

S.H.A.P.E. COMMUNITY CENTER, INC.
FINANCIAL STATEMENTS
FOR THE LONG YEAR ENDED DECEMBER 31, 2022
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 December 31, 2022, and the related statements of activities, functional expenses and cash flows for the long 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 S.H.A.P.E. Community Center, Inc. as of December 31, 2022, 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.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of S.H.A.P.E. Community Center, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 S.H.A.P.E. Community Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

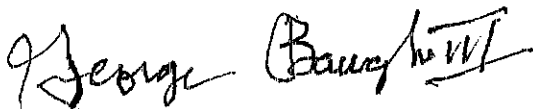
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes

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.

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 S.H.A.P.E. Community Center, 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 S.H.A.P.E. Community Center, 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.



George Baugh III
Certified Public Accountants

Houston, Texas

September 23, 2023

S.H.A.P.E. COMMUNITY CENTER, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE LONG YEAR ENDED DECEMBER 31, 2022

ASSETS

Current Assets:	
Cash	\$ 210,959
Accounts and Grants receivable	7,500
Employee advances & Other	-
Deposits	250
Total Current Assets	<u>218,709</u>
Property and Equipment	1,409,838
Less accumulated depreciation	<u>(1,155,610)</u>
Net property and equipment	254,228
Other Assets	6,000
Total Assets	<u>\$ 478,937</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 8,879
Accrued expenses	12,668
Payroll taxes payable	-
Short-term loans	-
Current portion of long-term debt (note 2)	<u>10,789</u>
Total current liabilities	32,336
Long-term debt (note 2)	<u>240,115</u>
Total Liabilities	272,451
Net Assets	
Without Donor Restrictions	206,486
With Donor Restrictions	-
Total net assets	<u>206,486</u>
Total Liabilities and Net Assets	<u>\$ 478,937</u>

The accompanying notes are an integral part of these financial statements

S.H.A.P.E. COMMUNITY CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE LONG YEAR ENDED DECEMBER 31, 2022

	Unrestricted
Revenues and support	
Contributions	\$ 392,556
Government grants	338,665
Grants & contracts	49,512
Program fees	105,263
Fundraising	-
Other Miscell.	3,324
Total revenue and support	<u>889,320</u>
Expenses	
Program Expenses	
Children, Youth & Family Services	519,989
Community service events	307,660
Total program expenses	<u>827,649</u>
Support Services	
Management and general	57,332
Total support services expenses	<u>57,332</u>
Fundraising Expenses	
Fundraising expenses	2,768
Total fundraising expenses	<u>2,768</u>
Total Expenses	<u>887,749</u>
Increase/(decrease) in net assets	1,571
Net assets at the beginning of year	204,915
Net assets at the end of year	<u>\$ 206,486</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 LONG YEAR ENDED DECEMBER 31, 2022

DESCRIPTION	PROGRAM SERVICES				2022 Total
	Children Youth & family Services	Community Services Events	Management And General	Fund Raising Expenses	
Salaries	\$ 332,456	\$ 130,091	\$ 19,273	\$ -	\$ 481,820
Payroll taxes & benefits	38,401	15,026	2,226	-	55,653
Total Salaries and related expenses	370,856	145,118	21,499	-	537,473
Contractual Services payments	29,172	2,917	16,531	-	48,620
Supplies/Program expenses	2,784	12,445	819	328	16,375
Occupancy	31,663	78,572	4,691	2,345	117,271
Travel/vehicle	10,466	324	-	-	10,790
Community assistance	-	42,052	-	-	42,052
Interest	4,735	1,610	3,030	95	9,470
Insurance	29,004	11,770	1,261	-	42,035
Office Supplies Expenses	1,483	599	311	-	2,393
Total expenses before depreciation	480,164	295,406	48,142	2,768	826,480
Depreciation	39,825	12,254	9,190	-	61,269
Total Expenses	\$ 519,989	\$ 307,660	\$ 57,332	\$ 2,768	\$ 887,749

S.H.A.P.E. COMMUNITY CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE LONG YEAR ENDED DECEMBER 31, 2022

Cash flows from operating activities:	
Change in net assets	\$ 1,571
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	61,269
Decrease in Accounts & Grants receivable	2,500
Increase in employee advances & Other	(6,000)
Decrease in deposits	-
Decrease in accounts payable	(10,451)
Increase in accrued expenses	7,243
Decrease in payroll taxes payable	(2,381)
	<u>52,180</u>
Net cash provided by operating activities	<u>53,751</u>
Cash flows from investing activities:	
Increase in capital expenditures	(91,542)
Acquisition of fixed assets and inventory	-
Increase in other	-
	<u>-</u>
Net cash and cash equivalents provided (used) by investing activities	<u>(91,542)</u>
Cash flows from financing activities:	
Decrease in short-term debt	-
Proceeds from notes	-
Decrease in long-term debt	(8,296)
Net cash used by financing activities	<u>(8,296)</u>
Decrease in cash	<u>(46,087)</u>
Cash at beginning of year	<u>257,046</u>
Cash at end of year	<u>\$ 210,959</u>
Interest paid	<u>\$ 9,470</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
DECEMBER31, 2022

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 December31, 2022. 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 December31, 2022.

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.
(A TEXAS NON-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 December 31, 2022.

Accounts Receivable

Accounts receivables are recorded net of the allowance for uncollectible. The allowance was zero for the year ended December 31, 2022.

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

S.H.A.P.E. COMMUNITY CENTER, INC.
(A TEXAS NON-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 – Notes Payable and Short Term Loans

As of December 31, 2022, the Agency had notes payable balances due to Frost Bank and the Small Business Administration in the amount of \$259,200. The notes payable are secured by land and buildings at 3815 Live Oak and 3903 Almeda Road, Houston, Texas and other Agency assets.

	Current Portion	Non-Current Portion	Total
Notes Payable Frost Bank due in Monthly payments of \$797 including interest at a rate 3.69% collateralized by the assets. First payment August 12, 2021, matures July 12, 2026	<u>\$ 5,880</u>	<u>\$ 95,024</u>	<u>\$ 100,904</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>\$ 4,909</u>	<u>\$145,091</u>	<u>\$ 150,000</u>
Totals	<u>\$ 10,789</u>	<u>\$ 240,115</u>	<u>\$ 250,904</u>

Aggregate maturities of long-term debt for the five years ending December 31, 2027 are as follows: 2023 \$10,789, 2024 \$9,705, 2025 \$10,034, 2026 \$85,420 and 2027 3,998. The remaining balance is \$130,958.

S.H.A.P.E. COMMUNITY CENTER, INC.
 (A TEXAS NON-PROFIT CORPORATION)
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2022

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 December 31, 2022 of \$7,500 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 December 31, 2022.

Building	\$ 1,240,627
Building Improvements	119,795
Land	<u>49,416</u>
Total Fixed Assets	1,409,838
Accumulated Depreciation	<u>(1,155,610)</u>
Net Fixed Assets	\$ <u>254,228</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 December 31, 2022.

S.H.A.P.E. COMMUNITY CENTER, INC.
 (A TEXAS NON-PROFIT CORPORATION)
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2022

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 December 31, 2022.

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	\$ 210,959
Grant receivables	<u>7,500</u>
Total Financial assets	<u>218,459</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>\$ 218,459</u>

S.H.A.P.E. COMMUNITY CENTER, INC.
(A TEXAS NON-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 September 23, 2023 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 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.

NOTE 10- Change of Fiscal Year to Callender Year

As of 2022 , the Company changed its fiscal year from September 1 to August 31 to January 1 to December 31. As a result, this reporting period is from September 1, 2021 to December 31, 2022. The long year is a 16 month period.