

**COSERV CHARITABLE FOUNDATION  
CORINTH, TEXAS**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**AND**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS  
LUBBOCK, TEXAS

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**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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**Independent Auditor's Report**

Board of Directors  
CoServ Charitable Foundation  
Corinth, Texas

**Opinion**

We have audited the financial statements of CoServ Charitable Foundation, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities 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 CoServ Charitable Foundation as of December 31, 2021 and 2020, and the results of its operations and its 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 (GAAS). 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 CoServ Charitable Foundation 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 opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS 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 CoServ Charitable Foundation'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 CoServ Charitable Foundation'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.

*Bolinger, Segars, Gilbert & Moss LLP*  
Certified Public Accountants

Lubbock, Texas

April 1, 2022

**COSERV CHARITABLE FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2021 AND 2020**

**ASSETS**

	December 31,	
	<u>2021</u>	<u>2020</u>
Assets		
Cash - General	\$ 610,210	\$ 627,335
Accounts Receivable - CoServ Electric	<u>4,094</u>	
Total Assets	<u>\$ 614,304</u>	<u>\$ 627,335</u>

**LIABILITIES AND NET ASSETS**

Liabilities		
Accounts Payable	\$ <u>243,356</u>	\$ <u>35,500</u>
Total Liabilities	<u>\$ 243,356</u>	<u>\$ 35,500</u>
Net Assets		
Without Donor Restrictions		
Undesignated	\$ <u>370,948</u>	\$ <u>591,835</u>
Total Net Assets	<u>\$ 370,948</u>	<u>\$ 591,835</u>
Total Liabilities and Net Assets	<u>\$ 614,304</u>	<u>\$ 627,335</u>

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

**COSERV CHARITABLE FOUNDATION**

**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	December 31,	
	<u>2021</u>	<u>2020</u>
<b>SUPPORT AND REVENUE</b>		
Contributions - Operation Roundup	\$ 1,276,850	\$ 1,188,232
Contributions - Golf Fundraisers	59,580	8,325
Contributions - Other	69,347	83,386
Total Support and Revenue	<u>\$ 1,405,777</u>	<u>\$ 1,279,943</u>
<b>EXPENSE</b>		
Program Expenses		
Grant Expense	\$ 1,626,664	\$ 1,155,322
Total Expense	<u>\$ 1,626,664</u>	<u>\$ 1,155,322</u>
<b>CHANGE IN NET ASSETS</b>	\$ (220,887)	\$ 124,621
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING OF YEAR</b>	<u>591,835</u>	<u>467,214</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR</b>	<u>\$ 370,948</u>	<u>\$ 591,835</u>

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

**COSERV CHARITABLE FOUNDATION**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	December 31,	
	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (220,887)	\$ 124,621
Adjustments to Reconcile Change in Net Cash From Operating Activities		
Accounts Receivable - CoServ Electric	(4,094)	
Accounts Payable	<u>207,856</u>	<u>28,000</u>
Net Cash From Operating Activities	<u>\$ (17,125)</u>	<u>\$ 152,621</u>
<b>NET CHANGE IN CASH</b>	<b>\$ (17,125)</b>	<b>\$ 152,621</b>
<b>CASH - BEGINNING OF YEAR</b>	<u>627,335</u>	<u>474,714</u>
<b>CASH - END OF YEAR</b>	<u><u>\$ 610,210</u></u>	<u><u>\$ 627,335</u></u>
<b>SUPPLEMENTAL DISCLOSURES FOR CASH FLOW INFORMATION</b>		
Cash Paid During the Year for:		
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>
Interest	<u>\$ 0</u>	<u>\$ 0</u>

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



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**COSERV CHARITABLE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

**Nature of Activities**

The purpose of CoServ Charitable Foundation (the Foundation), is the accumulation and disbursement of funds for charitable purposes primarily in, but not limited to, the service area of Denton County Electric Cooperative, Inc., d/b/a CoServ Electric (the Cooperative) and CoServ Gas, L.P. (Gas). Upon dissolution of the Foundation, any remaining funds shall be distributed for charitable purposes.

The Foundation is a non-profit organization. Exemption from federal income taxes under Internal Revenue Code 501(c)(3) has been obtained.

**Basis of Accounting**

The Foundation uses the accrual method of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

**Financial Statement Presentation**

The Foundation has adopted FASB Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities. The Foundation is required to classify net assets and revenues, expenses, and gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

**Net assets with donor restrictions:** Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Foundation does not have any net assets with donor restrictions.

**Net assets without donor restrictions:** Net assets not subject to donor-imposed restrictions. Net assets without donor restrictions are currently available for operating purposes under the direction of the board, designated by the board for specific use, or invested in property and equipment.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

**Group Concentration of Credit Risk**

The cash balances maintained by the Foundation are insured by the FDIC. At times during the year, balances exceeded the insured amounts.

## **COSERV CHARITABLE FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

#### **Cash and Cash Equivalents**

For purpose of the statement of cash flows, cash and cash equivalents include cash – general.

#### **Uncertain Tax Positions**

The Foundation has adopted the “uncertain tax positions” provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Foundation is its filing status as a tax exempt entity. The Foundation determined that it is more likely than not that its tax positions will be sustained upon examination by the Internal Revenue Service (IRS) or other State taxing authorities. The Foundation is no longer subject to examinations by federal taxing authorities for years before 2018. There were no penalties or interest recognized during the years ended December 31, 2021 and 2020.

#### **Functional Allocation Expenses**

The costs of providing programs and activities have been summarized on a functional basis in the statement of activities.

## **2. Contributions**

The major source of contributions is from a program established by the Board of Directors of the Cooperative and Gas which allows participating members/customers to round up their utility bills to the next highest dollar. The funds generated by this participation are donated to the Foundation. The boards of the Cooperative and Gas have designated these funds be used for charitable purposes solely in the service area of the Cooperative and Gas, which is primarily a six county area including and surrounding Denton County, Texas.

Substantially all support revenue and accounts receivable are derived from contracts with customers. Performance obligations related to the support revenue are satisfied as amounts are billed to the customer by the Cooperative. Accounts receivable are recorded from amounts billed to the customer but not yet transferred to the Foundation from the Cooperative and Gas.

In 2020, due to COVID-19 pandemic, the annual golf fundraising event and some other fundraising events did not occur. Most of these fundraising events were able to resume in 2021.

## **3. Liquidity and Availability of Financial Assets**

The Foundation has total financial assets of \$614,304 and \$627,335 as of December 31, 2021 and 2020, respectively, which consist of cash – general and accounts receivable – CoServ Electric. These are the financial assets that are available to meet cash needs for expenditures within one year.

The Board of Directors of the Foundation meet periodically to review and approve grant requests. The approved grant requests are based upon availability of funds during that period

**COSERV CHARITABLE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**4. Related Party Transactions**

The Foundation and the Cooperative share employees and office space, but are not financially interrelated organizations. Cooperative employees maintain the financial records of the Foundation at no charge. Additionally, all general and administrative expenses of the Foundations are provided by the Cooperative. The value of these services is not recognized by the Foundation. The Board of Directors of the Foundation are elected by the Board of the Cooperative. Transactions impacting the Foundation, Cooperative, and Gas include the collection and transfer of contributions from members and employees of the Cooperative and Gas.

**5. Subsequent Events**

The Foundation has evaluated subsequent events through April 1, 2022, the date which the financial statements were available to be issued.