

ANNUAL FINANCIAL REPORT

of the

**SOUTHEAST TEXAS REGIONAL
ADVISORY COUNCIL**

For the Year Ended
August 31, 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, 2009, and the related statements of activities and cash flows for the year 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. 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, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
August 31, 2010

Providing Governmental & Nonprofit Audits Sealed with Excellence

**SOUTHEAST TEXAS REGIONAL
ADVISORY COUNCIL**

STATEMENTS OF FINANCIAL POSITION

August 31, 2009

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 2,319,404	\$ 1,362,053
Prepaid insurance	-	29,910
Property and equipment, net	1,787,445	2,167,516
Total Assets	<u>\$ 4,106,849</u>	<u>\$ 3,559,479</u>
<u>Liabilities</u>		
Accounts payable	\$ 871,451	\$ 622,427
Other payables	186,587	153,583
Accrued liabilities	89,345	30,271
Total Liabilities	<u>1,147,383</u>	<u>806,281</u>
<u>Net Assets</u>		
Unrestricted	2,499,703	2,316,208
Temporarily restricted	459,763	436,990
Total Net Assets	<u>2,959,466</u>	<u>2,753,198</u>
Total Liabilities and Net Assets	<u>\$ 4,106,849</u>	<u>\$ 3,559,479</u>

See notes to financial statements.

SOUTHEAST TEXAS REGIONAL
ADVISORY COUNCIL
STATEMENTS OF ACTIVITIES
For the Year Ended August 31, 2009

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total
Revenues				
Grants	\$ -	\$ 5,802,650	\$ 5,802,650	\$ 5,520,430
Other program revenues	106,508	-	106,508	132,278
Interest income	201,751	-	201,751	9,749
Net assets released from restrictions	5,779,877	(5,779,877)	-	-
Total Revenues	<u>6,088,136</u>	<u>22,773</u>	<u>6,110,909</u>	<u>5,662,457</u>
Expenses				
Program expenses	4,875,719	-	4,875,719	4,138,924
General and administrative	1,028,922	-	1,028,922	258,710
Total Expenses	<u>5,904,641</u>	<u>-</u>	<u>5,904,641</u>	<u>4,397,634</u>
Net Operating Income	<u>183,495</u>	<u>22,773</u>	<u>206,268</u>	<u>1,264,823</u>
Beginning Net Assets	2,316,208	436,990	2,753,198	1,488,375
Ending Net Assets	<u>\$ 2,499,703</u>	<u>\$ 459,763</u>	<u>\$ 2,959,466</u>	<u>\$ 2,753,198</u>

See notes to financial statements.

**SOUTHEAST TEXAS REGIONAL
ADVISORY COUNCIL**

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2009

	2009			Total 2008
	Program Services	General & Administrative	Total	
Equipment to facilities	\$ 1,277,140	\$ 312,498	\$ 1,589,638	\$ 1,274,063
Reimbursements to facilities	2,523,771	-	2,523,771	2,120,170
Payroll expense	297,297	199,269	496,566	311,503
Depreciation expense	428,465	142,822	571,287	238,395
Unspent grant expense	76,386	-	76,386	98,752
Education	30,500	20,000	50,500	95,465
Meetings/conferences	52,446	6,057	58,503	48,957
Travel	34,867	12,854	47,721	37,070
Legal and professional	-	28,080	28,080	35,368
Telephone	437	14,158	14,595	23,670
Regional communications vehicle expense	28,355	-	28,355	21,661
Systems and planning	14,827	33,750	48,577	18,000
Dues	12,000	-	12,000	17,507
Miscellaneous	14,031	206,390	220,421	12,762
Communications	24,434	750	25,184	12,569
Grant interest refund	-	-	-	9,499
Insurance	30,000	3,822	33,822	8,570
Computer supplies	3,759	11,085	14,844	4,422
Office expense	25,990	31,816	57,806	3,717
Postage	899	2,924	3,823	2,367
Contractual	-	-	-	1,168
Website	-	197	197	853
Stroke event	-	-	-	700
Printing	115	2,390	2,505	278
Bank charges	-	60	60	148
Total Expenses Included in the Expenses of the Statements of Activities	\$ 4,875,719	\$ 1,028,922	\$ 5,904,641	\$ 4,397,634

See notes to financial statements.

SOUTHEAST TEXAS REGIONAL
ADVISORY COUNCIL
STATEMENTS OF CASH FLOWS

August 31, 2009

	2009	2008
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets - Operating	\$ 206,268	\$ 1,264,823
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	571,287	238,395
(Increase) decrease in assets:		
Accounts receivable	-	15,212
Prepaid expenses	29,910	(29,910)
Increase (decrease) in liabilities:		
Accounts payable	249,024	400,846
Other payables	33,004	108,251
Accrued expenses	59,074	23,840
Net Cash Provided by Operating Activities	1,056,489	2,021,457
Cash Flows from Investing Activities:		
Purchase of property and equipment	(99,138)	(1,380,745)
Net Cash (Used) by Investing Activities	(99,138)	(1,380,745)
Net Increase in Cash and Cash Equivalents	957,351	640,712
Beginning cash and cash equivalents	1,362,053	721,341
Ending Cash and Cash Equivalents	\$ 2,319,404	\$ 1,362,053

See notes to financial statements.

SOUTHEAST TEXAS REGIONAL ADVISORY COUNCIL

NOTES TO FINANCIAL STATEMENTS

August 31, 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.

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 Executive Committee 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 that has been limited by donors to a specific time period or purpose.

**SOUTHEAST TEXAS REGIONAL
ADVISORY COUNCIL**

NOTES TO FINANCIAL STATEMENTS, Continued

August 31, 2009

Deferred Revenue

Revenue from membership dues is deferred and recognized over the periods to which the dues relate.

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 certificates of deposit and money market funds purchased with an original maturity of 90 days or less to be cash equivalent.

NOTE 4 – CONCENTRATIONS

Funding from government fees and grants were as follows at August 31:

<u>Type of Grant</u>	<u>Original Source</u>	<u>2009</u>	<u>2008</u>
EMS/RAC	State	\$ 209,359	\$ 182,961
EMS/County 911	State	273,315	260,779
EMS/Tobacco			
Fund Endowment	State	190,172	190,172
ASPR 6	Federal	-	4,886,518
ASPR 7	Federal	4,639,675	-
ASPR 8	Federal	486,174	-
Total		<u>\$ 5,798,695</u>	<u>\$ 5,520,430</u>

**SOUTHEAST TEXAS REGIONAL
ADVISORY COUNCIL**

NOTES TO FINANCIAL STATEMENTS, Continued
August 31, 2009

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2009 are:

	<u>2008</u>	<u>Additons</u>	<u>Deletions</u>	<u>2009</u>
Office Equipment	\$ 2,971	\$ 33,738	\$ -	\$ 36,709
Communications Equipment	221,036	9,516	-	230,552
Computer Equipment-Hosp/EMS Units	116,338	18,050	-	134,388
Field Equipment	1,683,859	67,175	-	1,751,034
Vehicles	838,143	-	-	838,143
Adams Warehouse	-	-	-	-
Less accumulated depreciation	<u>(632,094)</u>	<u>(571,287)</u>	<u>-</u>	<u>(1,203,381)</u>
Total	<u>\$ 2,230,253</u>	<u>\$ (442,808)</u>	<u>\$ -</u>	<u>\$ 1,787,445</u>

Depreciation expense for the periods ended August 31, 2009 and 2008 was \$ 571,287 and \$632,094, 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 – ADMINISTRATIVE SUPPORT

SETRAC was provided office space and utilities at no charge from Memorial Hermann Hospital until January 2009.

NOTE 8 – UNSPENT GRANT FUNDS

SETRAC did not expend all ASPR Year 6 and ASPR Year 7 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 \$22,773 and \$23,621 for the years ended August 31, 2009 and 2008, respectively.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

Beginning unrestricted net assets for the year ended August 31, 2009 were \$1,117,458 and adjusted to \$2,316,208 due to an inventory of capital assets in the current year.