



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

TRAFFICK911

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

31 DECEMBER 2023

TRAFFICK911
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CERTIFIED PUBLIC ACCOUNTANTS

Arturo Montemayor III CPA, President & CEO | Stacy Britton CPA, Shareholder | Sean Bender CPA, Shareholder
Danielle Guerrero, Shareholder | Sara Carey CPA, Shareholder

Board of Directors
Traffick911

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of Traffick911, a nonprofit organization, which comprise the statement of financial position as of 31 December 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Traffick911 as of 31 December 2023, and changes in its 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Traffick911 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. 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 Traffick911's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility 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

2110 Boca Raton Drive
Building B, Suite 102
Austin TX 78747
512.442.0380
www.montemayor.team



an audit conducted in accordance with generally accepted auditing standards and *Government 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 and *Government 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 Traffick911'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 Traffick911'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards (page 19), as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report DATE on our consideration of Traffick911's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe



the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Traffick911's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Traffick911's internal control over financial reporting and compliance.

Montemayor Britton Bender PC

5 April 2024
Austin, Texas

TRAFFICK911

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2023

ASSETS

Cash	\$616,996
Federal awards receivable	106,310
Contributed facilities use receivable	67,500
Security deposit and other	17,957
Fixed assets	36,108
Right of use asset - operating lease	<u>222,540</u>
	<u>\$1,067,411</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$239
Operating lease obligation	<u>233,507</u>
	<u>233,746</u>

NET ASSETS

Without donor restrictions	766,165
With donor restrictions	<u>67,500</u>
	<u>833,665</u>
	<u>\$1,067,411</u>

The accompanying notes are an integral part of this financial statement presentation.

TRAFFICK911

STATEMENT OF ACTIVITIES

YEAR ENDED 31 DECEMBER 2023

REVENUE	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Federal awards	\$1,506,164	\$0	\$1,506,164
Contributions	972,222	55,000	1,027,222
Restricted appeals	109,997	0	109,997
Event registration	59,852	0	59,852
Investment and other	30,030	0	30,030
Net assets released from restrictions	<u>85,000</u>	<u>(85,000)</u>	<u>0</u>
	<u>2,763,265</u>	<u>(30,000)</u>	<u>2,733,265</u>
EXPENSE			
Program	2,203,639	0	2,203,639
Administrative	252,454	0	252,454
Fundraising	<u>414,228</u>	<u>0</u>	<u>414,228</u>
	<u>2,870,321</u>	<u>0</u>	<u>2,870,321</u>
CHANGE IN NET ASSETS	(107,056)	(30,000)	(137,056)
BEGINNING NET ASSETS	<u>873,221</u>	<u>97,500</u>	<u>970,721</u>
ENDING NET ASSETS	<u>\$766,165</u>	<u>\$67,500</u>	<u>\$833,665</u>

The accompanying notes are an integral part of this financial statement presentation.

TRAFFICK911

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	(\$137,056)
Non-cash stock contributions	(63,546)
Depreciation	16,294
Unrealized gain on investments	(22,446)
Amortization of right of use asset-operating lease	89,881
Use of contributed facilities	30,000
Change in accrued liabilities	239
Change in operating lease obligation	<u>(90,958)</u>
	(177,592)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from investments	<u>149,690</u>
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NET CHANGE IN CASH (27,902)

BEGINNING CASH 644,898

ENDING CASH \$616,996

CASH PAID FOR AMOUNTS INCLUDED IN THE MEASUREMENT OF LEASE LIABILITIES:

Operating cash flows from operating leases	<u>\$107,181</u>
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The accompanying notes are an integral part of this financial statement presentation.

TRAFFICK911

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

Traffick911 is a nonprofit organization whose mission is to free youth from sex trafficking through trust-based relationships. Traffick911 is principally funded through contributions and federal awards.

Traffick911 was selected by the Office of the Governor in Texas to deliver the Voice & Choice Advocacy Program as a part of formally coordinated regional multi-disciplinary teams (MDT) in North Texas Counties. The Voice & Choice Advocacy program began to grow exponentially in 2017 when these MDTs formed, which include formal partnerships with law enforcement agencies, district attorney offices, juvenile justice departments, child advocacy centers, state child protective services, and others, who work collaboratively within agreed-upon county protocols in order to best serve child sex trafficking victims. Currently, Traffick911 provides services to Dallas, Tarrant, Collin, Denton, and Ellis counties, serving over 200 child sex trafficking victims every year.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of Traffick911 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.

Net Assets With Donor Restrictions: Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. 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.

TRAFFICK911

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INCOME TAXES

Traffick911 is an organization other than a private foundation exempt from Federal income taxes under IRS Code Section 501(c)(3). Therefore, no provision has been made for Federal income taxes in the accompanying financial statements.

Traffick911's policy is to record interest and penalty expense related to income taxes as interest and other expense, respectively. At 31 December 2023, no interest or penalties have been or are required to be accrued.

FIXED ASSETS

Fixed asset purchases of \$5,000 and greater are recorded at cost. Contributions of fixed assets, other than software, valued at \$5,000 and greater and contributed software with estimated useful lives greater than one year are recorded at their estimated fair value at the date of donation.

Depreciation on fixed assets is provided using the straight-line method over estimated useful lives of the respective assets, ranging from 3 to 5 years. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected as an increase or decrease in net assets without donor imposed restrictions. Maintenance and repairs are charged to expense and expenditures for improvements that extend the useful life of the assets are capitalized.

FEDERAL AWARDS RECEIVABLE

Traffick911 has not recorded an allowance for uncollectible accounts because the receivables are considered to be 100% collectible. All receivables on the statement of financial position are due within the next fiscal year. Traffick911 estimates allowances for uncollectible accounts by evaluating the creditworthiness, the historical collections, and the aging of the accounts. Once an account is deemed uncollectible, it is written off. Receivables are considered delinquent based on how recently payments have been received.

FEDERAL AWARDS

A significant portion of Traffick911's revenue is derived from cost-reimbursable federal awards, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Traffick911 has incurred expenditures in compliance with specific contract or grant provisions. Traffick911 has contracts for cost reimbursable grants of \$1,615,709 for which qualifying expenditures have not been incurred and accordingly have not been recognized at 31 December 2023.

TRAFFICK911

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONTRIBUTIONS

Traffick911 recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, those with measurable performance requirements or other barrier, and a right of return, are recognized when the conditions on which they depend have been met.

EVENT REGISTRATIONS

Revenue from event registrations are considered contributions because there is not a significant exchange element. Revenue is recognized upon receipt.

FUNCTIONAL ALLOCATION OF EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, some expenses require allocation on a reasonable basis that is consistently applied. Wages, benefits, payroll taxes and travel and mileage are allocated based on estimates of time and effort by personnel. Office supplies, postage and printing, fees, dues and subscriptions, cell phone, and other expenses are allocated based on management's knowledge and review of individual transactions.

LEASES

Traffick911 determines if an arrangement is or contains a lease at inception. Leases are included in right of use (ROU) assets and operating lease obligation in the statement of financial position. ROU assets and lease obligations reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. Traffick911 does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

SUBSEQUENT EVENTS

Traffick911 has evaluated subsequent events for disclosure through the date of the Independent Auditor's Report, the date the financial statements were available to be issued.

NOTE 3: CONCENTRATIONS

Funding from one grantor accounted for 55% of Traffick911's total revenue and 100% of total federal awards receivables for the year ended 31 December 2023.

TRAFFICK911

NOTES TO FINANCIAL STATEMENTS

NOTE 3: CONCENTRATIONS

At 31 December 2023, Traffick911 had deposits in excess of FDIC coverage of \$374,584.

NOTE 4: CONTINGENCY

Traffick911 receives grants for specific purposes that are subject to grantor review. Such reviews could result in a request for reimbursement by the grantor if unallowable costs are identified. Traffick911's management believes that any liability for reimbursement which could arise as the result of these audits would not be material to the financial position of Traffick911.

NOTE 5: LEASES

Traffick911 evaluated current contracts to determine which met the criteria of a lease. The ROU assets represent Traffick911's right to use underlying assets for the lease term, and the lease obligation represents Traffick911's obligation to make lease payments arising from these leases. The ROU asset and lease obligation, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The discount rate applied to calculate lease obligation as of 31 December 2023 was 5%, based on Traffick911's estimated incremental borrowing rate.

Traffick911's operating leases consist of real estate leases for office space located Addison, Texas. For the year ended 31 December 2023, total operating lease cost, was approximately \$114,000. As of 31 December 2023, the remaining lease term for Traffick911's operating leases was 27 months.

Future maturities of lease liabilities are presented in the following table, for the years ending 31 December:

2024	\$110,396
2025	113,709
2026	<u>29,207</u>
	253,312
Less: present value discount	<u>(19,805)</u>
	<u>\$233,507</u>

As of 31 December 2023, right of use assets related to operating leases were as follows:

Cost	\$398,595
Less: accumulated amortization	<u>(176,055)</u>
	<u>\$222,540</u>

TRAFFICK911

NOTES TO FINANCIAL STATEMENTS

NOTE 6: CONTRIBUTED FACILITIES

Traffick911 was provided facilities at below market rate for office space as a part of a noncancellable lease agreement through March 2026. Traffick911 recognized \$30,000 in office lease expense for contributed facilities during the year ended 31 December 2023. Using publicly available commercial real estate rental listing, Traffick911 estimated the monthly rental payments to be \$2,500 less than market value. The contribution revenue related to these facilities was recorded in 2021 when the lease was signed. The amount of contributed rent over the remaining lease term is reported as contributed facilities use receivable in the statement of financial position, and the related rent expense is recorded straight line over the life of the lease in the statement of activities. The contributed space is used for Traffick911's program activities.

NOTE 7: FIXED ASSETS

Leasehold improvements	\$74,545
Accumulated depreciation	<u>(38,437)</u>
	<u>\$36,108</u>

NOTE 8: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year from the statement of financial position date, comprise the following:

Cash	\$616,996
Federal awards receivable	<u>106,310</u>
	<u>\$723,306</u>

As a part of Traffick911's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The policy is that monthly revenues are to cover monthly expenses. Monthly revenues and expenditures are deposited in and deducted from Traffick911's operating account.

See Note 10 for details regarding the nature of donor imposed restrictions on assets.

Traffick911 has an existing line of credit totaling \$40,000 which can be drawn upon in the event of an unanticipated liquidity need. Traffick911 made no draws on the line of credit during the year, and there was no balance outstanding at year end.

TRAFFICK911

NOTES TO FINANCIAL STATEMENTS

NOTE 9: EMPLOYEE BENEFIT PLAN

Traffick911 provides a retirement benefit plan to its employees. Employees may contribute to the plan via payroll deductions and Traffick911 matches the employees' contributions up to 2% of the employee's annual compensation. Contributions to the plan by Traffick911 were \$14,454 for 2023.

NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS

Balances of net assets with donor restrictions at year end

Time restricted for future facilities use	<u>\$67,500</u>
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Releases of net assets with donor restrictions during the year

Satisfaction of purpose restrictions

Voice and Choice	\$55,000
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Expiration of time restriction

Contributed facility use	<u>30,000</u>
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\$85,000

NOTE 11: CONTRIBUTED SERVICES

Traffick911 receives donated services from unpaid volunteers. These volunteers provide services to help around the office. These services are valued at approximately \$5,470 have not been recognized in the accompanying statement of activities, as they do not meet the requirements for recognition.

TRAFFICK911**NOTES TO FINANCIAL STATEMENTS****NOTE 12: FUNCTIONAL EXPENSES**

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Wages	\$1,314,967	\$91,177	\$204,996	\$1,611,140
Benefits	116,920	6,275	9,091	132,286
Office lease	144,519	0	0	144,519
Payroll taxes	98,815	6,901	15,463	121,179
Travel and mileage	97,746	1,929	7,875	107,550
Client and family emergent assistance	90,199	0	0	90,199
Client meals, food and groceries	63,917	0	0	63,917
Client clothing, toiletries and supplies	62,876	0	0	62,876
Fees, dues and subscriptions	0	12,379	49,045	61,424
Office supplies, postage and printing	12,385	8,716	25,108	46,209
Fundraising events	0	0	44,142	44,142
Staff care and retreat	0	44,016	0	44,016
Staff secondary counseling	37,610	0	0	37,610
Grant writer and fundraising consultant	0	0	30,000	30,000
Office utilities and taxes	23,988	0	0	23,988
Professional services	0	22,276	0	22,276
Apricot essentials	17,811	0	0	17,811
Cell phone service	16,279	0	1,000	17,279
Cell phone equipment	16,882	0	0	16,882
Depreciation	16,294	0	0	16,294
Facilities and maintenance expenses	0	15,768	0	15,768
Other	<u>72,431</u>	<u>43,017</u>	<u>27,508</u>	<u>142,956</u>
	<u>\$2,203,639</u>	<u>\$252,454</u>	<u>\$414,228</u>	<u>\$2,870,321</u>



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Traffick911

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Traffick911, which comprise the statement of financial position as of 31 December 2023, and the related statements of activities, and cash flows for the year then ended, and the notes to the financial statements, and have issued our report thereon dated 5 April 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Traffick911's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Traffick911's internal control. Accordingly, we do not express an opinion on the effectiveness of Traffick911's internal control.

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

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

2110 Boca Raton Drive
Building B, Suite 102
Austin TX 78747
512.442.0380
www.montemayor.team



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Traffick911's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Traffick911's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Traffick911's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Montemayor Britton Border PC

5 April 2024
Austin, Texas



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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

A. Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Traffick911's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Traffick911's major federal program for the year ended 31 December 2023. Traffick911's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Traffick911 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended 31 December 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Traffick911 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Traffick911's compliance with the compliance requirements referred to above.

2110 Boca Raton Drive
Building B, Suite 102
Austin TX 78747
512.442.0380
www.montemayor.team



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Traffick911's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Traffick911's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Traffick911's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Traffick911's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Traffick911's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Traffick911's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

B. Report on Internal Control Over Compliance

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



internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Montemayor Britton Border PC

5 April 2024
Austin, Texas

TRAFFICK911

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED 31 DECEMBER 2023

<u>Federal Agency/Pass-Through/Program Title</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
U.S. Department of Justice			
Passed through the Texas Office of the Governor			
Crime Victims Assistance	16.575	3245804	\$1,168,626
Crime Victims Assistance	16.575	3245805	<u>342,291</u>
			<u>1,510,917</u>

NOTE: This schedule is prepared using the same accounting policies as the financial statements. See the notes to the financial statements on pages 7-13. Traffick911 did not elect to use the 10% de minimis indirect cost rate.

TRAFFICK911
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
31 DECEMBER 2023

A. SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	None noted
Significant deficiency(ies) identified that are not considered material weakness(es)?	None noted
Noncompliance material to financial statements noted?	None noted

FEDERAL AWARDS

Internal controls over major programs:	
Material weakness(es) identified?	None noted
Significant deficiency (ies) identified that are not considered material weakness(es)?	None noted
Type of auditor’s report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	None noted
Major program:	
Crime Victims Assistance - Assistance Listing Number 16.575	
Threshold used to distinguish between Type A and B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

B. FINANCIAL STATEMENT FINDINGS

Current year:	None noted
Prior year:	None noted

C. FEDERAL FINDINGS AND QUESTIONED COSTS

Current year:	None noted
Prior year:	None noted