



**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization**

**CONSOLIDATED FINANCIAL STATEMENTS**

**August 31, 2023 and 2022**



|  | Page |
|--|------|
| <b>REPORT</b>  |      |
| Independent Auditor’s Report .....   | 1    |
| <b>CONSOLIDATED FINANCIAL STATEMENTS</b>   |      |
| Consolidated Statements of Financial Position .....  | 4    |
| Consolidated Statements of Activities .....  | 6    |
| Consolidated Statements of Functional Expenses .....   | 7    |
| Consolidated Statements of Cash Flows .....  | 9    |
| Notes to Consolidated Financial Statements .....   | 10   |
| <b>SUPPLEMENTAL INFORMATION</b>  |      |
| Schedule of Expenditures of Federal Awards .....   | 29   |
| Notes to Schedule of Expenditures of Federal Awards .....  | 30   |
| Independent Auditor’s Report on Internal Control Over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of Consolidated Financial<br>Statements Performed in Accordance with <i>Government Auditing Standards</i> ..... | 32   |
| Independent Auditor’s Report on Compliance for the Major Program and on<br>Internal Control Over Compliance Required by the Uniform Guidance .....   | 34   |
| Schedule of Findings and Questioned Costs .....  | 37   |
| Corrective Action Plan .....   | 40   |



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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
SER-Jobs for Progress of the Texas Gulf Coast, Inc.  
Houston, Texas

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of SER-Jobs for Progress of the Texas Gulf Coast, Inc., Subsidiary, and Support Organization (collectively, "SER"), which comprise the consolidated statements of financial position as of August 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SER-Jobs for Progress of the Texas Gulf Coast, Inc., Subsidiary, and Support Organization as of August 31, 2023, and the changes in its net assets 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 SER 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.

#### **Adjustments to Prior Period Financial Statements**

The consolidated financial statements of SER as of August 31, 2022 were audited by other auditors whose report dated February 27, 2023, expressed an unmodified opinion on those consolidated financial statements. As more fully described in Note 3 to the consolidated financial statements, the consolidated financial statements have been retrospectively adjusted to correct the classification of net assets. The other auditors reported on the financial statements before the retrospective adjustment.

As part of our audit of the 2023 consolidated financial statements, we also audited the adjustments to the 2022 consolidated financial statements to retrospectively apply the change in accounting as described in Note 3. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to SER's 2022 consolidated financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2022 consolidated financial statements as a whole.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SER's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 and *Government 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 SER'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SER'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.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2024, on our consideration of SER's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SER's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SER's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

Houston, Texas  
March 13, 2024

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Consolidated Statements of Financial Position**

| <i>August 31,</i>                        | <b>2023</b>          | 2022<br>(Restated) |
|--|----------------------|--------------------|
| <b>Assets</b>                            |                      |                    |
| Current assets                           |                      |                    |
| Cash and cash equivalents                | \$ 543,244           | \$ 3,637,059       |
| Restricted cash                          | 145,649              | 188,867            |
| Certificates of deposit                  | 1,158,613            | 250,000            |
| Investments                              | 2,081,911            | -                  |
| Federal grants receivable                | 298,591              | 1,940,091          |
| Promises to give                         | 1,008,262            | 1,148,235          |
| Prepaid expenses and deposits            | 32,640               | 34,265             |
| Total current assets                     | <b>5,268,910</b>     | 7,198,517          |
| Property and equipment, net              | <b>16,304,515</b>    | 16,329,647         |
| Other assets                             |                      |                    |
| Note receivable                          | 6,587,500            | 6,587,500          |
| Promises to give, net                    | -                    | 66,366             |
| Operating lease right of use assets, net | 54,953               | -                  |
| Total other assets                       | <b>6,642,453</b>     | 6,653,866          |
| Total assets                             | <b>\$ 28,215,878</b> | \$ 30,182,030      |

(Continued)

*The accompanying notes are an integral part of these consolidated financial statements.*

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Consolidated Statements of Financial Position (Continued)**

| <i>August 31,</i>                                    | <b>2023</b>          | 2022<br>(Restated) |
|--|----------------------|--------------------|
| <b>Liabilities and net assets</b>                    |                      |                    |
| Current liabilities                                  |                      |                    |
| Accounts payable                                     | \$ 390,044           | \$ 1,612,343       |
| Accrued liabilities                                  | 193,626              | 156,074            |
| Deferred revenues                                    | 525                  | 2,154              |
| Line of credit                                       | 947,152              | 742,500            |
| Current maturities of operating lease liabilities    | 33,537               | -                  |
| Current portion of long-term debt                    | 97,954               | 77,194             |
| Total current liabilities                            | <b>1,662,838</b>     | 2,590,265          |
| Long-term liabilities                                |                      |                    |
| Operating lease liabilities, less current maturities | 21,416               | -                  |
| Long-term debt, net, excluding current portion       | 9,556,253            | 9,633,857          |
| Total long-term liabilities                          | <b>9,577,669</b>     | 9,633,857          |
| Total liabilities                                    | <b>11,240,507</b>    | 12,224,122         |
| Commitments and contingencies                        |                      |                    |
| Net assets   |                      |                    |
| Without donor restrictions                           | 8,192,861            | 9,417,514          |
| With donor restrictions                              | 8,782,510            | 8,540,394          |
| Total net assets                                     | <b>16,975,371</b>    | 17,957,908         |
| Total liabilities and net assets                     | <b>\$ 28,215,878</b> | \$ 30,182,030      |

*The accompanying notes are an integral part of these consolidated financial statements.*

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Consolidated Statements of Activities**

|   | 2023                          |                            |                      | 2022  |  |                      |
|---|-------------------------------|----------------------------|----------------------|---|--|----------------------|
|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                | Without Donor<br>Restrictions<br>(Restated) | With Donor<br>Restrictions<br>(Restated) | Total<br>(Restated)  |
| <b>Operating revenue and support</b>        |                               |                            |                      |   |  |                      |
| Federal grant revenue - construction        | \$ -                          | \$ 295,160                 | \$ 295,160           | \$ -  | \$ 3,956,923                             | \$ 3,956,923         |
| Federal grant revenue - programs            | 4,357,820                     | -                          | 4,357,820            | 3,344,639                                   | -  | 3,344,639            |
| Contributions                               | 317,799                       | 3,449,251                  | 3,767,050            | 927,358                                     | 2,338,723                                | 3,266,081            |
| Contributions of non-financial assets       | 105,250                       | -                          | 105,250              | -   | -  | -                    |
| Rental income                               | -                             | -                          | -                    | 460,311                                     | -  | 460,311              |
| Investment return                           | 206,693                       | -                          | 206,693              | 89,730                                      | -  | 89,730               |
| Other income                                | 43,965                        | -                          | 43,965               | 43,249                                      | -  | 43,249               |
| Net assets released<br>from restrictions    | 3,502,295                     | (3,502,295)                | -                    | 2,794,406                                   | (2,794,406)                              | -                    |
| <b>Total operating revenue and support</b>  | <b>8,533,822</b>              | <b>242,116</b>             | <b>8,775,938</b>     | <b>7,659,693</b>                            | <b>3,501,240</b>                         | <b>11,160,933</b>    |
| <b>Expenses</b>                             |                               |                            |                      |   |  |                      |
| Program expenses                            |                               |                            |                      |   |  |                      |
| Employer education<br>and training services |                               |                            |                      |   |  |                      |
| Adult programs                              | 3,715,866                     | -                          | 3,715,866            | 2,497,265                                   | -  | 2,497,265            |
| Youth programs                              | 3,364,866                     | -                          | 3,364,866            | 2,505,835                                   | -  | 2,505,835            |
| Other programs                              | 269,368                       | -                          | 269,368              | 270,382                                     | -  | 270,382              |
| <b>Total program expenses</b>               | <b>7,350,100</b>              | <b>-</b>                   | <b>7,350,100</b>     | <b>5,273,482</b>                            | <b>-</b>                                 | <b>5,273,482</b>     |
| Community reinvestment                      | 330,547                       | -                          | 330,547              | 46,935                                      | -  | 46,935               |
| Management and general                      | 868,611                       | -                          | 868,611              | 898,037                                     | -  | 898,037              |
| Fundraising                                 | 655,963                       | -                          | 655,963              | 646,587                                     | -  | 646,587              |
| SERCDC                                      | 59,946                        | -                          | 59,946               | 91,559                                      | -  | 91,559               |
| SER QALICB                                  | 493,308                       | -                          | 493,308              | 486,492                                     | -  | 486,492              |
| <b>Total expenses</b>                       | <b>9,758,475</b>              | <b>-</b>                   | <b>9,758,475</b>     | <b>7,443,092</b>                            | <b>-</b>                                 | <b>7,443,092</b>     |
| Change in net assets from operations        | (1,224,653)                   | 242,116                    | (982,537)            | 216,601                                     | 3,501,240                                | 3,717,841            |
| <b>Nonoperating revenue and support</b>     |                               |                            |                      |   |  |                      |
| Gain on sale of property and equipment      | -                             | -                          | -                    | 2,685,544                                   | -  | 2,685,544            |
| Change in net assets                        | (1,224,653)                   | 242,116                    | (982,537)            | 2,902,145                                   | 3,501,240                                | 6,403,385            |
| Net assets at beginning of year             | 9,417,514                     | 8,540,394                  | 17,957,908           | 9,263,286                                   | 2,291,237                                | 11,554,523           |
| Prior period adjustment                     | -                             | -                          | -                    | (2,747,917)                                 | 2,747,917                                | -                    |
| <b>Net assets at end of year</b>            | <b>\$ 8,192,861</b>           | <b>\$ 8,782,510</b>        | <b>\$ 16,975,371</b> | <b>\$ 9,417,514</b>                         | <b>\$ 8,540,394</b>                      | <b>\$ 17,957,908</b> |

*The accompanying notes are an integral part of these consolidated financial statements.*



**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Consolidated Statement of Functional Expenses**

| <b>For the year ended August 31, 2023</b> | Employer, education and<br>training services |                     | Other<br>programs | Total program<br>expenses | Community<br>reinvestment | Management<br>and general | Fundraising       | SERCDC           | SER               |             | Total               |
|---|--|---------------------|-------------------|---------------------------|---------------------------|---------------------------|-------------------|------------------|-------------------|-------------|---------------------|
|   | Adult  | Youth               |                   |                           |                           |                           |                   |                  | QALICB            | -           |                     |
| Salaries and benefits                     | \$ 2,170,037                                 | \$ 1,942,993        | \$ 193,096        | \$ 4,306,126              | \$ -                      | \$ 1,321,093              | \$ 558,595        | \$ -             | \$ -              | \$ -        | \$ 6,185,814        |
| Facilities                                | 58,968                                       | 73,390              | 15,857            | 148,215                   | -                         | 143,515                   | 9,017             | 4,546            | -                 | -           | 305,293             |
| Equipment                                 | 128,373                                      | 13,314              | 1,480             | 143,167                   | 6,245                     | 4,796                     | 3,512             | -                | -                 | -           | 157,720             |
| Travel                                    | 16,666                                       | 14,440              | 109               | 31,215                    | -                         | 1,025                     | 660               | -                | -                 | -           | 32,900              |
| Insurance                                 | 31,654                                       | 36,748              | 4,109             | 72,511                    | 18,393                    | 17,351                    | 6,426             | -                | 1,429             | -           | 116,110             |
| Communications                            | 8,319  | 15,199              | 846               | 24,364                    | 15,727                    | 12,924                    | 809               | -                | -                 | -           | 53,824              |
| Office expense                            | 64,316                                       | 80,233              | 28,828            | 173,377                   | 4,765                     | 61,559                    | 9,535             | 238              | 38                | -           | 249,512             |
| Staff development                         | 9,499  | 3,956               | 221               | 13,676                    | -                         | 5,958                     | 1,784             | -                | -                 | -           | 21,418              |
| Outreach                                  | 29,498                                       | 15,357              | 2,968             | 47,823                    | 11,694                    | 802                       | 6,942             | -                | -                 | -           | 67,261              |
| Professional expenses                     | 77,961                                       | 30,115              | 2,707             | 110,783                   | 86,657                    | 108,860                   | 13,307            | 54,380           | 55,600            | -           | 429,587             |
| Training and support services             | 612,055                                      | 722,203             | 7,610             | 1,341,868                 | -                         | 5,462                     | 1,630             | -                | -                 | -           | 1,348,960           |
| Fundraising                               | -  | 180                 | -                 | 180                       | 4,500                     | 207                       | 41,140            | -                | -                 | -           | 46,027              |
| Interest expense                          | -  | -                   | -                 | -                         | 9,837                     | 67,829                    | -                 | -                | 98,867            | -           | 176,533             |
| Bank fees                                 | -  | -                   | 1,160             | 1,160                     | 145                       | 8,023                     | 2,185             | 340              | -                 | -           | 11,853              |
| Subcontract expenses                      | 15,702                                       | 4,616               | 600               | 20,918                    | -                         | 13,357                    | -                 | -                | -                 | -           | 34,275              |
| Depreciation and amortization             | -  | -                   | -                 | -                         | 171,084                   | -                         | -                 | -                | 337,374           | -           | 508,458             |
| Indirect cost allocation                  | 492,818                                      | 411,837             | 9,397             | 914,052                   | -                         | (914,052)                 | -                 | -                | -                 | -           | -                   |
| Miscellaneous                             | -  | 285                 | 380               | 665                       | 1,500                     | 9,902                     | 421               | 442              | -                 | -           | 12,930              |
| <b>Total functional expenses</b>          | <b>\$ 3,715,866</b>                          | <b>\$ 3,364,866</b> | <b>\$ 269,368</b> | <b>\$ 7,350,100</b>       | <b>\$ 330,547</b>         | <b>\$ 868,611</b>         | <b>\$ 655,963</b> | <b>\$ 59,946</b> | <b>\$ 493,308</b> | <b>\$ -</b> | <b>\$ 9,758,475</b> |

*The accompanying notes are an integral part of these consolidated financial statements.*

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Consolidated Statement of Functional Expenses**

|   | Employer, education and<br>training Services |                     |                   | Total program<br>expenses<br>(restated) | Community<br>reinvestment | Management<br>and general<br>(restated) | Fundraising       | SERCDC           | SER QALICB<br>(restated) | Total<br>(restated) |
|---|--|---------------------|-------------------|---|---------------------------|---|-------------------|------------------|--------------------------|---------------------|
|   | Adult<br>(Restated)                          | Youth<br>(Restated) | Other<br>programs |   |                           |   |                   |                  |                          |                     |
| <i>For the year ended August 31, 2022</i> |  |                     |                   |   |                           |   |                   |                  |                          |                     |
| Salaries and benefits                     | \$ 1,444,884                                 | \$ 1,533,673        | \$ 220,014        | \$ 3,198,571                            | \$ -                      | \$ 1,112,652                            | \$ 466,243        | \$ -             | \$ -                     | \$ 4,777,466        |
| Facilities                                | 72,235                                       | 57,077              | 19,839            | 149,151                                 | -                         | 57,378                                  | 14,367            | 19,128           | -                        | 240,024             |
| Equipment                                 | 33,072                                       | 19,840              | 1,699             | 54,611                                  | 14,276                    | 31,504                                  | 4,202             | -                | -                        | 104,593             |
| Travel                                    | 3,750  | 26,246              | 4                 | 30,000                                  | -                         | 1,510                                   | 672               | -                | -                        | 32,182              |
| Insurance                                 | 31,390                                       | 33,743              | 4,861             | 69,994                                  | -                         | 16,113                                  | 8,944             | 14,623           | 1,318                    | 110,992             |
| Communications                            | 11,298                                       | 13,667              | 1,698             | 26,663                                  | 6,674                     | 5,583                                   | 3,114             | -                | -                        | 42,034              |
| Office expense                            | 87,479                                       | 94,207              | 1,165             | 182,851                                 | -                         | 50,151                                  | 1,552             | -                | -                        | 234,554             |
| Staff development                         | 623  | 10,230              | 979               | 11,832                                  | -                         | 68,474                                  | 377               | -                | -                        | 80,683              |
| Outreach                                  | 19,608                                       | 25,996              | 3,601             | 49,205                                  | -                         | 25,242                                  | 1,404             | -                | -                        | 75,851              |
| Professional expenses                     | 1,385  | 1,903               | 4,599             | 7,887                                   | -                         | 140,848                                 | 52,886            | 38,936           | 50,600                   | 291,157             |
| Training and support services             | 451,674                                      | 320,975             | 3,779             | 776,428                                 | -                         | 3,839                                   | 818               | -                | -                        | 781,085             |
| Fundraising                               | -  | 3,595               | -                 | 3,595                                   | -                         | 739                                     | 54,233            | -                | -                        | 58,567              |
| Interest expense                          | -  | -                   | -                 | -                                       | 15,525                    | 34,698                                  | -                 | -                | 97,200                   | 147,423             |
| Bank fees                                 | 211  | 176                 | 846               | 1,233                                   | 10,455                    | 4,461                                   | 2,559             | 105              | -                        | 18,813              |
| Subcontract expenses                      | -  | 8,751               | 5,427             | 14,178                                  | -                         | 40,738                                  | -                 | -                | -                        | 54,916              |
| Depreciation and amortization             | -  | -                   | -                 | -                                       | -                         | -                                       | -                 | 18,578           | 337,374                  | 355,952             |
| Indirect cost allocation                  | 335,872                                      | 346,872             | 1,866             | 684,610                                 | -                         | (696,714)                               | 12,104            | -                | -                        | -                   |
| Miscellaneous                             | 3,784  | 8,884               | 5                 | 12,673                                  | 5                         | 821                                     | 23,112            | 189              | -                        | 36,800              |
| <b>Total functional expenses</b>          | <b>\$ 2,497,265</b>                          | <b>\$ 2,505,835</b> | <b>\$ 270,382</b> | <b>\$ 5,273,482</b>                     | <b>\$ 46,935</b>          | <b>\$ 898,037</b>                       | <b>\$ 646,587</b> | <b>\$ 91,559</b> | <b>\$ 486,492</b>        | <b>\$ 7,443,092</b> |

*The accompanying notes are an integral part of these consolidated financial statements.*

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Consolidated Statements of Cash Flows**

| <i>For the years ended August 31,</i>  | <b>2023</b>        | <b>2022</b>         |
|--|--------------------|---------------------|
| <b>Operating activities</b>  |                    |                     |
| Changes in net assets  | \$ (982,537)       | \$ 6,403,385        |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities                                  |                    |                     |
| Gain on sale of property and equipment   | -                  | (2,685,544)         |
| Depreciation   | 488,132            | 335,626             |
| Amortization of debt issuance costs  | 20,326             | 20,326              |
| Amortization of operating lease right of use assets  | 32,419             | -                   |
| Realized and unrealized gain on investments  | (74,545)           | -                   |
| Changes in operating assets and liabilities  |                    |                     |
| Federal grants receivable  | 1,641,500          | (13,347)            |
| Promises to give   | 206,339            | (228,552)           |
| Prepaid expenses and deposits  | 1,625              | 6,108               |
| Accounts payable and accrued liabilities   | (1,184,747)        | 258,953             |
| Deferred revenues  | (1,629)            | 22,206              |
| Operating lease liabilities  | (32,419)           | -                   |
| <b>Net cash provided by operating activities</b>   | <b>114,464</b>     | <b>4,119,161</b>    |
| <b>Investing activities</b>  |                    |                     |
| Purchase of certificates of deposit  | (908,613)          | (250,000)           |
| Purchase of investments  | (3,489,043)        | -                   |
| Cash proceeds on sale of investments   | 1,481,677          | -                   |
| Purchases of property and equipment  | (463,000)          | (4,213,673)         |
| Cash proceeds on sale of property and equipment  | -                  | 2,758,960           |
| <b>Net cash used in investing activities</b>   | <b>(3,378,979)</b> | <b>(1,704,713)</b>  |
| <b>Financing activities</b>  |                    |                     |
| Repayments on long-term debt   | (77,170)           | (76,409)            |
| Net borrowings on line of credit   | 204,652            | 487,326             |
| <b>Net cash provided by financing activities</b>   | <b>127,482</b>     | <b>410,917</b>      |
| <b>Net change in cash and cash equivalents</b>   | <b>(3,137,033)</b> | <b>2,825,365</b>    |
| <b>Cash and cash equivalents at beginning of year</b>  | <b>3,825,926</b>   | <b>1,000,561</b>    |
| <b>Cash and cash equivalents at end of year</b>  | <b>\$ 688,893</b>  | <b>\$ 3,825,926</b> |
| <b>Supplemental disclosures of cash flow information</b>   |                    |                     |
| Cash paid during the year for interest   | \$ 176,533         | \$ 147,423          |
| <b>Reconciliation of cash and cash equivalents to amounts reported in the consolidated statements of financial position:</b> |                    |                     |
| Cash and cash equivalents  | \$ 543,244         | \$ 3,637,059        |
| Restricted cash  | 145,649            | 188,867             |
|  | <b>\$ 688,893</b>  | <b>\$ 3,825,926</b> |

*The accompanying notes are an integral part of these consolidated financial statements.*

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Notes to Consolidated Financial Statements**

**Note 1: DESCRIPTION OF ORGANIZATION**

***Organization***

SER-Jobs for Progress of the Texas Gulf Coast, Inc. (SER-Jobs) is a Texas nonprofit corporation. SER-Jobs provides career counseling and job placement services for economically disadvantaged residents of Harris and surrounding counties. SER-Jobs is supported primarily through contributions and grants from governmental entities, foundations, corporations, and United Way of Greater Houston. Federal grants amounted to approximately 53% and 65% of SER-Jobs' total operating revenues for the year ended August 31, 2023 and 2022, respectively.

SERCORP of Houston, Inc. (SERCORP) was organized in February 1992 as a for-profit Texas corporation and was a 100% owned subsidiary of SER-Jobs. SERCORP owned land and several buildings and leased office space to SER-Jobs and one other unrelated entity. These land and buildings were sold in 2022. SERCORP did not receive federal grant revenues. On July 25, 2016, SERCORP was converted into a not-for-profit entity, SER Community Development Corporation (SERCDC). In August 2023 SERCDC filed and was approved a request for recognition of a reclassification of its public charity status from a Section 509(a)(2) public charity to a Type I supporting organization within the meaning of Section 509(a)(3)(B)(i) of the Code, effective as of August 10, 2023. SER-Jobs is the sole member of (SERCDC).

SER QALICB is a Texas nonprofit corporation and is organized and operated exclusively for the support and benefit of SER-Jobs. SER QALICB was formed on April 19, 2017 and qualifies as an active low-income community business for the purposes of generating certain tax credits called New Markets Tax Credits (NMTCs) under section 45D of the Internal Revenue Code of 1986, as amended. See Note 6 for more details about the NMTCs arrangement.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

***Principles of Consolidation***

The consolidated financial statements include the accounts of SER-Jobs, SERCDC, its wholly-owned subsidiary, and SER QALICB, its support organization (collectively, "SER"). All significant intercompany accounts and transactions have been eliminated.

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Notes to Consolidated Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Use of Estimates***

The preparation of U.S. GAAP consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to contributions of non-financial assets, allocation of functional expenses, useful lives of property and equipment and operating lease right of use assets, collectability of grants receivable and promises to give and fair value of investments.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

***Restricted cash***

Restricted cash is segregated under the NMTCs agreement to pay for asset management and accounting fees due by the borrower on NMTC loans (Note 9).

***Certificates of Deposit***

SER's certificates of deposit have an original maturity of twelve months.

***Investments***

Investments in marketable securities are recorded at fair value. Investment returns include interest, dividends, and realized and unrealized gains or losses. Investment return is reported in the consolidated statements of activities as an increase in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase in net assets with donor restrictions until expended in accordance with the donor-imposed restrictions.

***Federal Grants Receivable***

Federal grants receivable are stated at unpaid balances, less an allowance for doubtful accounts. SER provides for losses on grants receivable using the allowance method. The allowance is based on experience, contracts with grantors, and other circumstances, which may affect the ability of grantors to meet their obligations.

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Notes to Consolidated Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Federal Grants Receivable (continued)***

Grant receivables are considered impaired if billings are not collected in accordance with the contractual terms. It is SER's policy to charge off uncollectible grants receivable when management determines the receivable will not be collected. Management considers all grants receivable to be collectible at August 31, 2023 and 2022, and therefore no allowance has been recorded in the accompanying consolidated financial statements.

***Promises to Give***

Conditional promises to give are not recognized in the consolidated financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates may be written off by management unless the donors indicate that payment is merely postponed. Management of SER considers the promises to give to be fully collectible at August 31, 2023 and 2022; accordingly, no allowance for doubtful accounts has been recorded. The long-term promises to give, net of \$66,366 at August 31, 2022 were collected in 2023.

***Property and Equipment***

Property and equipment are recorded at cost if purchased or at fair market value at the time of donation. Depreciation is calculated on a straight-line basis of depreciation over the estimated useful life of the respective asset. The estimated useful lives of the assets are 39 years for the buildings, building improvements range from 5 to 39 years, and from 5 to 7 years for furniture, fixtures and equipment. Property and equipment expenditures greater than \$5,000 are capitalized. Maintenance and repairs are charged to expense when incurred.

Equipment purchases made from federal grant funds, where SER does not have title to the equipment and is legally obligated to return it to the funding source at the end of the grant period, are accounted for as expenses at the time of acquisition.

Included in property and equipment is building, with net book value totaling \$7,244,118, which was constructed with restricted federal funding. If SER does not continue to use such property in its operations, proceeds from the sale of the property will revert to the grantor for the amounts contributed.

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Notes to Consolidated Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Note Receivable***

SER has a financing receivable related to NMTCs (Note 6) included in the accompanying consolidated statements of financial position. SER evaluates the credit quality of its financing receivables based on a combination of factors, including, but not limited to the quality of the pledge collateral. SER considers the credit quality of such arrangements to be good, therefore no allowance for credit losses has been recognized. Principal repayments on the note receivable are not due until December 2024.

SER recognizes interest income as earned and does not record interest income for impaired financing receivables. Financing receivables are placed on nonaccrual status, with interest no longer accruing, generally as a result of delinquent payments. A financing receivable is considered to be impaired when SER determines that it is probable that it will not be able to collect amounts due under the contractual terms. If cash is received, the financing receivable balance is reduced and related credit allowance adjusted accordingly. The financing receivable was not in a nonaccrual status at August 31, 2023 and 2022.

***Leases before adoption of FASB ASC 842***

During the year ended August 31, 2022, SER leased equipment. Certain operating lease agreements are structured to include scheduled rent increases over the term of the lease agreement. When significant, such rent changes are recognized on a straight-line basis over the term of the lease agreement with the difference reflected as deferred rent liability.

***Leases after adoption of FASB ASC 842***

SER leases equipment. SER determines if an arrangement is a lease at inception. Operating leases are included in operating lease right of use (ROU) assets and operating lease liabilities on the consolidated statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, SER uses risk-free rates based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that SER will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

SER's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Notes to Consolidated Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Leases after adoption of FASB ASC 842 (continued)***

In evaluating contracts to determine if they qualify as a lease, management considers factors such as if SER has obtained substantially all of the rights to the underlying asset through exclusivity, if SER can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

***Impairment of Long-Lived Assets***

SER's long-lived assets are evaluated for impairment in accordance with generally accepted accounting principles which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. This review requires significant judgments both in assessing events and circumstances as well as estimating future cash flows. Should events indicate that any of the assets are impaired, the amount of such impairment will be measured as the difference between the carrying value and the fair value of the impaired asset and the impairment will be recorded in earnings during the period of such impairment. No impairment of long-lived assets was noted for the years ended August 31, 2023 and 2022.

***Deferred Revenues***

Deferred revenues represent prepaid government grants that were not earned by fiscal year-end and paid contributions for fundraising events. Fundraising income is recognized in the period the event occurs. Deferred revenue balance amounted to \$525 and \$2,154 as of August 31, 2023 and 2022, respectively.

***Unamortized Closing Costs***

SER has unamortized closing costs related to costs incurred to complete the NMTCs arrangement and pay for closing costs (Note 9) which are to be amortized over 39 years of the life of the building once construction is complete. Construction was completed in 2019. Closing costs amortized for the each of the years ended August 31, 2023 and 2022 was \$20,326. As of August 31, 2023 and 2022, unamortized closing costs which are presented net of long-term debt (Note 9) amounted to \$199,871 and \$220,197, respectively.

***Net Assets***

SER reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.



**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Notes to Consolidated Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Net Assets (continued)***

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of SER, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service, unless the donor has also placed a time restriction on the use of the long-lived asset in which case net assets with donor restrictions are released from restrictions over the life of the time restriction.

***Operating and Nonoperating Activities***

The consolidated statement of activities presents the changes in net assets of SER from operating activities and nonoperating activities. Operating revenues and expenses relate primarily to career counseling and job placement services provided by the entity.

Nonoperating activities for the year ended August 31, 2022 represents the sale of buildings of SERCDC and the corresponding gain recognized for the year.

***Revenue Recognition***

SER recognizes contributions when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been met. Contributions received are recognized as increases in net assets with donor restrictions or without donor restrictions depending on the existence and / or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Notes to Consolidated Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Revenue Recognition (continued)***

SER's government grant revenues are primarily derived from federal grants which represent benefits received as a result of the assets transferred and is not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Grants and contracts are analyzed for measurable performance-related barriers or other barriers. Grants and contracts received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase in net assets without donor restrictions. Revenue is recognized as barriers are met. Funds received from non-exchange transactions in advance of barriers being met are recorded as refundable advances. Cost-reimbursable grants awards totaling \$5,084,642 and \$4,124,954 have not been recognized as revenues at August 31, 2023 and 2022, respectively, because the qualifying expenditures have not yet been incurred.

***Contributions of Non-financial Assets***

Donated materials, use of facilities and of services are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration, and fundraising for which no amount has been recognized in the consolidated financial statements because the donated services did not meet the criteria for recognition under generally accepted accounting principles.

For the year ended August 31, 2023, SER received \$105,250 in tablets from a donor for a special project. Assets were valued based on market value information provided by the donor. No contribution of non-financial assets were received in 2022.

***Functional Allocation of Expenses***

Directly identifiable expenses are charged to programs and supporting services. The expenses that are allocated are personnel expenses, which are allocated on the basis of time and effort; occupancy, which is allocated based on square footage occupied by the program; cost of communications, which is allocated based on the users; equipment lease, allocated based on program usage; supplies, which is allocated based on full time employees; and insurance, which is allocated based on program usage.

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Notes to Consolidated Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Vacation and Sick Leave Benefits***

SER-Jobs provides vacation and sick leave benefits to its employees. The cost of vacation benefits is recorded when such benefits are earned and are payable upon employee termination. The cost of sick leave benefits, which are not payable upon employee termination, is recorded when such benefits are taken. Accrued vacation benefits totaled \$108,632 and \$101,980 as of August 31, 2023 and 2022, respectively, and are included in accrued liabilities in the consolidated statements of financial position.

***Federal Income Taxes***

SER-Jobs, SER QALICB and SERCDC are exempt from federal income tax under 510(a) of the Internal Revenue Code as an organization described in section 501(c)(3) and comparable state law. Therefore, no provision for federal income tax has been made in these financial statements.

SER utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the consolidated financial statements when it is more likely than not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of August 31, 2023 and 2022, SER has no uncertain tax provisions that qualify for recognition or disclosure in the consolidated financial statements.

***Subsequent Events***

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, March 13, 2024 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

***Recent Accounting Pronouncements***

In February 2016, the FASB issued guidance ASC 842, *Leases* to increase transparency and comparability among organizations by requiring the recognition of right of use (ROU) assets and lease liabilities on the consolidated statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of consolidated financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Notes to Consolidated Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recent Accounting Pronouncements (continued)***

SER adopted the standard effective September 1, 2022 and recognized and measured leases existing at, or entered into after, September 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended August 31, 2022 are made under prior lease guidance in FASB ASC 840.

SER elected the available practical expedients to account for operating leases as operating leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, SER recognized on September 1, 2022, operating lease assets and liabilities of \$87,372, which represents the present value of the remaining operating lease payments, discounted using the applicable risk-free rates.

The standard had a material impact on SER's consolidated statements of financial position, but did not have an impact on the consolidated statements of activities, consolidated statements of functional expenses or the consolidated statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

***Reclassifications***

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current year's presentation. Such reclassifications have no effect on the change in net assets as previously stated in the prior year's consolidated financial statements.

**NOTE 3: PRIOR PERIOD ADJUSTMENT**

For the year ended August 31, 2023, SER-Jobs performed a detailed analysis of funds received from donors, including federal revenues, received in prior years. As a result of this analysis, it was discovered that \$2,747,917 of federal grants received for construction of a building and to use the constructed building for 20 years after being placed in service were incorrectly released to net assets without donor restrictions in years prior to August 31, 2021. Additionally, \$3,956,923 of federal grants received for construction of a building and to use the constructed building for 20 years after being placed in service were incorrectly recorded under net assets without donor restrictions for the year ended August 31, 2022. Furthermore, \$470,000 of net assets without donor restrictions were incorrectly recorded as net assets with donor restrictions for the year ended August 31, 2022.

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Notes to Consolidated Financial Statements**

**NOTE 3: PRIOR PERIOD ADJUSTMENT (Continued)**

Accordingly, SER-Jobs restated its consolidated financial statements as of and for the year ended August 31, 2022. The cumulative effect of the correction was to:

- Increase beginning net assets with donor restrictions and decrease beginning net assets without donor restrictions at September 1, 2021 by \$2,747,917.
- Increase the change in net assets with donor restrictions and decrease the change in net assets without donor restrictions by \$3,486,923 for the year ended August 31, 2022.
- Increase beginning net assets with donor restrictions and decrease beginning net assets without donor restrictions at September 1, 2022 by \$6,234,840.

**Note 4: LIQUIDITY AND AVAILABILITY OF RESOURCES**

As part of SER's liquidity management, it has a policy to structure its financial assets to be available for its general expenditures and other obligations that come due. For purposes of analyzing resources available to meet general expenditures over a twelve month period, SER considers all expenditures related to its ongoing activities of adult, youth, and other programs, to be general expenditures. SER's spending is based on its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures. The costs are outlined in the program budgets. SER invests cash in excess of daily requirements in short-term and long-term investments.

SER has the following financial assets available within one year of the consolidated statements of financial position date to meet cash needs for general expenditure:

| <i>August 31,</i>  | <b>2023</b>         | 2022<br>(Restated)  |
|--|---------------------|---------------------|
| Cash and cash equivalents  | \$ 543,244          | \$ 3,637,059        |
| Certificates of deposit  | 1,158,613           | 250,000             |
| Investments  | 2,081,911           | -                   |
| Federal grants receivable  | 298,591             | 1,940,091           |
| Promises to give   | 1,008,262           | 1,148,235           |
| Less: unavailable for general expenditures within one year due to: |                     |                     |
| Timing restrictions  | (1,940,843)         | (1,560,554)         |
| Purpose restrictions   | (75,000)            | (275,000)           |
| <b>Amounts available for general expenditure within one year</b>   | <b>\$ 3,074,778</b> | <b>\$ 5,139,831</b> |

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Notes to Consolidated Financial Statements**

**Note 4: LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)**

SER also has access to a \$1,000,050 and \$1,500,000 line of credit facility at August 31, 2023 and 2022, respectively, which it could draw upon in the event of an unanticipated liquidity need. The available line of credit facility amounts were \$52,898 and \$757,500 as of August 31, 2023 and 2022, respectively. See Note 10 for more details.

**Note 5: INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Fair value is the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

*Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

*Level 2:* Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
  - observable; or
  - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value at August 31, 2023.

The fair values of SER's investment in U.S. treasury bills are based on quoted market prices in active markets, and are included in the Level 1 fair value hierarchy as the market for U.S. treasury bills is an actively traded market given the high level of daily trading volume.

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Notes to Consolidated Financial Statements**

**Note 5: INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

SER's level 2 investments in agency securities consist of debt securities issued by Fannie Mae and Freddie Mac. These assets are traded in non-active markets and are valued based on quoted market prices, recent trading activity for identical or similar instruments, broker dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Assets measured at fair value on a recurring basis are as follows:

| <i>August 31, 2023</i>                     | Quoted Market<br>Prices in<br>Active Markets<br>(Level 1) | Other<br>Observable<br>Inputs<br>(Level 2) | Unobservable<br>Inputs<br>(Level 3) | <b>Total</b>        |
|--|---|--|-------------------------------------|---------------------|
| U.S Treasury bills                         | \$ 776,103  | \$ -                                       | \$ -                                | <b>\$ 776,103</b>   |
| Agency securities                          | -   | 1,305,808                                  | -                                   | <b>1,305,808</b>    |
| <b>Total assets measured at fair value</b> | <b>\$ 776,103</b>   | <b>\$ 1,305,808</b>                        | <b>\$ -</b>                         | <b>\$ 2,081,911</b> |

SER did not have investments as of August 31, 2022.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although SER believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Management evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfers relative to total assets. For the year ended August 31, 2023, there were no significant transfers in or out of Levels 1, 2 or 3.

SER's remaining financial instruments (primarily cash and cash equivalents, certificates of deposit, receivables and payables) are carried in the accompanying consolidated financial statements at amounts which reasonably approximate fair value.

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Notes to Consolidated Financial Statements**

**NOTE 6: NEW MARKETS TAX CREDITS**

In January 2017, New Markets Support Company approved an allocation of \$7.7 million and Capital One New Market Investments allocated \$2 million in New Market Tax Credits (NMTCs) for SER's Workforce Opportunity Center. SER closed on the NMTCs funding on July 13, 2017. The purpose of the NMTCs transactions is to provide funds to SER to finance the acquisition, development and construction of the Telephone Road facility that will be used as a Workforce Opportunity Center benefitting persons at least 51% of whom must be members of low-income families. Prior to entering the NMTCs transactions, SER-Jobs transferred the Telephone Road building and all related improvements to SER QALICB. These transfers were recorded at carrying amounts on the date of transfer. Concurrently, SER-Jobs entered into a 75 year lease arrangement with SER QALICB for the use of Telephone Road facility.

Under the NMTCs arrangement, SER-Jobs received a \$4,840,242 loan from Local Initiatives Support Corporation (LISC) (Note 9). Of these funds, \$4,767,638 along with \$1,819,862 of reimbursement from SER QALICB were used to make a loan of \$6,587,500 to COCRF Investor 86, LLC (Investment Fund) (Note 8). Using these proceeds, in addition to \$3,412,500 of contributions from Capital One, National Association (Investor Member), the Investment Fund made an equity investment of \$8 million and \$2 million, respectively, in New Market Investment 107, LLC, and COCRF SubCDE 56, LLC (collectively "SubCDE's"). New Markets Investment 107, LLC, and COCRF SubCDE 56, LLC used these funds to make a loan of \$7,720,000 and \$2,000,000, respectively (collectively "QLICI Loans") to SER QALICB (Note 9). SER QALICB utilized these funds to reimburse \$1,998,636 to SER-Jobs and paid NMTCs and closing costs of \$304,888 (Note 2 – Unamortized Closing Costs)

The QLICI loans are intended to qualify as a "qualified low-income community investment" under the NMTCs arrangement. To qualify, SER must comply with certain representations, warranties, and covenants. These include, but are not limited to, a covenant that at least 51% of the benefitting persons from the Workforce Opportunity Center must be members of low-income families for 7 years after the Telephone Road building is placed in service. If, as a result of the breach of the agreement or loan documents by SER, the lender is required to recapture all or any part of the NMTCs previously claimed by the Lender, SER agrees to pay to the Lender an amount equal to the sum of the credits recaptured. Additionally, the QLICI lenders have a security interest in the assets of SER QALICB as noted in Note 9 below.

Lastly, with regards to the NMTCs, SER has agreed to grant to the Investor Member an option (put option) to sell its investor interest in the Investment Fund to SER for a price of \$1,000, plus other costs as stated in the agreement. Following 180 days of the expiration of the put option period or the rejection of put notice by the Investor Member, whichever is earlier, SER has the right to purchase the Investor Interest in the Investment Fund, subject to certain conditions as defined in the agreement, for an amount equal to the fair market value of the Investor Interest, as determined by an independent appraiser.



**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Notes to Consolidated Financial Statements**

**NOTE 7: PROPERTY AND EQUIPMENT**

Property and equipment are comprised as follows:

| <i>August 31,</i>                  | <b>2023</b>          | <b>2022</b>          |
|------------------------------------|----------------------|----------------------|
| Building and building improvements | \$ 16,023,037        | \$ 8,630,577         |
| Land                               | 720,732              | 720,732              |
| Furniture, fixtures and equipment  | 1,542,001            | 881,404              |
| Construction in progress           | 18,571               | 7,608,628            |
|                                    | <b>18,304,341</b>    | 17,841,341           |
| Accumulated depreciation           | 1,999,826            | 1,511,694            |
| Property and equipment, net        | <b>\$ 16,304,515</b> | <b>\$ 16,329,647</b> |

Depreciation expense was \$488,132 and \$335,626 for the years ended August 31, 2023 and 2022, respectively.

**NOTE 8: NOTE RECEIVABLE**

Note receivable consisted of the following:

| <i>August 31,</i>   | <b>2023</b>         | <b>2022</b>         |
|---|---------------------|---------------------|
| Note receivable dated July 13, 2017 from the Investment Fund in relation to the NMTCs Program (Note 6). Interest is 1.475405% per annum and is due quarterly. Quarterly debt service payments including interest range from \$21,238 to \$83,142. Principal payments begin December 2024, with final payment due June 15, 2052. Prepayments on the note are allowed. The note is secured by Investment Fund's entire interest in SubCDE's (Note 6). | <b>\$ 6,587,500</b> | <b>\$ 6,587,500</b> |

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Notes to Consolidated Financial Statements**

**NOTE 9: LONG-TERM DEBT**

Long-term debt consisted of the following:

| <i>August 31,</i>  | <b>2023</b>         | <b>2022</b>         |
|--|---------------------|---------------------|
| <b>Note payable by SER QALICB :</b>  |                     |                     |
| Note payable dated July 13, 2017 to New Market Investment 107 LLC, in relation to the NMTCs Program (Note 6). Interest is 1.0% per annum and is due quarterly. Quarterly debt service payments including interest range from \$19,300 to \$118,999. Principal payments begin July 2024 with final payment due July 12, 2052. Prepayments on the loan are not allowed. The note is secured by all assets of SER QALICB. | <b>\$ 7,720,000</b> | <b>\$ 7,720,000</b> |
| <b>Note payable by SER QALICB :</b>  |                     |                     |
| Note payable dated July 13, 2017 to COCRF SubCDE 56, LLC, in relation to the NMTCs Program (Note 6). Interest is 1.0% per annum and is due quarterly. Quarterly debt service payments including interest range from \$3,294 to \$20,361. Principal payments begin December 2024 with final payment due July 12, 2052. Prepayments on the loan are not allowed. The note is secured by all assets of SER QALICB.        | <b>1,317,500</b>    | <b>1,317,500</b>    |
| <b>Note payable by SER QALICB :</b>  |                     |                     |
| Note payable dated July 13, 2017 to COCRF SubCDE 56, LLC, in relation to the NMTCs Program (Note 6). Interest is 1.0% per annum and is due quarterly. Quarterly debt service payments including interest range from \$1,706 to \$10,548. Principal payments begin December 2024 with final payment due July 12, 2052. Prepayments on the loan are not allowed. The note is secured by all assets of SER QALICB.        | <b>682,500</b>      | <b>682,500</b>      |
| Paycheck protection program loan   | <b>134,078</b>      | <b>211,248</b>      |
| Debt issuance costs  | <b>(199,871)</b>    | <b>(220,197)</b>    |
| Total long-term debt, net of debt issuance costs   | <b>9,654,207</b>    | <b>9,711,051</b>    |
| Less current portion   | <b>(97,954)</b>     | <b>(77,194)</b>     |
|  | <b>\$ 9,556,253</b> | <b>\$ 9,633,857</b> |

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Notes to Consolidated Financial Statements**

**NOTE 9: LONG-TERM DEBT (Continued)**

On March 11, 2020 the World Health Organization classified the global coronavirus (COVID-19) outbreak as a pandemic. As a result of the CARES Act, the Paycheck Protection Program (PPP) was established. SER-Jobs successfully applied and received a loan for \$929,478 under the Small Business Administration’s PPP in April 2020. In July 2021, SBA authorized part of SER-Jobs forgiveness request in the amount of \$639,102 for salary paid to administrative employees and recognized revenue upon forgiveness. The salary of such employees was not funded by any federal grants. Management adopted the guidance in FASB ASC 405-20-40-1 and recognized revenue for loan forgiveness during fiscal year 2021. The rest of the loan balance was not able to be used per PPP loan objective as all other SER-Jobs employees’ salaries were funded from federal grants. On July 28, 2021, SER executed a loan agreement with its lending financial institution for the repayment of the remainder of the loan. The loan will mature on the fifth anniversary of the original disbursement date of the loan. The loan accrues interest at the rate of 0.985% per annum.

Future principal payments under these long-term debt are summarized below:

| <i>Years ending August 31,</i> |              |
|--------------------------------|--------------|
|                                |              |
| 2024                           | \$ 97,954    |
| 2025                           | 67,510       |
| 2026                           | 30,304       |
| 2027                           | 66,311       |
| 2028                           | 110,122      |
| Thereafter                     | 9,481,877    |
|                                | \$ 9,854,078 |

**NOTE 10: LINE OF CREDIT**

At August 31, 2022, SER-Jobs had a \$1,500,000 bank line of credit which matured in May 2023. Amounts borrowed under this agreement bore interest at the Wall Street Journal’s prime lending rate plus 1.25% with a floor of 3.5% per annum. Interest rate was 6.75% at August 31, 2022. In June 2023, the line of credit agreement was extended at the same terms, except the maximum borrowings under the line of credit was reduced to \$1,000,050. Interest rate was 9.75% at August 31, 2023. The line of credit agreement matures in June 2024.

At August 31, 2023 and 2022, SER-Jobs had borrowings on this line of credit of \$947,152 and \$742,500 respectively. The line of credit facility agreement contains certain reporting covenants and is unsecured.

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Notes to Consolidated Financial Statements**

**NOTE 11: LEASES**

***Lease commitments before adoption of ASC 842***

SER leased equipment under non-cancelable operating leases expiring through fiscal year 2026. Rental expense under these agreements approximated \$40,000 for 2022. Future minimum lease payments under non-cancellable operating leases were expected to be as follows:

| <i>Years ending August 31,</i> |           |
|--------------------------------|-----------|
| 2023                           | \$ 38,943 |
| 2024                           | 17,406    |
| 2025                           | 8,962     |
| 2026                           | 3,622     |
|                                | \$ 68,933 |

***Lease commitments after adoption of ASC 842***

SER has operating leases related to equipment that expire on various dates between fiscal year 2025 and fiscal year 2026.

The components of lease expense is as follows:

| <i>For the year ended August 31,</i> | 2023      |
|--------------------------------------|-----------|
| Operating lease cost                 | \$ 33,456 |

Future minimum lease payments under non-cancellable leases as of August 31, 2023, are as follows:

| <i>Years ending August 31,</i>      |           |
|-------------------------------------|-----------|
| 2024                                | \$ 34,832 |
| 2025                                | 17,405    |
| 2026                                | 4,347     |
| Total future minimum lease payments | 56,584    |
| Less imputed interest               | (1,631)   |
| Present value of lease liabilities  | \$ 54,953 |

Reported as of August 31, 2023

|  |           |
|--|-----------|
| Current maturities of operating lease liabilities    | \$ 33,537 |
| Operating lease liabilities, less current maturities | 21,416    |
| Total  | \$ 54,953 |

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Notes to Consolidated Financial Statements**

**NOTE 11: LEASES (Continued)**

Other information related to leases is as follows:

| <i>For the year ended August 31,</i>                                    | 2023       |
|---|------------|
| Supplemental Cash Flow Information                                      |            |
| Cash paid for amounts included in the measurement of lease liabilities: |            |
| Operating cash flows from operating leases                              | \$ 34,832  |
| Weighted average remaining lease term                                   |            |
| Operating leases  | 1.79 years |
| Weighted average discount rate  |            |
| Operating leases  | 3.52%      |

**NOTE 12: NET ASSETS WITH DONOR RESTRICTIONS**

At August 31, net assets with donor restrictions are available for the following purposes or periods:

| <i>August 31,</i>   | 2023         | 2022<br>(Restated) |
|---|--------------|--------------------|
| <b>Subject to expenditures for specific purpose</b>                               |              |                    |
| Capital campaign  | \$ 336,069   | \$ 881,945         |
| Job training  | 1,604,774    | 678,609            |
| <b>Subject to passage of time</b>   |              |                    |
| Federal grants restricted for building usage for 20 years after placed in service | 6,766,667    | 6,704,840          |
| Contributions to be received in future years                                      | 75,000       | 275,000            |
|   | \$ 8,782,510 | \$ 8,540,394       |

**NOTE 13: NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets of \$3,502,295 and \$2,794,406 were released from donor restrictions during the years ended August 31, 2023 and 2022, respectively, by incurring expenses related to capital campaign or by satisfying grant or time restrictions specified by donors.

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
Subsidiary, and Support Organization  
Notes to Consolidated Financial Statements**

**NOTE 14: RETIREMENT PLAN**

SER-Jobs has a voluntary, defined contribution plan which provides retirement benefits to participating employees. Originally, employees were eligible to participate upon completion of one year of continuous service. Effective January 1, 2015, a Safe Harbor election was made that allowed participants to begin contributing immediately. Participants may make salary deferral contributions subject to Internal Revenue Service limitations. SER-Jobs contributes up to 5% of the participant's salary. SER-Jobs' contributions to the defined contribution plan totaled \$86,696 and \$69,689 for the years ended August 31, 2023 and 2022, respectively.

**NOTE 15: COMMITMENTS AND CONTINGENCIES**

***Grant Assistance***

SER-Jobs receives significant financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits would become a liability of SER-Jobs. However, in the opinion of management, any potential disallowed claims, if any, would not have a material effect on SER-Jobs' financial statements.

**SUPPLEMENTAL INFORMATION**

## SER-Jobs for Progress of the Texas Gulf Coast, Inc. Schedule of Expenditures of Federal Awards

| Federal Grantor/Pass-Through<br>Grantor/Program Title  | Assistance<br>Listing<br>Number | Pass-through<br>Grantor/Contract<br>Number | 2023<br>Expenditures |
|--|---------------------------------|--|----------------------|
| <b>U.S. Department of Labor</b>  |                                 |  |                      |
| Direct Funding   |                                 |  |                      |
| Reentry Employment Opportunity   | 17.270                          | PE33593-19-60-A-48                         | \$ 2,786             |
| Reentry Employment Opportunity   | 17.270                          | YF-38597-22-60-A-48                        | 251,065              |
| Total Reentry Employment Opportunity   |                                 |  | 253,851              |
|  |                                 |  |                      |
| YouthBuild   | 17.274                          | 23A60YB000057-01-00                        | 30,753               |
| YouthBuild   | 17.274                          | YB-36468-21-60-A-48                        | 451,353              |
| Total YouthBuild   |                                 |  | 482,106              |
|  |                                 |  |                      |
| Registered Apprenticeship  | 17.285                          | AP-38643-22-60-A-48                        | 546,824              |
|  |                                 |  |                      |
| Women in Apprenticeship and Nontraditional Occupations ("WANTO")<br>Technical Assistance Grant Program | 17.701                          | WB-36868-21-60-A-48                        | 479,351              |
|  |                                 |  |                      |
| Homeless Veterans' Reintegration Program   | 17.805                          | HV-38385-22-60-5-48                        | 294,727              |
|  |                                 |  |                      |
| Passed through Texas Workforce Commission / Houston Galveston Area Council                             |                                 |  |                      |
| Workforce Innovation and Opportunity Act Cluster/ WIOA Youth Activities                                | 17.259                          | 206-22                                     | 227,742              |
| Workforce Innovation and Opportunity Act Cluster/ WIOA Youth Activities                                | 17.259                          | 206-23                                     | 1,930,719            |
| Total Workforce Innovation and Opportunity Act Cluster/ WIOA Youth Activities                          |                                 |  | 2,158,461            |
| Total U.S. Department of Labor   |                                 |  | 4,215,320            |
| <b>U.S. Department of Commerce</b>   |                                 |  |                      |
| Direct Funding   |                                 |  |                      |
| Economic Adjustment Assistance   | 11.307                          | 08-79-05298;113048                         | 295,160              |
| Total U.S. Department of Commerce  |                                 |  | 295,160              |
| <b>U.S. Department of Treasury</b>   |                                 |  |                      |
| Passed through from the Fort Bend County   |                                 |  |                      |
| COVID 19 Coronavirus State and Local Fiscal Recovery Funds   | 21.027                          | 34596                                      | 142,500              |
| Total U.S. Department of Treasury  |                                 |  | 142,500              |
| Total Expenditures of Federal Awards   |                                 |  | \$ 4,652,980         |

**NOTE: SER-Jobs did not provide federal funds to subrecipients and did not receive any federal noncash assistance for the year ended August 31, 2023.**



## **SER-Jobs for Progress of the Texas Gulf Coast, Inc. Notes to Schedule of Expenditures of Federal Awards**

### **NOTE 1: BASIS OF PRESENTATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying schedule of expenditures of federal awards (the Schedule) presents the federal fund expenditures of all federal award programs of SER-Jobs for Progress of the Texas Gulf Coast, Inc. (SER-Jobs) for the year ended August 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of SER-Jobs, it is not intended to and does not present the financial position, change in net assets, or cash flows of SER-Jobs.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles as found in the Uniform Guidance for federal awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### **NOTE 3: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reflected in the financial reports filed with grantor agencies for the programs and the supplementary schedules may not agree because of accruals included in the next report filed with the agencies, matching requirements not included in the Schedule and different program year ends.

### **NOTE 4: INSURANCE COVERAGE**

During the year ended August 31, 2023, SER-Jobs maintained the following types of insurance:

- Commercial general liability - \$3,000,000 general aggregate.
- Automobile liability - \$1,000,000 combined single limit.
- Directors and officer liability (including employment practices) - \$1,000,000 aggregate.
- Cyber security liability - \$1,000,000 general aggregate.
- Workers' compensation- \$1,000,000 each accident.
- Accident policy - \$500,000 per occurrence.
- Life insurance - \$300,000 per occurrence.
- Group annuities - \$250,000 per occurrence.

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.  
Notes to Schedule of Expenditures of Federal Awards (Continued)**

**NOTE 5: INDIRECT COST**

SER-Jobs has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance for the fiscal year ended August 31, 2023. SER-Jobs has a negotiated indirect cost rate with the Department of Labor.

**NOTE 6: LOANS AND LOAN GURANTEES**

SER-Jobs did not have any loans or loan guarantee programs required to be reported on the Schedule for the fiscal year ended August 31, 2023.



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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
SER-Jobs for Progress of the Texas Gulf Coast, Inc.  
Houston, Texas

We have audited, in accordance with the 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, the consolidated financial statements of SER-Jobs for Progress of the Texas Gulf Coast, Inc., Subsidiary, and Support Organization (collectively, “SER”), which comprise the consolidated statement of financial position as of August 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 13, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered SER’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of SER’s internal control. Accordingly, we do not express an opinion on the effectiveness of SER’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether SER's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **SER-Jobs for Progress of the Texas Gulf Coast, Inc.'s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on SER's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. SER's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SER's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SER's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

Houston, Texas  
March 13, 2024



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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
SER-Jobs for Progress of the Texas Gulf Coast, Inc.  
Houston, Texas

### **Report on Compliance for the Major Federal Program**

#### ***Opinion on the Major Federal Program***

We have audited SER-Jobs for Progress of the Texas Gulf Coast, Inc. (SER-Jobs) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on SER-Jobs' major federal program for the year ended August 31, 2023. SER-Jobs' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, SER-Jobs complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2023.

#### ***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of SER-Jobs and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of SER-Jobs' compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to SER-Jobs' federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on SER-Jobs' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about SER-Jobs' compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 SER-Jobs' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of SER-Jobs' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of SER-Jobs' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control over Compliance

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

Houston, Texas  
March 13, 2024

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.  
Schedule of Findings and Questioned Costs  
For the year ended August 31, 2023**

**SECTION I: SUMMARY OF AUDITOR’S RESULTS**

***2023 Consolidated Financial Statements***

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiencies identified not considered to be material weaknesses? None noted

Noncompliance material to financial statements noted? No

***2023 Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiencies identified not considered to be material weaknesses? None noted

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the *Uniform Guidance*? No

Identification of major programs:

| <u>Assistance Listing Number</u> | <u>Name of Federal Program</u>   |
|----------------------------------|--|
| 17.259                           | Workplace Innovation and Opportunity Act Cluster / WIOA Youth Activities |

Dollar threshold used to distinguish between Type A and type B programs:

Federal \$750,000

Auditee qualified as low-risk auditee?

Federal Yes



**SER-Jobs for Progress of the Texas Gulf Coast, Inc.**  
**Schedule of Findings and Questioned Costs**  
**For the year ended August 31, 2023**

**SECTION II: FINANCIAL STATEMENT FINDINGS**

**2023-001 Financial Reporting (Material Weakness)**

*Criteria:* Financial statements should be prepared in accordance with generally accepted accounting principles.

*Condition:* For the year ended August 31, 2023, SER-Jobs performed a detailed analysis of funds received from donors, including federal revenues, received in prior years. As a result of this analysis, it was discovered that \$2,747,917 of federal grants received for construction of a building and to use the constructed building for 20 years after being placed in service were incorrectly released to net assets without donor restrictions in years prior to August 31, 2021. Additionally, \$3,956,923 of federal grants received for construction of a building and to use the constructed building for 20 years after being placed in service were incorrectly recorded under net assets without donor restrictions for the year ended August 31, 2022. Furthermore, \$470,000 of net assets without donor restrictions were incorrectly recorded as net assets with donor restrictions for the year ended August 31, 2022.

*Cause:* Non-review of the terms of the grant agreements for disclosure purposes, primarily the restriction on the use of constructed building from federal funding for 20 years, and therefore restricting the release of net assets over the term of usage of building, resulted in the restatement of the consolidated financial statements as of and for the year ended August 31, 2022 as noted below.

*Effect:* SER-Jobs restated its consolidated financial statements as of and for the year ended August 31, 2022. The cumulative effect of the correction was to:

- Increase beginning net assets with donor restrictions and decrease beginning net assets without donor restrictions at September 1, 2021 by \$2,747,917.
- Increase the change in net assets with donor restrictions and decrease the change in net assets without donor restrictions by \$3,486,923 for the year ended August 31, 2022.
- Increase beginning net assets with donor restrictions and decrease beginning net assets without donor restrictions at September 1, 2022 by \$6,234,840.

While the consolidated financial statements for 2022 were restated for proper presentation, the grant funds continue to be utilized for the purpose laid out in the grant agreement and no non-compliance related to usage of these funds was noted.

*Recommendation:* We recommend that all grant agreements and award letters are reviewed for restrictions and their presentation for financial statement purposes by the Chief Financial Officer or equivalent.

*Views of Responsible Officials:* We concur with the recommendation, please see Corrective Action Plan.

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.**  
**Schedule of Findings and Questioned Costs**  
**For the year ended August 31, 2023**

**SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported for the year ended August 31, 2023.

**SECTION IV: SCHEDULE OF PRIOR YEAR FINDINGS**

Assistance listing 11.307 - Economic Adjustment Assistance  
Direct award from U.S. Department of Commerce  
Grant award numbers: 08-79-05298; 113048

Finding No. 2022-001: Non-compliance and significant deficiency in internal controls over noncompliance with reporting requirements

*Condition:* SER-Jobs did not submit its quarterly program progress reports and semi-annual financial report (SF-425) within 30 days of the end of each quarter or semi-annual period, as applicable. For instance, quarterly program progress reports for the quarters ended December 2021 and June 2022 were submitted on March 1, 2022, and September 13, 2022, respectively, whereas the semi-annual financial report (SF-425) for the period ended September 30, 2021 was submitted on November 11, 2021.

*Auditor's Recommendation:* Auditor recommended that SER-Jobs strengthen its oversight over preparation and submission of the required reports under EAA grant agreement and establish adequate procedures to ensure timely submission of all reports within the expected timelines specified in the grant agreement.

*Current Status:* Corrective Action was taken by SER-Jobs.

Finding No. 2022-002: Non-compliance and significant deficiency in internal controls over noncompliance with reporting requirements

*Condition:* SER-Jobs, as a direct recipient of the Economic Adjustment Assistance (EAA) grant, did not comply with the reporting requirements under The Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282), as amended by Section 6202 of Public Law 110-252, (hereafter referred as the "Transparency Act") that are codified in 2 CFR Part 170. SER-Jobs did not register with the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and did not report contractual payments of \$30,000 or more made from use of federal funds provided under EAA grant.

*Auditor's Recommendation:* Auditor recommended that SER-Jobs register with FSRS and report subaward data through FSRS to comply with the requirements of the Transparency Act.

*Current Status:* Corrective Action was taken by SER-Jobs.



## CORRECTIVE ACTION PLAN

### BOARD OF DIRECTORS

Board Chair  
Paula Mendoza

Vice Chair  
Bryan Neely

Treasurer  
Mark McCullough

Secretary  
Gwen Tillotson-Bell

Members  
Lori Arnold  
Christen Bagley  
Rasheeda Carr  
Ricky Cortez  
Thuy Geraci  
Chris Harlow  
Vicki Luna  
Sonia Miyazono  
Hugo Mojica  
Daniel Saenz  
Diane Schenke  
Talar Thompson  
Frances Villagran-Glover

CDC Board Chair  
Steve Rosencranz

Chief Executive Officer  
Sheroo Mukhtiar

March 13, 2024

SER-Jobs for Progress of the Texas Gulf Coast, Inc. respectively submits the following corrective action plan for the year ended August 31, 2023.

Name and address of independent public accounting firm:

Carr, Riggs & Ingram, LLC  
Two Riverway, 15<sup>th</sup> Floor  
Houston, TX 77056

Audit Period: Fiscal Year September 1, 2022 – August 31, 2023

The findings from the 2023 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

### FINDINGS—FINANCIAL STATEMENT AUDIT

#### 2023-001 Financial Reporting (Material Weakness)

*Recommendation:* We recommend that all grant agreements and award letters are reviewed for restrictions and their presentation for financial statement purposes by the Chief Financial Officer or equivalent.

Corrective Action:

The Chief Financial Officer will review with signature confirmation all active grant agreements and the award notification, for restrictions and their presentation for financial statement purposes. Future grant agreements and award letters will be reviewed within 30-45 days from receipt of the fully executed award agreement.

Date Expected to be Corrected:

05/30/2024

If there are any questions regarding this plan, please contact me at 713.773.6000 x117 or [smukhtiar@serjobs.org](mailto:smukhtiar@serjobs.org).

Sincerely,

Sheroo Mukhtiar, CEO

[www.serjobs.org](http://www.serjobs.org)