

ANNUAL FINANCIAL REPORT

of the

**SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL**

For the Years Ended
August 31, 2013 and 2012

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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 financial position of the Southeast Texas Regional Advisory Council (SETRAC) (a nonprofit organization) which comprise the statement of financial position as of August 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, which collectively comprise of SETRAC's basic financial statements as listed in the table of contents.

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 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 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 opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SETRAC as of August 31, 2013 and 2012, and the changes in its net positions and its cash flows for the years then ended in conformity with generally accepted accounting principles 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 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 25, 2013

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**SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL**

STATEMENTS OF FINANCIAL POSITION

August 31, 2013 and 2012

	2013	2012
<u>Assets</u>		
Cash and cash equivalents	\$ 1,138,607	\$ 692,285
Accounts receivable	42,651	161,926
Prepaid expenses	29,848	71,374
Property and equipment, net	2,462,421	2,559,346
Total Assets	\$ 3,673,527	\$ 3,484,931
 <u>Liabilities</u>		
Accounts payable	\$ 99,988	\$ 45,889
Total Liabilities	99,988	45,889
 <u>Net Assets</u>		
Unrestricted	3,039,396	2,963,906
Temporarily restricted	534,143	475,136
Total Net Assets	3,573,539	3,439,042
Total Liabilities and Net Assets	\$ 3,673,527	\$ 3,484,931

See notes to financial statements.

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
STATEMENTS OF ACTIVITIES

For the Years Ended August 31, 2013 and 2012

	2013			2012
	Unrestricted	Temporarily Restricted	Total	
Revenues				
Grants	\$ -	\$ 4,610,082	\$ 4,610,082	\$ 4,752,778
Other program revenues	175,302	-	175,302	150,987
Interest income	3,042	-	3,042	379
Net assets released from restrictions	4,551,075	(4,551,075)	-	-
Total Revenues	<u>4,729,419</u>	<u>59,007</u>	<u>4,788,426</u>	<u>4,904,144</u>
Expenses				
Program expenses	3,961,717	-	3,961,717	3,442,948
General and administrative	692,212	-	692,212	842,596
Total Expenses	<u>4,653,929</u>	<u>-</u>	<u>4,653,929</u>	<u>4,285,544</u>
Net Operating Income	<u>75,490</u>	<u>59,007</u>	<u>134,497</u>	<u>618,600</u>
Beginning net assets	2,963,906	475,136	3,439,042	2,820,442
Ending Net Assets	<u>\$ 3,039,396</u>	<u>\$ 534,143</u>	<u>\$ 3,573,539</u>	<u>\$ 3,439,042</u>

See notes to financial statements.

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended August 31, 2013 and 2012

	2013			Total 2012
	Program Services	General & Administrative	Total	
Project spending for facilities	\$ 1,024,999	\$ -	\$ 1,024,999	\$ 1,276,688
Reimbursements to facilities	731,263	-	731,263	939,004
Payroll	1,089,002	294,947	1,383,949	1,055,591
Contract services	41,137	456	41,593	12,228
Depreciation	365,181	-	365,181	393,764
Education	-	-	-	43,938
Travel/meetings/conferences	8,686	102,001	110,687	106,441
Legal and professional	22,350	45,403	67,753	25,942
Telephone	2,503	17,965	20,468	22,256
Preventive maintenance	63,134	-	63,134	47,601
Subscriptions	-	10,800	10,800	10,800
Miscellaneous	5,287	41,089	46,376	42,441
Communications	128,083	15,641	143,724	47,802
Insurance	86,862	-	86,862	55,626
Office and computer supplies	-	31,837	31,837	101,150
Disposal of capital assets	393,230	-	393,230	-
Postage	-	5,380	5,380	2,296
Rent	-	93,889	93,889	77,910
Website	-	25,551	25,551	19,905
Printing	-	5,120	5,120	2,819
Bank charges	-	2,133	2,133	1,342
Total Expenses Included in the Statements of Activities	\$ 3,961,717	\$ 692,212	\$ 4,653,929	\$ 4,285,544

See notes to financial statements.

**SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL**

STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 134,497	\$ 618,600
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	365,180	393,764
(Increase) decrease in assets:		
Accounts receivable	119,275	(161,908)
Prepaid expenses	41,526	(6,560)
Increase (decrease) in liabilities:		
Accounts payable	54,099	(460,799)
Net Cash Provided by Operating Activities	714,577	383,097
Cash Flows from Financing Activities:		
Purchase of property and equipment		
net of loss from disposal of assets	(268,255)	(886,106)
Net Cash (Used) by Financing Activities	(268,255)	(886,106)
Net Increase (Decrease) in Cash and Cash Equivalents	446,322	(503,009)
Beginning cash and cash equivalents	692,285	1,195,294
Ending Cash and Cash Equivalents	\$ 1,138,607	\$ 692,285

See notes to financial statements.

SOUTHEAST TEXAS REGIONAL ADVISORY COUNCIL

NOTES TO FINANCIAL STATEMENTS

For the Years Ended August 31, 2013 and 2012

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, 2013 and 2012

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, 2013 and 2012

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>2013</u>	<u>2012</u>
EMS/County 911	State	\$ -	\$ 587,814
EMS/County 911	State	248,427 *	-
EMS/RAC	State	48,039	230,763
EMS/RAC	State	157,978 *	-
EMS/Tobacco			
Fund Endowment	State	229,229	224,966
AMOPS	Federal	136,618	-
ASPR/EMTF	Federal	3,658,226	3,571,876
ASPR/EMTF	Federal	131,565 *	-
	Total	\$ 4,610,082	\$ 4,615,419

* Unspent and temporarily restricted at year end.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2013 are:

	<u>2012</u>	<u>Additons</u>	<u>Deletions</u>	<u>2013</u>
Office equipment	\$ 55,531	\$ -	\$ -	\$ 55,531
Communications equipment	405,365	149,425	-	554,790
Computer equipment-hosp/EMS units	169,354	-	-	169,354
Field equipment	1,908,660	27,174	(942,205)	993,629
Vehicles	2,119,696	484,886	-	2,604,582
Less accumulated depreciation	<u>(2,099,260)</u>	<u>(365,180)</u>	<u>548,975</u>	<u>(1,915,465)</u>
Total	\$ 2,559,346	\$ 296,305	\$ (393,230)	\$ 2,462,421

Depreciation expense for the periods ended August 31, 2013 and 2012 was \$365,180 and \$393,086, 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.

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2013 and 2012

NOTE 7 – RECEIVABLE GRANT FUNDS

SETRAC did not receive all of ASPR and AMOPS Year 11 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 for the year ended August 31, 2013 and 2012 was \$42,651 and \$161,926, respectively.

NOTE 8 – RESTATEMENT

Beginning net assets were restated for a change in operating cash value in the prior year. The cumulative effect of this restatement was a decrease to beginning net assets of \$53,613 from \$3,492,655 to \$3,439,042.

