

TRUCKERS AGAINST TRAFFICKING

Financial Statements
As Of December 31, 2021

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:

Opinion

We have audited the accompanying financial statements of Truckers Against Trafficking (the "Organization"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 these 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.

Members:

American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants

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Independent Auditors' Report (Continued)

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 the Organization'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.

Independent Auditors' Report (Continued)

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate to 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.

JDS Professional Group

September 21, 2022

TRUCKERS AGAINST TRAFFICKING

Statement Of Financial Position
As Of December 31, 2021

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ASSETS

Cash and cash equivalents	\$ 1,435,356
Promises to give	103,597
Investments	1,288,885
Inventory	<u>3,944</u>
TOTAL ASSETS	<u><u>\$ 2,831,782</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 521
Accrued liabilities	<u>5,757</u>
Total Liabilities	<u>6,278</u>

Net Assets:

Net assets without donor restrictions	2,721,907
Net assets with donor restrictions	<u>103,597</u>
Total Net Assets	<u>2,825,504</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,831,782</u></u>
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The accompanying notes are an integral part of the financial statements.

TRUCKERS AGAINST TRAFFICKING

Statement Of Activities
For The Year Ended December 31, 2021

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	Without Donor Restrictions	With Donor Restrictions	Total
Support And Revenue:			
Contributions and grants	\$ 2,348,261	\$ 103,597	\$ 2,451,858
Government grant contribution - PPP	173,232		173,232
In-kind contributions	76,234		76,234
Investment loss, net	(37,992)		(37,992)
Other income	10,617		10,617
Net assets released from restriction - Satisfaction of purpose restrictions	123,000	(123,000)	
Total Support And Revenue	<u>2,693,352</u>	<u>(19,403)</u>	<u>2,673,949</u>
Expenses:			
Program Services -			
Training and education	1,482,678		1,482,678
Supporting Services -			
General administration	133,728		133,728
Fundraising	47,902		47,902
Total Supporting Services	<u>181,630</u>		<u>181,630</u>
Total Expenses	<u>1,664,308</u>		<u>1,664,308</u>
CHANGES IN NET ASSETS FROM OPERATIONS	<u>1,029,044</u>		<u>1,009,641</u>
Net Assets, Beginning Of Year, As Originally Reported	1,692,599		1,692,599
Prior Period Adjustment - Change In Method Of Accounting	264	123,000	123,264
Net Assets, Beginning Of Year, Adjusted	<u>1,692,863</u>	<u>123,000</u>	<u>1,815,863</u>
NET ASSETS, END OF YEAR	<u>\$ 2,721,907</u>	<u>\$ 103,597</u>	<u>\$ 2,825,504</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, 2021

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	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries, payroll taxes, and related benefits	\$ 951,223	\$ 110,607	\$ 44,243	\$ 1,106,073
Travel, lodging, and meals	38,608			38,608
Professional fees	5,951	5,775		11,726
Freedom drivers project	73,728			73,728
Industry training program	222,071			222,071
Coalition builds	36,231			36,231
Communications	5,029	585	234	5,848
Bank fees		1,970		1,970
Supplies and equipment	12,976	1,509	604	15,089
Other	76,233	4,147		80,380
Staff development	52,021	6,049	2,420	60,490
Insurance	1,539	2,265	72	3,876
Utilities	7,068	821	329	8,218
	<u>\$ 1,482,678</u>	<u>\$ 133,728</u>	<u>\$ 47,902</u>	<u>\$ 1,664,308</u>

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

TRUCKERS AGAINST TRAFFICKING

Statement Of Cash Flows
For The Year Ended December 31, 2021

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Cash flows from operating activities:	
Changes in net assets from operations	\$ 1,009,641
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Forgiveness of PPP	(173,232)
Net unrealized/realized loss on investments	42,549
Changes in operating assets and liabilities -	
Decrease in promises to give	19,403
Decrease in prepaid expenses	1,043
(Decrease) in accounts payable	(1,496)
Increase in accrued liabilities	951
Net cash provided by operating activities	<u>898,859</u>
Cash flows from investing activities:	
Purchases of investments	<u>(748,935)</u>
Net cash (used in) investing activities	<u>(748,935)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	149,924
Cash and Cash Equivalents, Beginning Of Year	<u>1,285,432</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,435,356</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, 2021

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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 financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America.

The Organization changed their accounting method from modified cash basis to the accrual basis of accounting for the year ended December 31, 2021.

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.

Cash And Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents may include all cash, demand deposits, and investments with original maturities of three months or less.

Use Of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

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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.

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.

Annuity Insurance Contract: Valued at the cash surrender value as reported by the insurance company.

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 accounts payable, 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, 2021, property and equipment amounted to \$40,000 and was fully depreciated.

Revenue And Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; or an unconditional promise to give is received. Unconditional promises to give are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year. As of December 31, 2021, all promises to give are expected to be received within one year. Management expects that all promises to give will be fully collectible, accordingly, there is no allowance for uncollectible promises to give.

Conditional promises to give with a measurable performance or other barrier and a right of return/right or release are not recognized until the conditions on which they depend have been met. As of December 31, 2021, the Organization had no conditional promises to give.

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, 2021, the Organization recorded donated goods and services in the amount of \$5,628 and \$70,606, 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, insurance, communications, supplies and equipment, staff development, and utilities are allocated to a functional region based on time and effort.

Risks and Uncertainties

The global community has been under a significant threat from coronavirus ("COVID-19"). The extent to which the COVID-19 pandemic impacts the Organization's business, results of operations and financial condition will depend on future developments, which are still uncertain and cannot be predicted. Even after the COVID-19 pandemic has subsided, the Organization may continue to experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Organization cannot reasonably estimate the impact at this time.

Evaluation of Subsequent Events

The Organization has performed an evaluation of subsequent events through September 21, 2022, 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.

As disclosed in note 4, the Organization holds an investment in an annuity insurance contract, which is reflected at the cash surrender value of \$454,792. As of June 30 2022, the cash surrender value had decreased to \$366,648. This was the most recent information available closest to the report date.

(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, 2021, 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 2018. 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.

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Notes To Financial Statements (Continued)

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(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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual funds-				
Low duration income fund	\$ 407,576	\$	\$	\$ 407,576
Fixed income -				
Corporate bonds	250,625			250,625
Certificate of deposit	175,892			175,892
Annuity insurance contract			454,792	454,792
Total	<u>\$ 834,093</u>	<u>\$</u>	<u>\$ 454,792</u>	<u>\$ 1,288,885</u>

The Level 3 investment consists of an investment in an annuity insurance contract. The annuity insurance contract was established as a death benefit, naming the prior Executive Director as the annuitant. The fair value is based upon the cash surrender value, which is the cash amount that would be offered to the Organization by the issuing annuity carrier upon cancellation of the contract. As of December 31, 2021, the death benefit payout amount was \$489,792, with a cash surrender value of \$454,792.

Management believes that the sensitivity in the fair value measurement of the annuity insurance contract is related to market fluctuations, as the investment held in the annuity insurance are primarily marketable securities.

Following is the reconciliation of Level 3 investment as of December 31, 2021:

Beginning balance	\$	0
Purchase of investment		500,000
Change in surrender value		(35,000)
Unrealized loss		(10,208)
Ending balance	<u>\$</u>	<u>454,792</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, 2021, the Organization's cash demand deposits exceeded the FDIC's insurance limit by \$1,198,801.

TRUCKERS AGAINST TRAFFICKING

As of December 31, 2021, 70% of the total promises to give are from one donor and represents a concentration risk.

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

Net assets with donor restrictions as of December 31, 2021, consisted of time restricted donations of \$103,597.

(6) **Liquidity And Available Of Financial Asset**

The following reflects the Organization's financial assets as of December 31, 2021:

Financial assets at year end	
Cash and cash equivalents	\$ 1,435,356
Promises to give	103,597
Investments	1,288,885
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,827,838</u>

(7) **Refundable Advance - Paycheck Protection Program**

On April 7, 2020, the Organization qualified for and received a refundable advance pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender, for an aggregate principal amount of \$173,232. The refundable advance was forgiven during the year ended December 31, 2021, and is reflected in government contribution - PPP on the statement of activities.

(8) **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, 2021, amounted to \$23,480.

TRUCKERS AGAINST TRAFFICKING

Notes To Financial Statements (Continued)

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(9) **Related Party Transactions**

During 2021, a relative of the Executive Director was paid \$2,000 for administrative services.