

**S.H.A.P.E. COMMUNITY CENTER, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**  
**WITH**  
**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

**S.H.A.P.E. COMMUNITY CENTER, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**  
**WITH**  
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*Certified Public Accountant*

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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, 2020, 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, 2020, 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, 2020**

ASSETS

Current Assets:	
Cash	\$ 234,861
Accounts and Grants receivable	10,000
Employee advances & Other	13,143
Deposits	250
Total Current Assets	258,254
Property and Equipment	1,318,296
Less accumulated depreciation	(1,050,225)
Net property and equipment	268,071
Total Assets	\$ 526,325

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 3,779
Accrued expenses	9,763
Payroll taxes payable	3,714
Short-term loans (note 2)	4,974
Current portion of long-term debt (note 2)	22,198
Total current liabilities	44,428
Long-term debt (note 2)	335,320
Total Liabilities	379,748
Net Assets	
Without Donor Restrictions	146,577
With Donor Restrictions	-
Total net assets	146,577
Total Liabilities and Net Assets	\$ 526,325

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, 2020**

	Unrestricted
Revenues and support	
Contributions	\$ 186,142
Government grants	9,500
Grants & contracts	63,710
Program fees	80,489
Fundraising	17,045
Other Miscell.	2,002
Total revenue and support	<u>358,888</u>
Expenses	
Program Expenses	
Children, Youth & Family Services	186,615
Community service events	105,209
Total program expenses	<u>291,824</u>
Support Services	
Management and general	38,882
Total support services expenses	<u>38,882</u>
Fundraising Expenses	
Fundraising expenses	1,640
Total fundraising expenses	<u>1,640</u>
Total Expenses	<u>332,346</u>
Increase/(decrease) in net assets	26,542
Net assets at the beginning of year	120,035
Net assets at the end of year	<u>\$ 146,577</u>

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, 2020**

DESCRIPTION	PROGRAM SERVICES					2020 Total
	Children Youth & family Services	Community Services Events	Management And General	Fund Raising Expenses		
Salaries	\$ 64,462	\$ 25,224	\$ 3,737	\$ -	\$ -	\$ 93,423
Payroll taxes & benefits	8,381	3,279	486	-	-	12,146
Total Salaries and related expenses	72,843	28,504	4,223	-	-	105,569
Contractual Services payments	26,013	2,601	14,740	-	-	43,354
Supplies/Program expenses	3,679	16,447	1,082	433	433	21,641
Occupancy	13,274	32,940	1,967	983	983	49,164
Travel/vehicle	2,845	88	-	-	-	2,933
Community assistance	-	630	-	-	-	630
Interest	11,207	3,810	7,172	224	224	22,413
Insurance	16,891	6,854	734	-	-	24,480
Office Supplies Expenses	11,189	4,512	2,346	-	-	18,046
Total expenses before depreciation	157,940	96,386	32,264	1,640	1,640	288,230
Depreciation	28,675	8,823	6,617	-	-	44,116
<b>Total Expenses</b>	<b>\$ 186,615</b>	<b>\$ 105,209</b>	<b>\$ 38,882</b>	<b>\$ 1,640</b>	<b>\$ 1,640</b>	<b>\$ 332,346</b>



**S.H.A.P.E. COMMUNITY CENTER, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

Cash flows from operating activities:		\$ 26,542
Change in net assets		
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation		44,116
Increase in Accounts & Grants receivable		(10,000)
Increase in employee advances & Other		(12,769)
Decrease in deposits		-
Increase in accounts payable		2,274
Increase in accrued expenses		9,763
Increase in payroll taxes payable		3,714
		<u>37,098</u>
Net cash provided by operating activities		<u>63,640</u>
Cash flows from financing activities:		
Decrease in short-term debt		(2,000)
Proceeds from notes		168,000
Decrease in long-term debt		(8,002)
Net cash used by financing activities		<u>(13,853)</u>
Increase in cash		<u>221,638</u>
Cash at beginning of year		<u>13,223</u>
Cash at end of year		<u>\$ 234,861</u>
Interest paid		<u>\$ 22,413</u>

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, 2020

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 general 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, 2020. 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, 2020.

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.

S.H.A.P.E. COMMUNITY CENTER, INC.  
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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, 2020.

#### Accounts Receivable

Accounts receivables are recorded net of the allowance for uncollectible. The allowance was zero for the year ended August 31, 2020.

#### 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

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 NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 2 – Notes Payable and Short Term Loans

As of August 31, 2020, the Agency had notes payable balances due to Unity National Bank and the Small Business Administration in the amount of \$357,518. The notes payable are secured by land and buildings at 3815 Live Oak and 3903 Almeda Road, Houston, Texas and other Agency assets.

	<u>Current Portion</u>	<u>Non-Current Portion</u>	<u>Total</u>
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	<u>\$ 19,216</u>	<u>\$ 170,302</u>	<u>\$ 189,518</u>
Notes Payable SBA Loan due in Monthly payments of \$641 including interest at a rate 2.75% collateralized by the assets. First payment June 5, 2021, matures June 5, 2050	<u>\$ 1,989</u>	<u>\$148,011</u>	<u>\$ 150,000</u>
Notes Payable Unity Bank PPL due in Monthly payments of \$1,013 including interest at a rate 1.0% collateralized by the assets. First payment December 7, 2020, matures December 7, 2022	<u>\$ 993</u>	<u>\$ 17,007</u>	<u>\$ 18,000</u>
Totals	<u>\$ 22,198</u>	<u>\$ 335,320</u>	<u>\$ 357,518</u>

Aggregate maturities of long-term debt for the five years ending August 31, 2025 are as follows: 2021 \$22,198, 2022 \$27,207, 2023 \$168,059, 2024 \$3,830 and 2025 \$3,727. The remaining balance is \$132,497.

Short term loans represent various individual loans for \$4,974 with various maturities.

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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 grants receivable at August 31, 2020 of \$10,000 due from Texas Southern University.

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, 2020.

Building	\$ 1,240,627
Building Improvements	28,253
Land	<u>49,416</u>
Total Fixed Assets	1,318,296
Accumulated Depreciation	<u>(1,050,225)</u>
Net Fixed Assets	\$ <u>268,071</u>

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, 2020.

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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, 2020.

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	\$ 234,861
Grant receivables	<u>10,000</u>
Total Financial assets	<u>244,861</u>
Less those unavailable for general expenditures	
Within one year, due to:	
Restricted cash	<u>          -</u>
Financial assets available to meet general expenditures	
Over the next twelve months	<u>\$ 244,861</u>

S.H.A.P.E. COMMUNITY CENTER, INC.  
(A TEXAS NON-PROFIT CORPORATION)  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2020

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.