GULF COAST COMMUNITY SERVICES ASSOCIATION, INC.

(A Texas Nonprofit Organization)

ANNUAL FINANCIAL AND COMPLIANCE AUDIT REPORTS

YEARS ENDED SEPTEMBER 30, 2025 AND 2024

GULF COAST COMMUNITY
SERVICES ASSOCIATION, INC.
(A Texas Nonprofit Organization)

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McConnell Jones

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Gulf Coast Community Services Association

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gulf Coast Community Services Association, Inc. (the "Organization"), a Texas nonprofit organization, which comprise the statements of financial position as of September 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2025 and 2024, 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 (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of

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not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 24, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the financial statements of the Organization. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

McConnell
Jones

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2026, on our consideration of the Organization'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 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 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 the Organization's internal control over financial reporting and compliance.

McConnell Jones LLP

Houston, Texas
May 26, 2026

GULF COAST COMMUNITY SERVICES ASSOCIATION, INC.
(A Texas Nonprofit Organization)

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2025 AND 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash	$ 702,504	$ 862,870
Grants receivable	294,474	1,410,510
Other receivables	1,157,436	497,705
Inventory	14,104	19,665
Prepaid and other assets	319,102	388,358
Total Current Assets	2,487,620	3,179,108
NON-CURRENT ASSETS		
Property and equipment, net	1,619,534	1,917,052
Right-of-use assets for finance lease	93,796	155,499
Right-of-use assets for operating lease	3,645,842	4,281,349
Total Non-current Assets	5,359,172	6,353,900
TOTAL ASSETS	$ 7,846,792	$ 9,533,008
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 725,413	$ 896,877
Salaries and related liabilities payable	686,770	780,770
Unearned revenue	390,049	464,698
Finance lease liabilities - current portion	60,798	62,884
Operating lease liabilities - current portion	682,420	803,209
Total Current Liabilities	2,545,450	3,008,438
NON-CURRENT LIABILITIES		
Finance lease liability - net of current portion	39,577	96,856
Operating lease liability - net of current portion	3,067,753	3,567,785
Total Non-current Liabilities	3,107,330	3,664,641
TOTAL LIABILITIES	5,652,780	6,673,079
NET ASSETS		
Without donor restrictions	2,194,012	2,859,929
TOTAL NET ASSETS	2,194,012	2,859,929
TOTAL LIABILITIES AND NET ASSETS	$ 7,846,792	$ 9,533,008

GULF COAST COMMUNITY
SERVICES ASSOCIATION, INC.
(A Texas Nonprofit Organization)

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
Revenues without donor restrictions		
Government grants	$ 29,613,610	$ 28,627,361
In-kind contributions	7,459,770	7,018,473
Other revenues	36,542	1,005,375
Total unrestricted revenues	37,109,922	36,651,209
Expenses		
Program expenses:		
Head Start/EHS	29,569,845	29,432,373
Community services block grant	7,044,977	5,057,837
Child and adult care food program	854,130	987,440
Other programs	240,012	766,645
Total program expenses	37,708,964	36,244,295
Supporting services:		
Management and general expense	66,875	3,607
Total expenses	37,775,839	36,247,902
CHANGES IN NET ASSETS	(665,917)	403,307
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	2,859,929	2,456,622
NET ASSETS, END OF YEAR	$ 2,194,012	$ 2,859,929

GULF COAST COMMUNITY
SERVICES ASSOCIATION, INC.
(A Texas Nonprofit Organization)

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Program Services					**Supporting Services**		
	Head Start/EHS	CSBG	CACFP	Other Programs	Total Program Services	Management and General	Total Support Services	Total Expenditures
Salaries and wages	$ 12,801,531	$ 1,829,562	$ -	$ 1	$ 14,631,094	$ -	$ -	$ 14,631,094
Payroll taxes	1,002,857	151,787	-	-	1,154,644	-	-	1,154,644
Employee benefits costs	2,837,993	447,542	-	-	3,285,535	-	-	3,285,535
Contract wages	2,028,757	352,781	-	-	2,381,538	-	-	2,381,538
Building occupancy costs	1,029,081	591,491	-	-	1,620,572	-	-	1,620,572
Utilities	170,906	39,012	-	-	209,918	-	-	209,918
Telephone	168,391	41,912	-	-	210,303	-	-	210,303
Insurance	132,347	20,970	-	-	153,317	-	-	153,317
Travel	22,280	5,312	-	-	27,592	-	-	27,592
Equipment leasing and repairs	100,920	57,674	-	-	158,594	-	-	158,594
Office supplies	42,317	13,457	-	1,753	57,527	9,159	9,159	66,686
Vehicle operating and maintenance	23,647	1,061	-	-	24,708	-	-	24,708
Printing, reproduction and publicity	14,006	1,325	-	-	15,331	-	-	15,331
Seminars and workshops	502	5,413	-	-	5,915	-	-	5,915
Postage	1,619	2,081	-	-	3,700	-	-	3,700
In-kind contributions	7,459,770	-	-	-	7,459,770	-	-	7,459,770
Professional and legal fees	212,242	116,320	-	-	328,562	-	-	328,562
Classroom supplies	62,975	220,683	-	-	283,658	-	-	283,658
Food supplies	179,290	172,833	854,130	-	1,206,253	-	-	1,206,253
Health assessments and evaluations	386,542	-	-	-	386,542	-	-	386,542
Training and technical assistance	182,856	19,286	-	-	202,142	-	-	202,142
Parent activities	-	12,160	-	-	12,160	-	-	12,160
Client direct assistance	-	2,752,900	-	237,629	2,990,529	-	-	2,990,529
Software subscriptions	382,857	144,658	-	-	527,515			527,515
Other expenses	72,386	18,817	-	48	91,251	57,716	57,716	148,967
Depreciation	253,773	25,940	-	581	280,294	-	-	280,294
Total Expenses	$ 29,569,845	$ 7,044,977	$ 854,130	$ 240,012	$ 37,708,964	$ 66,875	$ 66,875	$ 37,775,839

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

GULF COAST COMMUNITY SERVICES ASSOCIATION, INC.
(A Texas Nonprofit Organization)

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Program Services					Supporting Services		
	Head Start/EHS	CSBG	CACFP	Other Programs	Total Program Services	Management and General	Total Support Services	Total Expenditures
Salaries and wages	12,477,277	$ 1,931,041	$ -	$ 1,231	$ 14,409,549	$ -	$ -	$ 14,409,549
Payroll taxes	949,669	150,208	-	-	1,099,877	-	-	1,099,877
Employee benefits costs	2,511,189	368,798	-	-	2,879,987	-	-	2,879,987
Contract wages	1,953,932	114,441	-	492	2,068,865	-	-	2,068,865
Building occupancy costs	1,093,804	521,693	-	1,530	1,617,027	-	-	1,617,027
Utilities	175,342	41,913	-	-	217,255	-	-	217,255
Telephone	137,157	22,533	-	-	159,690	-	-	159,690
Insurance	143,871	17,413	-	-	161,284	-	-	161,284
Travel	19,222	2,388	-	-	21,610	-	-	21,610
Equipment leasing and repairs	289,157	90,538	-	-	379,695	-	-	379,695
Office supplies	426,869	22,663	-	-	449,532	3,597	3,597	453,129
Vehicle operating and maintenance	16,539	2,225	-	-	18,764	-	-	18,764
Printing, reproduction and publicity	31,760	733	-	-	32,493	-	-	32,493
Seminars and workshops	193	5,280	-	-	5,473	-	-	5,473
Postage	259	441	-	-	700	-	-	700
In-kind contributions	7,018,473	-	-	-	7,018,473	-	-	7,018,473
Professional and legal fees	201,687	195,116	-	-	396,803	-	-	396,803
Classroom supplies	477,076	-	-	-	477,076	-	-	477,076
Food supplies	443,286	-	987,440	-	1,430,726	-	-	1,430,726
Health assessments and evaluations	314,881		-	-	314,881	-	-	314,881
Training and technical assistance	330,849	4,179	-	8	335,036	-	-	335,036
Parent activities	23,647	-	-	-	23,647	-	-	23,647
Client direct assistance	-	1,492,694	-	762,616	2,255,310	-	-	2,255,310
Software subscriptions	144,241	48,103	-	-	192,344	-	-	192,344
Other expenses	31,927	3,247	-	187	35,361	10	10	35,371
Depreciation and amortization	220,066	22,190	-	581	242,837	-	-	242,837
Total Expenses	$ 29,432,373	$ 5,057,837	$ 987,440	$ 766,645	$ 36,244,295	$ 3,607	$ 3,607	$ 36,247,902

GULF COAST COMMUNITY SERVICES ASSOCIATION, INC.
(A Texas Nonprofit Organization)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

CASH FLOWS FROM OPERATING ACTIVITIES:	**2025**	**2024**
Change in net assets	$ (665,917)	$ 403,307
Adjustments to reconcile change in net assets		
to net cash (used in)/provided by operating activities:		
Depreciation	280,294	242,837
Loss on disposal of assets	23,888	-
Amortization of right of use assets	76,389	96,809
Changes in operating assets and liabilities:		
Decrease in grants receivable	1,116,036	181,885
Increase in other receivables	(659,730)	(11,323)
Decrease/ (increase) in food inventory	5,561	(1,530)
Decrease in prepaid and other assets	69,256	5,094
Decrease in accounts payable and accrued expenses	(171,464)	(160,483)
(Decrease)/increase in salaries and related payable	(94,000)	48,231
Decrease in unearned revenue	(74,649)	(17,317)
Total adjustments	571,581	384,203
Net cash (used in)/provided by operating activities	(94,336)	787,510
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(6,665)	(399,196)
Net cash used in investing activities	(6,665)	(399,196)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in finance lease obligation	(59,365)	(61,719)
Net cash used in financing activities	(59,365)	(61,719)
NET (DECREASE)/INCREASE IN CASH	(160,366)	326,595
CASH, BEGINNING OF YEAR	862,870	536,275
CASH, END OF YEAR	702,504	862,870
SUPPLEMENTAL DISCLOSURES FOR CASH FLOW		
Right-of-use asset for operating lease upon ASC 842 implementation	$ 4,281,349	$ 5,991,443

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Gulf Coast Community Services Association (the "Organization") is a Texas nonprofit organization established and incorporated on June 19, 1968, to identify, analyze and work to alleviate poverty and to eliminate its causative factors by partnering with eligible families to provide comprehensive quality programs and services. The Organization operates several programs and services to promote self-sufficiency targeted at low-income families and individuals. These programs and services are primarily funded by Community Services Block Grant and other federal, state, and local grants. The Organization also administers Head Start and Early Head Start Programs in the southeast sector of Harris County, Texas.

Basis of Accounting

The financial statements of the Organization 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).

Financial Statement Presentation

The Organization is required under U.S. GAAP to report information presented in accordance with Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC Topic 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets as follows:

- **Net Assets without donor restrictions** – These are resources that are not subject to donor-imposed stipulations and can be used for the general operations of the Organization. The Organization had net assets without donor restrictions of $2,194,012 and $2,859,929 as of September 30, 2025 and 2024, respectively.

- **Net Assets with donor restrictions** – These are resources that are subject to donor-imposed stipulations that may be met, either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. The Organization did not have any donor restricted net assets as of September 30, 2025 and 2024.

When both restricted and unrestricted resources are available for use, it is the Organization's policy to use resources with donor restrictions first, then resources without donor restrictions as they are needed.

Revenue Recognition

Generally, grants are recognized as revenues when earned. Grants that operate on a reimbursement basis are recognized on the accrual basis as revenues only to the extent of disbursements that are allowable for reimbursement. Revenues from contributions, donations and other sources are recognized as with or without donor restriction revenues when received or unconditionally promised by a third party. Revenues from special events are recognized when the events are held. Program income and other income are recognized when received. Conditional promises by third parties to give cash or other assets to the Organization are not recognized until the cash or other assets are received.

Contributions

Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restriction, depending on the nature of the restrictions. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction upon satisfaction of the time or purpose restrictions and reported in the statement of activities as net assets released from restrictions.

Liquidity and Availability of Financial Assets

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date are as follows:

	2025	2024
Cash	$ 702,504	$ 862,870
Grants receivable	294,474	1,410,510
Other receivables	1,157,436	497,705
Total financial assets available for general expenditures	$ 2,154,414	$ 2,771,085

As part of the Organization's liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As more fully described in Note 5, the Organization also has a committed line of credit in the amount of $500,000, which it could draw upon in the event of an unanticipated liquidity need.

Receivables

Receivables represent reimbursements that were pending from funding sources for program expenses incurred as of September 30, 2025 and 2024, both billed and unbilled, and expected to be received in the subsequent year. Management considers receivables at September 30, 2025 and 2024 to be fully collectible. Accordingly, no allowance for delinquent receivables was made in the accompanying financial statements.

In-Kind Contributions

Donated services are recognized if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated items are recognized as income at the fair market value of the items at the date the donation occurred. Volunteers also provided substantial amounts of time to program services that are not recognized as contributions in the financial statements since the recognition criteria were not met. The Organization also receives in-kind rent contributions. See note 8.

Cash and Cash Equivalents

The Organization considers all monies in banks and highly liquid investments with maturity of three months or less from date of purchase to be cash equivalents. The carrying value of cash approximates fair value because of the short maturities of those financial instruments. The Organization had no cash equivalents at September 30, 2025 and 2024. Additionally, separate bank accounts were maintained to comply with the requirements of certain grantors.

Unearned Revenues

Grants received in advance that relate to the period after year-end are reported as unearned revenues in the statements of financial position.

Food Inventories

Inventory consists of food supplies and is stated at the lower of cost or net realizable value. Cost is determined using the First-In, First-Out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of operations, less reasonably predictable costs of completion and disposal. Inventory is periodically reviewed for spoilage or obsolescence, and adjustments are made as necessary.

Property and Equipment

Property and equipment are recorded at cost or, if donated to the Organization, at their estimated fair value at the date of donation. Such donations are recorded as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated to the Organization with explicit restrictions regarding their use, and contributions of cash that must be used to acquire or maintain property and equipment are recorded as restricted contributions. Presently, the Organization does not have any assets which have donor-imposed restrictions.

The Organization's policy is to capitalize all expenditures for property, furniture and fixtures, and office and computer equipment in excess of $5,000 per unit. Property and equipment are depreciated using the straight-line method over their estimated useful lives ranging from 5 to 30 years. Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease or the useful life of the improvement, whichever is shorter. Maintenance and repair costs are charged to operations when incurred. Major improvements and renewals of property and equipment are capitalized.

Substantially all property and equipment presented in the accompanying statements of financial position were purchased with federal funds. Although the title to facilities acquired with Federal funds vests with the Organization, the federal government has an interest in the property and equipment acquired or upon which major renovations have been undertaken with grant funds for use as a Head Start facility. Facilities acquired with grant funds may not be mortgaged or used as collateral, or sold or otherwise transferred to another party, without the written permission of the appropriate U.S. Department of Health and Human Services official. Additionally, the use of the facility for other than the purpose for which the facility was funded is prohibited without the express written approval of such official.

Right of use Asset and Liability

Right to use leased assets and the related liabilities are recognized at the lease commencement date and represent the Organization's right to use an underlying asset and lease obligations for the lease term. Right-of-use asset (ROU) is recognized at the present value of the lease payments at inception of the lease. For ROU- Finance, amortization is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease. For ROU- Operating, lease expense is recognized on a straight-line basis as rent expense in the statement of activities. The amortization period varies among the leases.

Compensated Absences

Annual vacation time and sick leave are granted to the Organization's employees. Under the Organization's policy, vacation time is earned based on the employees' length of service and four (4) hours are accrued each pay period for sick leave. Any unused vacation time up to a maximum of 80 hours not taken because of business requirements may be carried over to the following calendar year. Sick leave may be accumulated from one calendar year to another up to a maximum of 480 hours. While employees are paid for earned but unused vacation time upon termination of employment with the Organization if they provide at least 10 working days advance notice of their resignation, they are not paid for unused sick days upon termination of employment. Therefore, no accrual for unused sick days is recorded in the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing various programs and other activities of the Organization have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited in accordance with the Organization's cost allocation plan. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and wages	Time and effort-labor allocation
Payroll taxes	Time and effort-labor allocation
Employee benefits costs	Time and effort-labor allocation
Contract wages	Time and effort-labor allocation
Building occupancy costs	Cost allocation based on square footage utilized
Utilities	Cost allocation- shared space, direct costs-unshared space
Telephone	Cost allocation- shared space, direct costs-unshared space
Insurance	Cost allocation- shared space, direct costs-unshared space
Travel	Direct costs
Equipment leasing and repairs	Cost allocation- shared expense, direct costs-unshared expense
Office supplies	Cost allocation- shared expense, direct costs-unshared expense
Vehicle operating and maintenance	Direct costs
Printing, reproduction and publicity	Direct costs
Seminars and workshops	Direct costs
Postage	Direct costs
In-kind contributions	Direct costs
Professional and legal fees	Direct costs
Classroom supplies	Direct costs
Food supplies	Direct costs
Health assessments and evaluations	Direct costs
Training and technical assistance	Direct costs
Parent activities	Direct costs
Client direct assistance	Direct costs
Other expenses	Direct costs
Depreciation and amortization	Direct costs

Income Taxes

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and did not conduct any unrelated business activities. Therefore, the Organization has made no provision for federal income tax in the accompanying financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b) (1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Code.

The Organization applies the provisions of FASB ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC Topic 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The management of the Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassification

Certain amounts in the prior year's financial statements were reclassified to conform with the presentation of the current year's financial statements. Such reclassification has no effect on the previously reported change in net assets.

NOTE 2 – PROGRAMS AND SUPPORTING SERVICES

The costs of providing the various programs and other activities of the Organization are shown in the accompanying statements of functional expenses. The following major programs and supporting services are included in the accompanying financial statements:

- Head Start Program/Early Head Start Program
- Community Services Block Grant
- Child and Adult Care Food Program

Management and general activities consist of those functions that are necessary to coordinate the Organization's daily operations, programs, and services.

NOTE 3 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at September 30, 2025 and 2024:

	2025	2024
Buildings	$ 1,916,458	$ 1,928,038
Leasehold improvements	2,255,011	1,374,114
Furniture, fixtures and equipment	1,255,088	1,214,988
Vehicles	206,059	206,059
Software	120,708	120,708
Construction in progress	-	934,534
	5,753,324	5,778,441
Less: accumulated depreciation	(4,133,790)	(3,861,389)
Property and equipment, net	$ 1,619,534	$ 1,917,052

Depreciation and amortization expense for the years ended September 30, 2025 and 2024, was $280,294 and $242,837, respectively.

NOTE 4 – CONCENTRATION OF CREDIT AND BUSINESS RISKS

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Organization will not be able to recover its deposits. Although the Organization does not have a formal deposit policy, it maintains deposits at federally insured banks and strives to minimize its exposure to custodial credit risks by maintaining deposits at institutions with demonstrated financial strength. Bank balances are insured by the Federal Deposit Insurance Corporation up to $250,000 per bank. The total cash maintained by the Organization in the bank as of September 30, 2025 and 2024, which was subject to custodial credit risk was $523,964 and $702,719, respectively. Management believes that this credit risk exposure was mitigated by the financial strength of the banking institution in which the deposits were held. In addition, Management monitors cash balances on a daily basis as a part of the Organization's cash management practices.

Credit risk associated with grants receivable is considered minimal due to the credit worthiness of the awarding federal and state agencies.

For the years ended September 30, 2025 and 2024, the Head Start/Early Head Start program accounted for approximately 59% and 61% of the revenues and support of the Organization, whereas, the Community Services Block Grant program accounted for approximately 19% and 14%, respectively. In addition, the Organization received, directly or indirectly, 78% and 75%, respectively, of its operating revenues for the years ended September 30, 2025 and 2024, from the U.S. Department of Health and Human Services.

NOTE 5 – LINE OF CREDIT

The Organization maintains a revolving line of credit with Wells Fargo Bank, NA, with a maximum borrowing capacity of $500,000. The line of credit matures on November 1, 2025, and accrues interest at a floating rate equal to the Wells Fargo Prime Rate plus 1.00%, with a minimum floor rate of 5.00%. Interest on borrowed amounts is payable monthly. The line is secured by substantially all of the Organization’s assets, including inventory, accounts receivable, and equipment. As of September 30, 2025 and 2024, the applicable interest rate on the line of credit was 8.00% and 9.00%, respectively. No draw-down was made on the line of credit during the years ended September 30, 2025 and 2024.

NOTE 6 – RETIREMENT PLAN

The Organization sponsors the Gulf Coast Community Services Association 401(k) Plan (the “Plan”). Each year, participants may contribute up to 100% of pretax annual compensation, as defined in the Plan. The Organization makes a matching contribution of 100% of the first 1% an eligible participant contributes to the Plan after completing one year of eligible service. Additional profit-sharing amounts of up to 3% of annual compensation of qualified employees may be contributed at the option of the Organization's Board of Directors. Employees are eligible to participate in the Plan after completion of 1,000 hours of service within one year of service. Participants are vested immediately in their contributions plus actual earnings thereon. Vesting in the Organization's contribution portion of their accounts is based on years of vesting service in accordance with the schedule provided in the Plan document.

The Organization’s contributions to the Plan for the years ended September 30, 2025 and 2024, amounted to $499,299 and $476,243, respectively.

NOTE 7 – LEASES

Operating Leases

The Organization has three (3) real estate operating leases in Harris County, Texas, for locations used in its program services. Additionally, the Organization has two (2) long-term leases with a private entity, for buildings at Kirby Drive in Houston, Texas, to house its corporate offices and warehouse. The weighted average remaining term for the operating leases is 4.5 years.

The Organization used the risk-free rate based on the information available at the lease commencement date to determine the present value of lease payments, such risk-free rates were derived by reference to the interest paid on short-term government debt, resulting in the weighted average rate of 1.96% for operating leases.

Future minimum rent obligations under the operating leases as of September 30, 2025, are as follows:

Year ending September 30,	Operating
2026	718,304
2027	731,318
2028	721,102
2029	686,273
2030	699,511
Thereafter	293,864
Total undiscounted cash flows	3,850,372
Less: present value discount	(100,199)
Total lease liabilities	$ 3,750,173

Finance Leases

The Organization has several finance leases for office equipment and a forklift during the 2025 fiscal year. The weighted average remaining term for the finance leases is 1.63 years and the weighted discount rate for these leases is 2.34%.

Future minimum rent obligations under the finance leases as of September 30, 2025, are as follows:

Year ending September 30,	Finance
2026	$ 62,669
2027	28,193
2028	12,370
Total undiscounted cash flows	103,232
Less: present value discount	(2,857)
Total lease liabilities	$ 100,375

The Organization's total lease expense for both types of leases for the year ended September 30, 2025 and 2024, totaled $901,054 and $976,303, respectively.

NOTE 8 – IN-KIND CONTRIBUTIONS

For the years ended September 30, 2025 and 2024, contributed nonfinancial assets recognized in the statement of activities as in-kind contributions included the following:

	2025	2024
Services	5,978,993	5,581,184
In-Kind Rent	1,480,777	1,437,289
Total In-Kind Contributions	7,459,770	7,018,473

NOTE 9 – CONTINGENCIES

The Organization receives grants from federal and other funding sources that are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by the Organization with the terms of the grants/contracts. In the opinion of management, such disallowances, if any, would not be significant in relation to the financial statements of the Organization.

The Organization participates in the federally assisted Head Start Grant Program and the Community Services Block Grant Program. As of September 30, 2025 and 2024, the

Organization recorded a compensated absence liability in accordance with its personnel policy relating to personnel funded by the Head Start Program and the Community Services Block Grant Program. A corresponding grant receivable was recognized based on allowable costs under 2 CFR §§200.430–431. While reimbursement is anticipated, the receivable remains contingent upon federal approval and compliance with financial management standards.

Recent federal budget proposals have introduced uncertainty regarding the future of the Community Services Block Grant Program and the Head Start program. While no immediate funding changes have been enacted, the Organization continues to monitor developments closely and will reassess its financial position should material changes to program funding occur.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 26, 2026; the date the financial statements were available to be issued. No change to the financial statements is deemed necessary as a result of this evaluation.

SINGLE AUDIT SECTION

McConnell Jones

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Gulf Coast Community Services Association, Inc.

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 financial statements of Gulf Coast Community Services Association, Inc. (the "Organization"), which comprise the statements of financial position as of September 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated May 26, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 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 may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those

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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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McConnell Jones LLP

Houston, Texas
May 26, 2026

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Gulf Coast Community Services Association, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Gulf Coast Community Services Association, Inc.'s (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2025. The Organization's 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, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

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 (U.S. GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the Organization 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 the Organization's 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 the Organization's federal programs.

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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 the Organization's 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 U.S. GAAS, *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 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 the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. GAAS, *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 the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's 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 the Organization's 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.

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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.

McConnell Jones LLP

Houston, Texas
May 26, 2026

GULF COAST COMMUNITY
SERVICES ASSOCIATION, INC.
(A Texas Nonprofit Organization)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Federal Grantor/Pass-Through Grantor/ Assistance Listing Program Title / Program Title	Assistance Listing Number	Federal Agency Identifying Award Number	Pass-Through Agency Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services				
Direct Awards:				
Head Start	93.600	06CH012604-01 06CH012604-02		$ 21,723,859
Total - Direct Awards				21,723,859
Pass-Through Awards:				
Passed through Texas Department of Housing and Community Affairs				
Community Services Block Grant	93.569		61240004138 61250004354	6,895,851
Total - Pass-Through Awards				6,895,851
Total - U.S. Department of Health and Human Services				28,619,710
U.S. Department of Agriculture				
Pass-Through Award:				
Passed through Texas Department of Agriculture				
Child and Adult Care Food Program	10.558		NT4XL1YGLGC5	651,430
Total - Pass-Through Awards				651,430
Total - U.S. Department of Agriculture				651,430
Total Expenditures of Federal Awards				$ 29,271,140

See notes to the schedule of expenditures of federal awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "SEFA") includes federal grant activities of the Gulf Coast Community Services Association, Inc. (the "Organization") under programs of the federal government for the year ended September 30, 2025. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule is presented on the accrual basis of accounting, which is described in Note 2 to the financial statements. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – CONTINGENCIES

Federal grants received by the Organization are subject to review and audit by grantor agencies. The Organization's management believes that the results of such audits will not have a material effect on the Schedule.

GULF COAST COMMUNITY
SERVICES ASSOCIATION, INC.
(A Texas Nonprofit Organization)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

PART 1 – SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

1. Type of auditor's report issued:	Unmodified
2. Internal control over financial reporting:	
a) Material weaknesses identified?	No
b) Significant deficiencies identified that are not considered to be material weaknesses?	No
c) Noncompliance material to financial statements noted?	No

Federal Awards Section

1. Internal control over major programs:	
a) Material weaknesses identified?	No
b) Significant deficiencies identified that are not considered to be material weaknesses?	No
2. Type of auditor's report issued on compliance for major programs:	Unmodified
3. Any audit findings disclosed, which are required to be reported in accordance with 2 CFR Section 200.516(a)?	No
4. Identification of major programs:	

Federal Assistance Listing Number	Name of Federal Program
93.600	Head Start

5. Dollar threshold used to distinguish between Type A and Type B programs:	$1,000,000
6. Auditee qualified as low-risk auditee under 2 CFR Section 200.520?	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

PART II: FINDINGS – FINANCIAL STATEMENT AUDIT

None noted.

PART III: FINDINGS – SINGLE AUDIT

None noted.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CURRENT STATUS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

ASSISTANCE LISTING 93.569 – COMMUNITY SERVICES BLOCK GRANT

FEDERAL AWARDING AGENCY: U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES

PASS-THROUGH ENTITY: TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

FEDERAL GRANT AWARD NUMBERS: 2101TXCOSR AND 2201TXCOSR
PASS-THROUGH ENTITY IDENTIFYING NUMBERS: 61220003647 AND 61230003800

FINDING NO. 2023-002: ALLEGED USE OF FEDERAL FUNDS IN FRAUDULENT MANNER

Condition: On August 11, 2023, the Organization's Chief Executive Officer and Chief Financial Officer received electronic communication from an anonymous email account alleging that the Organization's Interim Assistant Client Services (CS) Manager was engaged in illegal and dishonest activities. Based upon this initial predication, the Organization put together a Fraud Investigative Team who reviewed relevant financial records, studied case file documents, and interviewed CS personnel. The Investigative Team discovered that two (2) employees, the Interim CS Assistant Manager and a Quality Assurance (QA) Specialist, colluded to defraud the Organization of approximately $56,680, over the course of six (6) months. Their actions consisted of, but was not limited to the formation of fake management companies to receive rental assistance payments from non-existent and former clients; the manipulation of leases and pay statements to secure job placement and Transition Out of Poverty incentives; the circumvention of established procedures and protocols to obtain rental assistance payments for their friends and family members; and the re-creation and dissemination of the Organization's communication notifications to unsuspecting applicants luring them to send their personal information to a fake email address.

Recommendation: We recommend that management monitor results of ongoing investigation with local and federal law enforcement agencies, closely coordinate with TDHCA for additional guidelines, and implement mitigating operating controls to strengthen compliance for adherence with pre-established policies and procedures related to conflict of interest and seek to minimize opportunities for employees to engage in fraudulent activities.

Views of Responsible Officials: The Organization is aware that fraud poses a significant risk to the integrity of the federal programs it administers as well as erodes public trust. In the wake of discovering that GCCSA had been compromised by colluders committing fraud, the Organization is committed to combatting fraud by creating an organizational culture and structure conducive to focusing on the following control activities: data-analytics activities, fraud-awareness initiatives, reporting mechanisms, and employee-integrity activities.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CURRENT STATUS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Finding Status: The previously identified finding has been fully remediated. The Community Services Department has updated its Operations Guide, strengthened approval authority and identity verification procedures, implemented enhanced system controls, expanded fraud awareness training, and introduced formal reporting mechanisms. These actions have strengthened the organization's fraud prevention framework and addressed prior control gaps. This finding was resolved.