

ANNUAL FINANCIAL REPORT

of the

**SOUTHEAST TEXAS REGIONAL
ADVISORY COUNCIL**

For the Years Ended
August 31, 2010 and 2009

**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, 2010 and 2009, 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, 2010 and 2009, 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 April 6, 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, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
April 20, 2011

**SOUTHEAST TEXAS REGIONAL
ADVISORY COUNCIL**

STATEMENTS OF FINANCIAL POSITION

August 31, 2010 and 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 806,068	\$ 2,319,404
Accounts receivable	174,261	-
Prepaid expenses	5,471	-
Property and equipment, net	1,853,515	1,979,726
Total Assets	<u><u>\$ 2,839,315</u></u>	<u><u>\$ 4,299,130</u></u>
<u>Liabilities</u>		
Accounts payable	\$ 467,831	\$ 1,025,989
Other payables	-	186,587
Accrued liabilities	-	89,345
Total Liabilities	<u>467,831</u>	<u>1,301,921</u>
<u>Net Assets</u>		
Unrestricted	1,806,670	2,514,535
Temporarily restricted	564,814	482,674
Total Net Assets	<u>2,371,484</u>	<u>2,997,209</u>
 Total Liabilities and Net Assets	 <u><u>\$ 2,839,315</u></u>	 <u><u>\$ 4,299,130</u></u>

See notes to financial statements.

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

For the Years Ended August 31, 2010 and 2009

	2010			2009 Total
	Unrestricted	Temporarily Restricted	Total	
Revenues				
Grants	\$ -	\$ 5,262,120	\$ 5,262,120	\$ 5,802,650
Other program revenues	166,347	-	166,347	106,508
Interest income	923	-	923	1,751
Net assets released from restrictions	5,179,980	(5,179,980)	-	-
Total Revenues	<u>5,347,250</u>	<u>82,140</u>	<u>5,429,390</u>	<u>5,910,909</u>
Expenses				
Program expenses	5,787,841	-	5,787,841	4,943,481
General and administrative	267,274	-	267,274	768,791
Total Expenses	<u>6,055,115</u>	<u>-</u>	<u>6,055,115</u>	<u>5,712,272</u>
Net Operating Income (Loss)	<u>(707,865)</u>	<u>82,140</u>	<u>(625,725)</u>	<u>198,637</u>
Beginning Net Assets	2,514,535	482,674	2,997,209	2,798,572
Ending Net Assets	<u>\$ 1,806,670</u>	<u>\$ 564,814</u>	<u>\$ 2,371,484</u>	<u>\$ 2,997,209</u>

See notes to financial statements.

SOUTHEAST TEXAS REGIONAL ADVISORY COUNCIL

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended August 31, 2010 and 2009

	2010			Total 2009
	Program Services	General & Administrative	Total	
Project spending for facilities	\$ 2,558,779	\$ -	\$ 2,558,779	\$ 1,589,638
Reimbursements to facilities	1,950,303	-	1,950,303	2,523,771
Payroll expense	518,159	135,278	653,437	496,566
Contract services	27,979	-	27,979	-
Depreciation expense	348,341	14,319	362,660	378,918
Unspent grant expense	99,099	-	99,099	76,386
Education	25,655	-	25,655	250,500
Travel/meetings/conferences	92,808	-	92,808	106,224
Legal and professional	-	23,487	23,487	28,080
Telephone	-	9,564	9,564	14,595
Data registry program	75,750	-	75,750	-
Regional communications vehicle expense	-	-	-	28,355
Preventive maintenance	28,671	-	28,671	-
Systems and planning	-	-	-	48,577
Subscriptions	18,000	-	18,000	12,000
Miscellaneous	-	11,475	11,475	20,421
Communications	27,200	-	27,200	25,184
Insurance	-	-	-	33,822
Office and computer supplies	16,547	38,807	55,354	52,523
Postage	488	1,298	1,786	3,823
Rent	-	23,342	23,342	20,127
Website	-	9,145	9,145	197
Printing	62	276	338	2,505
Bank charges	-	283	283	60
Total Expenses Included in the Expenses of the Statements of Activities	\$ 5,787,841	\$ 267,274	\$ 6,055,115	\$ 5,712,272

See notes to financial statements.

SOUTHEAST TEXAS REGIONAL
ADVISORY COUNCIL
STATEMENTS OF CASH FLOWS
August 31, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets - Operating	\$ (625,725)	\$ 198,637
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	362,660	378,918
(Increase) decrease in assets:		
Accounts receivable	(174,261)	-
Prepaid expenses	(5,471)	29,910
Increase (decrease) in liabilities:		
Accounts payable	(558,158)	603,562
Other payables	(186,587)	33,004
Accrued expenses	(89,345)	59,074
Net Cash Provided (Used) by Operating Activities	(1,276,887)	1,303,105
Cash Flows from Financing Activities:		
Purchase of property and equipment	(236,449)	(191,216)
Net Cash (Used) by Financing Activities	(236,449)	(191,216)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,513,336)	1,111,889
Beginning cash and cash equivalents	2,319,404	1,207,515
Ending Cash and Cash Equivalents	\$ 806,068	\$ 2,319,404

See notes to financial statements.

SOUTHEAST TEXAS REGIONAL ADVISORY COUNCIL

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2010 and 2009

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, 2010 and 2009

Temporarily Restricted Net Assets

Temporarily restricted net assets are those for which use by SETRAC that 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>2010</u>	<u>2009</u>
EMS/RAC	State	\$ 247,733 *	\$ 209,359 **
EMS/County 911	State	317,081 *	273,315 **
EMS/Tobacco			
Fund Endowment	State	222,462 **	190,172
ASPR 7	Federal	-	4,639,675
ASPR 8	Federal	4,474,844 **	486,174
	Total	<u>\$ 5,262,120</u>	<u>\$ 5,798,695</u>

* Unspent and temporarily restricted at year end.

** Spent during 2010

**SOUTHEAST TEXAS REGIONAL
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NOTES TO FINANCIAL STATEMENTS, Continued
For the Years Ended August 31, 2010 and 2009

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2010 are:

	<u>2009</u>	<u>Additons</u>	<u>Deletions</u>	<u>2010</u>
Office Equipment	\$ 36,709	\$ 5,172	\$ -	\$ 41,881
Communications Equipment	230,552	135,001	-	365,553
Computer Equipment-Hosp/EMS Units	134,388	29,262	-	163,650
Field Equipment	1,751,034	28,777	-	1,779,811
Vehicles	838,143	38,237	-	876,380
Less accumulated depreciation	<u>(1,011,100)</u>	<u>(362,660)</u>	<u>-</u>	<u>(1,373,760)</u>
Total	<u>\$ 1,979,726</u>	<u>\$ (126,211)</u>	<u>\$ -</u>	<u>\$ 1,853,515</u>

Depreciation expense for the periods ended August 31, 2010 and 2009 was \$362,660 and \$378,918, 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 7 and ASPR Year 8 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 payable to the state for unspent grant funds was \$99,099 and \$76,386 for the years ended August 31, 2010 and 2009, respectively.

NOTE 8 – RESTATEMENT

Beginning net assets were restated for a change in depreciation expense in the prior year and the payment of unspent grant funds accumulated in prior years and paid in the current year. The cumulative effect of these restatements was an increase to beginning net assets of \$37,743 from \$2,959,466 to \$2,997,209.