S.H.A.P.E. COMMUNITY CENTER, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

WITH

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of
S.H.A.P.E. Community Center, Inc.
(A Non-Profit Corporation)
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of S.H.A.P.E. Community Center, Inc. (A Non-Profit Corporation), which comprise the statement of financial position as of August 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of S.H.A.P.E. Community Center, Inc. as of August 31, 2015, and the changes in its net asset and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

George Baugh III & Company
Certified Public Accountants

Houston, Texas
October 31, 2016
S.H.A.P.E. COMMUNITY CENTER, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED AUGUST 31, 2015

ASSETS

Current Assets:
Cash $12,470
Accounts and Grants receivable 17,443
Employee advances -
Deposits 250
Total Current Assets 30,163

Property and Equipment 1,318,296
Less accumulated depreciation (843,779)
Net property and equipment 474,517

Total Assets $504,680

LIABILITIES AND NET ASSETS

Current Liabilities:
Accounts payable $6,663
Accrued expenses -
Payroll taxes payable 10,041
Short-term loans (note 2) 24,500
Current portion of long-term debt (note 2) 9,897
Total current liabilities 51,101

Long-term debt (note 2) 195,831

Total Liabilities 195,831

Net Assets
Temporarily restricted net assets -
Unrestricted net assets 257,748
Total net assets 257,748

Total Liabilities and Net Assets $504,680

The accompanying notes are an integral part of these financial statements.
S.H.A.P.E. COMMUNITY CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

<table>
<thead>
<tr>
<th>Revenues and support</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$ 116,941</td>
<td>$ -</td>
<td>$ 116,941</td>
</tr>
<tr>
<td>Government grants</td>
<td>238,650</td>
<td>-</td>
<td>238,650</td>
</tr>
<tr>
<td>Grants &amp; contracts</td>
<td>30,066</td>
<td>-</td>
<td>30,066</td>
</tr>
<tr>
<td>Program fees</td>
<td>30,127</td>
<td>-</td>
<td>30,127</td>
</tr>
<tr>
<td>Fundraising</td>
<td>30,233</td>
<td>-</td>
<td>30,233</td>
</tr>
<tr>
<td>Other</td>
<td>985</td>
<td>-</td>
<td>985</td>
</tr>
<tr>
<td>Gain on sale of property</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net assets released from restrictions by expiration of time restrictions</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total revenue and support</td>
<td>447,002</td>
<td>-</td>
<td>447,002</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Children, Youth &amp; Family Services</td>
<td>341,413</td>
<td>-</td>
<td>341,413</td>
</tr>
<tr>
<td>Community service events</td>
<td>132,231</td>
<td>-</td>
<td>132,231</td>
</tr>
<tr>
<td>Total program expenses</td>
<td>473,644</td>
<td>-</td>
<td>473,644</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Support Services</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Management and general</td>
<td>28,573</td>
<td>-</td>
<td>28,573</td>
</tr>
<tr>
<td>Total support services expenses</td>
<td>28,573</td>
<td>-</td>
<td>28,573</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fundraising Expenses</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fundraising expenses</td>
<td>3,094</td>
<td>-</td>
<td>3,094</td>
</tr>
<tr>
<td>Total fundraising expenses</td>
<td>3,094</td>
<td>-</td>
<td>3,094</td>
</tr>
</tbody>
</table>

| Total Expenses                                            | 505,311      | -                      | 505,311 |

| increase/(decrease) in net assets                         | (58,309)     | -                      | (58,309) |

| Net assets at the beginning of year                        | 316,057      | -                      | 316,057 |
| Net assets at the end of year                              | $ 257,748    | $ -                    | $ 257,748 |

The accompanying notes are an integral part of these financial statements
S.H.A.P.E. COMMUNITY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2015

<table>
<thead>
<tr>
<th></th>
<th>Children</th>
<th>Community</th>
<th>Management</th>
<th>Fund</th>
<th>Total</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Services</td>
<td>Services</td>
<td>and Events</td>
<td>Raising</td>
<td>Expenses</td>
<td>Total</td>
</tr>
<tr>
<td>Salaries</td>
<td>155,724</td>
<td>38,044</td>
<td>-</td>
<td>-</td>
<td>193,768</td>
<td>38.35</td>
</tr>
<tr>
<td>Payroll taxes &amp; benefits</td>
<td>14,101</td>
<td>3,323</td>
<td>-</td>
<td>-</td>
<td>17,424</td>
<td>3.45</td>
</tr>
<tr>
<td>Total salaries and related expenses</td>
<td>169,825</td>
<td>41,367</td>
<td>-</td>
<td>-</td>
<td>211,162</td>
<td>41.78</td>
</tr>
<tr>
<td>Contractual service payments</td>
<td>57,712</td>
<td>4,400</td>
<td>6,175</td>
<td>-</td>
<td>68,287</td>
<td>12.70</td>
</tr>
<tr>
<td>Supplies/office expenses</td>
<td>4,906</td>
<td>14,687</td>
<td>1,325</td>
<td>1,236</td>
<td>21,108</td>
<td>4.18</td>
</tr>
<tr>
<td>Occupancy</td>
<td>10,293</td>
<td>41,844</td>
<td>470</td>
<td>5,384</td>
<td>63,843</td>
<td>10.66</td>
</tr>
<tr>
<td>Travel/vehicle</td>
<td>28,304</td>
<td>173</td>
<td>356</td>
<td>-</td>
<td>28,833</td>
<td>5.71</td>
</tr>
<tr>
<td>Community assistance</td>
<td>-</td>
<td>811</td>
<td>-</td>
<td>811</td>
<td>811</td>
<td>0.16</td>
</tr>
<tr>
<td>Interest</td>
<td>13,813</td>
<td>4,250</td>
<td>5,445</td>
<td>102</td>
<td>23,610</td>
<td>4.67</td>
</tr>
<tr>
<td>Insurance</td>
<td>12,392</td>
<td>7,446</td>
<td>4,318</td>
<td>-</td>
<td>24,156</td>
<td>4.78</td>
</tr>
<tr>
<td>Other</td>
<td>2,930</td>
<td>4,564</td>
<td>667</td>
<td>1,566</td>
<td>10,027</td>
<td>1.98</td>
</tr>
<tr>
<td>Total expenses before depreciation</td>
<td>300,175</td>
<td>119,542</td>
<td>19,056</td>
<td>3,094</td>
<td>441,857</td>
<td>87.43</td>
</tr>
<tr>
<td>Depreciation</td>
<td>41,238</td>
<td>12,689</td>
<td>9,517</td>
<td>-</td>
<td>63,444</td>
<td>12.56</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>341,413</td>
<td>132,231</td>
<td>28,573</td>
<td>3,094</td>
<td>505,311</td>
<td>100</td>
</tr>
<tr>
<td>Percentage of total</td>
<td>68%</td>
<td>26%</td>
<td>6%</td>
<td>1%</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>
S.H.A.P.E. COMMUNITY CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2015

Cash flows from operating activities:

Change in net assets $ (58,309)
Adjustments to reconcile change in net assets to net cash provided by operating activities
Depreciation 63,444
Decrease in accounts receivable 22,707
Decrease in employee advances -
Decrease in deposits -
Increase in accounts payable (1,142)
Decrease in accrued expenses -
Decrease in payroll taxes payable (651)
Net purchase of fixed assets -

84,358

Net cash provided by operating activities 26,049

Decrease in short-term debt (3,800)
Decrease in long-term debt (13,697)
Net cash used by financing activities (17,497)

Decrease in cash 8,552

Cash at beginning of year 3,918
Cash at end of year $ 12,470

Interest paid $ 23,610

The accompanying notes are an integral part of these financial statements.
NOTE 1 - Summary of Significant Accounting Policies

Organization and Presentation Note - S.H.A.P.E. Community Center, Inc. (the Agency) incorporated in 1971 as a non-profit corporation. The Agency obtains government and non-government resources which are utilized for programs to provide social services to the local community.

Basis of Accounting - The financial statements were prepared using the accrual basis of accounting. Under this method, revenues were recorded in the period earned and when the amount and timing of the revenue can be reasonably determined. Expenses are recognized at the time a liability arises which is normally at the time title passes or a service is received. It is the opinion of management that the accrual basis of accounting provides a better overview of the total operations of the agency and therefore enables management to make more sound decisions by having complete financial information.

Basis of Presentation - The financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets. Restricted contributions are shown as restricted support in the period earned and reclassified to unrestricted support in the period in which the restriction is met.

Unrestricted - Net assets that are neither temporarily nor permanently restricted by donor-imposed stipulations.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expired by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

When both restricted and unrestricted resources are available for use, generally restricted resources are used first.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
S.H.A.P.E. COMMUNITY CENTER, INC.
(A TEXAS NON-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

Revenues and Expenses

The Agency receives a significant portion of its funds through government grants and contracts for services. The agencies are billed on a monthly basis for the services rendered.

Any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by the Agency with terms of the grants/contracts. The grants and contracts are funded annually, thus the Agency operates in an environment subject to the risk of annual funding renewals.

Financial Instruments

There is no material difference between the fair value and the carrying amounts of all financial instruments presented in the financial statements at August 31, 2015.

Accounts Receivable

Accounts receivables are recorded net of the allowance for uncollectible. The allowance was zero for the year ended August 31, 2015.

Fixed Assets

Fixed assets are recorded at cost. Donated assets are recorded at their estimated fair market value on the date of gift. Depreciation is computed using the straight-line methods over estimated useful lives of twenty years for buildings, equipment, and three years for vehicles. The Agency capitalizes all fixed assets purchases in excess of $1,000.

The following is a detail of fixed assets at August 31, 2015.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>$1,240,627</td>
</tr>
<tr>
<td>Building Improvements</td>
<td>28,253</td>
</tr>
<tr>
<td>Land</td>
<td>49,416</td>
</tr>
<tr>
<td>Total Fixed Assets</td>
<td>1,318,296</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(843,779)</td>
</tr>
<tr>
<td>Net Fixed Assets</td>
<td>474,517</td>
</tr>
</tbody>
</table>

Income Taxes

The Agency is a non-profit organization, exempt from income tax under section 501(c)(3) of the Internal Revenue Code.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.
S.H.A.P.E. COMMUNITY CENTER, INC.
(A TEXAS NON-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 2 - Notes Payable and Short Term Loans

As of August 31, 2015, the Agency had notes payable balances due Unity National Bank in the amount of $205,728. The notes payable are secured by land and buildings at 3815 Live Oak and 3903 Almeda Road, Houston, Texas and other Agency assets. Principal and interest are due in monthly installments of $2,359 with interest rate 9.5% maturity August 15, 2017. The balance of notes at August 31, 2015 is $205,728.

<table>
<thead>
<tr>
<th>Current Portion</th>
<th>Non-Current Portion</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes Payable Unity Bank 9.5%</td>
<td>$9,897</td>
<td>$195,831</td>
</tr>
<tr>
<td>Totals</td>
<td>$9,897</td>
<td>$195,831</td>
</tr>
</tbody>
</table>

Aggregate maturities of long-term debt for the five years ending August 31, 2020 are as follows: 2016 $9,897, 2017 $195,831, 2018 $0, 2019 $0 and 2020 $0. The remaining balance is $0.

Short term loans represent a $20,000 advance made from Unity Bank on August 7, 2013 with an interest rate of 6% matures September 7, 2015. There are individual loans for $4,500 with various maturities.

NOTE 3 - Donated Services

The Agency receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort have not been satisfied.

NOTE 4 - Cash and Cash Equivalents

Cash equivalent consist of highly liquid investments with a maturity of three months or less. All cash balances are cash equivalents.
NOTE 5 - Temporarily restricted net assets

In 2006 the Agency received a temporarily restricted contribution of $827,304 from the City of Houston, (“City”), representing the completed costs for demolition and construction of the building at 3903 Almeda Road. The restriction imposed by the City required the Agency to use the contribution to construct a building at 3903 Almeda Road Houston, Texas. The building must be used until 2012 in accordance with the terms of the contract between the Agency and the City. The City maintain an equitable lien in the property acquired with the temporarily restricted contribution and the failure of the Agency to fulfill the terms of the contract with the City, could result in the Agency being required to reimburse the City for the fair market value of the property. As of August 31, 2012 the Agency had satisfied its obligations to the City. As of August 31, 2015, the Agency had no temporarily restricted net assets.

NOTE 6 - Contingencies and Commitments

There were no known pending litigation matters involving the Company for the year ended August 31, 2015.

NOTE 7 - Subsequent Events

Subsequent events have been evaluated through October 31, 2016 which is the date the financial statements were available to be issued.