

ANNUAL FINANCIAL REPORT

of the

**SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL**

For the Years Ended
August 31, 2015 and 2014

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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, 2015 and 2014, and the related statements of activities 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.

Partners

Robert Belt, CPA
Stephanie E. Harris, CPA
Nathan Krupke, CPA

Houston

3210 Bingle Rd., Ste. 300
Houston, TX 77055
713.263.1123

Bellville

P.O. Box 826
Bellville, TX 77418
713.263.1123

Austin

100 Congress Ave., Ste. 2000
Austin, TX 78701
512.381.0222

All Offices

www.texasauditors.com
info@txauditors.com
713.263.1550 fax



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, 2015 and 2014, 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 on November 20, 2015 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
November 20, 2015

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SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
STATEMENTS OF FINANCIAL POSITION

August 31, 2015 and 2014

	2015	2014
<u>Assets</u>		
Cash and cash equivalents	\$ 655,746	\$ 1,366,296
Grants receivable	474,543	50,964
Hospital dues receivable	-	8,875
Prepaid expenses	30,916	23,410
Property and equipment, net	1,968,930	2,368,710
Total Assets	\$ 3,130,135	\$ 3,818,255
 <u>Liabilities</u>		
Accounts payable	\$ 138,016	\$ 180,367
Total Liabilities	138,016	180,367
 <u>Net Assets</u>		
Unrestricted	2,625,379	2,990,477
Temporarily restricted	366,740	647,411
Total Net Assets	2,992,119	3,637,888
 Total Liabilities and Net Assets	 \$ 3,130,135	 \$ 3,818,255

See notes to financial statements.

**SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL**

STATEMENTS OF ACTIVITIES

For the Years Ended August 31, 2015 and 2014

	2015			2014 Total
	Unrestricted	Temporarily Restricted	Total	
Revenues				
Grants	\$ -	\$ 3,269,640	\$ 3,269,640	\$ 6,038,119
Other program revenues	366,033	-	366,033	188,710
Interest income	812	-	812	1,419
Net assets released from restrictions	3,550,311	(3,550,311)	-	-
Total Revenues	<u>3,917,156</u>	<u>(280,671)</u>	<u>3,636,485</u>	<u>6,228,248</u>
Expenses				
Program expenses	3,346,515	-	3,346,515	5,303,239
General and administrative	935,739	-	935,739	860,660
Total Expenses	<u>4,282,254</u>	<u>-</u>	<u>4,282,254</u>	<u>6,163,899</u>
Net Operating Income (Loss)	<u>(365,098)</u>	<u>(280,671)</u>	<u>(645,769)</u>	<u>64,349</u>
Beginning net assets	2,990,477	647,411	3,637,888	3,573,539
Ending Net Assets	<u>\$ 2,625,379</u>	<u>\$ 366,740</u>	<u>\$ 2,992,119</u>	<u>\$ 3,637,888</u>

See notes to financial statements.

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended August 31, 2015 and 2014

	<u>2015</u>			<u>2014</u>
	<u>Program Services</u>	<u>General & Administrative</u>	<u>Total</u>	<u>Total</u>
Project spending for facilities	\$ 431,152	\$ -	\$ 431,152	\$ 1,249,888
Reimbursements to facilities	436,883	-	436,883	863,215
Payroll	1,558,631	389,658	1,948,289	1,880,423
Contract services	22,700	-	22,700	682,505
Depreciation	399,779	-	399,779	413,247
Travel/meetings/conferences	184,070	44,749	228,819	134,052
Legal and professional	-	29,775	29,775	18,278
Telephone	5,703	8,636	14,339	23,635
Moving expense	1,158	-	1,158	28,329
Bus supplies	-	-	-	118,613
Preventive maintenance	99,855	-	99,855	121,508
Subscriptions	10,800	-	10,800	10,800
Miscellaneous	-	62,451	62,451	61,920
Communications	75,495	34,238	109,733	90,512
Insurance	-	48,128	48,128	71,557
Office and computer supplies	6,872	50,101	56,973	34,866
Postage	-	7,217	7,217	5,976
Rent	113,417	161,590	275,007	272,144
Website	-	90,949	90,949	70,371
Printing	-	4,611	4,611	9,094
Bank charges	-	3,636	3,636	2,966
Total Expenses Included in the Statements of Activities	<u>\$ 3,346,515</u>	<u>\$ 935,739</u>	<u>\$ 4,282,254</u>	<u>\$ 6,163,899</u>

See notes to financial statements.

**SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL**

STATEMENTS OF CASH FLOWS

For the Years Ended August 31, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ (645,769)	\$ 64,349
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	399,779	413,247
(Increase) decrease in assets:		
Accounts receivable	(414,703)	(17,188)
Prepaid expenses	(7,506)	6,438
Increase (decrease) in liabilities:		
Accounts payable	(42,351)	80,379
Net Cash Provided (Used) by Operating Activities	(710,550)	547,225
Cash Flows from Financing Activities:		
Purchase of property and equipment		
net of loss from disposal of assets	-	(319,536)
Net Cash (Used) by Financing Activities	-	(319,536)
Net Increase (Decrease) in Cash and Cash Equivalents	(710,550)	227,689
Beginning cash and cash equivalents	1,366,296	1,138,607
Ending Cash and Cash Equivalents	\$ 655,746	\$ 1,366,296

See notes to financial statements.

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SOUTHEAST TEXAS REGIONAL ADVISORY COUNCIL

NOTES TO FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

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 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.

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2015 and 2014

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, 2015 and 2014

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>2015</u>	<u>2014</u>
EMS/County 911	State	\$ -	\$ 261,817 **
EMS/County 911	State	203,795 *	-
EMS/RAC	State	-	206,391 **
EMS/RAC	State	162,945 *	-
EMS/Tobacco			
Fund Endowment	State	232,590	230,470
UASI	State	23,525	111,031
AMOPS	Federal	-	143,382
ASPR/EMTF	Federal	2,646,785	4,905,824
ASPR/EMTF	Federal	-	179,203 **
	Total	\$ 3,269,640	\$ 6,038,118

* Unspent and temporarily restricted at the current year end.

** Unspent and temporarily restricted at the prior year end.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2015 are:

	<u>2014</u>	<u>Additons</u>	<u>Deletions</u>	<u>2015</u>
Office equipment	\$ 55,531	\$ -	\$ -	\$ 55,531
Communications equipment	398,022	-	-	398,022
Computer equipment-hosp/EMS units	5,704	-	-	5,704
Field equipment	742,273	-	-	742,273
Vehicles	2,837,097	-	-	2,837,097
Less accumulated depreciation	(1,669,917)	(399,779)	-	(2,069,696)
Total	\$ 2,368,710	\$ (399,779)	\$ -	\$ 1,968,931

Depreciation expense for the periods ended August 31, 2015 and 2014 was \$399,779 and \$413,247, 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

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NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2015 and 2014

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 2015; 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, 2015 was \$474,543.

NOTE 8 – CONCENTRATION OF REVENUE

SETRAC receives a grant that represents the majority of SETRAC's annual revenue. For fiscal year 2015, SETRAC's revenue from the Texas Hospital Preparedness Program grant was 81 percent of SETRAC's total revenue.