

ANNUAL FINANCIAL REPORT

of the

**SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL**

For the Years Ended
August 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 January 23, 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 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
January 23, 2018

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
STATEMENTS OF FINANCIAL POSITION
August 31, 2017 and 2016

	2017	(Restated) 2016
<u>Assets</u>		
Cash and cash equivalents	\$ 1,294,538	\$ 884,089
Grants receivable	217,249	358,411
Prepaid expenses	65,318	12,124
Property and equipment, net	1,262,424	1,638,497
Total Assets	\$ 2,839,529	\$ 2,893,121
 <u>Liabilities</u>		
Accounts payable	\$ 195,002	\$ 357,735
Unearned revenue	365,876	355,000
Total Liabilities	560,878	712,735
 <u>Net Assets</u>		
Unrestricted	223,452	1,530,072
Temporarily restricted	2,055,199	650,314
Total Net Assets	2,278,651	2,180,386
 Total Liabilities and Net Assets	 \$ 2,839,529	 \$ 2,893,121

See notes to financial statements.

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SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
STATEMENTS OF ACTIVITIES

For the Years Ended August 31, 2017 and 2016

	2017			(Restated) 2016
	Unrestricted	Temporarily Restricted	Total	Total
Revenues				
Grants	\$ -	\$ 4,837,549	\$ 4,837,549	\$ 4,057,689
Other program revenues	285,039	-	285,039	633,819
Interest income	15	-	15	8
Net assets released from restriction	3,432,664	(3,432,664)	-	-
Total Revenues	<u>3,717,718</u>	<u>1,404,885</u>	<u>5,122,603</u>	<u>4,691,516</u>
Expenses				
Program expenses	4,109,164	-	4,109,164	4,494,041
General and administrative	915,174	-	915,174	1,009,208
Total Expenses	<u>5,024,338</u>	<u>-</u>	<u>5,024,338</u>	<u>5,503,249</u>
Net Operating Income (Loss)	<u>(1,306,620)</u>	<u>1,404,885</u>	<u>98,265</u>	<u>(811,733)</u>
Beginning net assets	1,530,072	650,314	2,180,386	2,992,119
Ending Net Assets	<u>\$ 223,452</u>	<u>\$ 2,055,199</u>	<u>\$ 2,278,651</u>	<u>\$ 2,180,386</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, 2017 and 2016

	2017			2016
	Program Services	General & Administrative	Total	Total
Project spending for facilities	\$ 305,281	\$ -	\$ 305,281	\$ 984,559
Reimbursements to facilities	896,974	-	896,974	597,020
Payroll	1,973,077	341,707	2,314,784	2,152,442
Contract services	72,584	-	72,584	300,398
Depreciation	403,763	-	403,763	398,140
Travel/meetings/conferences	282,889	32,171	315,060	216,537
Legal and professional	-	22,350	22,350	14,881
Telephone	2,986	9,544	12,530	12,579
Moving expense	842	-	842	7,109
Bus supplies	-	-	-	704
Preventive maintenance	38,491	-	38,491	75,702
Subscriptions	10,800	-	10,800	10,800
Miscellaneous	-	196,905	196,905	64,677
Communications	26,481	31,566	58,047	113,996
Insurance	-	2,129	2,129	68,379
Office and computer supplies	-	36,753	36,753	83,990
Postage	-	5,053	5,053	7,220
Rent	94,996	169,603	264,599	270,396
Website	-	59,407	59,407	102,520
Printing	-	5,668	5,668	18,231
Bank charges	-	2,318	2,318	2,969
Total Expenses Included in the Statements of Activities	\$ 4,109,164	\$ 915,174	\$ 5,024,338	\$ 5,503,249

See notes to financial statements.

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**SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL**

STATEMENTS OF CASH FLOWS

For the Years Ended August 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ 98,265	\$ (456,733)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	403,763	398,140
(Increase) decrease in assets:		
Accounts receivable	141,162	116,131
Prepaid expenses	(53,194)	18,792
Increase (decrease) in liabilities:		
Accounts payable	(162,733)	219,719
Accrued expenses	10,876	-
Net Cash Provided by Operating Activities	438,139	296,049
Cash Flows from Financing Activities:		
Purchase of property and equipment and net of loss from disposal of assets	(27,690)	(67,706)
Net Cash (Used) by Financing Activities	(27,690)	(67,706)
Net Increase in Cash and Cash Equivalents	410,449	228,343
Beginning cash and cash equivalents	884,089	655,746
Ending Cash and Cash Equivalents	\$ 1,294,538	\$ 884,089

See notes to financial statements.

SOUTHEAST TEXAS REGIONAL ADVISORY COUNCIL

NOTES TO FINANCIAL STATEMENTS

For the Years Ended August 31, 2017 and 2016

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. It represents nine counties in 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, which is funded by an endowment from part of the settlement Texas received from its 1996 lawsuit against tobacco companies.

Approximately 84 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. 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, 2017 and 2016

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, 2017 and 2016

NOTE 4 – CONCENTRATIONS

SETRAC receives a grant that represents the majority of SETRAC’s annual revenue. For fiscal year 2017, SETRAC’s revenue from the Texas Hospital Preparedness Program grant was 74 percent of SETRAC’s total revenue.

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

Type of Grant	2017		2016	
	Amount	%	Amount	%
Federal:				
CPS - Hospital Preparedness	\$ 3,796,171	74.11%	\$ 2,545,819	54.26%
Ebola	490,046	9.57%	469,315	10.00%
UASI	3,847	0.08%	58,126	1.24%
State:				
EMS/County 911	-	0.00%	360,587	7.69%
EMS/RAC	203,614	3.97%	289,727	6.18%
EMS/Tobacco	230,597	4.50%	287,724	6.13%
CVD	64,585	1.24%	46,391	0.92%
LPG	48,689	0.95%	-	0.00%
	<u>4,837,549</u>	<u>94.44%</u>	<u>4,057,689</u>	<u>86.49%</u>
Other revenue	285,054	5.56%	633,827	13.51%
Total	<u>\$ 5,122,603</u>	<u>100.00%</u>	<u>\$ 4,691,516</u>	<u>100.00%</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2017 are:

	2016	Additons	Deletions	2017
Office equipment	\$ 55,531	\$ -	\$ -	\$ 55,531
Communications equipment	398,022	-	-	398,022
Computer equipment-hosp/EMS units	5,704	-	-	5,704
Field equipment	754,913	27,690	-	782,603
Vehicles	2,892,163	-	-	2,892,163
Less accumulated depreciation	<u>(2,467,836)</u>	<u>(403,763)</u>	<u>-</u>	<u>(2,871,599)</u>
Total	<u>\$ 1,638,497</u>	<u>\$ (376,073)</u>	<u>\$ -</u>	<u>\$ 1,262,424</u>

Depreciation expense for the periods ended August 31, 2017 and 2016 was \$403,763 and \$398,140, respectively.

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2017 and 2016

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 Hospital Preparedness Program grant funds for fiscal year 2017; therefore, there is a receivable from the State for the difference. The total receivable from the State for grant funds for the year ended August 31, 2017 was \$217,249.

NOTE 8 – RESTATEMENT

For the fiscal year 2016, revenues were decreased and unearned revenue increased by \$355,000 to properly reflect unearned revenue at year end. This restatement result in net assets decreasing from \$1,885,072 to \$1,530,072.