

**CENTRAL TEXAS
REGIONAL ADVISORY COUNCIL**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

**CENTRAL TEXAS
REGIONAL ADVISORY COUNCIL**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of
Central Texas Regional Advisory Council
Belton, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Central Texas Regional Advisory Council (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Central Texas Regional Advisory Council as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Central Texas Regional Advisory Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Central Texas Regional Advisory Council's ability to continue as a going concern for one year after the date that the financial statements are issued.

OFFICE LOCATIONS

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NEW MEXICO | Albuquerque

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Central Texas Regional Advisory Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Central Texas Regional Advisory Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
August 11, 2022

FINANCIAL STATEMENTS

CENTRAL TEXAS REGIONAL ADVISORY COUNCIL

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 233,150	\$ 386,635
Accounts receivable	<u>38,825</u>	<u>9,963</u>
Total current assets	<u>271,975</u>	<u>396,598</u>
Property and equipment, net	<u>21,727</u>	<u>16,317</u>
Total assets	<u>\$ 293,702</u>	<u>\$ 412,915</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 2,531	\$ 14,269
Accounts payable - related party	14,781	8,788
Unearned revenue	<u>160,872</u>	<u>283,999</u>
Total current liabilities	<u>178,184</u>	<u>307,056</u>
Total liabilities	<u>178,184</u>	<u>307,056</u>
Net assets:		
Without donor restrictions	<u>115,518</u>	<u>105,859</u>
Total net assets	<u>115,518</u>	<u>105,859</u>
Total liabilities and net assets	<u>\$ 293,702</u>	<u>\$ 412,915</u>

The accompanying notes are an integral part of these financial statements.

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CENTRAL TEXAS REGIONAL ADVISORY COUNCIL

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Without Donor Restrictions	Totals 2021	Without Donor Restrictions	Totals 2020
REVENUE				
Grants	\$ 341,524	\$ 341,524	\$ 218,019	\$ 218,019
Donated facilities	651	651	26	26
Program income	60,950	60,950	86,858	86,858
Other income	<u>956</u>	<u>956</u>	<u>779</u>	<u>779</u>
Total revenues	<u>404,081</u>	<u>404,081</u>	<u>305,682</u>	<u>305,682</u>
EXPENSES				
Program expenses	365,638	365,638	253,941	253,941
Support expenses	<u>28,784</u>	<u>28,784</u>	<u>28,935</u>	<u>28,935</u>
Total expenses	<u>394,422</u>	<u>394,422</u>	<u>282,876</u>	<u>282,876</u>
CHANGE IN NET ASSETS	9,659	9,659	22,806	22,806
NET ASSETS, BEGINNING	<u>105,859</u>	<u>105,859</u>	<u>83,053</u>	<u>83,053</u>
NET ASSETS, ENDING	<u>\$ 115,518</u>	<u>\$ 115,518</u>	<u>\$ 105,859</u>	<u>\$ 105,859</u>

The accompanying notes are an integral part of these financial statements.

CENTRAL TEXAS REGIONAL ADVISORY COUNCIL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Program Expenses</u>	<u>Support Expenses</u>	<u>Total</u>
Equipment for members	\$ 188,827	\$ -	\$ 188,827
Salaries and wages	75,444	12,282	87,726
Education	8,787	1,431	10,218
Small tools and equipment	110	18	128
Occupancy	5,552	904	6,456
Depreciation	2,683	437	3,120
Employee benefits	13,209	2,150	15,359
Telephone/internet	5,650	920	6,570
Contract services	4,225	688	4,913
Office supplies	5,457	888	6,345
Travel and meetings	961	156	1,117
Insurance	1,876	305	2,181
Professional fees	7,555	1,230	8,785
Memberships and registry	32,469	5,286	37,755
Other	<u>12,833</u>	<u>2,089</u>	<u>14,922</u>
Total expenses	\$ <u>365,638</u>	\$ <u>28,784</u>	\$ <u>394,422</u>

CENTRAL TEXAS REGIONAL ADVISORY COUNCIL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program Expenses</u>	<u>Support Expenses</u>	<u>Total</u>
Equipment for members	\$ 93,067	\$ -	\$ 93,067
Occupancy	3,024	492	3,516
Depreciation	2,361	384	2,745
Contract services	4,444	723	5,167
Contract services - related party	91,911	17,708	109,619
Travel and meetings	494	81	575
Memberships and dues	48,716	7,931	56,647
Other	<u>9,924</u>	<u>1,616</u>	<u>11,540</u>
Total expenses	<u>\$ 253,941</u>	<u>\$ 28,935</u>	<u>\$ 282,876</u>

CENTRAL TEXAS REGIONAL ADVISORY COUNCIL

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 9,659	\$ 22,806
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	3,120	2,745
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(28,862)	(9,783)
(Increase) decrease in grants receivable	-	11,135
Increase (decrease) in trade accounts payable	(11,738)	11,145
Increase (decrease) in accounts payable - related party	5,993	(18,655)
Increase (decrease) in unearned revenue	(123,127)	200,836
Net cash provided (used) by operating activities	<u>(144,955)</u>	<u>220,229</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(8,530)	-
Proceeds on disposal of property and equipment	-	75
Net cash provided (used) by investing activities	<u>(8,530)</u>	<u>75</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(153,485)	220,304
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>386,635</u>	<u>166,331</u>
CASH AND CASH EQUIVALENTS, ENDING OF YEAR	<u>\$ 233,150</u>	<u>\$ 386,635</u>

The accompanying notes are an integral part of these financial statements.

**CENTRAL TEXAS
REGIONAL ADVISORY COUNCIL**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

1. ORGANIZATION

Central Texas Regional Advisory Council (the "Organization" or "CTRAC") is a non-profit corporation organized to develop an emergency healthcare network for the six-county Trauma Service Area (TSA) including Bell, Coryell, Hamilton, Lampasas, Milam, and Mills counties, and to improve the level of care provided to injured persons living or traveling through this Region. The Organization provides infrastructure and leadership for its member organizations, which include hospitals, EMS providers, health districts, fire departments, and certain municipalities. CTRAC provides injury prevention, education to the public, and trauma and emergency education to health care providers in each of the six counties. The Organization's revenue is provided primarily by contracts with the Texas Department of State Health Services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606). This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance is effective for the Organization in fiscal year 2020. The Organization implemented ASU 2014-09 in 2020 using the modified retrospective method. The Organization used all of the practical expedients included in Accounting Standards Codification ("ASC") 606-10-65-1(f). The adoption of ASU 2014-09 did not have a material impact on the Organization's financial position, activities, net assets or cash flows as of the adoption date or for the year ended December 31, 2020. The adoption did not result in a restatement of previously reported net assets for the year ended December 31, 2019.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets 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 (or certain grantor) restrictions. Such net assets are available for any purpose consistent with the Organization's mission. Designations of net assets by the governing board do not have the same legal requirements as do restrictions of funds and are included in this category.

Net Assets With Donor Restrictions – Net assets subject to specific, donor-imposed restrictions that must be met by actions of the Organization and/or passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Use of Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The Organization’s significant estimates include the useful lives of property and equipment.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2021 and 2020.

The Organization has decided to designate certain cash balances into separate accounts in order to designate these funds for specific programs as directed by the Board of Directors. These designated cash balances are reflected on the statement of financial position in cash and cash equivalents. Designated cash as of December 31, 2021 and 2020, was \$137,625 and \$271,539, respectively.

Grants Receivable

Amounts recorded as grants receivable include amounts due from the Texas Department of State Health Services. The Organization considers these receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

Accounts Receivable

Amounts recorded as accounts receivable include amounts due from members for annual dues. The Organization considers these receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

Property and Equipment

Property and equipment are carried at cost and depreciated using the straight-line method of depreciation over their estimated useful lives. The Organization capitalizes additions of property and equipment in excess of \$1,000. Asset lives are as follows:

<u>Assets</u>	<u>Years</u>
Office furniture and equipment	5
Response equipment	10

Maintenance and minor repairs are charged to operations when incurred. When assets are retired or sold, the related costs and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in current operations.

Unearned Revenue

Unearned revenues relate primarily to the contract with the Department of State Health Services (DSHS). The contract is paid partially upfront with various reoccurring payments throughout the life of the contract resulting in a portion that is unearned as of year-end.

Designation of Net Assets Without Donor Restrictions

It is the policy of the Board of Directors of the Organization to review its plans for future property improvements and acquisitions from time to time and to designate appropriate sums of net assets without donor restrictions to assure adequate financing of such improvements and acquisitions. Board-restricted net assets as of December 31, 2021 and 2020 were \$137,625 and \$271,539, respectively.

Revenue Recognition from Contributions

The Organization records unconditional promises to give (pledges) as receivables and contributions within the appropriate net asset category based on the existence or absence of donor-imposed restrictions. The Organization recognizes conditional promises to give when the conditions stipulated by the donor are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote.

The Organization recognizes contributions of services received if such services: (a) create or enhance nonfinancial assets (b) require specialized skills (c) are provided by individuals possessing those skills and (d) would typically need to be purchased if not contributed. The Organization received contributed services of \$0 for the years ended December 31, 2021 and 2020.

The Organization receives services from volunteers who give amounts of their time to the programs of the Organization. No amounts have been reflected for these types of donated services, as there is no objective basis available to measure the value of such services.

Revenue from Exchange Transactions

The Organization has multiple revenue streams that are accounted for as exchange transactions including membership and program fees, grant contract revenue and miscellaneous revenue.

Because the Organization's performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), Revenue from Contracts with Customers, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

All revenue streams for the Organization discussed above are within the scope of and accounted for under ASC 606. ASC 606 requires revenue to be recognized when the Organization satisfies the related performance obligations by transferring to the customer a good or service through a 5-step process:

- 1) Identify the contract with the customer,
- 2) Identify the associated performance obligations,
- 3) Determine the transaction price,
- 4) Allocate the transaction price to the performance obligations, and
- 5) Recognize revenue when the performance obligations have been satisfied and the good or service has been transferred.

Grant Revenue and Cost Recognition

Government grants are received from federal and state governments. Revenues on cost reimbursement contracts are recognized when allowable and reimbursable expenses are incurred, and upon meeting the legal and contractual requirements of the funding source. Revenues on fee for service contracts are recognized when the services required by the contractual agreements are satisfactorily performed. These revenues are generally considered exchange transactions and are thereby recorded as revenues of the net assets without donor restrictions class. Funding received in advance of the applicable revenue recognition criteria is recorded, if applicable, as refundable advances in the statements of financial position.

Program Income

Program income consist of amounts that member organizations pay to learn injury prevention, education to the public, and trauma and emergency education to health care providers in the region. Membership renewals are due every January for that calendar year and new members joining throughout the year receive a prorated rate of the annual membership dues. Program income is recognized ratably over the period the membership or program service is provided on a straight-line basis.

Membership dues and program fees paid to the Organization in advance are recorded as other deferred revenue. Amounts billed but unpaid are recorded as other receivables.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and services on the basis of periodic time and expense studies. Support expenses include those expenses that are not directly identifiable with any other specific function but to provide for the overall support and direction of the Organization.

Income Taxes

The Organization is a tax-exempt organization for federal income tax purposes under Internal Revenue Code Section 501(c)(3) as long as the income derived is from the activities for which its charitable exemption was granted. Unrelated business income is subject to federal income taxes at corporate tax rates. The Organization had no unrelated business income in the years ended December 31, 2021 and 2020. There were also no uncertain tax positions in the year.

The Organization's tax returns are generally no longer subject to examination by the Internal Revenue Service after three years.

3. CONCENTRATIONS

Concentration of Credit Risk

The Organization maintains its cash balances in local financial institutions. All accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per each depositor at each separately chartered FDIC insured institution. As of December 31, 2020, and at various times during the year, the Organization maintained cash balances at financial institutions in excess of the federally insured limits. Given the economic environment and risks in the banking industry, there is a risk that these deposits may not be readily available or covered by insurance. As of December 31, 2021, all of the Organization's cash balances were fully insured.

Concentration of Funding Source

Revenue from contracts with the Department of State Health Services (DSHS) represented 84.5% and 71.3% of CTRAC's total support revenue for the years ended December 31, 2021 and 2020, respectively. The majority of the Organization's contracts with DSHS are renewed annually. The current level of the Organization's operations and program services could be significantly impacted if these contracts are not renewed.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Office furniture and equipment	\$ 5,910	\$ 2,450
Response equipment	<u>31,002</u>	<u>25,932</u>
	36,912	28,382
Less accumulated depreciation	(15,185)	(12,065)
Total property and equipment, net	<u>\$ 21,727</u>	<u>\$ 16,317</u>

Total depreciation expense for the years ended December 31, 2021 and 2020 was \$3,120 and \$2,745, respectively.

5. ITEMS PURCHASED FOR MEMBERS

One of the primary ways that the Organization fulfills its mission to improve the level of medical care provided to persons within its Trauma Service Area is by purchasing and distributing medical equipment and supplies to member organizations via permanent loan agreements. The Organization retains no financial responsibility or liability with respect to assets distributed. Items purchased for members totaled \$188,827 and \$93,067 for the years ended December 31, 2021 and 2020, respectively.

6. RENT

During the years ended December 31, 2021 and 2020, CTRAC leased office space from the Central Texas Council of Governments under a month-to-month lease that had a monthly rate of \$293. On September 1, 2021, CTRAC entered into a new lease agreement with Central Texas Council of Governments for one year ending on August 31, 2022 in the amount of \$1,028 per month.

Total rent expense for the years ended December 31, 2021 and 2020 was \$6,456 and \$3,516, respectively. CTRAC is also contractually obligated to pay \$8,224 in rent expense on the current lease for the year ended December 31, 2022.

7. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available could include amounts set aside for long-term investing in quasi-endowments that could be drawn upon if the governing board approves that action or amounts that have been set aside to satisfy donor-imposed restrictions.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 233,150	\$ 386,635
Accounts receivable	<u>38,825</u>	<u>9,963</u>
Financial assets, at year-end	271,975	396,598
Less:		
Assets with board designations	<u>137,625</u>	<u>271,539</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 134,350</u>	<u>\$ 125,059</u>

The Organization has a cash account that has been set aside to satisfy board designations as discussed in Footnote 2. As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested as deemed appropriate.

8. RELATED PARTY TRANSACTIONS

In 2018 the Organization engaged Heart of Texas Regional Advisory Council ("HOTRAC") who has a similar mission to CTRAC's to contract the Executive Director of HOTRAC as the Organization's acting Executive Director. As part of the agreement CTRAC pays HOTRAC for services provided and appropriately records expenses and payables associated with the services. Due to the individual's significant influence over both organizations HOTRAC is considered a related party under GAAP.

The Organization incurred operating expenses for contracted services with HOTRAC in the amount of \$118,875 and \$109,619 for the years ended December 31, 2021 and 2020, respectively. Outstanding accounts payables related to HOTRAC totaled \$14,781 and \$8,788 as of December 31, 2021 and 2020, respectively.

9. CONTINGENCIES

CTRAC's programs are supported through federal, 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 CTRAC 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.

10. SUBSEQUENT EVENTS

For the year ended December 31, 2021, the Organization has evaluated subsequent events for potential recognition and disclosure through August 11, 2022, the date of financial statement issuance.

In May 2022, HOTRAC elected to terminate the service agreement with CTRAC noted in related party transactions. CTRAC has appointed a new Executive Director and financial support to HOTRAC will cease.