

*SINGLE AUDIT REPORTS*

**SOUTHEAST TEXAS  
REGIONAL ADVISORY COUNCIL**

For the Year Ended  
August 31, 2019

**SOUTHEAST TEXAS  
REGIONAL ADVISORY COUNCIL**

*TABLE OF CONTENTS*  
For the Year Ended August 31, 2019

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b>	3
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE, AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR AND SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS</b>	5
<b>SCHEDULES</b>	
<i>SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS</i>	7
<i>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</i>	8
<i>SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS</i>	9
<i>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS</i>	10



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

February 28, 2020

To the Board of Directors of the  
Southeast Texas Regional Advisory Council:

We have audited, in accordance with the 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, the financial statements of the Southeast Texas Regional Advisory Council (SETRAC) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 28, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered SETRAC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SETRAC's internal control. Accordingly, we do not express an opinion on the effectiveness of SETRAC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of SETRAC's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether SETRAC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SETRAC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SETRAC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*B*ELT *H*ARRIS *P*ECHACEK, LLLP

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR AND SCHEDULE OF  
EXPENDITURES OF FEDERAL AND STATE AWARDS**

February 28, 2020

To the Board of Directors of the  
Southeast Texas Regional Advisory Council:

**Report on Compliance for Each Major Federal and State Program**

We have audited the Southeast Texas Regional Advisory Council's (SETRAC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of SETRAC's major federal and State of Texas ("State") programs for the year ended August 31, 2019. SETRAC's major federal and State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the federal and state statutes, regulations, contracts, and the terms and conditions applicable to its federal and state programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of SETRAC's major federal and State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Texas Single Audit Circular*. Those standards, the Uniform Guidance, and the *State of Texas Single Audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and State program occurred. An audit includes examining, on a test basis, evidence about the SETRAC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and State program. However, our audit does not provide a legal determination of SETRAC's compliance.

## **Opinion on Each Major Federal and State Program**

In our opinion, SETRAC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and State programs for the year ended August 31, 2019.

## **Report on Internal Control Over Compliance**

Management of SETRAC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SETRAC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and State program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State of Texas Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the SETRAC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or State program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the *State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas

**SOUTHEAST TEXAS**  
**REGIONAL ADVISORY COUNCIL**  
*SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS*  
For the Year Ended August 31, 2019

**A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

No prior year findings.

**SOUTHEAST TEXAS**  
**REGIONAL ADVISORY COUNCIL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended August 31, 2019**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of SETRAC.
2. Significant deficiencies in internal control were not disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. Significant deficiencies in internal control over major federal and state award programs were not disclosed by the audit.
5. The auditors' report on compliance for the major federal and state award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal and state award programs for SETRAC are reported in Part C of this schedule.
7. The programs included as major federal and State programs are:

<u>CFDA Number</u>	<u>Programs</u>
93.074	Federal - Hospital Preparedness Program and Public Health Emergency Preparedness
N/A	EMS-Regional Advisory Council

8. The threshold for distinguishing Type A and B federal and state programs was \$750,000.
9. SETRAC did qualify as a low-risk auditee.

**B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT**

*None Noted*

**C. FINDINGS – FEDERAL AND STATE AUDIT AWARDS**

*None Noted*



**SOUTHEAST TEXAS**  
**REGIONAL ADVISORY COUNCIL**  
*SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS*  
For the Year Ended August 31, 2019

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Pass Through Texas Department of State Health Services:</i>			
CPS - Hospital Preparedness Program (HPP)	93.074	537-17-0309-00001	\$ 3,328,981
<b>Total U.S. Department of Health and Human Services</b>			<u>3,328,981</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Homeland Security Grant Program	97.067	3404101	105,000
<b>Total U.S. Department of Homeland Security</b>			<u>105,000</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 3,433,981</u>
<b>TEXAS DEPARTMENT OF STATE HEALTH SERVICES</b>			
EMS-Regional Advisory Councils	N/A	HHS0000124600020	\$ 156,090
EMS-Regional Advisory Councils	N/A	HHS0000124600020	171,394
EMS-County Assistance	N/A	HHS0000124600020	352,031
EMS-Tobacco/RAC	N/A	HHS0000124600020	233,492
EMS-LPG	N/A	HHS0000124600020	45,555
<b>Total Texas Department of State Health Services</b>			<u>958,562</u>
<b>TEXAS EMERGENCY MEDICAL TASK FORCE</b>			
<i>Pass Through Texas Department of State Health Services:</i>			
May Severe Weather	N/A	537-17-0309-00001	3,598
Galveston East Beach Concert	N/A	537-17-0309-00001	3,010
EMTF South Padre Island Exercise	N/A	537-17-0309-00001	13,876
<b>Total Texas Emergency Medical Task Force</b>			<u>20,484</u>
<b>TEXAS DEPARTMENT OF EMERGENCY MANAGEMENT</b>			
Hurricane Florence	N/A	N/A	30,311
Hurricane Barry	N/A	N/A	6,135
Hurricane Michael	N/A	N/A	16,797
May Weather Event	N/A	Event 19-0016	5,316
<b>Total Texas Department of Emergency Management</b>			<u>58,559</u>
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>			<u>\$ 1,037,605</u>
<b>TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS</b>			<u>\$ 4,471,586</u>

The accompanying notes are an integral part of this schedule.

**SOUTHEAST TEXAS**  
**REGIONAL ADVISORY COUNCIL**  
*NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS*  
For the Year Ended August 31, 2019

**NOTE 1: BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of SETRAC, and is presented on the accrual basis of accounting.

The Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2: INDIRECT COST RATE**

SETRAC elected not to use the 10% de minimum indirect cost rate allowed under the Uniform Guidance.

**ANNUAL FINANCIAL REPORT**

of the

**SOUTHEAST TEXAS  
REGIONAL ADVISORY COUNCIL**

For the Years Ended  
August 31, 2019 and 2018

**SOUTHEAST TEXAS  
REGIONAL ADVISORY COUNCIL**

*TABLE OF CONTENTS*

August 31, 2019 and 2018

	<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



## ***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, 2019 and 2018, 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.

### **Auditor 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.

AUDITING TEXAS GOVERNMENTS WITH EXCELLENCE

## **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, 2019 and 2018, 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 February 28, 2020 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  
February 28, 2020

**SOUTHEAST TEXAS  
REGIONAL ADVISORY COUNCIL**

*STATEMENTS OF FINANCIAL POSITION*

August 31, 2019 and 2018

	2019	2018
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 1,312,090	\$ 1,668,630
Grants receivable	60,194	226,536
Other receivable	303,194	9,010
Prepaid expenses	18,203	65,767
Property and equipment, net	1,075,578	1,170,081
<b>Total Assets</b>	<b>\$ 2,769,259</b>	<b>\$ 3,140,024</b>
 <b><u>Liabilities</u></b>		
Accounts payable	\$ 576,255	\$ 200,452
Unearned revenue	428,014	365,876
<b>Total Liabilities</b>	<b>1,004,269</b>	<b>566,328</b>
 <b><u>Net Assets</u></b>		
Without donor restrictions	(123,785)	341,963
With donor restrictions	1,888,775	2,231,733
<b>Total Net Assets</b>	<b>1,764,990</b>	<b>2,573,696</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,769,259</b>	<b>\$ 3,140,024</b>

See notes to financial statements.

# SOUTHEAST TEXAS REGIONAL ADVISORY COUNCIL

## STATEMENTS OF ACTIVITIES

For the Years Ended August 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b><u>Operating Activities</u></b>						
<b><u>Revenues and Support</u></b>						
Grants	\$ -	\$ 4,128,628	\$ 4,128,628	\$ -	\$ 8,734,341	\$ 8,734,341
Other program revenues	866,116	-	866,116	899,691	-	899,691
Interest income	888	-	888	2,120	-	2,120
Net assets released from restrictions	4,471,586	(4,471,586)	-	8,557,807	(8,557,807)	-
<b>Total Revenues and Support</b>	<u>5,338,590</u>	<u>(342,958)</u>	<u>4,995,632</u>	<u>9,459,618</u>	<u>176,534</u>	<u>9,636,152</u>
<b><u>Expenses</u></b>						
Program services:						
Training Program Expenses	4,805,496	-	4,805,496	7,616,036	-	7,616,036
Support services:						
General and administrative	998,842	-	998,842	1,725,071	-	1,725,071
<b>Total Expenses</b>	<u>5,804,338</u>	<u>-</u>	<u>5,804,338</u>	<u>9,341,107</u>	<u>-</u>	<u>9,341,107</u>
<b>Change in Net Assets from Operations</b>	<u>(465,748)</u>	<u>(342,958)</u>	<u>(808,706)</u>	<u>118,511</u>	<u>176,534</u>	<u>295,045</u>
Beginning net assets	341,963	2,231,733	2,573,696	223,452	2,055,199	2,278,651
<b>Ending Net Assets</b>	<u>\$ (123,785)</u>	<u>\$ 1,888,775</u>	<u>\$ 1,764,990</u>	<u>\$ 341,963</u>	<u>\$ 2,231,733</u>	<u>\$ 2,573,696</u>

See notes to financial statements.



**SOUTHEAST TEXAS  
REGIONAL ADVISORY COUNCIL**

**STATEMENTS OF FUNCTIONAL EXPENSES**

For the Years Ended August 31, 2019 and 2018

	2019			2018		
	<u>Program Services</u>	<u>Support Services</u>		<u>Program Services</u>	<u>Support Services</u>	
	<u>Training Program</u>	<u>General and</u>		<u>Training Program</u>	<u>General and</u>	
	<u>Expenses</u>	<u>Administrative</u>	<u>Total</u>	<u>Expenses</u>	<u>Administrative</u>	<u>Total</u>
Project spending for facilities	\$ 585,513	\$ -	\$ 585,513	\$ 581,199	\$ -	\$ 581,199
Reimbursements to facilities	513,009	-	513,009	1,859,390	-	1,859,390
Payroll	2,431,052	320,527	2,751,579	2,400,659	383,845	2,784,504
Contract services	460,326	-	460,326	216,395	-	216,395
Travel/meetings/conferences	255,138	22,955	278,093	1,997,686	57,999	2,055,685
Legal and professional	-	79,268	79,268	-	42,949	42,949
Telephone	3,073	18,187	21,260	3,509	9,954	13,463
Bus supplies	-	-	-	2,714	-	2,714
Preventive maintenance	62,834	-	62,834	62,669	-	62,669
Subscriptions	5,400	-	5,400	5,400	-	5,400
Miscellaneous	65,453	85,089	150,542	-	626,703	626,703
Communications	14,087	25,982	40,069	70,368	24,978	95,346
Insurance	-	151,627	151,627	-	62,962	62,962
Office and computer supplies	-	61,619	61,619	-	249,690	249,690
Postage	-	5,529	5,529	-	3,304	3,304
Rent	131,344	151,663	283,007	131,236	148,912	280,148
Website	-	66,381	66,381	-	96,651	96,651
Printing	-	4,199	4,199	-	9,372	9,372
Bank charges	-	5,816	5,816	-	7,752	7,752
	<b>Total Expenses</b>					
	<b>Before Depreciation</b>	998,842	5,526,071	7,331,225	1,725,071	9,056,296
Depreciation	278,267	-	278,267	284,811	-	284,811
	<b>Total Expenses</b>	<b>\$ 998,842</b>	<b>\$ 5,804,338</b>	<b>\$ 7,616,036</b>	<b>\$ 1,725,071</b>	<b>\$ 9,341,107</b>

See notes to financial statements.

**SOUTHEAST TEXAS  
REGIONAL ADVISORY COUNCIL**

**STATEMENTS OF CASH FLOWS**

For the Years Ended August 31, 2019 and 2018

	2019	2018
<b>Cash Flows from Operating Activities</b>		
<b>Increase (Decrease) in Net Assets</b>	\$ (808,706)	\$ 295,045
<b>Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:</b>		
Depreciation	278,267	284,811
(Increase) decrease in assets:		
Grants and other receivable	(127,842)	(18,297)
Prepaid expenses	47,564	(449)
Increase (decrease) in liabilities:		
Accounts payable	375,803	5,450
Accrued expenses	62,138	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(172,776)</b>	<b>566,560</b>
<b>Cash Flows from Financing Activities:</b>		
Purchase of property and equipment	(183,764)	(192,468)
<b>Net Cash (Used) by Financing Activities</b>	<b>(183,764)</b>	<b>(192,468)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(356,540)	374,092
Beginning cash and cash equivalents	1,668,630	1,294,538
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 1,312,090</b>	<b>\$ 1,668,630</b>

See notes to financial statements.

# **SOUTHEAST TEXAS REGIONAL ADVISORY COUNCIL**

## *NOTES TO FINANCIAL STATEMENTS*

For the Years Ended August 31, 2019 and 2018

### **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.

#### **Financial Statement Presentation**

The financial statements of SETRAC have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which requires SETRAC to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of SETRAC's management and board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of SETRAC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities.

**SOUTHEAST TEXAS**  
**REGIONAL ADVISORY COUNCIL**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Years Ended August 31, 2019 and 2018

**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 2019, SETRAC's revenue from the Texas HPP grant was 60 percent of SETRAC's total revenue.

**SOUTHEAST TEXAS**  
**REGIONAL ADVISORY COUNCIL**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Years Ended August 31, 2019 and 2018

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

Type of Grant	2019		2018	
	Amount	%	Amount	%
<b>Federal:</b>				
CPS - Hospital Preparedness	\$ 3,394,144	67.94%	\$ 4,980,797	51.69%
Home Security Grant Program	105,000	2.10%	24,966	0.26%
<b>State:</b>				
Harvey Reimbursement	-	0.00%	2,546,855	26.43%
Davis Fire Reimbursement	-	0.00%	152,507	1.58%
EMTF South Padre Islad Exercise Reimbursement	13,876	0.28%	-	0.00%
East Beach Concert Reimbursement	3,598	0.07%	-	0.00%
May Severe Weather Reimbursement	3,010	0.06%	-	0.00%
EMS/County 911	0	0.00%	352,031	3.65%
EMS/RAC	171,394	3.43%	282,055	2.93%
EMS/Tobacco	233,492	4.67%	228,329	2.37%
CVD	-	1.24%	18,195	0.92%
Rebuilding Texas Grant	100,000	2.00%	100,000	1.04%
TDEM	58,559	1.17%	5,488	0.06%
LPG	45,555	0.91%	43,118	0.45%
	4,128,628	82.64%	8,734,341	90.64%
Other revenue	867,004	17.36%	901,811	9.36%
<b>Total</b>	<b>\$ 4,995,632</b>	<b>100.00%</b>	<b>\$ 9,636,152</b>	<b>100.00%</b>

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment details are as follows:

	2019	2018
Office Equipment	\$ 55,531	\$ 55,531
Communications Equipment	416,272	398,022
Computer Equipment-Hosp/EMS Units	5,704	5,704
Field Equipment	975,071	975,071
Vehicles	3,057,677	2,892,163
Total capital assets	4,510,255	4,326,491
Less accumulated depreciation	(3,434,677)	(3,156,410)
Capital asset net of depreciaiton	\$ 1,075,578	\$ 1,170,081

Depreciation expense for the periods ended August 31, 2019 and 2018 was \$278,267 and \$284,811, respectively.

**SOUTHEAST TEXAS**  
**REGIONAL ADVISORY COUNCIL**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Years Ended August 31, 2019 and 2018

**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 2019; 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, 2019 and 2018 was \$226,536 and \$50,194, respectively.

**NOTE 8 – LIQUIDITY AND AVAILABILITY**

The following represents SETRAC’s financial assets at August 31, 2019 and 2018, respectively.

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,312,090	\$ 1,668,630
Accounts receivable	363,388	235,546
Prepaid expenses	18,203	65,767
Total financial assets	<u>1,693,681</u>	<u>1,969,943</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>-</u>	<u>-</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 1,693,681</u>	<u>\$ 1,969,943</u>

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

At August 31, 2019 and 2018, SETRAC’s net assets with donor restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
CPS - Hospital Preparedness	\$ 65,164	\$ 22,032
EMS/RAC	-	49,438
EMS/County 911	-	5,065
Rebuilding Texas Grant	100,000	100,000
	<u>\$ 165,164</u>	<u>\$ 176,535</u>