

THE SHAWN CARTER SCHOLARSHIP FUND
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

**THE SHAWN CARTER SCHOLARSHIP FUND
FOR THE YEAR ENDED DECEMBER 31, 2022**

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statement of financial position	3
Statement of activities and changes in net assets	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7 - 10

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 statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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, 2022, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. 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; 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.

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.

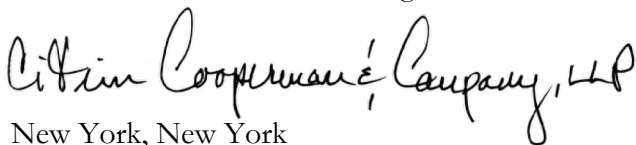
Auditor's Responsibilities for the Audit of the Financial Statements

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
May 3, 2024

**THE SHAWN CARTER SCHOLARSHIP FUND
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022**

ASSETS

Cash	\$ 4,942,214
Other asset	<u>6,000</u>
TOTAL ASSETS	\$ <u>4,948,214</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable and accrued expenses	\$ 127,465
Commitments and Contingencies (Note 3)	
Net assets without donor restrictions	<u>4,820,749</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>4,948,214</u>

See accompanying notes to financial statements.

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

Revenues:	
Contributions of financial assets	\$ 2,317,745
Contribution of nonfinancial asset	28,189
Other income	<u>40,125</u>
Total revenues	<u>2,386,059</u>
Expenses:	
Program services	<u>849,630</u>
Supporting services expenses:	
Management and general	191,414
Fundraising	<u>40,293</u>
Total supporting services expenses	<u>231,707</u>
Total expenses	<u>1,081,337</u>
Change in net assets without donor restrictions	1,304,722
Net assets - beginning of year	<u>3,516,027</u>
NET ASSETS - END OF YEAR	<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, 2022**

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Scholarships and grants 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 FUNCTIONAL EXPENSES	\$ 849,630	\$ 191,414	\$ 40,293	\$ 1,081,337

See accompanying notes to financial statements.

**THE SHAWN CARTER SCHOLARSHIP FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Cash flows from operating activities:	
Change in net assets without donor restrictions	\$ 1,304,722
Adjustments to reconcile changes in net assets without donor restrictions to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Accounts payable and accrued expenses	<u>84,441</u>
Net cash provided by operating activities	<u>1,389,163</u>
Cash flows from investing activities:	
Website development	<u>(6,000)</u>
Net increase in cash	1,383,163
Cash - beginning of year	<u>3,559,051</u>
CASH - END OF YEAR	<u>\$ 4,942,214</u>

See accompanying notes to financial statements.

THE SHAWN CARTER SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 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 501c3 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 accounting principles generally accepted in the United States of America ("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 Organization did not have net assets with donor restrictions for the year ended December 31, 2022.

THE SHAWN CARTER SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 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.

Recently adopted accounting standards

In-kind Contributions - In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), which is intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. This Organization adopted ASU 2020-07 on a retrospective basis during the year ended December 31, 2022. The Organization has determined that the application of the amendments of ASU 2020-07 did not have a material impact on the Organization's financial statements and related disclosures.

Leases - In February 2016, FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02" or "Leases"), which among other items, requires an entity to recognize lease assets and lease liabilities in the Organization's statements of financial position and to disclose key information about leasing transactions. The Organization adopted ASU 2016-02 and related amendments on a modified retrospective basis effective January 1, 2022. The Organization has determined that the application of ASU 2016-02 and its related amendments did not have a material impact on the Organization's financial statements and disclosures.

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.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments and credit risk

The Organization maintains cash balances at multiple 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 \$4,643,000 as of December 31, 2022.

All of the Organization's cash is maintained at two financial institutions as of December 31, 2022.

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, SCF is subject to unrelated business income tax ("UBIT"), if applicable.

The Organization recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*. 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.

Contribution of nonfinancial asset

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 \$28,189 was provided to the Organization during the year ended December 31, 2022, and is included in "contribution of nonfinancial asset" 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.

Functional expenses

The cost of program and supporting services have been summarized on a functional basis on 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.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through May 3, 2024, 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.

NOTE 3. 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 4. LIQUIDITY AND AVAILABILITY OF RESOURCES

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. Financial assets at December 31, 2023 available to meet general expenditures within one year include cash of \$4,942,214.

NOTE 5. CONCENTRATION

Contributions from one donor represented 89% of contribution income for the year ended December 31, 2022.

NOTE 6. RELATED-PARTY TRANSACTION

A board member of the Foundation 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 the year ended December 31, 2022. This expense is included in 'professional fees' in the statement of functional expenses.