

*ANNUAL FINANCIAL REPORT*

of the

**SOUTHEAST TEXAS  
REGIONAL ADVISORY COUNCIL**

For the Years Ended  
August 31, 2012 and 2011

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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 ("SETRAC"), a nonprofit organization, as of August 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of SETRAC'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 SETRAC as of August 31, 2012 and 2011, 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 December 31, 2012 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 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  
December 31, 2012

**SOUTHEAST TEXAS  
REGIONAL ADVISORY COUNCIL**

*STATEMENTS OF FINANCIAL POSITION*

August 31, 2012 and 2011

	2012	2011
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 745,898	\$ 1,248,907
Accounts receivable	161,926	18
Prepaid expenses	71,374	64,814
Property and equipment, net	2,559,346	2,067,004
<b>Total Assets</b>	<b>\$ 3,538,544</b>	<b>\$ 3,380,743</b>
 <b><u>Liabilities</u></b>		
Accounts payable	\$ 45,889	\$ 506,688
<b>Total Liabilities</b>	<b>45,889</b>	<b>506,688</b>
 <b><u>Net Assets</u></b>		
Unrestricted	3,017,519	2,523,807
Temporarily restricted	475,136	350,248
<b>Total Net Assets</b>	<b>3,492,655</b>	<b>2,874,055</b>
 <b>Total Liabilities and Net Assets</b>	 <b>\$ 3,538,544</b>	 <b>\$ 3,380,743</b>

See notes to financial statements.

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

For the Years Ended August 31, 2012 and 2011

	2012			2011 Total
	Unrestricted	Temporarily Restricted	Total	
<b>Revenues</b>				
Grants	\$ -	\$ 4,752,778	\$ 4,752,778	\$ 5,690,851
Other program revenues	150,987	-	150,987	170,015
Interest income	379	-	379	87,112
Net assets released from restrictions	4,627,890	(4,627,890)	-	-
<b>Total Revenues</b>	<u>4,779,256</u>	<u>124,888</u>	<u>4,904,144</u>	<u>5,947,978</u>
<b>Expenses</b>				
Program expenses	3,442,948	-	3,442,948	4,913,332
General and administrative	842,596	-	842,596	532,075
<b>Total Expenses</b>	<u>4,285,544</u>	<u>-</u>	<u>4,285,544</u>	<u>5,445,407</u>
<b>Net Operating Income</b>	<u>493,712</u>	<u>124,888</u>	<u>618,600</u>	<u>502,571</u>
Beginning net assets	<u>2,523,807</u>	<u>350,248</u>	<u>2,874,055</u>	<u>2,371,484</u>
<b>Ending Net Assets</b>	<u>\$ 3,017,519</u>	<u>\$ 475,136</u>	<u>\$ 3,492,655</u>	<u>\$ 2,874,055</u>

See notes to financial statements.

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

For the Years Ended August 31, 2012 and 2011

	2012			Total 2011
	Program Services	General & Administrative	Total	
Project spending for facilities	\$ 1,276,688	\$ -	\$ 1,276,688	\$ 2,031,696
Reimbursements to facilities	939,004	-	939,004	1,396,176
Payroll	604,537	451,054	1,055,591	1,080,998
Contract services	12,228	-	12,228	28,984
Depreciation	393,764	-	393,764	400,394
Education	43,938	-	43,938	62,305
Travel/meetings/conferences	13,042	93,399	106,441	73,980
Legal and professional	17,583	8,359	25,942	27,549
Telephone	6,427	15,829	22,256	14,866
Preventive maintenance	47,601	-	47,601	36,096
Subscriptions	-	10,800	10,800	18,000
Miscellaneous	3,351	39,090	42,441	38,615
Communications	29,159	18,643	47,802	61,329
Insurance	55,626	-	55,626	49,543
Office and computer supplies	-	101,150	101,150	36,427
Postage	-	2,296	2,296	2,363
Rent	-	77,910	77,910	65,373
Website	-	19,905	19,905	17,281
Printing	-	2,819	2,819	2,412
Bank charges	-	1,342	1,342	1,020
<b>Total Expenses Included in the Expenses of the Statements of Activities</b>	<b>\$ 3,442,948</b>	<b>\$ 842,596</b>	<b>\$ 4,285,544</b>	<b>\$ 5,445,407</b>

See notes to financial statements.



**SOUTHEAST TEXAS  
REGIONAL ADVISORY COUNCIL**

*STATEMENTS OF CASH FLOWS*

For the Years Ended August 31, 2012 and 2011

	2012	2011
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 618,600	\$ 502,571
<b>Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:</b>		
Depreciation	393,764	400,394
(Increase) decrease in assets:		
Accounts receivable	(161,908)	174,243
Prepaid expenses	(6,560)	(59,343)
Increase (decrease) in liabilities:		
Accounts payable	(460,799)	38,857
<b>Net Cash Provided by Operating Activities</b>	383,097	1,056,722
<b>Cash Flows from Financing Activities:</b>		
Purchase of property and equipment	(886,106)	(613,883)
<b>Net Cash (Used) by Financing Activities</b>	(886,106)	(613,883)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(503,009)	442,839
Beginning cash and cash equivalents	1,248,907	806,068
<b>Ending Cash and Cash Equivalents</b>	\$ 745,898	\$ 1,248,907

See notes to financial statements.

# **SOUTHEAST TEXAS REGIONAL ADVISORY COUNCIL**

## **NOTES TO FINANCIAL STATEMENTS**

**For the Years Ended August 31, 2012 and 2011**

### **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 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 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.

#### **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.

**SOUTHEAST TEXAS**  
**REGIONAL ADVISORY COUNCIL**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Years Ended August 31, 2012 and 2011

**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>2012</u>	<u>2011</u>
EMS/County 911	State	\$ 326,455	\$ -
EMS/County 912	State	261,359 *	-
EMS/RAC	State	16,986	
EMS/RAC	State	213,777 *	260,279
EMS/Tobacco			
Fund Endowment	State	224,966	221,743
ASPR/EMTF	Federal	-	5,118,860
ASPR/EMTF	Federal	3,571,876	350,248
	Total	<u>\$ 4,615,419</u>	<u>\$ 5,951,130</u>

\* Unspent and temporarily restricted at year end.

**SOUTHEAST TEXAS**  
**REGIONAL ADVISORY COUNCIL**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Years Ended August 31, 2012 and 2011

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment at August 31, 2012 are:

	<u>2011</u>	<u>Additons</u>	<u>Deletions</u>	<u>2012</u>
Office equipment	\$ 52,256	\$ 3,275	\$ -	\$ 55,531
Communications equipment	393,044	12,321	-	405,365
Computer equipment-hosp/EMS units	163,650	5,704	-	169,354
Field equipment	1,829,423	186,237	(107,000)	1,908,660
Vehicles	1,402,785	716,911	-	2,119,696
Less accumulated depreciation	<u>(1,774,154)</u>	<u>(393,764)</u>	<u>68,658</u>	<u>(2,099,260)</u>
<b>Total</b>	<u>\$ 2,067,004</u>	<u>\$ 530,684</u>	<u>\$ (38,342)</u>	<u>\$ 2,559,346</u>

Depreciation expense for the periods ended August 31, 2012 and 2011 was \$393,086 and \$400,394, 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 ASPR Year 10 grant funds that were spent during the year; therefore, the spent amount over what was received is a receivable from the State. The total receivable from the State for grant funds was \$137,359 for the year ended August 31, 2012.

**NOTE 9 – RESTATEMENT**

Beginning net assets were restated for a change in investment value in the prior year. The cumulative effect of this restatement was an increase to beginning net assets of \$86,677 from \$2,787,378 to \$2,874,055.