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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

WITH

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

GB George Baugh III, Certified Public Accountant / Houston, Texas
S.H.A.P.E. COMMUNITY CENTER, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

WITH

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS
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GEORGE BAUGH III  
Certified Public Accountant

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TEXAS SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

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, 2019, 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, 2019, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on page 5 is presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

George Baugh III
Certified Public Accountant

Houston, Texas
June 15, 2021
S.H.A.P.E. COMMUNITY CENTER, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED AUGUST 31, 2019

ASSETS

Current Assets:
Cash $ 13,223
Accounts and Grants receivable -
Employee advances & Other 374
Deposits 250
Total Current Assets 13,847

Property and Equipment 1,318,296
Less accumulated depreciation (1,006,109)
Net property and equipment 312,187

Total Assets $ 326,034

LIABILITIES AND NET ASSETS

Current Liabilities:
Accounts payable $ 1,505
Accrued expenses -
Payroll taxes payable -
Short-term loans (note 2) 6,974
Current portion of long-term debt (note 2) 8,002
Total current liabilities 16,481

Long-term debt (note 2) 189,518

Total Liabilities 205,999

Net Assets
Without Donor Restrictions 120,035
With Donor Restrictions -
Total net assets 120,035

Total Liabilities and Net Assets $ 326,034

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, 2019

<table>
<thead>
<tr>
<th>Revenues and support</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$135,199</td>
</tr>
<tr>
<td>Government grants</td>
<td></td>
</tr>
<tr>
<td>Grants &amp; contracts</td>
<td>$21,180</td>
</tr>
<tr>
<td>Program fees</td>
<td>$96,207</td>
</tr>
<tr>
<td>Fundraising</td>
<td>$10,542</td>
</tr>
<tr>
<td>Other Miscell.</td>
<td>$248</td>
</tr>
<tr>
<td>Total revenue and support</td>
<td>$263,376</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Expenses</td>
<td></td>
</tr>
<tr>
<td>Children, Youth &amp; Family Services</td>
<td>$178,701</td>
</tr>
<tr>
<td>Community service events</td>
<td>$91,275</td>
</tr>
<tr>
<td>Total program expenses</td>
<td>$269,976</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Support Services</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Management and general</td>
<td>$37,527</td>
</tr>
<tr>
<td>Total support services expenses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$37,527</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fundraising Expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fundraising expenses</td>
<td>$1,181</td>
</tr>
<tr>
<td>Total fundraising expenses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$1,181</td>
</tr>
</tbody>
</table>

| Total Expenses                     | $308,684 |

| Increase/(decrease) in net assets | (45,308) |

| Net assets at the beginning of year| $165,343 |
| Net assets at the end of year      | $120,035 |

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, 2019**

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>PROGRAM SERVICES</th>
<th>2019 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Youth &amp; family Services</td>
<td>Community Services</td>
</tr>
<tr>
<td>Salaries</td>
<td>$66,799</td>
<td>$26,139</td>
</tr>
<tr>
<td>Payroll taxes &amp; benefits</td>
<td>5,450</td>
<td>2,089</td>
</tr>
<tr>
<td>Total Salaries and related expenses</td>
<td>72,249</td>
<td>28,228</td>
</tr>
<tr>
<td>Contractual Services payments</td>
<td>26,360</td>
<td>2,636</td>
</tr>
<tr>
<td>Supplies/office expenses</td>
<td>1,130</td>
<td>5,051</td>
</tr>
<tr>
<td>Occupancy</td>
<td>12,205</td>
<td>30,286</td>
</tr>
<tr>
<td>Travel/vehicle</td>
<td>936</td>
<td>29</td>
</tr>
<tr>
<td>Community assistance</td>
<td>-</td>
<td>1,660</td>
</tr>
<tr>
<td>Interest</td>
<td>7,196</td>
<td>2,447</td>
</tr>
<tr>
<td>Insurance</td>
<td>14,861</td>
<td>6,030</td>
</tr>
<tr>
<td>Other</td>
<td>15,089</td>
<td>6,085</td>
</tr>
<tr>
<td>Total expenses before depreciation</td>
<td>150,026</td>
<td>82,452</td>
</tr>
<tr>
<td>Depreciation</td>
<td>28,675</td>
<td>8,823</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$178,701</td>
<td>$91,275</td>
</tr>
</tbody>
</table>


S.H.A.P.E. COMMUNITY CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2019

Cash flows from operating activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$(45,308)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets</td>
<td></td>
</tr>
<tr>
<td>to net cash provided by operating activities</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>44,116</td>
</tr>
<tr>
<td>Increase in Accounts &amp; Grants receivable</td>
<td>-</td>
</tr>
<tr>
<td>Increase in employee advances &amp; Other</td>
<td>-</td>
</tr>
<tr>
<td>Decrease in deposits</td>
<td></td>
</tr>
<tr>
<td>Decrease in accounts payable</td>
<td>(2,048)</td>
</tr>
<tr>
<td>Increase in accrued expenses</td>
<td>-</td>
</tr>
<tr>
<td>Increase in payroll taxes payable</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>42,068</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>(3,240)</td>
</tr>
</tbody>
</table>

Cash flows from financing activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in short-term debt</td>
<td>6,974</td>
</tr>
<tr>
<td>Proceeds from notes</td>
<td>-</td>
</tr>
<tr>
<td>Decrease in long-term debt</td>
<td>(7,420)</td>
</tr>
<tr>
<td>Net cash used by financing activities</td>
<td>(446)</td>
</tr>
<tr>
<td>Increase in cash</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(3,686)</td>
</tr>
</tbody>
</table>

Cash at beginning of year                                   | 16,909  |
Cash at end of year                                          | $13,223 |

Interest paid                                                | $14,392 |

The accompanying notes are an integral part of these financial statements
S.H.A.P.E. COMMUNITY CENTER, INC. 
(A TEXAS NON-PROFIT CORPORATION) 
NOTES TO THE FINANCIAL STATEMENTS 
AUGUST 31, 2019

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 Organization’s financial statements have been prepared on the accrual basis of accounting following principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables, and other liabilities.

As of January 1, 2019, S.H.A.P.E. Community Center, Inc. adopted ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which requires reporting information about the financial position and activities of two classes of net assets, and ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which requires that restricted cash and cash equivalents be included in beginning and ending cash in the statement of cash flows. Because S.H.A.P.E. Community Center, Inc. does not have net assets with donor restrictions, the adoption of ASU 2016-14 did not result in any changes to net assets as of January 1, 2019. It did, however, result in the reclassification of certain expenses related to functional categories in the activities statement for the year ended August 31, 2019. The adoption of ASU 2016-18 also resulted in the reclassification of certain items related to restricted cash in the cash flows.

Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with U.S generally accepted accounting principles (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classification.

Net assets without donor restrictions – These are resources that are not subject to donor-imposed stipulation and can be used for general operations of the Organization.

Net assets with donor restrictions – These are resources that are subject to donor-imposed stipulations that may be met, either by actions of the Organization and/or passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. The Organization did not have perpetual restrictions as of August 31, 2019.

When both resources with donor restrictions and without donor restrictions are available for use, it is the organization’s policy to use resources with donor restrictions first, then resources without donor restrictions as they are needed.
In addition, the Organization is required to present statements of activities, statements of functional expenses and cash flows.

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.

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, 2019.

Accounts Receivable

Accounts receivables are recorded net of the allowance for uncollectible. The allowance was zero for the year ended August 31, 2019.

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.

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.

Cash and Cash Equivalents

The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from date of purchase to be cash equivalents.

Land, Buildings and Equipment

Additions to Land, Buildings and Equipment are stated at cost at the date of acquisition. Depreciation is computed using the straight-line method over estimated useful lives ranging from 5 to 39 years. The organization maintains a policy of capitalizing property and equipment purchases greater than $1,000 that are expected to have provide an economic benefit greater than one year.
NOTE 2 – Notes Payable and Short Term Loans

As of August 31, 2019, the Agency had notes payable balances due to Unity National Bank in the amount of $204,940. The notes payable are secured by land and buildings at 3815 Live Oak and 3903 Almeda Road, Houston, Texas and other Agency assets.

<table>
<thead>
<tr>
<th>Current Portion</th>
<th>Non-Current Portion</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes Payable Unity Bank due in Monthly payments of $1,826 including interest at a rate 6.5% collateralized by the assets. First payment November 15, 2017, matures October 15, 2022

$8,002 $189,518 $197,520

Aggregate maturities of long-term debt for the five years ending August 31, 2024 are as follows: 2020 $8,002, 2021 $8,718, 2022 $19,216, 2023 $11,200 and 2024 $150,384. The remaining balance is $0.

Short term loans represent various individual loans for $6,974 with various maturities.
S.H.A.P.E. COMMUNITY CENTER, INC.  
(A TEXAS NON-PROFIT CORPORATION)  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2019

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- Grant Receivable

There were no grants receivable at August 31, 2019.

NOTE 5- 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, 2019.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></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>(1,006,109)</td>
</tr>
<tr>
<td>Net Fixed Assets</td>
<td>$312,187</td>
</tr>
</tbody>
</table>

NOTE 6- Fair Value of financial Instruments

In accordance with FASB ASC topic 820, fair value is defined as the price that S.H.A.P.E. Community Center, Inc. would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the asset or liability. ASC Topic 820 established a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of reporting entity (observable inputs) and (2) inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to established classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of S.H.A.P.E. Community Center, Inc.'s assets or liabilities. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant on the lowest level of input that is significant to the fair value measurement. S.H.A.P.E. Community Center, Inc.'s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement and considers factors specific to the investment.

S.H.A.P.E. Community Center, Inc. recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. All fair value measurements are considered recurring level 1 measurements as August 31, 2019.
Generally accepted accounting principles require disclosure of an estimate of fair value hierarchy of certain financial instruments. S.H.A.P.E. Community Center, Inc.'s significant financial instruments are cash, accounts receivable, accounts payable and other short-term assets and liabilities. These financial instruments, carrying values approximate fair value.

NOTE 7 – Contingencies and Commitments

There were no known pending litigation matters involving the Company for the year ended August 31, 2019.

NOTE 8- Liquidity and Availability of financial Assets

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follow:

Financial assets at Year end:
- Cash and cash equivalents $ 13,223
- Grant receivables
  Total Financial assets 13,223

Less those unavailable for general expenditures
- Within one year, due to:
  Restricted cash
Financial assets available to meet general expenditures
- Over the next twelve months $ 13,223
NOTE 9- Subsequent Events

FASB 165, which is codified in ASC Topic 855-10, requires the disclosure of the date through which S.H.A.P.E. Community Center, Inc. has evaluated subsequent events and the reason for selecting that date. S.H.A.P.E. Community Center, Inc. Evaluated subsequent events through June 15, 2021 the date the financial statements were available to be issued.

The spread of a novel strain of coronavirus (COVID-19) in the first quarter of 2020 has caused significant volatility in US markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. economy. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on residents who pay taxes and provide revenue to it and its vendors, all of which are uncertain and cannot be determined at this time.