

*ANNUAL FINANCIAL REPORT*

of the

**SOUTHEAST TEXAS  
REGIONAL ADVISORY COUNCIL**

For the Years Ended  
August 31, 2018 and 2017

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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:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Southeast Texas Regional Advisory Council (SETRAC) (a nonprofit organization), which comprise the statements of financial position as of August 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to SETRAC's preparation and fair presentation of the financial statements 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 SETRAC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SETRAC as of August 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018 on our consideration of SETRAC'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 effectiveness of SETRAC'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 SETRAC's internal control over financial reporting and compliance.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
December 19, 2018

**SOUTHEAST TEXAS**  
**REGIONAL ADVISORY COUNCIL**  
*STATEMENTS OF FINANCIAL POSITION*

August 31, 2018 and 2017

	2018	2017
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 1,668,630	\$ 1,294,538
Grants receivable	226,536	217,249
Other receivable	9,010	-
Prepaid expenses	65,767	65,318
Property and equipment, net	1,170,081	1,262,424
<b>Total Assets</b>	<b>\$ 3,140,024</b>	<b>\$ 2,839,529</b>
 <b><u>Liabilities</u></b>		
Accounts payable	\$ 200,452	\$ 195,002
Unearned revenue	365,876	365,876
<b>Total Liabilities</b>	<b>566,328</b>	<b>560,878</b>
 <b><u>Net Assets</u></b>		
Unrestricted	341,963	223,452
Temporarily restricted	2,231,733	2,055,199
<b>Total Net Assets</b>	<b>2,573,696</b>	<b>2,278,651</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,140,024</b>	<b>\$ 2,839,529</b>

See notes to financial statements.

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**SOUTHEAST TEXAS  
REGIONAL ADVISORY COUNCIL  
STATEMENTS OF ACTIVITIES**

For the Years Ended August 31, 2018 and 2017

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
<b>Revenues</b>				
Grants	\$ -	\$ 8,734,341	\$ 8,734,341	\$ 4,837,549
Other program revenues	899,691	-	899,691	285,039
Interest income	2,120	-	2,120	15
Net assets released from restrictions	8,557,807	(8,557,807)	-	-
<b>Total Revenues</b>	<u>9,459,618</u>	<u>176,534</u>	<u>9,636,152</u>	<u>5,122,603</u>
<b>Expenses</b>				
Program expenses	7,999,881	-	7,999,881	4,109,164
General and administrative	1,341,226	-	1,341,226	915,174
<b>Total Expenses</b>	<u>9,341,107</u>	<u>-</u>	<u>9,341,107</u>	<u>5,024,338</u>
<b>Net Operating Income</b>	<u>118,511</u>	<u>176,534</u>	<u>295,045</u>	<u>98,265</u>
Beginning net assets	223,452	2,055,199	2,278,651	2,180,386
<b>Ending Net Assets</b>	<u>\$ 341,963</u>	<u>\$ 2,231,733</u>	<u>\$ 2,573,696</u>	<u>\$ 2,278,651</u>

See notes to financial statements.

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**SOUTHEAST TEXAS**  
**REGIONAL ADVISORY COUNCIL**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

For the Years Ended August 31, 2018 and 2017

	<u>2018</u>			<u>2017</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>	<u>Total</u>
Project spending for facilities	\$ 581,199	\$ -	\$ 581,199	\$ 305,281
Reimbursements to facilities	1,859,390	-	1,859,390	896,974
Payroll	2,400,659	383,845	2,784,504	2,314,784
Contract services	216,395	-	216,395	72,584
Depreciation	284,811	-	284,811	403,763
Travel/meetings/conferences	1,997,686	57,999	2,055,685	315,060
Legal and professional	-	42,949	42,949	22,350
Telephone	3,509	9,954	13,463	12,530
Bus supplies	2,714	-	2,714	-
Preventive maintenance	62,669	-	62,669	38,491
Subscriptions	5,400	-	5,400	10,800
Miscellaneous	-	626,703	626,703	196,905
Communications	70,368	24,978	95,346	58,047
Insurance	-	62,962	62,962	2,129
Office and computer supplies	-	249,690	249,690	36,753
Postage	-	3,304	3,304	5,053
Rent	131,236	148,912	280,148	264,599
Website	-	96,651	96,651	59,407
Printing	-	9,372	9,372	5,668
Bank charges	-	7,752	7,752	2,318
<b>Total Expenses Included in the Statements of Activities</b>	<b><u>\$ 7,616,036</u></b>	<b><u>\$ 1,725,071</u></b>	<b><u>\$ 9,341,107</u></b>	<b><u>\$ 5,024,338</u></b>

See notes to financial statements.

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**SOUTHEAST TEXAS  
REGIONAL ADVISORY COUNCIL**

*STATEMENTS OF CASH FLOWS*

For the Years Ended August 31, 2018 and 2017

	2018	2017
<b>Cash Flows from Operating Activities</b>		
<b>Increase in Net Assets</b>	\$ 295,045	\$ 98,265
<b>Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:</b>		
Depreciation	284,811	403,763
(Increase) decrease in assets:		
Grants and other receivable	(18,297)	141,162
Prepaid expenses	(449)	(53,194)
Increase (decrease) in liabilities:		
Accounts payable	5,450	(162,733)
Accrued expenses	-	10,876
<b>Net Cash Provided by Operating Activities</b>	566,560	438,139
<b>Cash Flows from Financing Activities:</b>		
Purchase of property and equipment	(192,468)	(27,690)
<b>Net Cash (Used) by Financing Activities</b>	(192,468)	(27,690)
<b>Net Increase in Cash and Cash Equivalents</b>	374,092	410,449
Beginning cash and cash equivalents	1,294,538	884,089
<b>Ending Cash and Cash Equivalents</b>	\$ 1,668,630	\$ 1,294,538

See notes to financial statements.

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# **SOUTHEAST TEXAS REGIONAL ADVISORY COUNCIL**

## ***NOTES TO FINANCIAL STATEMENTS***

**For the Years Ended August 31, 2018 and 2017**

### **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 morbidity and mortality. SETRAC is tasked with the mission of providing collaborative planning and response to emergencies, in a multi-disciplinary approach, and to preserve the medical infrastructure in 25 counties of SouthEast Texas.

SETRAC, along with 21 other regions in Texas, is funded through the Texas Department of State Health Services/Emergency Medical Services (DSHS/EMS) Trauma System funds generated by fees for 911 services. SETRAC also receives funding from the EMS/Trauma Systems Development Account.

A large portion of SETRAC's grant revenue is from the Texas Hospital Preparedness Program grant (HPP) through the federal office of the Assistant Secretary for Preparedness and Response. 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. SETRAC has no permanent restrictions on 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 expires, 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.

**SOUTHEAST TEXAS**  
**REGIONAL ADVISORY COUNCIL**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Years Ended August 31, 2018 and 2017

**Unrestricted Net Assets**

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

**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.



**SOUTHEAST TEXAS**  
**REGIONAL ADVISORY COUNCIL**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Years Ended August 31, 2018 and 2017

**NOTE 4 – CONCENTRATIONS**

SETRAC receives a grant that represents the majority of SETRAC’s annual revenue. For fiscal year 2018, SETRAC’s revenue from the Texas HPP grant was 52 percent of SETRAC’s total revenue.

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

<b>Type of Grant</b>	<b>2018</b>		<b>2017</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Federal:				
CPS - Hospital Preparedness	\$ 4,980,797	51.69%	\$ 3,796,171	74.11%
Ebola	-	0.00%	490,046	9.57%
UASI	-	0.00%	3,847	0.08%
Home Security Grant Program	24,966	0.26%	-	0.00%
State:				
Harvey Reimbursement	2,546,855	26.43%	-	0.00%
Davis Fire Reimbursement	152,507	1.58%	-	0.00%
EMS/County 911	352,031	3.65%	-	0.00%
EMS/RAC	282,055	2.93%	203,614	3.97%
EMS/Tobacco	228,329	2.37%	230,597	4.50%
CVD	18,195	1.24%	64,585	0.92%
Rebuilding Texas Grant	100,000	1.04%	-	0.00%
TDEM	5,488	0.06%	-	0.00%
LPG	43,118	0.45%	48,689	0.95%
	<u>8,734,341</u>	<u>90.64%</u>	<u>4,837,549</u>	<u>94.44%</u>
Other revenue	901,811	9.36%	285,054	5.56%
<b>Total</b>	<b>\$ <u>9,636,152</u></b>	<b><u>100.00%</u></b>	<b>\$ <u>5,122,603</u></b>	<b><u>100.00%</u></b>

**SOUTHEAST TEXAS  
REGIONAL ADVISORY COUNCIL**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Years Ended August 31, 2018 and 2017

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment at August 31, 2018 are:

	<u>2017</u>	<u>2018</u>
Office equipment	\$ 55,531	\$ 55,531
Communications equipment	398,022	398,022
Computer equipment	5,704	5,704
Field equipment	782,603	975,071
Vehicles	2,892,163	2,892,163
Less accumulated depreciation	<u>(2,871,599)</u>	<u>(3,156,410)</u>
<b>Total</b>	<u>\$ 1,262,424</u>	<u>\$ 1,170,081</u>

Depreciation expense for the periods ended August 31, 2018 and 2017 was \$284,811 and \$403,763, 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 – RECEIVABLE GRANT FUNDS**

SETRAC did not receive all of the Texas HPP grant funds for fiscal year 2018; therefore, there is a receivable from the State for the difference. The total receivable from the State for HPP grant funds for the year ended August 31, 2018 and 2017 was \$226,536 and \$217,249, respectively.