1. I drew a rectangle with a stroke and no fill
2. I cut the shape using the knife tool (nested under the eraser tool)
3. I separated the shapes in isolation mode (CRAZY click!!!)
4. I typed my text in separate text boxes
5. I arranged the text boxes to roughly be centered in the shapes
6. I sent the text to the back (Object > Arrange > Send to Back)
7. Object > Envelope Distort > Make with Top Object
8. I made alterations to the warp by adjusting anchor points on the frame, using the ‘Direct Selection Tool’ (white arrow)
9. Additional alterations were made to specific letters by placing the word in isolation mode and then creating outlines on the type (Type > Create Outlines) and adjusting anchor points on individual letters

Wanna add color? You need to do this before the Envelope Distort step. I used gradients here!

PSST! You can also explore options in the ‘Effects’ menu....