TRUCKERS AGAINST TRAFFICKING

Modified Cash Basis Financial Statements
As Of December 31, 2018

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, 2018, and the related statements of activities, 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, 2018, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 2, the Organization adopted the Financial Accounting Standards Board's Accounting Standards update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958)-Presentation of Financial Statements of Note-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our conclusion is not modified with respect to this matter.

JDS Professional Group

April 27, 2020

TRUCKERS AGAINST TRAFFICKING

Statement Of Financial Position - Modified Cash Basis
As Of December 31, 2018

ASSETS

Cash and cash equivalents	$	487,232
Inventory		1,791
Investments		185,364
Property and equipment, net of accumulated depreciation of $30,667		1,333
TOTAL ASSETS	$	675,720

LIABILITIES AND NET ASSETS

Liabilities:		
Accrued payroll tax liability	$	3,380
Net Assets:		
Net assets without donor restrictions		621,915
Net assets with donor restrictions		50,425
Total Net Assets		672,340
TOTAL LIABILITIES AND NET ASSETS	$	675,720

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	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support And Revenue:			
Contributions and grants	$ 1,087,679	$ 95,000	$ 1,182,679
In-kind contributions	106,110		106,110
Government contracts	22,848		22,848
Other income	4,564		4,564
Net assets released from restriction -			
Satisfaction of purpose restrictions	58,154	(58,154)	
Total Support And Revenue	1,279,355	36,846	1,316,201
Expenses:			
Program Services -			
Training and education	842,913		842,913
Supporting Services -			
General administration	155,776		155,776
Fundraising	33,495		33,495
Total Supporting Services	189,271		189,271
Total Expenses	1,032,184		1,032,184
CHANGES IN NET ASSETS FROM OPERATIONS	247,171	36,846	284,017
Net Assets, Beginning Of Year	374,744	13,579	388,323
NET ASSETS, END OF YEAR	$ 621,915	$ 50,425	$ 672,340

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Statement Of Functional Expenses
For The Year Ended December 31, 2018

	Program Services	Supporting Services: General and Administrative	Supporting Services: Fundraising	Total
Salaries, payroll taxes, and related benefits	$ 378,534	$ 109,077	$ 32,921	$ 520,532
Consulting		26,850		26,850
Travel, lodging, and meals	57,694			57,694
Professional fees		6,350		6,350
Freedom drivers project	146,282			146,282
Industry training program	209,667			209,667
Coalition builds	29,212			29,212
Communications	3,428	605		4,033
Bank fees		1,273		1,273
Supplies and equipment	4,856	857		5,713
Other		2,936		2,936
Depreciation	6,640	880	480	8,000
Staff development		4,797		4,797
Insurance	1,306	1,217	94	2,618
Utilities	5,294	934		6,229
	$ 842,913	$ 155,776	$ 33,495	$ 1,032,184

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

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Cash flows from operating activities:	
Changes in net assets from operations	$ 284,017
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation expense	8,000
(Decrease) in accrued payroll tax liability	(6,932)
Decrease in inventory	1,216
Net cash provided by operating activities	286,301
Cash flows from investing activities:	
Purchases of investments	(3,788)
NET INCREASE IN CASH AND CASH EQUIVALENTS	282,513
Cash and Cash Equivalents, Beginning Of Year	204,719
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 487,232

(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.

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 market.

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.

Contributions And Grants

Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence 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. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with restrictions are reclassified to net assets with donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated Goods and Services

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, 2018, the Organization recorded donated goods and services in the amount of $35,933 and $70,177, 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.

Revenue Recognition

Government contract revenue is recognized when expenditures are incurred. Other revenue is recognized when earned.

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 Pronouncement

For the year ended December 31, 2018, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for profit entities. The change required by the update have been applied retrospectively to all periods presented, which the standard allows to be applied prospectively. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions

Evaluation of Subsequent Events

The Organization has performed an evaluation of subsequent events through April 27, 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.

(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, 2018, 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.

(4) Investments

As of December 31, 2018, the Organization's investments consisted of certificates of deposits which are considered to be level 1 investments under the fair value hierarchy.

(5) **Liquidity and Available of Financial Asset**

The Organization has assets of $672,596 available within one year of the statement of financial position date for general expenditure.

(6) **Net Assets With Donor Restrictions**

As of December 31, 2018, net assets with donor restrictions consisted of the following:

Subject to Expenditure for Specified Purpose:		
Coalition build program	$	425
Canadian program expense		50,000
Total		50,425

(7) **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 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers* (Topic 606), which deferred the effective date of the new revenue recognition standard for one year. The new standard is effective for the Organization for the year ended December 31, 2019. Early application is permitted for the Organization. The Organization is evaluating the effect that ASU No. 2015-14 will have on its financial statements and related disclosures.

In June 2018, the FASB issued ASU No. 2018-08, *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 (ASC) 958-605, *Not-For-Profit Entities* - Revenue Recognition, while exchange transactions are accounted for under other guidance such as ASC 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 new standard is effective for the

Organization for the year ended December 31, 2019. Early adoption is permitted. The Organization is evaluating the effect that ASU No. 2018-08 will have on its financial statements and related disclosures.