

ANNUAL FINANCIAL REPORT

of the

**SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL**

**For the Years Ended
August 31, 2021 and 2020**

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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, 2021 and 2020, 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, 2021 and 2020, 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 April 19, 2022 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
April 19, 2022

**SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL**

STATEMENTS OF FINANCIAL POSITION

August 31, 2021 and 2020

	2021	2020
<u>Assets</u>		
Cash and cash equivalents	\$ 1,315,542	\$ 1,114,368
Grants receivable	920,851	799,944
Other receivable	162,018	149,158
Prepaid expenses	106,039	105,305
Property and equipment, net	1,585,441	806,094
Total Assets	4,089,891	2,974,869
 <u>Liabilities</u>		
Accounts payable	424,135	593,734
Unearned revenue	-	4,516
Total Liabilities	424,135	598,250
 <u>Net Assets</u>		
Without donor restrictions	3,524,020	670,886
With donor restrictions	141,736	1,705,733
Total Net Assets	3,665,756	2,376,619
Total Liabilities and Net Assets	\$ 4,089,891	\$ 2,974,869

See notes to financial statements.

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

For the Years Ended August 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities						
Revenues and Support						
Grants	\$ -	\$ 14,185,707	\$ 14,185,707	\$ -	\$ 4,466,754	\$ 4,466,754
Other program revenues	2,260,109	-	2,260,109	2,934,683	-	2,934,683
Interest income	1,338	-	1,338	774	-	774
Net assets released from restrictions	15,749,704	(15,749,704)	-	4,649,796	(4,649,796)	-
Total Revenues and Support	<u>18,011,151</u>	<u>(1,563,997)</u>	<u>16,447,154</u>	<u>7,585,253</u>	<u>(183,042)</u>	<u>7,402,211</u>
Expenses						
Program services:						
Training program expenses	13,933,468	-	13,933,468	5,817,198	-	5,817,198
Support services:						
General and administrative	1,224,549	-	1,224,549	973,384	-	973,384
Total Expenses	<u>15,158,017</u>	<u>-</u>	<u>15,158,017</u>	<u>6,790,582</u>	<u>-</u>	<u>6,790,582</u>
Change in Net Assets from Operating Activities	<u>2,853,134</u>	<u>(1,563,997)</u>	<u>1,289,137</u>	<u>794,671</u>	<u>(183,042)</u>	<u>611,629</u>
Beginning net assets	670,886	1,705,733	2,376,619	(123,785)	1,888,775	1,764,990
Ending Net Assets	<u>\$ 3,524,020</u>	<u>\$ 141,736</u>	<u>\$ 3,665,756</u>	<u>\$ 670,886</u>	<u>\$ 1,705,733</u>	<u>\$ 2,376,619</u>

See notes to financial statements.

SOUTHEAST TEXAS REGIONAL ADVISORY COUNCIL

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended August 31, 2021 and 2020

	2021			2020			
	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>	
	<u>Program Expenses</u>	<u>General and Administrative</u>		<u>Program Expenses</u>	<u>General and Administrative</u>		
Project spending for facilities	\$ 1,403,206	\$ -	\$ 1,403,206	\$ 356,411	\$ -	\$ 356,411	
Reimbursements to facilities	809,150	-	809,150	409,826	-	409,826	
Payroll	6,067,757	344,803	6,412,560	3,427,566	321,836	3,749,402	
Contract services	172,278	-	172,278	74,500	-	74,500	
Contractual emergency services	4,527,346	-	4,527,346	566,517	-	566,517	
Travel/meetings/conferences	66,407	29,408	95,815	198,918	92,344	291,262	
Legal and professional	-	116,138	116,138	-	38,962	38,962	
Telephone	16,697	18,872	35,569	50,110	8,270	58,380	
Moving expense	-	-	-	1,928	-	1,928	
Preventive maintenance	342,406	-	342,406	63,618	-	63,618	
Subscriptions	5,400	-	5,400	5,400	-	5,400	
Miscellaneous	12,464	110,480	122,944	231,877	51,813	283,690	
Communications	49,186	28,817	78,003	25,688	26,976	52,664	
Insurance	-	133,063	133,063	-	10,704	10,704	
Office and computer supplies	-	47,937	47,937	-	67,840	67,840	
Postage	-	8,700	8,700	-	4,229	4,229	
Rent	145,182	241,513	386,695	135,355	225,293	360,648	
Website	-	139,224	139,224	-	114,219	114,219	
Printing	-	385	385	-	5,275	5,275	
Bank charges	-	5,209	5,209	-	5,623	5,623	
	Total Expenses						
	Before Depreciation	13,617,479	1,224,549	14,842,028	5,547,714	973,384	6,521,098
Depreciation	315,989	-	315,989	269,484	-	269,484	
	Total Expenses	\$ 13,933,468	\$ 1,224,549	\$ 15,158,017	\$ 5,817,198	\$ 973,384	\$ 6,790,582

See notes to financial statements.

SOUTHEAST TEXAS
REGIONAL ADVISORY COUNCIL
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Grant and deployment payments	\$ 14,060,534	\$ 3,851,002
Other contractual revenue payments	1,922,138	1,984,070
Other miscellaneous revenue payments	326,199	557,927
Payments to personnel for services and vendors for goods rendered	(15,012,361)	(6,590,721)
Net Cash Provided (Used) by Operating Activities	1,296,510	(197,722)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(1,095,336)	-
Net Cash (Used) by Investing Activities	(1,095,336)	-
Net Increase (Decrease) in Cash and Cash Equivalents	201,174	(197,722)
Beginning cash and cash equivalents	1,114,368	1,312,090
Ending Cash and Cash Equivalents	\$ 1,315,542	\$ 1,114,368
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Change in net assets	\$ 1,289,137	\$ 611,629
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	315,989	269,484
(Increase) in assets:		
Grants and other receivable	(133,767)	(585,714)
Prepaid expenses	(734)	(87,102)
Increase (decrease) in liabilities:		
Accounts payable	(169,599)	17,479
Unearned revenue	(4,516)	(423,498)
Net Cash Provided (Used) by Operating Activities	\$ 1,296,510	\$ (197,722)

See notes to financial statements.

SOUTHEAST TEXAS REGIONAL ADVISORY COUNCIL

NOTES TO FINANCIAL STATEMENTS

For the Years Ended August 31, 2021 and 2020

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 DSHS/EMS Trauma System 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
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NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2021 and 2020

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. SETRAC's revenue from the Texas HPP grant in fiscal years 2020 and 2021 was approximately 52 percent and 55 percent of SETRAC's total revenue, respectively.

SOUTHEAST TEXAS
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NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2021 and 2020

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

Type of Fees and Grants	2021		2020	
	Amount	%	Amount	%
Federal:				
CPS - Hospital Preparedness	\$ 7,940,648	48.28%	\$ 2,970,917	40.14%
Total federal revenue	7,940,648	48.28%	2,970,917	40.14%
State:				
COVID-19 Reimbursement	6,091,343	37.04%	348,560	4.71%
George Floyd Protests Reimbursement	-	0.00%	35,995	0.49%
Tropical Storm Imelda Reimbursement	-	0.00%	223,618	3.02%
State Emergency Management Funds	571,557	3.48%	131,808	1.78%
EMS/County 911	402,201	2.45%	232,097	3.14%
EMS/Regional Advisory Councils	455,879	2.77%	323,122	4.37%
RAC System	229,522	1.40%	320,621	4.33%
LPG	58,554	0.36%	63,058	0.85%
Total state revenue	7,809,056	47.48%	1,678,879	22.68%
Other revenues net of the change in released revenues from donor restrictions	697,450	4.24%	2,752,415	37.18%
Total	\$ 16,447,154	100.00%	\$ 7,402,211	100.00%

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment details are as follows:

	2021	2020
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	4,153,013	3,057,677
Less accumulated depreciation	(4,020,150)	(3,704,161)
Total	\$ 1,585,441	\$ 806,094

Depreciation expense for the periods ended August 31, 2021 and 2020 was \$315,989 and \$269,484, 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

SOUTHEAST TEXAS
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NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2021 and 2020

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 2021; 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, 2021 and 2020 was \$904,577 and \$226,536, respectively.

NOTE 8 – LIQUIDITY AND AVAILABILITY

The following represents SETRAC’s financial assets at August 31, 2021 and 2020, respectively.

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 1,315,542	\$ 1,114,368
Grants and other receivable	1,082,869	949,102
Prepaid expenses	106,039	105,305
Total financial assets	2,504,450	2,168,775
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	\$ 2,504,450	\$ 2,168,775

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions relate to certain grant revenues for which the grantors have imposed purpose and/or time restrictions. Net assets with donor restrictions are recorded within cash and cash equivalents on the accompanying statement of financial position as of August 31, 2021 and 2020. These restrictions require SETRAC to expend such funds for expenses directly related to certain activities of SETRAC and to be released from donor restrictions when grantors have approved the activity related to restricted expenses. The donor restricted funds released during the years ended August 31, 2021 and 2020 were approximately \$15,749,704 and \$4,649,796, respectively. These funds were expended and approved in accordance with donor restrictions and have been reclassified to net assets without donor restrictions.

NOTE 10 – 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. With the number of COVID 19 cases decreasing and the availability of the

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NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2021 and 2020

vaccines to prevent severe symptoms, SETRAC has lifted numerous restrictions to its operations that were in place in fiscal year 2020, including provisions for customer and staff to wear masks, more frequent cleanings, and numerous other changes. 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.