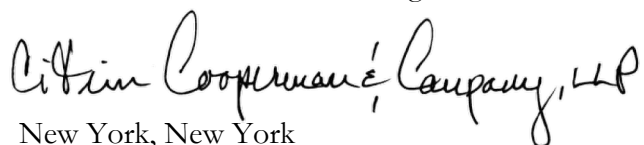
Auditor's Responsibilities for the Audit of the Financial Statements

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 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 The 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 The 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.



New York, New York
April 9, 2025

THE SHAWN CARTER SCHOLARSHIP FUND
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash	\$ 429,187	\$ 4,942,214
Contributions receivable	531,940	-
Accrued dividends receivable	53,420	-
Investments	11,903,020	-
Other assets	<u>11,969</u>	<u>6,000</u>
TOTAL ASSETS	<u>\$ 12,929,536</u>	<u>\$ 4,948,214</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ <u>142,334</u>	\$ <u>127,465</u>
Commitments and contingencies (Note 7)		
Net assets:		
Net assets without donor restrictions	12,014,486	4,820,749
Net assets with donor restrictions	<u>772,716</u>	<u>-</u>
Total net assets	<u>12,787,202</u>	<u>4,820,749</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,929,536</u>	<u>\$ 4,948,214</u>

See accompanying notes to financial statements.

THE SHAWN CARTER SCHOLARSHIP FUND
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenues:			
Grants and contributions	\$ 2,191,556	\$ 772,716	\$ 2,964,272
Contributions of nonfinancial assets	43,189		43,189
Special events:			
Special event income	\$ 8,453,530		
Less: cost of direct benefit to donors	<u>194,619</u>		
Special events income, net	8,258,911	-	8,258,911
Investment income	<u>382,483</u>	<u>-</u>	<u>382,483</u>
Total revenues	<u>10,876,139</u>	<u>772,716</u>	<u>11,648,855</u>
Expenses:			
Program services	<u>2,245,769</u>	<u>-</u>	<u>2,245,769</u>
Supporting service expenses:			
Management and general	241,266	-	241,266
Fundraising	<u>1,195,367</u>	<u>-</u>	<u>1,195,367</u>
Total supporting services	<u>1,436,633</u>	<u>-</u>	<u>1,436,633</u>
Total expenses	<u>3,682,402</u>	<u>-</u>	<u>3,682,402</u>
Changes in net assets	7,193,737	772,716	7,966,453
Net assets - beginning of year	<u>4,820,749</u>	<u>-</u>	<u>4,820,749</u>
NET ASSETS - END OF YEAR	<u>\$ 12,014,486</u>	<u>\$ 772,716</u>	<u>\$ 12,787,202</u>

See accompanying notes to financial statements.

THE SHAWN CARTER SCHOLARSHIP FUND
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Grants and contributions	\$ 2,317,745	\$ -	\$ 2,317,745
Contributions of nonfinancial assets	28,189	-	28,189
Investment income	423	-	423
Other income	<u>39,702</u>	<u>-</u>	<u>39,702</u>
Total revenues	<u>2,386,059</u>	<u>-</u>	<u>2,386,059</u>
Expenses:			
Program services	<u>849,630</u>	<u>-</u>	<u>849,630</u>
Supporting service expenses:			
Management and general	191,414	-	191,414
Fundraising	<u>40,293</u>	<u>-</u>	<u>40,293</u>
Total supporting services	<u>231,707</u>	<u>-</u>	<u>231,707</u>
Total expenses	<u>1,081,337</u>	<u>-</u>	<u>1,081,337</u>
Changes in net assets	1,304,722	-	1,304,722
Net assets - beginning of year	<u>3,516,027</u>	<u>-</u>	<u>3,516,027</u>
NET ASSETS - END OF YEAR	<u>\$ 4,820,749</u>	<u>\$ -</u>	<u>\$ 4,820,749</u>

See accompanying notes to financial statements.

**THE SHAWN CARTER SCHOLARSHIP FUND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

		<u>Supporting Services</u>		Cost of Direct Benefit to Donors	
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		<u>Total</u>
Scholarships and grants awarded	\$ 1,962,097	\$ -	\$ -	\$ -	\$ 1,962,097
Payroll expenses	113,312	60,370	30,649	-	204,331
Rent	120,333	28,189	120,191	-	268,713
Event planning and production	50,027	2,437	964,216	-	1,016,680
Event meals and entertainment	-	-	80,311	194,619	274,930
Professional fees	-	75,928	-	-	75,928
Office expenses	-	68,342	-	-	68,342
Amortization	-	6,000	-	-	6,000
Total expenses	2,245,769	241,266	1,195,367	194,619	3,877,021
Less: expenses included with revenues on the statement of activities:					
Cost of direct benefits to donors	-	-	-	194,619	194,619
TOTAL EXPENSES ON THE STATEMENT OF ACTIVITIES	\$ <u>2,245,769</u>	\$ <u>241,266</u>	\$ <u>1,195,367</u>	\$ <u>-</u>	\$ <u>3,682,402</u>

See accompanying notes to financial statements.

**THE SHAWN CARTER SCHOLARSHIP FUND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

		<u>Supporting Services</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Scholarships awarded	\$ 453,776	\$ -	\$ -	\$ 453,776
Payroll expenses	104,804	55,837	28,348	188,989
Program staffing	37,700	-	-	37,700
Rent	120,833	28,189	-	149,022
Event production	55,513	-	-	55,513
Curriculum and materials	77,004	-	-	77,004
Professional fees	-	83,117	-	83,117
Office expenses	-	24,271	1,945	26,216
Advertising and promotion	-	-	10,000	10,000
TOTAL EXPENSES ON THE STATEMENT OF ACTIVITIES	\$ <u>849,630</u>	\$ <u>191,414</u>	\$ <u>40,293</u>	\$ <u>1,081,337</u>

See accompanying notes to financial statements.

THE SHAWN CARTER SCHOLARSHIP FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 7,966,453	\$ 1,304,722
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Amortization	6,000	-
Changes in operating assets and liabilities:		
Accounts payable and accrued expenses	14,869	84,441
Contributions receivable	(531,940)	-
Accrued dividends receivable	(53,420)	-
Other assets	<u>(11,969)</u>	<u>-</u>
Net cash provided by operating activities	<u>7,389,993</u>	<u>1,389,163</u>
Cash flows from investing activities:		
Website development	-	(6,000)
Proceeds from redemptions of investments	3,067,641	-
Purchases of investments	<u>(14,970,661)</u>	<u>-</u>
Net cash used in investing activities	<u>(11,903,020)</u>	<u>(6,000)</u>
Net increase (decrease) in cash	(4,513,027)	1,383,163
Cash - beginning of year	<u>4,942,214</u>	<u>3,559,051</u>
CASH - END OF YEAR	<u>\$ 429,187</u>	<u>\$ 4,942,214</u>

See accompanying notes to financial statements.

THE SHAWN CARTER SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1. ORGANIZATION

The Shawn Carter Scholarship Fund (the "Organization") was established in 2002. The Organization 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 students in need are selected by an admissions committee which is comprised by the Organization's management team, staff and volunteers. The Organization also makes grants to other 501(c)(3) organizations whose efforts support the mission of the Organization.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Net assets

The financial statements of the Organization have been prepared in accordance with U.S. GAAP, which require the Organization to report information regarding its financial position and activities according to the following net assets classifications:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions - 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 other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

THE SHAWN CARTER SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net assets (continued)

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Revenue is also reported as increases in net assets without donor restrictions where there is a donor-imposed restriction that expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from donor restrictions.

Grants and contributions

Contributions of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier, are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. All contributions receivable are expected to be collected by December 31, 2024.

Special event income

Special event income represents pledges and contributions received in connection with the Organization's gala.

Cash

The Organization maintains cash balances at two financial institutions. At various times during the year, these balances may exceed Federal Deposit Insurance Corporation ("FDIC") insurance limits. The amount not covered by FDIC was approximately \$130,000 and \$4,643,000 as of December 31, 2023 and 2022, respectively.

THE SHAWN CARTER SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Organization recorded investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Accrued dividends receivable

Accrued dividends receivable represent dividends declared on the investments but not received as of December 31, 2023. There were no accrued dividends receivable at December 31, 2022.

Fair value measurements

The Financial Accounting Standards Board establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under this standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Income taxes

The Organization is a not-for-profit foundation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes. As a not-for-profit entity, the Organization is subject to unrelated business income tax, if applicable.

THE SHAWN CARTER SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (continued)

The Organization recognizes and measures its unrecognized tax benefits in accordance with U.S. GAAP. Under that guidance, the Organization assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change.

Management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require adjustment to the accompanying financial statements.

Contributions of nonfinancial assets

Contributed services are recognized as contributions if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, and are performed by people with those skills and would otherwise be purchased by the Organization.

Donated in-kind office space amounting to approximately \$28,000 was provided to the Organization in each of the years ended December 31, 2023 and 2022, and is included in "Contributions of nonfinancial assets" in the accompanying statement of activities and changes in net assets and in "Rent" in the accompanying statement of functional expenses. Donated in-kind office space is recognized at fair value based on rental rates for similar office spaces.

Donated in-kind legal services amounting to \$15,000 was provided to the Organization during the year ended December 31, 2023 and is included in "Contributions of nonfinancial assets" in the accompanying statement of activities and changes in net assets and in "Professional fees" in the accompanying statement of functional expenses. Donated in-kind legal services is recognized at fair value based on rates for similar such services. There were no donated in-kind legal services during the year ended December 31, 2022.

Functional expenses

The cost of program and supporting services have been summarized on a functional basis in the accompanying statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Payroll expense is allocated by management among program and supporting services benefited, based on estimates of time and effort of personnel. Other expenses are charged to each program and supporting service based on direct expenses incurred.

Advertising

The Organization records advertising expense as incurred.

Subsequent events

The Organization has evaluated subsequent events through April 9, 2025, the date on which these financial statements were available to be issued. The Organization has determined that there were no material subsequent events that required recognition or additional disclosure in these financial statements.

THE SHAWN CARTER SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the Organization's financial assets as of December 31, 2023 and 2022, respectively, reduced by amounts not available for use for general expenditures within one year:

	<u>2023</u>	<u>2022</u>
Financial assets as of December 31:		
Cash	\$ 429,187	\$ 4,942,214
Investments, at fair value	11,903,020	-
Contributions receivable	531,940	-
Accrued dividends receivable	<u>53,420</u>	<u>-</u>
Total financial assets as of December 31	12,917,567	4,942,214
Less: assets unavailable for general expenditures within one year:		
Net assets with donor restrictions	<u>772,716</u>	<u>-</u>
Total financial assets available for general expenditures within one year	<u>\$ 12,144,851</u>	<u>\$ 4,942,214</u>

As part of the Organization's liquidity management, it has a goal to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 4. FAIR VALUE MEASUREMENTS

Assets and liabilities are measured at fair value based on one or more of three valuation techniques identified in the table below. The valuation techniques are as follows:

- (a) *Market approach*: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- (b) *Cost approach*: Amount that would be required to replace the service capacity of an asset (replacement cost); and
- (c) *Income approach*: Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

The following table summarizes the Organization's assets measured at fair value on a recurring basis, using the fair value hierarchy as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total at December 31, 2023</u>	<u>Valuation Approach</u>
Investments:					
Mutual funds:					
Federated government obligations	\$ <u>11,903,020</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>11,903,020</u>	(a)

There were no investments at December 31, 2022.

THE SHAWN CARTER SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a description of the valuation methodology used for assets measured at fair value.

Mutual funds are valued based on quoted market prices.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 5. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2023 and 2022, net assets with donor restrictions are restricted for the following purposes:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Generational Wealth Warrior program	\$ <u>772,716</u>	\$ <u>-</u>

NOTE 6. CONCENTRATIONS

Contributions from two donors represented 35% of total revenues for the year ended December 31, 2023. A contribution from one donor represented 89% of total revenues for the year ended December 31, 2022.

A contribution receivable from one donor represented 94% of contributions receivable at December 31, 2023.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Litigation

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

NOTE 8. RELATED-PARTY TRANSACTION

A board member of the Organization provides weekly management and coordinating support for all programs as well as joining one traveling program to provide senior leadership support. The board member was paid \$20,000 for these services for each of the years ended December 31, 2023 and 2022. This expense is included in "Professional fees" in the statement of functional expenses.