



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

**CONSOLIDATED FINANCIAL STATEMENTS**

**August 31, 2024 and 2023**



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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, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***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 January 10, 2025, 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  
January 10, 2025

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

<i>August 31,</i>	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 138,733	\$ 543,244
Restricted cash	-	145,649
Certificates of deposit	1,706,686	1,158,613
Investments	794,234	2,081,911
Federal grants receivable	365,263	298,591
Promises to give	773,682	1,008,262
Prepaid expenses and deposits	124,569	32,640
Total current assets	<b>3,903,167</b>	5,268,910
Non-current assets		
Note receivable	-	6,587,500
Recoverable grant receivable	250,000	-
Operating lease right-of-use assets, net	21,398	54,953
Property and equipment, net	16,204,298	16,304,515
Total non-current assets	<b>16,475,696</b>	22,946,968
Total assets	<b>\$ 20,378,863</b>	<b>\$ 28,215,878</b>
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable	\$ 429,809	\$ 390,044
Accrued liabilities	241,328	193,626
Deferred revenues	4,700	525
Line of credit	973,990	947,152
Current maturities of operating lease liabilities	17,084	33,537
Current portion of long-term debt	67,703	97,954
Total current liabilities	<b>1,734,614</b>	1,662,838
Long-term liabilities		
Operating lease liabilities, less current portion	4,314	21,416
Refundable advance - City of Houston	191,597	-
Long-term debt, less current portion	55,048	9,556,253
Total long-term liabilities	<b>250,959</b>	9,577,669
Total liabilities	<b>1,985,573</b>	11,240,507
Net assets		
Without donor restrictions	10,199,224	8,192,861
With donor restrictions	8,194,066	8,782,510
Total net assets	<b>18,393,290</b>	16,975,371
Total liabilities and net assets	<b>\$ 20,378,863</b>	<b>\$ 28,215,878</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 Activities**

For the years ended August 31,	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating revenue and support</b>						
Federal grant revenue - construction	\$ -	\$ 15,205	\$ 15,205	\$ -	\$ 295,160	\$ 295,160
Federal grant revenue - programs	4,473,435	-	4,473,435	4,357,820	-	4,357,820
Contributions	619,265	2,417,092	3,036,357	207,430	3,449,251	3,656,681
Special event	161,007	-	161,007	110,369	-	110,369
Less costs of donor benefits provided	(41,046)	-	(41,046)	(39,747)	-	(39,747)
Contributions of non-financial assets	5,415	-	5,415	105,250	-	105,250
Investment return	257,052	-	257,052	206,693	-	206,693
Other income	48,368	-	48,368	43,965	-	43,965
Net assets released from restrictions	3,020,741	(3,020,741)	-	3,502,295	(3,502,295)	-
<b>Total operating revenue and support</b>	<b>8,544,237</b>	<b>(588,444)</b>	<b>7,955,793</b>	<b>8,494,075</b>	<b>242,116</b>	<b>8,736,191</b>
<b>Expenses</b>						
<i>Program services</i>						
Employer, education and training services						
Adult programs	2,764,066	-	2,764,066	2,357,399	-	2,357,399
Youth programs	3,966,582	-	3,966,582	3,906,060	-	3,906,060
Other programs	687,492	-	687,492	1,086,641	-	1,086,641
<b>Total program services</b>	<b>7,418,140</b>	<b>-</b>	<b>7,418,140</b>	<b>7,350,100</b>	<b>-</b>	<b>7,350,100</b>
<i>Supporting services</i>						
Community reinvestment	57,075	-	57,075	188,497	-	188,497
Management and general	946,554	-	946,554	1,010,661	-	1,010,661
Fundraising	514,667	-	514,667	616,216	-	616,216
SERCDC	40,087	-	40,087	59,946	-	59,946
SER QALICB	514,306	-	514,306	493,308	-	493,308
<b>Total supporting services</b>	<b>2,072,689</b>	<b>-</b>	<b>2,072,689</b>	<b>2,368,628</b>	<b>-</b>	<b>2,368,628</b>
<b>Total expenses</b>	<b>9,490,829</b>	<b>-</b>	<b>9,490,829</b>	<b>9,718,728</b>	<b>-</b>	<b>9,718,728</b>
Change in net assets from operations	(946,592)	(588,444)	(1,535,036)	(1,224,653)	242,116	(982,537)
<b>Nonoperating revenue and support</b>						
Net gain on New Markets Tax Credits	2,952,955	-	2,952,955	-	-	-
Change in net assets	2,006,363	(588,444)	1,417,919	(1,224,653)	242,116	(982,537)
Net assets at beginning of year	8,192,861	8,782,510	16,975,371	9,417,514	8,540,394	17,957,908
Net assets at end of year	\$ 10,199,224	\$ 8,194,066	\$ 18,393,290	\$ 8,192,861	\$ 8,782,510	\$ 16,975,371

*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**

*For the year ended August 31, 2024*

	Program services					Supporting services					Total
	Employer, education and training services		Other programs	Program subtotal	Community reinvestment	Management and general	Fundraising	SERCDC	SER QALICB	Supporting subtotal	
	Adult	Youth									
Salaries	\$ 1,217,820	\$ 1,951,671	\$ 443,934	\$ 3,613,425	\$ 47,469	\$ 1,042,259	\$ 385,714	\$ -	\$ -	\$ 1,475,442	\$ 5,088,867
Fringe benefits	242,371	368,896	84,415	695,682	6,967	192,629	69,361	-	-	268,957	964,639
Supplies	29,857	49,531	12,707	92,095	-	28,078	4,892	35	-	33,005	125,100
Travel	17,814	27,003	4,555	49,372	-	1,889	830	2,571	-	5,290	54,662
Facilities	71,473	98,339	16,036	185,848	-	60,380	15,900	-	-	76,280	262,128
Insurance	32,848	51,486	6,982	91,316	-	24,024	6,888	-	1,428	32,340	123,656
Communications	10,370	26,367	2,596	39,333	-	8,414	1,676	-	-	10,090	49,423
Office expense	8,898	26,121	10,726	45,745	614	34,213	7,383	2,719	20,043	64,972	110,717
Professional fees	57,742	67,367	6,393	131,502	2,000	171,655	6,426	34,633	71,538	286,252	417,754
Outreach and marketing	38,061	58,445	33,479	129,985	-	738	13,283	-	-	14,021	144,006
Fundraising	-	-	-	-	-	-	42,975	-	-	42,975	42,975
Interest expense	-	-	-	-	-	95,746	-	-	83,923	179,669	179,669
Training and support services	610,619	713,341	20,543	1,344,503	25	-	385	-	-	410	1,344,913
Depreciation and amortization	-	-	-	-	-	265,030	-	-	337,374	602,404	602,404
Indirect cost allocation	426,193	526,977	45,126	998,296	-	(998,296)	-	-	-	(998,296)	-
Miscellaneous	-	1,038	-	1,038	-	19,795	-	129	-	19,924	20,962
<b>Total</b>	<b>2,764,066</b>	<b>3,966,582</b>	<b>687,492</b>	<b>7,418,140</b>	<b>57,075</b>	<b>946,554</b>	<b>555,713</b>	<b>40,087</b>	<b>514,306</b>	<b>2,113,735</b>	<b>9,531,875</b>
Less: costs of donor benefits provided	-	-	-	-	-	-	(41,046)	-	-	(41,046)	(41,046)
<b>Total functional expenses</b>	<b>\$ 2,764,066</b>	<b>\$ 3,966,582</b>	<b>\$ 687,492</b>	<b>\$ 7,418,140</b>	<b>\$ 57,075</b>	<b>\$ 946,554</b>	<b>\$ 514,667</b>	<b>\$ 40,087</b>	<b>\$ 514,306</b>	<b>\$ 2,072,689</b>	<b>\$ 9,490,829</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**

*For the year ended August 31, 2023*

	Program services						Supporting services				Total
	Employer, education and training services		Other programs	Program subtotal	Community reinvestment	Management and general	Fundraising	SERCDC	SER QALICB	Supporting subtotal	
	Adult	Youth									
Salaries	\$ 1,038,501	\$ 1,975,037	\$ 618,305	\$ 3,631,843	\$ 974	\$ 1,059,247	\$ 478,625	\$ -	\$ -	\$ 1,538,846	\$ 5,170,689
Fringe benefits	200,350	357,647	116,286	674,283	101	260,771	79,970	-	-	340,842	1,015,125
Supplies	32,001	38,101	133,359	203,461	631	46,844	8,471	-	-	55,946	259,407
Travel	9,322	15,511	6,382	31,215	-	1,025	660	-	-	1,685	32,900
Facilities	51,367	101,422	23,981	176,770	6,648	138,523	10,805	4,546	-	160,522	337,292
Insurance	20,468	42,217	9,826	72,511	18,393	17,351	6,426	-	1,429	43,599	116,110
Communications	6,074	16,209	2,081	24,364	15,727	12,924	809	-	-	29,460	53,824
Office expense	8,180	31,723	15,343	55,246	3,876	36,019	6,758	578	38	47,269	102,515
Professional fees	72,252	36,854	4,594	113,700	114,616	94,258	13,307	54,380	55,600	332,161	445,861
Outreach and marketing	-	17,156	27,920	45,076	11,694	802	6,942	-	-	19,438	64,514
Fundraising	-	180	-	180	4,500	207	41,140	-	-	45,847	46,027
Interest expense	-	-	-	-	9,837	67,829	-	-	98,867	176,533	176,533
Training and support services	593,088	777,665	35,981	1,406,734	-	7,927	1,629	-	-	9,556	1,416,290
Depreciation and amortization	-	-	-	-	-	171,084	-	-	337,374	508,458	508,458
Indirect cost allocation	325,796	496,053	92,203	914,052	-	(914,052)	-	-	-	(914,052)	-
Miscellaneous	-	285	380	665	1,500	9,902	421	442	-	12,265	12,930
<b>Total</b>	<b>2,357,399</b>	<b>3,906,060</b>	<b>1,086,641</b>	<b>7,350,100</b>	<b>188,497</b>	<b>1,010,661</b>	<b>655,963</b>	<b>59,946</b>	<b>493,308</b>	<b>2,408,375</b>	<b>9,758,475</b>
Less: costs of donor benefits provided	-	-	-	-	-	-	(39,747)	-	-	(39,747)	(39,747)
<b>Total functional expenses</b>	<b>\$ 2,357,399</b>	<b>\$ 3,906,060</b>	<b>\$ 1,086,641</b>	<b>\$ 7,350,100</b>	<b>\$ 188,497</b>	<b>\$ 1,010,661</b>	<b>\$ 616,216</b>	<b>\$ 59,946</b>	<b>\$ 493,308</b>	<b>\$ 2,368,628</b>	<b>\$ 9,718,728</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>2024</b>	<b>2023</b>
<b>Operating activities</b>		
Changes in net assets	\$ 1,417,919	\$ (982,537)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Net gain on new market tax credit	(2,952,955)	-
Depreciation	582,078	488,132
Amortization of debt issuance costs	20,326	20,326
Amortization of operating lease right of use assets	33,555	32,419
Realized and unrealized gain on investments	(59,156)	(74,545)
Changes in operating assets and liabilities		
Federal grants receivable	(66,672)	1,641,500
Promises to give	234,580	206,339
Prepaid expenses and deposits	(91,929)	1,625
Accounts payable and accrued liabilities	(147,744)	(1,184,747)
Deferred revenues	4,175	(1,629)
Operating lease liabilities	(33,555)	(32,419)
Refundable advance - City of Houston	191,597	-
<b>Net cash provided by (used in) operating activities</b>	<b>(867,781)</b>	<b>114,464</b>
<b>Investing activities</b>		
Purchase of certificates of deposit	(548,073)	(908,613)
Purchase of investments	(1,004,167)	(3,489,043)
Cash proceeds on sale and redemption of investments	2,351,000	1,481,677
Purchases of property and equipment	(176,848)	(463,000)
Payments on recoverable grant	(250,000)	-
<b>Net cash provided by (used in) investing activities</b>	<b>371,912</b>	<b>(3,378,979)</b>
<b>Financing activities</b>		
Repayments on long-term debt	(81,129)	(77,170)
Borrowing on line of credit	640,000	1,050,000
Repayments on line of credit	(613,162)	(845,348)
<b>Net cash provided by (used in) financing activities</b>	<b>(54,291)</b>	<b>127,482</b>
<b>Net change in cash, cash equivalents and restricted cash</b>	<b>(550,160)</b>	<b>(3,137,033)</b>
<b>Cash, cash equivalents and restricted cash, beginning of year</b>	<b>688,893</b>	<b>3,825,926</b>
<b>Cash, cash equivalents and restricted cash, end of year</b>	<b>\$ 138,733</b>	<b>\$ 688,893</b>

(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 Cash Flows (Continued)**

<i>August 31,</i>	<b>2024</b>	<b>2023</b>
<b>Presented on Consolidated Statement of Financial Position as:</b>		
Cash and cash equivalents	\$ 138,733	\$ 543,244
Restricted cash	-	145,649
<b>Cash, cash equivalents and restricted cash, at end of year</b>	<b>\$ 138,733</b>	<b>\$ 688,893</b>
<b>Schedule of Noncash Transactions</b>		
Financing the purchase of property and equipment	\$ 69,802	\$ -
Purchase of property of equipment included in accounts payable	\$ 235,211	\$ -
<b>Schedule of Certain Cash Flow Information</b>		
Cash paid for interest	\$ 179,669	\$ 176,533

*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 THE 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. SER-Jobs conducts the following programs:

*Adult programs:* provide employment and training information to adults. Individuals are coached to receive basic employment skills such as computer skills and resume writing. Clients receive basic labor exchange services with training in construction, welding, forklift training, office administration, customer service, financial coaching, and job readiness to include business dressing skills, job search and placement assistance and career assessment and counseling.

*Youth programs:* services to youth includes career coaching, GED attainment, testing services, occupational training, access to scholarships, transportation assistance/work support, financial coaching, paid internships, public benefits access, job readiness, job placement and mentoring.

*Other programs:* can include the same services as Adult and Youth programs, but do not have an age requirement. Programs also vary from the traditional services and include Entrepreneurial efforts, training the trainer, and research grants.

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 5 for more details about the NMTCs arrangement.

**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**

***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.

***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 at August 31, 2023 represented cash segregated under the NMTCs agreement to pay for asset management and accounting fees due by the borrower on NMTC loans (Notes 5 and 10).

***Certificates of Deposit***

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

**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)**

***Investments***

SER reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statements of financial position. Investment return is reported in the consolidated statements of activities as an increase in net assets without donor restrictions unless otherwise specified by donor restrictions. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities.

***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.

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, 2024 and 2023, 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, 2024 and 2023; accordingly, no allowance for doubtful accounts has been recorded.

***Note Receivable***

SER has a financing receivable related to NMTCs (Note 5) at August 31, 2023. SER evaluates the credit quality of its financing receivable 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 at August 31, 2023.

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Notes Receivable (Continued)***

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 was 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 is adjusted accordingly. The financing receivable is not in a nonaccrual status at August 31, 2023.

***Property and Equipment***

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

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 a building, with net book value totaling \$7,106,235, 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.

***Leases***

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, management has elected as a practical expedient for all classes of assets, to use a risk-free rate 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-Jobs for Progress of the Texas Gulf Coast, Inc.,  
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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Leases (Continued)***

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

SER's lease agreements may contain lease and non-lease components, which are generally accounted for separately. SER has accounted for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of certain non-lease components is typically revised from one period to the next. The variable lease payments are recognized in rent expense in the period in which the obligation for those payments was incurred.

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, 2024 and 2023.

***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 \$138,413 and \$108,632 as of August 31, 2024 and 2023, respectively, and are included in accrued liabilities in the consolidated statements of financial position.



**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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 \$4,700 and \$525 as of August 31, 2024 and 2023, respectively.

***Unamortized Debt Issuance Costs***

Unamortized debt issuance costs at August 31, 2023 represented costs incurred to complete the NMTCs arrangement and pay for closing costs (Note 10) which were to be amortized over 39 years of the life of the building once construction is complete. Construction was completed in 2019. Closing costs amortization for the each of the years ended August 31, 2024 and 2023 was \$20,326. As of August 31, 2024 and 2023, unamortized closing costs which were presented net of long-term debt (Note 10) amounted to \$0 and \$199,871, 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.

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.

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Net Assets (Continued)***

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 statements 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, 2024 represents the net gain on forgiveness of notes receivable and long-term debt corresponding to the new markets tax credits agreement (Notes 5, 6 and 10).

***Revenue Recognition***

A significant portion of SER's grants and contracts are from government agencies. The benefits received by the public as a result of the assets transferred are 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. 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 \$8,358,336 and \$5,084,642 have not been recognized as revenues at August 31, 2024 and 2023, respectively, because the qualifying expenditures have not yet been incurred.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly removed the conditions.

***Donated Assets***

Donated assets and other noncash donations are recorded as contributions at their fair values at the date of donation.

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

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

***Donated Services***

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by SER. SER receives donated services from unpaid volunteers who assist with special projects throughout the year that are not recognized as contributions in the consolidated financial statements since the recognition criteria were not met.

***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.

***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 consolidated 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, 2024 and 2023, SER has no uncertain tax provisions that qualify for recognition or disclosure in the consolidated financial statements.

***Reclassifications***

Certain reclassifications were made to prior year balances to conform with current year presentation.

***Subsequent Events***

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, January 10, 2025 and determined there were no events that occurred that required disclosure, except as mentioned in Note 7. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

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

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

***Recent Accounting Pronouncements***

In February 2016, the FASB issued guidance ASC 842, *Leases* to increase transparency and comparability among organizations by requiring the recognition 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 financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

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.

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.

**Note 3: LIQUIDITY AND FINANCIAL ASSETS AVAILABILITY**

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-Jobs for Progress of the Texas Gulf Coast, Inc.,  
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**Note 3: LIQUIDITY AND FINANCIAL ASSETS AVAILABILITY (Continued)**

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>2024</b>	<b>2023</b>
Total assets at year end	\$ <b>20,378,863</b>	\$ 28,215,878
Less non-financial assets		
Prepaid expenses and deposits	<b>(124,569)</b>	(32,640)
Operating lease right-of-use assets, net	<b>(21,398)</b>	(54,953)
Property and equipment, net	<b>(16,204,298)</b>	(16,304,515)
Financial assets at year-end	<b>4,028,598</b>	11,823,770
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	<b>(1,762,194)</b>	(2,015,843)
Cash restricted for NMTC	-	(145,649)
Recoverable grant receivable	<b>(250,000)</b>	-
Notes receivable	-	(6,587,500)
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 2,016,404</b>	\$ 3,074,778

SER also has access to a \$1,000,050 line of credit facility at August 31, 2024 and 2023, which it could draw upon in the event of an unanticipated liquidity need. The available line of credit facility amounts were \$26,060 and \$52,898 as of August 31, 2024 and 2023, respectively. See Note 11 for more details.

**Note 4: 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.

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**Note 4: INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

*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, 2024 and 2023. There have been no changes in the methodologies used at August 31, 2024 and 2023.

The fair values of SER's investment in U.S. treasury bills and notes 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'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.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair 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.

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
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**Note 4: INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

Assets measured at fair value on a recurring basis consists of the following:

<b>August 31, 2024</b>	Level 1	Level 2	Level 3	<b>Total</b>
U.S Treasury bills and notes	\$ 794,234	\$ -	\$ -	\$ <b>794,234</b>
<b>Total assets measured at fair value</b>	<b>\$ 794,234</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 794,234</b>

  

<b>August 31, 2023</b>	Level 1	Level 2	Level 3	<b>Total</b>
U.S Treasury bills and notes	\$ 776,103	\$ -	\$ -	\$ 776,103
Agency securities	-	1,305,808	-	1,305,808
<b>Total assets measured at fair value</b>	<b>\$ 776,103</b>	<b>\$ 1,305,808</b>	<b>\$ -</b>	<b>\$ 2,081,911</b>

**Changes in Fair Value Levels**

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended August 31, 2024 and 2023, there were no significant transfers in or out of Levels 1, 2 or 3.

**NOTE 5: 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 was 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.

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
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**NOTE 5: NEW MARKETS TAX CREDITS (Continued)**

Under the NMTCs arrangement, SER-Jobs received a \$4,840,242 loan from Local Initiatives Support Corporation (LISC) (Note 10). 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 6). Using these proceeds and \$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 10). 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 debt issuance costs)

The QLICI loans were 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 was required to recapture all or any part of the NMTCs previously claimed by the Lender and SER agreed to pay to the Lender an amount equal to the sum of the credits recaptured. Additionally, the QLICI lenders had a security interest in the assets of SER QALICB as noted in Note 10 below.

In addition, with regards to the NMTCs, SER had 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 had 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.

On July 18, 2024, pursuant to the put option agreement, the Investor Member sold its 100% interest to SER, effectively forgiving the related long-term loans, net of unamortized closing costs, of \$9,540,455 (at the date of put option) (Note 10) and the note receivable of \$6,587,500 (Note 6). The resulting gain of \$2,952,955 from the transaction has been disclosed as nonoperating revenue and support in the consolidated statements of activities.



**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
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**NOTE 6: NOTE RECEIVABLE**

Note receivable consisted of the following:

<i>August 31,</i>	<b>2024</b>	<b>#NAME?</b>
<p>Note receivable dated July 13, 2017 from the Investment Fund in relation to the NMTCS Program (Note 5). Interest was 1.475405% per annum and was due quarterly. Quarterly debt service payments including interest ranged from \$21,238 to \$83,142. Principal payments were scheduled to begin in December 2024, with final payment due June 15, 2052. Prepayments on the note were allowed. The note was secured by Investment Fund's entire interest in SubCDE's. The note was forgiven in July 2024 (Note 5).</p>	\$	- \$ 6,587,500

**NOTE 7: RECOVERABLE GRANT RECEIVABLE**

In June 2024, SER signed a grant and collaboration agreement (the agreement) with another nonprofit (the borrower). As part of the agreement, SER provided \$250,000 in a recoverable grant to the borrower. Under the agreement, once repayment on the principal is made by the borrower, SER will be entitled to 50% of the net profits (if any) on the investment made by the borrower from the funds received from SER. Payments of profits are to be made quarterly, starting March 31, 2025, pending net income on the investment made by the borrower and repayment of principal. The agreement continues in perpetuity until terminated by either party pursuant to the terms of the agreement or by mutual consent.

As payments from the borrower are received, SER will reduce the principal balance until it is fully repaid. Any additional collections will be recorded as revenue in the period it is collected. Because a repayment date of principal is not defined in the agreement, SER classifies the recoverable grant outstanding of \$250,000 at August 31, 2024 as long-term in the consolidated statements of financial position.

The agreement was terminated in January 2025. SER is currently in process of determining final payment due from the borrower under the agreement.

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**NOTE 8: PROPERTY AND EQUIPMENT**

The components of property and equipment consist of the following at August 31, 2024 and 2023:

<i>August 31,</i>	Estimated Useful Lives (in years)	<b>2024</b>	#NAME?
Building and building improvements	40	\$ 16,023,037	16,023,037
Furniture, fixtures and equipment	5-7	1,611,804	1,542,001
Total depreciable property and equipment		<b>17,634,841</b>	17,565,038
Less accumulated depreciation		<b>(2,581,904)</b>	(1,999,826)
Total depreciable property and equipment, net		<b>15,052,937</b>	15,565,212
Land		<b>723,922</b>	720,732
Construction in progress		<b>427,439</b>	18,571
Total property and equipment, net		<b>\$ 16,204,298</b>	\$ 16,304,515

Depreciation expense was \$582,078 and \$488,132 for the years ended August 31, 2024 and 2023, respectively.

**NOTE 9: LEASES**

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

The components of lease expense consist of the following:

<i>For the years ended August 31,</i>	<b>2024</b>	2023
Operating lease cost	\$ 34,832	\$ 33,456
Variable lease cost	\$ 4,642	\$ 1,376

Other information related to leases was as follows:

<i>For the years ended August 31,</i>	<b>2024</b>	2023
Supplemental Cash Flow Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 34,832	\$ 34,832

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**NOTE 9: LEASES (Continued)**

Weighted average remaining lease term and discount rates consist of the following:

<i>For the years ended August 31,</i>	<b>2024</b>	2023
Weighted average remaining lease term		
Operating leases	<b>1.02 years</b>	1.79 years
Weighted average discount rate		
Operating leases	<b>3.52%</b>	3.52%

Future minimum lease payments under non-cancellable leases as of August 31, 2024, were as follows:

<i>Years ending August 31,</i>		
2025	\$	17,405
2026		4,346
Total future minimum lease payments		21,751
Less imputed interest		(353)
Present value of lease liabilities	\$	21,398

Reported as of August 31,	<b>2024</b>	2023
Current maturities of operating lease liabilities	\$ <b>17,084</b>	\$ 33,537
Operating lease liabilities, less current portion	<b>4,314</b>	21,416
Total	\$ <b>21,398</b>	\$ 54,953

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.,  
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**NOTE 10: LONG-TERM DEBT**

Long-term debt consisted of the following:

<i>August 31,</i>	<b>2024</b>	<b>2023</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 5). Interest was 1.0% per annum and was due quarterly. Quarterly debt service payments including interest range from \$19,300 to \$118,999. Principal payments were scheduled to begin in July 2024 with final payment due July 12, 2052. Prepayments on the loan were not allowed. The note was secured by all assets of SER QALICB. The note was forgiven in July 2024 (Note 5).	\$ -	\$ 7,720,000
<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 5). Interest was 1.0% per annum and was due quarterly. Quarterly debt service payments including interest range from \$3,294 to \$20,361. Principal payments were scheduled to begin in December 2024 with final payment due July 12, 2052. Prepayments on the loan were not allowed. The note was secured by all assets of SER QALICB. The note was forgiven in July 2024 (Note 5).		- 1,317,500
<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 5). Interest was 1.0% per annum and was due quarterly. Quarterly debt service payments including interest range from \$1,706 to \$10,548. Principal payments were scheduled to begin in December 2024 with final payment due July 12, 2052. Prepayments on the loan were not allowed. The note was secured by all assets of SER QALICB. The note was forgiven in July 2024 (Note 5).		- 682,500
<b>Ford Motor Credit Company:</b>		
Note payable dated April 19, 2024, with monthly payments of \$1,498, including interest at an annual rate of 10.24%. The loan matures in May 2029 and is collateralized by the vehicle.	<b>66,608</b>	-
Paycheck protection program loan	<b>56,143</b>	134,078
Less unamortized debt issuance costs	-	(199,871)
<b>Total long-term debt less unamortized debt issuance costs</b>	<b>122,751</b>	<b>9,654,207</b>
<b>Less current portion</b>	<b>(67,703)</b>	<b>(97,954)</b>
<b>Long-term debt, less current portion</b>	<b>\$ 55,048</b>	<b>\$ 9,556,253</b>

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

**NOTE 10: 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>	
2025	\$ 67,703
2026	12,800
2027	14,175
2028	15,695
2029	12,378
<hr/>	
Total	\$ 122,751

**NOTE 11: LINE OF CREDIT**

At August 31, 2023, SER-Jobs has a \$1,000,050 bank line of credit which matured in June 2024. Amounts borrowed under this agreement bear interest at the Wall Street Journal’s prime lending rate plus 1.25% with a floor of 3.5% per annum. In June 2024, the line of credit agreement was extended at the same terms. The line of credit agreement matures in June 2025. Interest rate was 9.75% at August 31, 2024 and 2023.

At August 31, 2024 and 2023, SER-Jobs had borrowings on this line of credit of \$973,990 and \$947,152 respectively. The line of credit facility agreement contains certain reporting covenants and is secured by Ser-Jobs’ accounts.

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

**NOTE 12: REFUNDABLE ADVANCE – CITY OF HOUSTON**

During the year ended August 31, 2024, SER received a commitment from the City of Houston for a loan amount of \$1,343,307 to construct a childcare room at the SERJobs Workforce Training Center, located at 1960 Tellepsen, Houston, Texas 77023 (the Project). At August 31, 2024, SER has received \$191,597 under the agreement. Additional funding is expected throughout the life of the Project.

As part of the loan agreement, the Project shall be used solely for the purpose of constructing a childcare room, which will provide play space to the children while their parents or guardians are receiving services at the SERJobs Workforce Training Center. Under the terms of the agreement, the Project must be used throughout the five year restricted use period at the completion of the construction. Reimbursement on the loan will not be required after the restricted use period ends. In the event of a default, the outstanding principal balance shall be immediately due and payable, with interest at a rate equal to the lesser of 8% per annum or the maximum rate of interest permitted by applicable law.

At August 31, 2024, SER will delay recognition of the City of Houston loan as contribution revenue until it is forgiven. As of August 31, 2024, the City of Houston loan funds are recorded as a refundable advance on the consolidated statements of financial position.

**NOTE 13: NET ASSETS**

A summary of net assets with donor restrictions consists of the following:

<i>August 31,</i>	<b>2024</b>	<b>2023</b>
Time restricted		
Federal grants restricted for building usage for 20 years after placed in service	\$ <b>6,431,872</b>	\$ 6,766,667
Contributions to be received in future years	<b>356,774</b>	75,000
Purpose restricted		
Capital campaign	<b>357,328</b>	336,069
Job training	<b>1,048,092</b>	1,604,774
<b>Total net assets with donor restrictions</b>	<b>\$ 8,194,066</b>	<b>\$ 8,782,510</b>

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

**NOTE 13: NET ASSETS (Continued)**

A summary of the release of donor restrictions consists of the following:

<i>For the years ended August 31,</i>	<b>2024</b>	<b>2023</b>
Time restrictions		
Building constructed from federal grant money used in operation in current year	\$ 350,000	\$ 233,333
Future period contributions received	75,000	200,000
Purpose restrictions		
Capital campaign	84,383	740,623
Job training	2,511,358	2,328,339
<b>Total net assets released from donor restrictions</b>	<b>\$ 3,020,741</b>	<b>\$ 3,502,295</b>

**NOTE 14: CONTRIBUTIONS OF NON-FINANCIAL ASSETS**

All donated space and goods were utilized by SER's program services. There were no donor-imposed restrictions associated with the contributed space or goods.

The components of donated space and goods contributed to SER consists of the following for the years ended August 31, 2024 and 2023:

<i>For the year ended August 31, 2024</i>	Donated Space	Donated Goods	Total
Program services			
Employer, education and training services			
- other programs	\$ 5,415	\$ -	\$ 5,415
<b>Total contributed space and goods</b>	<b>\$ 5,415</b>	<b>\$ -</b>	<b>\$ 5,415</b>

<i>For the year ended August 31, 2023</i>	Donated Space	Donated Goods	Total
Program services			
Employer, education and training services			
- other programs	\$ -	\$ 105,250	\$ 105,250
<b>Total contributed space and goods</b>	<b>\$ -</b>	<b>\$ 105,250</b>	<b>\$ 105,250</b>

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

**NOTE 14: CONTRIBUTIONS OF NON-FINANCIAL ASSETS (Continued)**

Donated space is valued at the fair value of similar properties available in commercial real estate listings. Donated goods are valued at the wholesale prices that would be received for selling similar products.

**NOTE 15: CONCENTRATIONS**

SER maintained cash deposits with a financial institution at August 31, 2023 in excess of federally insured limits of \$35,907.

SER received 31% and 25% of its support and revenue during 2024 and 2023, respectively, from two and one organizations, respectively. A significant decline in contribution revenue and governmental support could have an adverse impact on SER's future operating results. At August 31, 2024 and 2023, amounts due from two and three donors, respectively, accounted for 44% and 49%, respectively, of SER's receivables.

**NOTE 16: 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.

**NOTE 17: 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 \$79,793 and \$86,696 for the years ended August 31, 2024 and 2023, respectively.



## **SUPPLEMENTAL INFORMATION**

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

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-through Grantor/Contract Number	Expenditures to Subrecipients	2024 Expenditures
<b>U.S. Department of Labor</b>				
Direct Funding				
Reentry Employment Opportunity	17.270	YF-38597-22-60-A-48	\$ -	\$ 562,343
YouthBuild	17.274	23A60YB000057-01-00	-	412,877
YouthBuild	17.274	YB-36468-21-60-A-48	-	180,984
Total YouthBuild			-	593,861
Registered Apprenticeship	17.285	AP-38643-22-60-A-48	-	860,488
Women in Apprenticeship and Nontraditional Occupations ("WANTO")				
Technical Assistance Grant Program	17.701	WB-36868-21-60-A-48	-	25,501
Technical Assistance Grant Program	17.701	23760WW000007	-	289,050
Total Technical Assistance Grant Program			-	314,551
Homeless Veterans' Reintegration Program	17.805	HV-38385-22-60-5-48	-	418,727
Passed through Texas Workforce Commission / Houston Galveston Area Council				
Workforce Innovation and Opportunity Act Cluster/ WIOA Youth Activities	17.259	206-23	-	159,999
Workforce Innovation and Opportunity Act Cluster/ WIOA Youth Activities	17.259	206-24	-	1,362,311
Total Workforce Innovation and Opportunity Act Cluster/ WIOA Youth Activities			-	1,522,310
Total U.S. Department of Labor			-	4,272,280
<b>U.S. Department of Commerce</b>				
Direct Funding				
Economic Development Cluster / Economic Adjustment Assistance	11.307	08-79-05298;113048	-	15,205
Total U.S. Department of Commerce			-	15,205
<b>U.S. Department of Housing and Urban Development</b>				
Passed through City of Houston				
Community Development Block Grants / Entitlement Grants Cluster	14.218	4600017405	-	191,597
Economic Development Initiative, Community Project Funding, and Miscellaneous Grants	14.251	4600018086	-	183,379
Total U.S. Department of Housing and Urban Development			-	374,976
<b>U.S. Department of Treasury</b>				
Passed through City of Houston				
COVID 19 Coronavirus Relief Fund	21.019	4600018086	-	17,776
Total U.S. Department of Treasury			-	17,776
Total Expenditures of Federal Awards			\$ -	\$ 4,680,237

**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, 2024. 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: RECONCILIATION TO FINANCIAL STATEMENTS**

The following reconciles the accompanying schedule of expenditures of Federal awards to government fees and grants as reported in the consolidated financial statements of SER:

<i>For the year ended August 31,</i>	<b>2024</b>
Total expenditures of federal awards per accompanying schedule	\$ 4,680,237
Less: Refundable advance - City of Houston	(191,597)
Total federal grant revenue - construction and programs per consolidated statement of activities	<u>\$ 4,488,640</u>

**NOTE 4: 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, 2024. SER-Jobs has a negotiated indirect cost rate with the Department of Labor.

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

### **NOTE 5: INSURANCE COVERAGE**

During the year ended August 31, 2024, SER-Jobs maintained the following types of insurance:

- Umbrella liability - \$5,000,000 aggregate.
- Commercial general liability - \$3,000,000 general aggregate.
- Automobile liability - \$1,000,000 combined single limit.
- Directors and officer liability - \$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.
- Individual annuities - \$250,000 per occurrence.

### **NOTE 6: LOANS AND LOAN GURANTEES**

During the year ended August 31, 2024, SER received a commitment from the City of Houston for a loan amount of \$1,343,307 to construct a childcare room at the SERJobs Workforce Training Center, located at 1960 Tellepsen, Houston, Texas 77023 (the Project). At August 31, 2024, SER has received \$191,597 under the agreement. Additional funding is expected throughout the life of the Project.

As part of the loan agreement, the Project shall be used solely for the purpose of constructing a childcare room, which will provide play space to the children while their parents or guardians are receiving services at the SERJobs Workforce Training Center. Under the terms of the agreement, the Project must be used throughout the five year restricted use period at the completion of the construction. Reimbursement on the loan will not be required after the restricted use period ends. In the event of a default, the outstanding principal balance shall be immediately due and payable, with interest at a rate equal to the lesser of 8% per annum or the maximum rate of interest permitted by applicable law.

At August 31, 2024, SER will delay recognition of the City of Houston loan as contribution revenue until it is forgiven. As of August 31, 2024, the City of Houston loan funds are recorded as a refundable advance on the consolidated statements of financial position.

### **NOTE 7: NONCASH ASSISTANCE**

SER-Jobs did not receive any federal noncash assistance for the fiscal year ended August 31, 2024.



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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, 2024, 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 January 10, 2025.

### **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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## 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*.

### 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  
January 10, 2025



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH 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 Each Major Federal Program

#### *Opinion on Each 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, 2024. SER-Jobs' major federal programs are 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 each of its major federal program for the year ended August 31, 2024.

#### *Basis for Opinion on Each 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 each 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 each 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  
January 10, 2025

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.  
Schedule of Findings and Questioned Costs  
For the year ended August 31, 2024**

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

***2024 Consolidated Financial Statements***

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? No

***2024 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
17.285	Registered Apprenticeship

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

Federal \$750,000

Auditee qualified as low-risk auditee?

Federal No

**SER-Jobs for Progress of the Texas Gulf Coast, Inc.**  
**Schedule of Findings and Questioned Costs**  
**For the year ended August 31, 2024**

**SECTION II: FINANCIAL STATEMENT FINDINGS**

None reported for the year ended August 31, 2024.

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

None reported for the year ended August 31, 2024.

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

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

*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.

*Auditor's 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.

*Status:* Additional controls were implemented by management and the finding was not noted in the current year, thus appears corrected.