

TRUCKERS AGAINST TRAFFICKING

Modified Cash Basis Financial Statements
As Of December 31, 2019

Together With Independent Auditors' Report

JDS professional
group
certified public accountants, consultants and advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Truckers Against Trafficking:

Report on the Financial Statements

We have audited the accompanying financial statements of Truckers Against Trafficking (the "Organization"), which comprise the statement of financial position - modified cash basis as of December 31, 2019, and the related statements of activities, functional expense, and cash flows - modified cash basis for the year 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 the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's 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. 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 auditor's 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 the Organization'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 the entity'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 Truckers Against Trafficking as of December 31, 2019, and the change in net assets for the year then ended, in accordance with the basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

JDS Professional Group

July 24, 2020

TRUCKERS AGAINST TRAFFICKING

Statement Of Financial Position - Modified Cash Basis
As Of December 31, 2019

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ASSETS

Cash and cash equivalents	\$ 659,055
Inventory	2,378
Investments	<u>559,435</u>

TOTAL ASSETS \$ 1,220,868

LIABILITIES AND NET ASSETS

Liabilities:

Accrued payroll tax liability	<u>\$ 4,887</u>
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Net Assets:

Net assets without donor restrictions	1,137,374
Net assets with donor restrictions	<u>78,607</u>
Total Net Assets	<u><u>1,215,981</u></u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,220,868

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

TRUCKERS AGAINST TRAFFICKING

Statement Of Activities - Modified Cash Basis
For The Year Ended December 31, 2019

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	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support And Revenue:			
Contributions and grants	\$ 1,786,542	\$ 75,000	\$1,861,542
In-kind contributions	157,997		157,997
Government contracts	19,168		19,168
Net investment loss	(10,018)		(10,018)
Other income	8,230		8,230
Net assets released from restriction - Satisfaction of purpose restrictions	46,818	(46,818)	
Total Support And Revenue	<u>2,008,737</u>	<u>28,182</u>	<u>2,036,919</u>
Expenses:			
Program Services -			
Training and education	1,322,340		1,322,340
Supporting Services -			
General administration	123,657		123,657
Fundraising	47,280		47,280
Total Supporting Services	170,937		170,937
Total Expenses	<u>1,493,277</u>		<u>1,493,277</u>
CHANGES IN NET ASSETS FROM OPERATIONS	515,460	28,182	543,642
Net Assets, Beginning Of Year	<u>621,915</u>	<u>50,425</u>	<u>672,340</u>
NET ASSETS, END OF YEAR	<u>\$ 1,137,375</u>	<u>\$ 78,607</u>	<u>\$ 1,215,982</u>

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

TRUCKERS AGAINST TRAFFICKING

Statement Of Functional Expenses
For The Year Ended December 31, 2019

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	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries, payroll taxes, and related benefits	\$ 644,057	\$ 94,252	\$ 47,126	\$ 785,435
Consulting		12,800		12,800
Travel, lodging, and meals	98,988			98,988
Professional fees		1,763		1,763
Freedom drivers project	241,026			241,026
Industry training program	276,205			276,205
Coalition builds	41,650			41,650
Communications	5,004	883		5,887
Bank fees		723		723
Supplies and equipment	7,783	1,373		9,156
Other		3,037		3,037
Depreciation	1,093	160	81	1,334
Staff development		6,503		6,503
Insurance	1,000	1,186	73	2,259
Utilities	5,534	977		6,511
	<u>\$ 1,322,340</u>	<u>\$ 123,657</u>	<u>\$ 47,280</u>	<u>\$1,493,277</u>

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

TRUCKERS AGAINST TRAFFICKING

Statement Of Cash Flows - Modified Cash Basis
For The Year Ended December 31, 2019

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Cash flows from operating activities:	
Changes in net assets from operations	\$ 543,642
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation expense	1,334
Unrealized loss on investments	12,030
(Increase) in inventory	(587)
Increase in accrued payroll tax liability	1,506
Net cash provided by operating activities	<u>557,925</u>
Cash flows from investing activities:	
Purchases of investments	(506,330)
Sales of investments	<u>120,228</u>
Net cash (used in) investing activities	<u>(386,102)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	171,823
Cash and Cash Equivalents, Beginning Of Year	<u>487,232</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 659,055</u></u>

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

TRUCKERS AGAINST TRAFFICKING

Notes To Financial Statements
For The Year Ended December 31, 2019

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(1) **Nature Of Organization**

Truckers Against Trafficking (the “Organization”), a not-for-profit corporation, that exists to educate, equip, empower, and mobilize members of the trucking and travel plaza industry to combat domestic sex trafficking.

(2) **Summary Of Significant Accounting Policies**

Method Of Accounting

The Organization’s policy is to prepare its financial statements on the modified cash basis of accounting; consequently, contributions and other revenues are recognized when received rather than when promised or earned, and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

Basis Of Accounting

Financial statement presentation follows the recommendations of *Financial Statements for Not-for-Profit Organizations*. Under this standard, the Organization is required to report information regarding 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 the Organization’s management and the 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 the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity.

Statement Of Cash Flows

For purposes of the statement of cash flows, cash and cash equivalents consists of checking and savings accounts.

Use Of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets

and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Fair Value Measurements

The Organization follows Fair Value Measurements which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Certificates of deposit: The fair value of the certificates of deposit is based on amortized cost or original cost plus accrued interest.

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Notes To Financial Statements (Continued)

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Mutual Funds: Valued at the published net asset value (NAV) of the shares held at the reporting date.

Corporate bonds: Valued at the closing price reported on the active market on which the individual investments are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

The carrying amount reported in the statement of financial position for cash and cash equivalents and accrued liabilities, approximate fair value because of the immediate or short-term maturities of these financial instruments.

Inventory

Inventory consisted of sales merchandise and is reflected at the lower of cost or net realizable value.

Property And Equipment

Property and equipment is stated at acquisition cost or, if donated, at its estimated fair market value at the date of the donation. Depreciation is computed using the straight-line method over estimated useful lives of 5 years. The Organization's capitalization policy is to capitalize purchases of assets with a useful life of more than one year and a cost of \$500 or more.

As of December 31, 2019, property and equipment amounted to \$40,000 and was fully depreciated.

Revenue And Revenue Recognition

The Organization recognizes revenue from contributions, government contracts and other revenue as the cash is received as on the modified cash basis of accounting.

Donated goods and services, which meet the criteria for recognition, are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. During the year ended December 31, 2019, the Organization recorded donated goods and services in the amount of \$19,620 and \$138,377, respectively which are reflected in program services.

The accompanying financial statements do not reflect the estimated fair value of certain other donated goods and services that do not meet the criteria for recognition.

Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Costs not directly attributable to a function, including salaries, payroll taxes, and related benefits, depreciation, and insurance, are allocated to a functional region based on time and effort.

Adoption of New Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU replaced most existing revenue recognition guidance in U.S. GAAP. The Organization adopted the provisions of this guidance on January 1, 2019, using the modified retrospective approach and applied the standard to contracts as of the date of adoption. The adoption did not have a material impact on the Organization's revenue recognition.

In June 2019, the FASB issued ASU No. 2019-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies how entities will determine whether to account for a transfer of assets as an exchange transaction or a contribution. The distinction is important because contributions are accounted for under Accounting Standards Codification (ASU) 958-605, *Not-For-Profit Entities - Revenue Recognition*, while exchange transactions are accounted for under other guidance such as ASU 606, *Revenue from Contracts with Customers*. The guidance also clarifies how entities will determine whether a contribution is conditional. The timing of revenue and expense recognition depends upon whether a contribution is conditional or unconditional. The Organization adopted the provisions of this guidance on January 1, 2019, using the modified retrospective approach and applied the standard to contracts as of the date of adoption. The adoption did not have a material impact on the Organization's revenue recognition.

Evaluation of Subsequent Events

The Organization has performed an evaluation of subsequent events through July 24, 2020, which is the date the financial statements were available to be issued, and has considered any relevant matters in the preparation of the financial statements and footnotes.

During March 2020 and continuing through the opinion date, the global community has been under a significant threat from Coronarius ("COVED-19"). The Organization was able to obtain a CARES Act Paycheck Protection Program loan in the amount of \$173,232. The amount of the loan, if any, that will be forgivable has not been determined yet. The interest rate is 1% per year maturing in 2025.

(3) Tax Exempt Status

The Organization has previously received notice from the Internal Revenue Service of exemption from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying financial statements contain no provision for income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1). The Organization follows the *Accounting for Uncertainty in Income Taxes* accounting standard which requires the Organization to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. During the year ended December 31, 2019, the Organization's management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an affect on its tax-exempt status.

The Organization is no longer subject to U.S. federal tax audits on its Form 990 by taxing authorities for years ending prior to 2016. The years subsequent to this year contain matters that could be subject to differing interpretations of applicable tax laws and regulations. Although the outcome of tax audits is uncertain, the Organization believes no issues would arise.

TRUCKERS AGAINST TRAFFICKING

(4) Investments And Concentration of Credit Risk

The following table presents the Organization's fair value hierarchy and major categories for those assets measured at fair value on a recurring basis as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash and cash equivalents	\$ 254	\$	\$	\$ 254
Mutual funds-				
Low duration income fund	152,279			152,279
Fixed income -				
Corporate bonds	237,450			237,450
Certificate of deposit	169,452			169,452
Total	<u>\$ 559,435</u>	<u>\$</u>	<u>\$</u>	<u>\$ 559,435</u>

The Organization's cash demand deposits and certificates of deposit are held at financial institutions at which deposits are insured up to \$250,000 by the FDIC. As of December 31, 2019, the Foundation's cash demand deposits exceeded the FDIC's insurance limit by \$465,828.

(5) Liquidity And Available Of Financial Asset

The Organization has assets of \$1,218,490 available within one year of the statement of financial position date for general expenditure

(6) Net Assets With Donor Restrictions

As of December 31, 2019, net assets with donor restrictions consisted of the following:

Subject to Expenditure for Specified Purpose:

Coalition build program	\$ 75,000
Canadian program expense	3,607
Total	<u>\$ 78,607</u>

(7) **Employee Benefit Plan**

Effective January 1, 2019, the Organization established a simplified employee pension plan (the “Plan”) covering substantially all employees. Contributions are based on percentage of the eligible employee’s annual salary which is approved by the Board of Directors on an annual basis. Contributions to the Plan during the year ended December 31, 2019, amounted to \$14,672.