



LIFE PIECES TO MASTERPIECES, INC.

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITORS' REPORT

JUNE 30, 2023

LIFE PIECES TO MASTERPIECES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023

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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors
Life Pieces to Masterpieces, Inc.
Washington, DC

Opinion

We have audited the accompanying financial statements of Life Pieces to Masterpieces, Inc., which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, 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 Life Pieces to Masterpieces, Inc. as of June 30, 2023, and the results of its operations and its 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Life Pieces to Masterpieces, Inc. 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.

Responsibility of Management 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, 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 Life Pieces to Masterpieces, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility 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 auditors' 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.

Independent Auditors' Report (Concluded)

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 Life Pieces to Masterpieces, Inc.'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 Life Pieces to Masterpieces, Inc.'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.

Report on Summarized Comparative Information

We have previously audited Life Pieces to Masterpieces, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Jones & McIntyre, PLLC

February 28, 2024

LIFE PIECES TO MASTERPIECES, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash	\$ 433,642	\$ 411,431
Grants and accounts receivable	502,269	388,872
Inventory	3,671	3,823
Prepaid expenses	10,713	11,899
Total Current Assets	\$ 950,295	\$ 816,025
PROPERTY AND EQUIPMENT, at cost		
Furniture and equipment	\$ 20,425	\$ 16,295
Automobiles	136,574	136,574
Total	\$ 156,999	\$ 152,869
Less, Accumulated depreciation	98,206	81,615
Property and Equipment, net	\$ 58,793	\$ 71,254
OTHER ASSETS		
Long term contributions and grants receivable, net discount of \$80,242 in 2023 and \$25,708 in 2022	\$ 919,758	\$ 277,292
TOTAL ASSETS	\$ 1,928,846	\$ 1,164,571
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	\$ -	\$ -
Current portion of notes payable	-	9,165
Accounts payable and accrued liabilities	48,043	59,772
Accrued vacation	40,242	32,879
Total Current Liabilities	\$ 88,285	\$ 101,816
LONG-TERM LIABILITIES		
Notes payable	\$ -	\$ 25,347
TOTAL LIABILITIES	\$ 88,285	\$ 127,163
NET ASSETS		
Without donor restrictions	\$ 340,561	\$ 431,408
With donor restrictions	1,500,000	606,000
Total Net Assets	\$ 1,840,561	\$ 1,037,408
TOTAL LIABILITIES AND NET ASSETS	\$ 1,928,846	\$ 1,164,571

The accompanying notes are an integral part of these statements.

LIFE PIECES TO MASTERPIECES, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 1,457,097	\$ 1,319,867	\$ 2,776,964	\$ 2,370,151
Contributions of nonfinancial assets	36,000	-	36,000	36,000
Workshops	91,009	-	91,009	35,200
Art and merchandise sales	7,493	-	7,493	4,146
Interest income	113	-	113	104
Other income	475	-	475	3,682
Net assets released from restrictions	425,867	(425,867)	-	-
 Total Support and Revenue	 <u>\$ 2,018,054</u>	 <u>\$ 894,000</u>	 <u>\$ 2,912,054</u>	 <u>\$ 2,449,283</u>
EXPENSES				
Program services	\$ 1,487,854	\$ -	\$ 1,487,854	\$ 1,518,728
Management and general	286,482	-	286,482	212,673
Fundraising	334,565	-	334,565	235,434
 Total Expenses	 <u>\$ 2,108,901</u>	 <u>\$ -</u>	 <u>\$ 2,108,901</u>	 <u>\$ 1,966,835</u>
 CHANGE IN NET ASSETS	 <u>\$ (90,847)</u>	 <u>\$ 894,000</u>	 <u>\$ 803,153</u>	 <u>\$ 482,448</u>
 NET ASSETS, BEGINNING OF YEAR	 <u>431,408</u>	 <u>606,000</u>	 <u>1,037,408</u>	 <u>554,960</u>
 NET ASSETS, END OF YEAR	 <u><u>\$ 340,561</u></u>	 <u><u>\$ 1,500,000</u></u>	 <u><u>\$ 1,840,561</u></u>	 <u><u>\$ 1,037,408</u></u>

The accompanying notes are an integral part of this statement.

LIFE PIECES TO MASTERPIECES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	Program Services	Supporting Services		Total Expenses	
		Management & General	Fundraising	2023	2022
Salaries & wages	\$ 772,355	\$ 162,750	\$ 110,823	\$ 1,045,928	\$ 900,253
Payroll taxes	73,181	9,734	8,956	91,871	93,254
Employee benefits	83,785	6,012	10,529	100,326	96,412
Total personnel	\$ 929,321	\$ 178,496	\$ 130,308	\$ 1,238,125	\$ 1,089,919
Professionals & consultants	47,965	36,484	167,385	251,834	177,151
Program contractors	224,894	-	3,388	228,282	251,969
Participant meals, activities & support	105,459	5,799	2,175	113,433	91,053
Business & organizational	40,701	19,458	2,778	62,937	47,261
Meetings & conferences	23,601	12,548	9,067	45,216	79,110
Occupancy - in kind	30,000	3,000	3,000	36,000	36,000
Transportation	20,995	865	4,643	26,503	61,563
Office	4,013	15,167	5,234	24,414	31,579
Maintenance and repairs	11,262	12,408	-	23,670	26,385
Supplies	19,422	828	-	20,250	17,294
Depreciation	15,632	373	587	16,592	11,491
Occupancy	13,200	-	-	13,200	42,911
Bad debts	-	-	6,000	6,000	-
Interest	1,389	1,056	-	2,445	3,149
Total Functional Expenses	<u>\$ 1,487,854</u>	<u>\$ 286,482</u>	<u>\$ 334,565</u>	<u>\$ 2,108,901</u>	<u>\$ 1,966,835</u>

The accompanying notes are an integral part of this statement.

LIFE PIECES TO MASTERPIECES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 803,153	\$ 482,448
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	16,592	11,491
Decrease (increase) in grants and accounts receivable	(855,863)	(488,784)
Decrease (increase) in inventory	152	(2,837)
Decrease (increase) in prepaid expenses	1,186	2
Increase (decrease) in accounts payable and accrued liabilities	(11,730)	27,720
Increase (decrease) in accrued vacation	7,363	(21,667)
Net Cash From Operating Activities	\$ (39,147)	\$ 8,373
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	\$ (4,130)	\$ (69,706)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital campaign receipts	\$ 100,000	\$ -
Proceeds from line of credit	100,000	100,000
Proceeds from note payable	-	47,551
Payments on line of credit	(100,000)	(146,000)
Payments on notes payable	(34,512)	(20,153)
Net Cash From Financing Activities	\$ 65,488	\$ (18,602)
NET INCREASE (DECREASE) IN CASH	\$ 22,211	\$ (79,935)
CASH, BEGINNING OF YEAR	411,431	491,366
CASH, END OF YEAR	\$ 433,642	\$ 411,431
SUPPLEMENTAL DISCLOSURE:		
Interest Paid	\$ 2,445	\$ 3,149

The accompanying notes are an integral part of these statements.

LIFE PIECES TO MASTERPIECES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1. Organization and Summary of Significant Accounting Policies

Organization and Programs

Life Pieces To Masterpieces, Inc. (LPTM) provides a home away from home to African American young men and boys growing up in Washington, DC's most poverty-stricken and volatile neighborhoods. LPTM's programs teach integrity, character development and leadership skills. Our after school and summer programs for 3-14 year olds provide apprentices with daily homework assistance, meals, arts, athletics, leadership development and mediation. Our Saturday Academy program for 14-18 year olds provides college and career preparation. Since 1996 LPTM has served more than 2,000 boys and young men and created more than 1,500 masterpieces.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Consequently, revenue, other than contributions, is recognized when earned and expenses when obligations are incurred.

Income Taxes

LPTM is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as a publicly supported charity within the meaning of Section 509(a)(2) of the Internal Revenue Code.

LPTM believes that it has appropriate support for any income tax positions taken and, as such, does not have any uncertain income tax positions that are material to the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

Financial Statement Presentation

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with LPTM's financial statements for the year ended June 30, 2022.

Program Service Revenue Recognition

Workshop fees and sales of apprentice art pieces are recognized as revenue in the period the workshop is given or the sale occurs. Program service revenue is recognized on a point-in-time basis.

LIFE PIECES TO MASTERPIECES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

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

Contributions and Grants

Contributions are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed materials and services represent the estimated fair market value of materials and services provided. Contributed services that create or enhance non-financial assets, or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are reflected in the financial statements at the estimated fair market value of services received.

Property and Equipment

Furniture and equipment are recorded at cost and are depreciated using the straight line method over the estimated useful lives of the respective assets, typically 3-7 years. LPTM capitalizes property and equipment purchases with a unit cost greater than \$1,000.

Cash and Cash Equivalents

For financial statement purposes, LPTM considers cash in the bank, money market funds and liquid investments with original maturities of three months or less to be cash and cash equivalents.

Grants and Contributions Receivable

Grants and contributions receivable are stated at net realizable value. Management periodically reviews the status of all grant and contributions receivable balances. Management believes that grants and contributions receivable were fully collectible at June 30, 2023 and 2022, and that an allowance for doubtful accounts was not necessary.

LPTM discounts pledges that are not fully collectible within one year to their net present value; these discounts are ratably amortized over the life of the pledge and are recorded as contributions in the statement of activities.

Functional Allocation of Expenses

LPTM allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program service, management and general service, or fundraising activity are allocated directly according to their natural expenditure classification. Salaries, benefits and indirect costs are allocated to the various programs and supporting services based upon the estimated amount of time worked in each area.

LIFE PIECES TO MASTERPIECES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

Note 1. Organization and Summary of Significant Accounting Policies (Concluded)

Reclassifications

Certain amounts have been reclassified in the 2022 financial statements to conform to the 2023 presentation.

Note 2. Lease Agreement/Use of Facilities

LPTM operates its programs in a DC public school building. The use of the facilities is recorded as an in-kind donation and expense at the estimated amount of \$36,000 for the year ended June 30, 2023.

Note 3. Restrictions on Net Assets

As described in Note 1, net assets with donor restrictions are released from donor restrictions by incurring expenses satisfying the restricted purposes or by time elapsing on the restrictions.

Changes in net assets with donor restrictions are as follows:

	June 30, 2022	Additions	Transfers/ Releases	June 30, 2023
Timing restrictions	\$ 476,000	\$ 919,867	\$ 295,867	\$1,100,000
Purpose restrictions	<u>130,000</u>	<u>400,000</u>	<u>130,000</u>	<u>400,000</u>
Total	<u>\$ 606,000</u>	<u>\$ 1,319,867</u>	<u>\$ 425,867</u>	<u>\$1,500,000</u>

Note 4. Grants and Contributions Receivable

As of June 30, 2023 grants and contributions receivable are as follows:

Receivables in less than one year	\$ 502,269
Receivables in one to five years	<u>1,000,000</u>
	\$ 1,502,269
Less: Discount to net present value	<u>(80,242)</u>
Contributions receivable, net	<u>\$ 1,422,027</u>

Note 5. Line of Credit

LPTM has a revolving line of credit with M&T Bank in the amount of \$200,000 which is payable on demand. The line is secured by all assets of LPTM. Interest is at 3.5 percentage points above the LIBOR rate. At June 30, 2023 and 2022, LPTM had \$0 outstanding under this arrangement.

LIFE PIECES TO MASTERPIECES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

Note 6. **Liquidity and Availability of Financial Assets**

The following reflects LPTM's financial assets as of the June 30, 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets at year-end	\$ 935,911
Donor restricted	<u>(200,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 735,911</u>

LPTM has a policy to structure its financial assets to be available throughout the year as general expenditures become due.

Note 7. **Long-Term Debt**

During 2015, LPTM obtained a note payable secured by a vehicle, payable in monthly installments of \$461 including interest at 4.95%, due September 2022. During fiscal year 2022, LPTM paid the loan in full and obtained a new note payable secured by a vehicle, payable in monthly installments of \$980 including interest at 8.54%, due November 2025. During fiscal year 2023, LPTM paid the loan in full.

Note 8. **Contributions of Nonfinancial Assets**

LPTM received the following contributed nonfinancial assets during the years ended June 30, 2023 and 2022:

DC Public Schools – program & office space	<u>\$ 36,000</u>
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Note 9. **Corporate Credit Cards**

LPTM has corporate credit cards with an overall credit limit of \$60,000. The outstanding credit card balances are included in accounts payable in the statements of financial position. Available credit at June 30, 2023 was \$20,155.

Note 10. **Capital Campaign**

LPTM is embarking on a capital campaign to support the acquisition of a facility for its programs. During fiscal year 2023, a \$400,000 contribution is reported in the statement of activity related to the capital campaign.

LIFE PIECES TO MASTERPIECES, INC.

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

JUNE 30, 2023

Note 11. Related Party:

LPTM's Treasurer is the Chief Operating Officer of Evermay Wealth Management LLC, the manager of LPTM's Charles Schwab cash account with a balance of \$10,303.

Note 12. Subsequent Events

Management has evaluated subsequent events through February 28, 2024, the date the financial statements were available to be issued.