

**ANNUAL FINANCIAL REPORT**

**of the**

**SOUTHEAST TEXAS**  
**REGIONAL ADVISORY COUNCIL**

**For the Years Ended**  
**August 31, 2020 and 2019**

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**SOUTHEAST TEXAS  
REGIONAL ADVISORY COUNCIL**

*TABLE OF CONTENTS*

August 31, 2020 and 2019

	<b><u>Page</u></b>
<b>Independent Auditors' Report</b>	3
<b><u>FINANCIAL STATEMENTS</u></b>	
Statements of Financial Position	5
Statements of Activities	6
Statements of Functional Expenses	7
Statements of Cash Flows	8
Notes to Financial Statements	9

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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, 2020 and 2019, and the related statements of activities, functional expenses, 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion 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.

## **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, 2020 and 2019, 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 March 31, 2021 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 effectiveness of SETRAC's 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  
March 31, 2021

**SOUTHEAST TEXAS  
REGIONAL ADVISORY COUNCIL**

*STATEMENTS OF FINANCIAL POSITION*

August 31, 2020 and 2019

	2020	2019
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 1,114,368	\$ 1,312,090
Grants receivable	799,944	60,194
Other receivable	149,158	303,194
Prepaid expenses	105,305	18,203
Property and equipment, net	806,094	1,075,578
<b>Total Assets</b>	<b>\$ 2,974,869</b>	<b>\$ 2,769,259</b>
 <b><u>Liabilities</u></b>		
Accounts payable	\$ 593,734	\$ 576,255
Unearned revenue	4,516	428,014
<b>Total Liabilities</b>	<b>598,250</b>	<b>1,004,269</b>
 <b><u>Net Assets</u></b>		
Without donor restrictions	670,886	(123,785)
With donor restrictions	1,705,733	1,888,775
<b>Total Net Assets</b>	<b>2,376,619</b>	<b>1,764,990</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,974,869</b>	<b>\$ 2,769,259</b>

See notes to financial statements.

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

For the Years Ended August 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Activities</b>						
<b>Revenues and Support</b>						
Grants	\$ -	\$ 4,466,754	\$ 4,466,754	\$ -	\$ 4,128,628	\$ 4,128,628
Other program revenues	2,934,683	-	2,934,683	866,116	-	866,116
Interest income	774	-	774	888	-	888
Net assets released from restrictions	4,649,796	(4,649,796)	-	4,471,586	(4,471,586)	-
<b>Total Revenues and Support</b>	<u>7,585,253</u>	<u>(183,042)</u>	<u>7,402,211</u>	<u>5,338,590</u>	<u>(342,958)</u>	<u>4,995,632</u>
<b>Expenses</b>						
Program services:						
Training program expenses	5,817,198	-	5,817,198	4,805,496	-	4,805,496
Support services:						
General and administrative	973,384	-	973,384	998,842	-	998,842
<b>Total Expenses</b>	<u>6,790,582</u>	<u>-</u>	<u>6,790,582</u>	<u>5,804,338</u>	<u>-</u>	<u>5,804,338</u>
<b>Change in Net Assets from Operations</b>	<u>794,671</u>	<u>(183,042)</u>	<u>611,629</u>	<u>(465,748)</u>	<u>(342,958)</u>	<u>(808,706)</u>
Beginning net assets	(123,785)	1,888,775	1,764,990	341,963	2,231,733	2,573,696
<b>Ending Net Assets</b>	<u>\$ 670,886</u>	<u>\$ 1,705,733</u>	<u>\$ 2,376,619</u>	<u>\$ (123,785)</u>	<u>\$ 1,888,775</u>	<u>\$ 1,764,990</u>

See notes to financial statements.



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

For the Years Ended August 31, 2020 and 2019

	2020			2019		
	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
	<u>Training Program</u> <u>Expenses</u>	<u>General and</u> <u>Administrative</u>		<u>Training Program</u> <u>Expenses</u>	<u>General and</u> <u>Administrative</u>	
Project spending for facilities	\$ 356,411	\$ -	\$ 356,411	\$ 585,513	\$ -	\$ 585,513
Reimbursements to facilities	409,826	-	409,826	513,009	-	513,009
Payroll	3,427,566	321,836	3,749,402	2,431,052	320,527	2,751,579
Contract services	74,500	-	74,500	460,326	-	460,326
Travel/meetings/conferences	765,435	92,344	857,779	255,138	22,955	278,093
Legal and professional	-	38,962	38,962	-	79,268	79,268
Telephone	50,110	(8,270)	41,840	3,073	18,187	21,260
Moving expense	1,928	-	1,928	-	-	-
Preventive maintenance	63,618	-	63,618	62,834	-	62,834
Subscriptions	5,400	-	5,400	5,400	-	5,400
Miscellaneous	231,877	89,761	321,638	65,453	85,089	150,542
Communications	25,688	26,976	52,664	14,087	25,982	40,069
Insurance	-	(10,704)	(10,704)	-	151,627	151,627
Office and computer supplies	-	67,840	67,840	-	61,619	61,619
Postage	-	4,229	4,229	-	5,529	5,529
Rent	135,355	225,293	360,648	131,344	151,663	283,007
Website	-	114,219	114,219	-	66,381	66,381
Printing	-	5,275	5,275	-	4,199	4,199
Bank charges	-	5,623	5,623	-	5,816	5,816
	<b>Total Expenses</b>					
	<b>Before Depreciation</b>	973,384	6,521,098	4,527,229	998,842	5,526,071
Depreciation	269,484	-	269,484	278,267	-	278,267
	<b>Total Expenses</b>	<b>\$ 973,384</b>	<b>\$ 6,790,582</b>	<b>\$ 4,805,496</b>	<b>\$ 998,842</b>	<b>\$ 5,804,338</b>

See notes to financial statements.

**SOUTHEAST TEXAS  
REGIONAL ADVISORY COUNCIL**

**STATEMENTS OF CASH FLOWS**

For the Years Ended August 31, 2020 and 2019

	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities</b>		
<b>Increase (Decrease) in Net Assets</b>	\$ 611,629	\$ (808,706)
<b>Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:</b>		
Depreciation	269,484	278,267
(Increase) decrease in assets:		
Grants and other receivable	(585,714)	(127,842)
Prepaid expenses	(87,102)	47,564
Increase (decrease) in liabilities:		
Accounts payable	17,479	375,803
Accrued expenses	(423,498)	62,138
<b>Net Cash (Used) by Operating Activities</b>	<b>(197,722)</b>	<b>(172,776)</b>
<b>Cash Flows from Financing Activities:</b>		
Purchase of property and equipment	-	(183,764)
<b>Net Cash (Used) by Financing Activities</b>	<b>-</b>	<b>(183,764)</b>
<b>Net (Decrease) in Cash and Cash Equivalents</b>	(197,722)	(356,540)
Beginning cash and cash equivalents	1,312,090	1,668,630
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 1,114,368</b>	<b>\$ 1,312,090</b>

See notes to financial statements.

# **SOUTHEAST TEXAS REGIONAL ADVISORY COUNCIL**

## ***NOTES TO FINANCIAL STATEMENTS***

**For the Years Ended August 31, 2020 and 2019**

### **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. SETRAC is tasked with the mission of providing collaborative planning and response to emergencies, in a multi-disciplinary approach, and to preserve the medical infrastructure in 25 counties of 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.

A large portion of SETRAC's grant revenue is from the Texas Hospital Preparedness Program grant (HPP) through the federal office of the Assistant Secretary for Preparedness and Response. 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.

#### **Basis of Accounting and Presentation**

The accompanying general purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

Net assets and revenues, expenses, gains, and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** – Net assets available for use in general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, Board-designated.

**Net Assets With Donor Restrictions** – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**SOUTHEAST TEXAS**  
**REGIONAL ADVISORY COUNCIL**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Years Ended August 31, 2020 and 2019

**Contributions**

Contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions, 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 net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

**Federal Income Taxes**

SETRAC is an exempt organization for federal income tax purposes under Section 501(c)(3) 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 statements 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**

SETRAC receives a grant that represents the majority of SETRAC's annual revenue. For fiscal year 2020, SETRAC's revenue from the Texas HPP grant was 52 percent of SETRAC's total revenue.

**SOUTHEAST TEXAS**  
**REGIONAL ADVISORY COUNCIL**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Years Ended August 31, 2020 and 2019

Funding received during the year from government fees and grants were as follows:

Type of Grant	2020		2019	
	Amount	%	Amount	%
<b>Federal:</b>				
CPS - Hospital Preparedness	\$ 2,970,917	40.14%	\$ 3,394,144	67.94%
Home Security Grant Program	-	0.00%	105,000	2.10%
<b>Total federal revenue</b>	2,970,917	40.14%	3,499,144	70.04%
<b>State:</b>				
COVID-19 Reimbursement	348,560	4.71%	-	0.00%
George Floyd Protests Reimbursement	35,995	0.49%	-	0.00%
Tropical Storm Imelda Reimbursement	223,618	3.02%	-	0.00%
Hurricane Dorian Reimbursement	17,491	0.24%	-	0.00%
January Severe Weather Reimbursement	19,204	0.26%	-	0.00%
July Tropical Weather Reimbursement	22,215	0.30%	-	0.00%
Tropical Cyclone Douglas Reimbursement	72,898	0.98%	-	0.00%
EMTF South Padre Island Exercise Reimbursement	-	0.00%	13,876	0.28%
East Beach Concert Reimbursement	-	0.00%	3,598	0.07%
May Severe Weather Reimbursement	-	0.00%	3,010	0.06%
EMS/County 911	232,097	3.14%	-	0.00%
EMS/Regional Advisory Councils	323,122	4.37%	171,394	3.43%
EMS/Tobacco	-	0.00%	233,492	4.67%
RAC System	320,621	1.24%	-	0.92%
Rebuilding Texas Grant	-	0.00%	100,000	2.00%
Texas Division of Emergency Management	-	0.00%	58,559	1.17%
LPG	63,058	0.85%	45,555	0.91%
<b>Total state revenue</b>	1,678,879	22.68%	629,484	12.60%
Other revenue	2,752,415	37.18%	867,004	17.36%
<b>Total</b>	<b>\$ 7,402,211</b>	<b>100.00%</b>	<b>\$ 4,995,632</b>	<b>100.00%</b>

**SOUTHEAST TEXAS**  
**REGIONAL ADVISORY COUNCIL**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Years Ended August 31, 2020 and 2019

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment details are as follows:

	<b>2020</b>	<b>2019</b>
Office equipment	\$ 55,531	\$ 55,531
Communications equipment	416,272	416,272
Computer equipment	5,704	5,704
Field equipment	975,071	975,071
Vehicles	3,057,677	3,057,677
Less accumulated depreciation	(3,704,161)	(3,434,677)
<b>Total</b>	<b>\$ 806,094</b>	<b>\$ 1,075,578</b>

Depreciation expense for the periods ended August 31, 2020 and 2019 was \$269,484 and \$278,267, 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 the Texas HPP grant funds for fiscal year 2020; therefore, there is a receivable from the State for the difference. The total receivable from the State for HPP grant funds for the year ended August 31, 2020 and 2019 was \$226,536 and \$50,194, respectively.

**NOTE 8 – LIQUIDITY AND AVAILABILITY**

The following represents SETRAC’s financial assets at August 31, 2020 and 2019, respectively.

**SOUTHEAST TEXAS**  
**REGIONAL ADVISORY COUNCIL**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Years Ended August 31, 2020 and 2019

	<b>2020</b>	<b>2019</b>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,114,368	\$ 1,312,090
Grants and other receivable	949,102	363,388
Prepaid expenses	105,305	18,203
Total financial assets	2,168,775	1,693,681
Less amounts not available to be used within one year:		
Net assets with donor restrictions	-	-
Financial assets available to meet general expenditures over the next 12 months	\$ 2,168,775	\$ 1,693,681

**NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS**

At August 31, 2020 and 2019, SETRAC’s net assets with donor restrictions consisted of the following:

	<b>2020</b>	<b>2019</b>
CPS - Hospital Preparedness	\$ 8,610	\$ 65,164
Rebuilding Texas Grant	-	100,000
	\$ 8,610	\$ 165,164

**NOTE 8 – COVID-19**

In March 2020, COVID-19 was recognized as a pandemic both worldwide and in the United States with local stay at-home orders going into effect. While the initial event occurred prior to year end, SETRAC was, subsequent to year end, continuing to modify its operations to prevent the spread to customers, staff, and the community as a whole, while balancing the needs of the community. In July 2020, SETRAC resumed its in-person services, starting on the regularly scheduled staff. SETRAC has made numerous changes to its operations, including provisions for customer and staff to wear masks, more frequent cleanings, and numerous other changes. While such changes cause a significant hardship and have increased expenses, such increases are nominal in comparison to the overall budget. SETRAC is continuing to monitor exposure levels with customer, staff, and the community as a whole, but to date the overall exposure threat level has been sufficiently low to continue with open doors, but SETRAC is ready to modify its plans if necessary.

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