



LIFE PIECES TO MASTERPIECES, INC.

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITORS' REPORT

JUNE 30, 2024

LIFE PIECES TO MASTERPIECES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2024

CONTENTS

	<u>Page(s)</u>
<u>Independent Auditors' Report</u>	1-2
<u>Financial Statements</u>	
Statements of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-11



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, 2024, 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, 2024, 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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 28, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Jones & McIntyre, PLLC

October 18, 2024

LIFE PIECES TO MASTERPIECES, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

ASSETS

	<u>2024</u>	<u>2023</u>
CURRENT ASSETS		
Cash	\$ 2,188,789	\$ 433,642
Grants and accounts receivable	693,271	502,269
Inventory	3,671	3,671
Prepaid expenses	14,913	10,713
Total Current Assets	<u>\$ 2,900,644</u>	<u>\$ 950,295</u>
PROPERTY AND EQUIPMENT, at cost		
Furniture and equipment	\$ 20,425	\$ 20,425
Automobiles	179,574	136,574
Total	<u>\$ 199,999</u>	<u>\$ 156,999</u>
Less, Accumulated depreciation	118,273	98,206
Property and Equipment, net	<u>\$ 81,726</u>	<u>\$ 58,793</u>
OTHER ASSETS		
Long term contributions and grants receivable, net discount of \$97,172 in 2024 and \$80,242 in 2023	<u>\$ 786,828</u>	<u>\$ 919,758</u>
TOTAL ASSETS	<u><u>\$ 3,769,198</u></u>	<u><u>\$ 1,928,846</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Line of credit	\$ -	\$ -
Accounts payable and accrued liabilities	30,403	48,043
Accrued vacation	57,917	40,242
Total Current Liabilities	<u>\$ 88,320</u>	<u>\$ 88,285</u>
NET ASSETS		
Without donor restrictions	\$ 1,937,723	\$ 340,561
With donor restrictions	1,743,155	1,500,000
Total Net Assets	<u>\$ 3,680,878</u>	<u>\$ 1,840,561</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,769,198</u></u>	<u><u>\$ 1,928,846</u></u>

The accompanying notes are an integral part of these statements.

LIFE PIECES TO MASTERPIECES, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2024

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2023)

	<u>2024</u>			<u>2023</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
SUPPORT AND REVENUE				
Grants and contributions	\$ 3,384,001	\$ 972,446	\$ 4,356,447	\$ 2,776,964
Contributions of nonfinancial assets	86,000	-	86,000	36,000
Workshops	66,785	-	66,785	91,009
Art and merchandise sales	5,233	-	5,233	7,493
Interest income	12,682	-	12,682	113
Other income	5,189	-	5,189	475
Net assets released from restrictions	729,291	(729,291)	-	-
 Total Support and Revenue	 \$ 4,289,181	 \$ 243,155	 \$ 4,532,336	 \$ 2,912,054
EXPENSES				
Program services	\$ 1,829,509	\$ -	\$ 1,829,509	\$ 1,487,854
Management and general	294,387	-	294,387	286,482
Fundraising	568,123	-	568,123	334,565
 Total Expenses	 \$ 2,692,019	 \$ -	 \$ 2,692,019	 \$ 2,108,901
 CHANGE IN NET ASSETS	 \$ 1,597,162	 \$ 243,155	 \$ 1,840,317	 \$ 803,153
 NET ASSETS, BEGINNING OF YEAR	 340,561	 1,500,000	 1,840,561	 1,037,408
 NET ASSETS, END OF YEAR	 \$ 1,937,723	 \$ 1,743,155	 \$ 3,680,878	 \$ 1,840,561

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, 2024

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2023)

	Program Services	Supporting Services		Total Expenses	
		Management & General	Fundraising	2024	2023
Salaries & wages	\$ 930,903	\$ 113,517	\$ 260,707	\$ 1,305,127	\$ 1,045,928
Payroll taxes	79,782	9,730	22,596	112,108	91,871
Employee benefits	106,709	16,275	18,630	141,614	100,326
Total personnel	<u>\$ 1,117,394</u>	<u>\$ 139,522</u>	<u>\$ 301,933</u>	<u>\$ 1,558,849</u>	<u>\$ 1,238,125</u>
Professionals & consultants	106,218	29,882	167,171	303,271	251,834
Program contractors	245,930	-	28,690	274,620	228,282
Participant meals, activities & support	165,687	9,687	2,997	178,371	113,433
Business & organizational	35,602	12,727	5,178	53,507	62,937
Meetings & conferences	18,114	40,956	235	59,305	45,216
Occupancy - in kind	30,000	3,000	53,000	86,000	36,000
Transportation	50,605	1,500	3,245	55,350	26,503
Office	1,270	20,134	5,472	26,876	24,414
Maintenance and repairs	2,269	22,344	-	24,613	23,670
Supplies	20,856	231	-	21,087	20,250
Depreciation	19,421	443	202	20,066	16,592
Occupancy	16,143	6,435	-	22,578	13,200
Bad debts	-	-	-	-	6,000
Interest	-	7,526	-	7,526	2,445
Total Functional Expenses	<u>\$ 1,829,509</u>	<u>\$ 294,387</u>	<u>\$ 568,123</u>	<u>\$ 2,692,019</u>	<u>\$ 2,108,901</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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,840,317	\$ 803,153
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	20,066	16,592
Decrease (increase) in grants and accounts receivable	(512,572)	(855,863)
Decrease (increase) in inventory	-	152
Decrease (increase) in prepaid expenses	(4,200)	1,186
Increase (decrease) in accounts payable and accrued liabilities	(17,639)	(11,730)
Increase (decrease) in accrued vacation	17,675	7,363
	<u>\$ 1,343,647</u>	<u>\$ (39,147)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	\$ (43,000)	\$ (4,130)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital campaign receipts	\$ 454,500	\$ 100,000
Proceeds from line of credit	180,000	100,000
Payments on line of credit	(180,000)	(100,000)
Payments on notes payable	-	(34,512)
	<u>\$ 454,500</u>	<u>\$ 65,488</u>
NET INCREASE IN CASH	\$ 1,755,147	\$ 22,211
CASH, BEGINNING OF YEAR	<u>433,642</u>	<u>411,431</u>
CASH, END OF YEAR	<u><u>\$ 2,188,789</u></u>	<u><u>\$ 433,642</u></u>
SUPPLEMENTAL DISCLOSURE:		
Interest Paid	<u><u>\$ 7,526</u></u>	<u><u>\$ 2,445</u></u>

The accompanying notes are an integral part of these statements.

LIFE PIECES TO MASTERPIECES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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, 2023.

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, 2024

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

Property 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, 2024 and 2023, 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, 2024

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

Reclassifications

Certain amounts have been reclassified in the 2023 financial statements to conform to the 2024 presentation.

Note 2. Lease Agreement/Use of Facilities

LPTM operates its programs in 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, 2024.

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, 2023	Additions	Transfers/ Releases	June 30, 2024
Timing restrictions	\$1,100,000	\$ 317,946	\$ 448,946	\$ 969,000
Capital Campaign	<u>400,000</u>	<u>654,500</u>	<u>280,345</u>	<u>774,155</u>
Total	<u>\$1,500,000</u>	<u>\$ 972,446</u>	<u>\$ 729,291</u>	<u>\$1,743,155</u>

Note 4. Grants and Contributions Receivable

As of June 30, 2024 grants and contributions receivable are as follows:

Receivables in less than one year	\$ 693,271
Receivables in one to five years	<u>884,000</u>
	\$ 1,577,271
Less: Discount to net present value	<u>(97,172)</u>
Contributions receivable, net	<u>\$ 1,480,099</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, 2024 and 2023, LPTM had \$0 outstanding under this arrangement.

LIFE PIECES TO MASTERPIECES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2024

Note 6. Liquidity and Availability of Financial Assets

The following reflects LPTM's financial assets as of the June 30, 2024, 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	\$ 2,882,060
Donor restricted	<u>(1,743,155)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,138,905</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 year ended June 30, 2024:

Hogan Lovells – event venue	\$ 50,000
DC Public Schools – program & office space	<u>36,000</u>
Total	<u>\$ 86,000</u>

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 and accrued liabilities in the statement of financial position. Available credit at June 30, 2024 was \$29,597.

Note 10. Capital Campaign

LPTM is embarking on a capital campaign to support the acquisition of a facility for its programs. During fiscal year 2024, \$654,500 in contributions are reported in the statement of activities related to the capital campaign.

LIFE PIECES TO MASTERPIECES, INC.

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

JUNE 30, 2024

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 \$10,350.

Note 12. Subsequent Events

Management has evaluated subsequent events through October 18, 2024, the date the financial statements were available to be issued.