

ANNUAL FINANCIAL REPORT

of the

**SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL**

For the Years Ended
August 31, 2011 and 2010

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**SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Southeast Texas Regional Advisory Council:

We have audited the accompanying statements of financial position of the Southeast Texas Regional Advisory Council (the "Council"), a nonprofit organization, as of August 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 of America and the State of Texas Single Audit Circular. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council as of August 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2011 on our consideration of the Council'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

BELT HARRIS PECHACEK, L.L.P.

Belt Harris Pechacek, L.L.P.
Certified Public Accountants
Houston, Texas
October 5, 2011

Providing Governmental & Nonprofit Audits Sealed with Excellence

**SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL**

STATEMENTS OF FINANCIAL POSITION

August 31, 2011 and 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 1,162,230	\$ 806,068
Accounts receivable	18	174,261
Prepaid expenses	64,814	5,471
Property and equipment, net	2,067,004	1,853,515
Total Assets	<u><u>\$ 3,294,066</u></u>	<u><u>\$ 2,839,315</u></u>
<u>Liabilities</u>		
Accounts payable	\$ 506,688	\$ 467,831
Total Liabilities	<u>506,688</u>	<u>467,831</u>
<u>Net Assets</u>		
Unrestricted	2,437,130	1,806,670
Temporarily restricted	350,248	564,814
Total Net Assets	<u>2,787,378</u>	<u>2,371,484</u>
Total Liabilities and Net Assets	<u><u>\$ 3,294,066</u></u>	<u><u>\$ 2,839,315</u></u>

See notes to financial statements.

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
STATEMENTS OF ACTIVITIES

For the Years Ended August 31, 2011 and 2010

	2011			2010 Total
	Unrestricted	Temporarily Restricted	Total	
Revenues				
Grants	\$ -	\$ 5,690,851	\$ 5,690,851	\$ 5,262,120
Other program revenues	170,015	-	170,015	166,347
Interest income	435	-	435	923
Net assets released from restrictions	5,905,417	(5,905,417)	-	-
Total Revenues	<u>6,075,867</u>	<u>(214,566)</u>	<u>5,861,301</u>	<u>5,429,390</u>
Expenses				
Program expenses	4,913,332	-	4,913,332	5,787,841
General and administrative	532,075	-	532,075	267,274
Total Expenses	<u>5,445,407</u>	<u>-</u>	<u>5,445,407</u>	<u>6,055,115</u>
Net Operating Income (Loss)	<u>630,460</u>	<u>(214,566)</u>	<u>415,894</u>	<u>(625,725)</u>
Beginning Net Assets	1,806,670	564,814	2,371,484	2,997,209
Ending Net Assets	<u>\$ 2,437,130</u>	<u>\$ 350,248</u>	<u>\$ 2,787,378</u>	<u>\$ 2,371,484</u>

See notes to financial statements.

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended August 31, 2011 and 2010

	2011			Total 2010
	Program Services	General & Administrative	Total	
Project spending for facilities	\$ 2,031,696	\$ -	\$ 2,031,696	\$ 2,558,779
Reimbursements to facilities	1,396,176	-	1,396,176	1,950,303
Payroll	734,853	346,145	1,080,998	653,437
Contract services	28,599	385	28,984	27,979
Depreciation	400,394	-	400,394	362,660
Unspent grant funds	-	-	-	99,099
Education	62,305	-	62,305	25,655
Travel/meetings/conferences	73,980	-	73,980	92,808
Legal and professional	17,574	9,975	27,549	23,487
Telephone	2,420	12,446	14,866	9,564
Data registry program	-	-	-	75,750
Preventive maintenance	36,096	-	36,096	28,671
Subscriptions	18,000	-	18,000	18,000
Miscellaneous	1,480	37,135	38,615	11,475
Communications	61,329	-	61,329	27,200
Insurance	31,149	18,394	49,543	-
Office and computer supplies	-	36,427	36,427	55,354
Postage	-	2,363	2,363	1,786
Rent	-	65,373	65,373	23,342
Website	17,281	-	17,281	9,145
Printing	-	2,412	2,412	338
Bank charges	-	1,020	1,020	283
Total Expenses Included in the Expenses of the Statements of Activities	\$ 4,913,332	\$ 532,075	\$ 5,445,407	\$ 6,055,115

See notes to financial statements.

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
STATEMENTS OF CASH FLOWS

For the Years Ended August 31, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets - Operating	\$ 415,894	\$ (625,725)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	400,394	362,660
(Increase) decrease in assets:		
Accounts receivable	174,243	(174,261)
Prepaid expenses	(59,343)	(5,471)
Increase (decrease) in liabilities:		
Accounts payable	38,857	(558,158)
Other payables	-	(186,587)
Accrued expenses	-	(89,345)
Net Cash Provided (Used) by Operating Activities	970,045	(1,276,887)
Cash Flows from Financing Activities:		
Purchase of property and equipment	(613,883)	(236,449)
Net Cash (Used) by Financing Activities	(613,883)	(236,449)
Net Increase (Decrease) in Cash and Cash Equivalents	356,162	(1,513,336)
Beginning cash and cash equivalents	806,068	2,319,404
Ending Cash and Cash Equivalents	\$ 1,162,230	\$ 806,068

See notes to financial statements.

SOUTHEAST TEXAS REGIONAL ADVISORY COUNCIL

NOTES TO FINANCIAL STATEMENTS

For the Years Ended August 31, 2011 and 2010

NOTE 1 – ORGANIZATION

Southeast Texas Regional Advisory Council (SETRAC) is a not-for-profit corporation chartered in November 1995. SETRAC is designed to facilitate the development, implementation, and operation of a comprehensive trauma care system based on accepted standards of care to decrease mobility and mortality. It represents nine counties in Southeast Texas.

SETRAC, along with 21 other regions in Texas, is funded through DSHS/EMS Trauma System funds generated by fees for 911 services. SETRAC also receives funding from the EMS/Trauma Systems Development Account, which is funded by an endowment from part of the settlement Texas received from its 1996 lawsuit against tobacco companies.

Approximately 85 percent of SETRAC's grant revenue is for the Hospital Preparedness Program (HPP). HPP provides funding for training and oversight to hospitals and emergency providers for the nine county region. SETRAC works with the stakeholders to ensure the region is prepared to respond to the nation's health security for pandemics, terrorist attacks, earthquakes, hurricanes, and other natural and man-made disasters.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

SETRAC maintains its books on the accrual basis of accounting; revenues are recorded when earned and expenses are recognized when an obligation is incurred.

Financial Statement Presentation

SETRAC adopted the Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, SETRAC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, SETRAC is required to present a statement of cash flows.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expired, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Unrestricted Net Assets

Unrestricted net assets include operating reserves and cash reserves designated by the Executive Committee and represent expendable funds available for support of SETRAC operations.

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2011 and 2010

Temporarily Restricted Net Assets

Temporarily restricted net assets are those for which use by SETRAC has been limited by donors to a specific time period or purpose.

Federal Income Taxes

SETRAC is an exempt organization for federal income tax purposes under Section 501(c)(6) of the Internal Revenue Code.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3 – CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, SETRAC considers all money market funds to be cash equivalents.

NOTE 4 – CONCENTRATIONS

Funding received during the year from government fees and grants were as follows at August 31:

<u>Type of Grant</u>	<u>Original Source</u>	<u>2011</u>	<u>2010</u>
EMS/County 911	State	\$ -	\$ 317,081
EMS/RAC	State	260,279 *	247,733
EMS/Tobacco			
Fund Endowment	State	221,743	222,462
ASPR/EMTF	Federal	5,118,860	4,474,844
ASPR/EMTF	Federal	89,969 *	-
	Total	<u>\$ 5,690,851</u>	<u>\$ 5,262,120</u>

* Unspent and temporarily restricted at year end.

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2011 and 2010

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2011 are:

	<u>2010</u>	<u>Additons</u>	<u>Deletions</u>	<u>2011</u>
Office Equipment	\$ 41,881	\$ 10,375	\$ -	\$ 52,256
Communications Equipment	365,553	27,491	-	393,044
Computer Equipment-Hosp/EMS Units	163,650	-	-	163,650
Field Equipment	1,779,811	49,612	-	1,829,423
Vehicles	876,380	526,405	-	1,402,785
Less accumulated depreciation	<u>(1,373,760)</u>	<u>(400,394)</u>	<u>-</u>	<u>(1,774,154)</u>
Total	<u>\$ 1,853,515</u>	<u>\$ 213,489</u>	<u>\$ -</u>	<u>\$ 2,067,004</u>

Depreciation expense for the periods ended August 31, 2011 and 2010 was \$400,394 and \$362,660, respectively.

NOTE 6 – CONTINGENCIES

SETRAC programs are supported through state and local grant programs that are governed by various rules and regulations. Expenses charged to the grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that SETRAC has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of management, there are no contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been made in the accompanying financial statements for such contingencies.

NOTE 7 – UNSPENT GRANT FUNDS

SETRAC did not expend all ASPR Year 8 and ASPR Year 9 grant funds required to be spent by the contract end dates; therefore, the unspent amount must be remitted back to the state in accordance with grant rules and regulations. The total refund payable to the state for unspent grant funds was \$7,152 and \$99,099 for the years ended August 31, 2011 and 2010, respectively.