

Crime Stoppers of Houston, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2017 and 2016

Crime Stoppers of Houston, Inc.

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Independent Auditors' Report

To the Board of Directors of
Crime Stoppers of Houston, Inc.:

We have audited the accompanying financial statements of Crime Stoppers of Houston, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016 and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

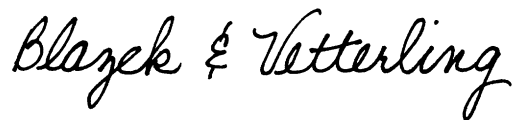
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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.

Auditors' Responsibility – Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits 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 auditors' 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 entity'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 Crime Stoppers of Houston, Inc. as of December 31, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



April 25, 2018

Crime Stoppers of Houston, Inc.

Statements of Financial Position as of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash (Note 2)	\$ 2,991,837	\$ 1,590,459
Accrued interest and other assets	8,444	18,957
Operating pledges receivable (Note 3)	75,410	46,741
Investments (Notes 2, 4 and 5)	1,733,631	1,999,067
Cash and cash equivalents restricted/designated to capital projects (Notes 2 and 5)	517,394	1,244,820
Capital campaign pledges receivable, net (Note 3)	869,147	1,408,124
Property and equipment, net (Note 6)	<u>9,437,529</u>	<u>9,291,011</u>
TOTAL ASSETS	<u>\$ 15,633,392</u>	<u>\$ 15,599,179</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 33,875	\$ 11,473
Construction payable		637,437
Deferred revenue	32,979	
Supplemental rewards escrow	763,779	691,991
Court rewards escrow	65,700	43,650
Note payable, net (Note 7)	<u>1,927,515</u>	<u>4,976,763</u>
Total liabilities	<u>2,823,848</u>	<u>6,361,314</u>
Net assets:		
Unrestricted	11,019,899	2,970,962
Temporarily restricted (Note 8)	<u>1,789,645</u>	<u>6,266,903</u>
Total net assets	<u>12,809,544</u>	<u>9,237,865</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,633,392</u>	<u>\$ 15,599,179</u>

See accompanying notes to financial statements.

Crime Stoppers of Houston, Inc.

Statement of Activities for year ended December 31, 2017

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Government grant	\$ 4,000,000		\$ 4,000,000
Contributions:			
In-kind donations (<i>Note 9</i>)	1,663,589		1,663,589
Court and supplemental rewards		\$ 225,316	225,316
Court administrative funds	58,877		58,877
Other contributions	229,054	754,808	983,862
Special events	450,755		450,755
Direct donor benefit costs	(189,180)		(189,180)
Investment return (<i>Note 4</i>)	<u>13,534</u>	<u>11,017</u>	<u>24,551</u>
Total revenue	6,226,629	991,141	7,217,770
Net assets released from restrictions:			
Capital campaign expenses	4,633,941	(4,633,941)	
Satisfaction of program restrictions	<u>834,458</u>	<u>(834,458)</u>	
Total	<u>11,695,028</u>	<u>(4,477,258)</u>	<u>7,217,770</u>
EXPENSES:			
Program services	2,815,702		2,815,702
Management and general	310,954		310,954
Fundraising	<u>519,435</u>		<u>519,435</u>
Total expenses	<u>3,646,091</u>		<u>3,646,091</u>
CHANGES IN NET ASSETS	8,048,937	(4,477,258)	3,571,679
Net assets, beginning of year	<u>2,970,962</u>	<u>6,266,903</u>	<u>9,237,865</u>
Net assets, end of year	<u>\$ 11,019,899</u>	<u>\$ 1,789,645</u>	<u>\$ 12,809,544</u>

See accompanying notes to financial statements.

Crime Stoppers of Houston, Inc.

Statement of Activities for year ended December 31, 2016

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions:			
In-kind donations (<i>Note 9</i>)	\$ 2,207,843		\$ 2,207,843
Court and supplemental rewards		\$ 302,265	302,265
Court administrative funds	70,336		70,336
Other contributions	231,477	825,791	1,057,268
Special events	540,790		540,790
Direct donor benefit costs	(124,654)		(124,654)
Investment return (<i>Note 4</i>)	<u>46,993</u>	<u>32,542</u>	<u>79,535</u>
Total revenue	2,972,785	1,160,598	4,133,383
Net assets released from restrictions:			
Capital expenditures	368,334	(368,334)	
Satisfaction of program restrictions	<u>591,900</u>	<u>(591,900)</u>	
Total	<u>3,933,019</u>	<u>200,364</u>	<u>4,133,383</u>
EXPENSES:			
Program services	2,981,952		2,981,952
Management and general	281,435		281,435
Fundraising	<u>584,173</u>		<u>584,173</u>
Total expenses	<u>3,847,560</u>		<u>3,847,560</u>
CHANGES IN NET ASSETS	85,459	200,364	285,823
Net assets, beginning of year	<u>2,885,503</u>	<u>6,066,539</u>	<u>8,952,042</u>
Net assets, end of year	<u>\$ 2,970,962</u>	<u>\$ 6,266,903</u>	<u>\$ 9,237,865</u>

See accompanying notes to financial statements.

Crime Stoppers of Houston, Inc.

Statement of Functional Expenses for the year ended December 31, 2017

<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 461,193	\$ 120,403	\$ 159,934	\$ 741,530
Payroll taxes and benefits	77,434	20,216	26,853	124,503
TIPS hotline personnel	1,461,976			1,461,976
Rewards	272,000			272,000
Depreciation and amortization	189,270	43,623	32,452	265,345
Office expenses and supplies	97,136	35,193	106,695	239,024
Professional fees and contract labor	1,413	23,571	120,000	144,984
Advertising	58,151	10,176	48,046	116,373
Occupancy	77,862	17,946	13,350	109,158
Interest	46,196	10,646	7,921	64,763
Telecommunications	39,638	4,959	237	44,834
Insurance	10,191	10,191	2,265	22,647
Contributed facilities usage	14,158			14,158
Bank and credit card fees		11,625		11,625
Travel	5,426	1,128	25	6,579
Postage and delivery	1,545	735	1,548	3,828
Dues and subscriptions	<u>2,113</u>	<u>542</u>	<u>109</u>	<u>2,764</u>
Total expenses	<u>\$ 2,815,702</u>	<u>\$ 310,954</u>	<u>\$ 519,435</u>	3,646,091
Direct donor benefit costs				<u>189,180</u>
Total				<u>\$ 3,767,145</u>

See accompanying notes to financial statements.

Crime Stoppers of Houston, Inc.

Statement of Functional Expenses for the year ended December 31, 2016

<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 290,833	\$ 137,575	\$ 249,075	\$ 677,483
Payroll taxes and benefits	47,675	22,552	40,830	111,057
TIPS hotline personnel	2,007,583			2,007,583
Rewards	307,725			307,725
Depreciation and amortization	6,444	1,484	1,105	9,033
Office expenses and supplies	35,627	37,086	93,495	166,208
Professional fees and contract labor	15,910	20,879	120,000	156,789
Advertising	61,182	19,120	65,247	145,549
Occupancy	67,092	15,463	11,503	94,058
Telecommunications	44,441	6,347		50,788
Insurance	2,681	2,681	596	5,958
Contributed facilities usage	84,945			84,945
Bank and credit card fees		15,642		15,642
Travel	6,809	7	62	6,878
Postage and delivery	2,126	1,672	2,135	5,933
Dues and subscriptions	879	927	125	1,931
Total expenses	<u>\$ 2,981,952</u>	<u>\$ 281,435</u>	<u>\$ 584,173</u>	3,847,560
Direct donor benefit costs				<u>124,654</u>
Total				<u>\$ 3,972,214</u>

See accompanying notes to financial statements.

Crime Stoppers of Houston, Inc.

Statements of Cash Flows for the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 3,571,679	\$ 285,823
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Contributions restricted to capital projects	(393,854)	(508,625)
Contributed vehicle	(24,637)	
Net realized and unrealized gain on investments	(2,783)	(24,929)
Depreciation	265,345	9,033
Amortization of loan issuance costs	1,452	1,452
Changes in operating assets and liabilities:		
Accrued interest and other assets	10,513	1,406
Operating pledges receivable	(28,669)	11,874
Accounts payable and accrued expenses	22,402	(4,886)
Deferred revenue	32,979	
Supplemental rewards escrow	71,788	(123,300)
Court rewards escrow	<u>22,050</u>	<u>2,950</u>
Net cash provided (used) by operating activities	<u>3,548,265</u>	<u>(349,202)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in money market mutual funds held as investments	(744,547)	(56,917)
Purchases of investments	(1,075,051)	(2,454,956)
Proceeds from sales of investments	2,087,817	2,457,875
Purchase of property and equipment	<u>(1,024,663)</u>	<u>(6,071,623)</u>
Net cash used by investing activities	<u>(756,444)</u>	<u>(6,125,621)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted to capital projects	932,831	1,006,403
Principal repayments of note payable	<u>(3,050,700)</u>	<u> </u>
Net cash provided (used) by financing activities	<u>(2,117,869)</u>	<u>1,006,403</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	673,952	(5,468,420)
Cash and cash equivalents, beginning of year	<u>2,835,279</u>	<u>8,303,699</u>
Cash and cash equivalents, end of year	<u>\$ 3,509,231</u>	<u>\$ 2,835,279</u>
Cash	\$ 2,991,837	\$ 1,590,459
Cash and cash equivalents restricted/designated to capital projects	<u>517,394</u>	<u>1,244,820</u>
Total	<u>\$ 3,509,231</u>	<u>\$ 2,835,279</u>

Supplemental disclosure of cash flow information:

Interest paid	\$63,311
Donated vehicle	\$24,637

See accompanying notes to financial statements.

Crime Stoppers of Houston, Inc.

Notes to Financial Statements for the years ended December 31, 2017 and 2016

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Crime Stoppers of Houston, Inc. (Crime Stoppers) is a nonprofit organization incorporated in Texas in October 1980. The purpose of Crime Stoppers is to assist Houston area law enforcement agencies in facilitating the arrest and filing of criminal charges by making rewards available to persons who furnish information that leads to the arrest and filing of charges. Crime Stoppers receives a substantial portion of its operating funds from business and individual donations. Any person providing information leading to the arrest and filing of charges is given a reward and remains anonymous. The Reward Assessment Committee determines the amount of the reward and the Board of Directors authorizes payment.

Federal income tax status – Crime Stoppers is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows. An allowance for uncollectible pledges is provided when it is believed that pledges may not be collected in full. It is Crime Stoppers' policy to write off receivables against the allowance when management determines the receivable will not be collected. The amount of bad debt expense or loss on valuation of pledges recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a combination of historical loss experience and individual account-by-account analysis of receivable balances. It is possible that management's estimate regarding the collectability of the balances will change in the near term resulting in a change in the carrying value of pledges receivable.

Cash equivalents include highly liquid investments with original maturities of three months or less.

Investments are recorded at fair value. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase in temporarily restricted net assets until expended in accordance with donor-imposed restrictions.

Property and equipment is recorded at cost if purchased or at fair value at the date of gift if donated. Crime Stoppers' policy is to capitalize property and equipment purchases over \$2,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 39 years.

Net asset classification – Contributions, investment return, and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions and investment return restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Court rewards are recorded as revenue when the payments are received from the Harris County probation department. Unclaimed court rewards outstanding for at least 45 days from the date of approval of payment by the Reward Assessment Committee are held in a restricted cash account and reported as court rewards escrow liability by Crime Stoppers for one year from the date of the approval of payment. Unclaimed court rewards outstanding for more than one year are held by Crime Stoppers and used for payment of cash rewards for other cases.

Supplemental rewards are recognized as revenue and expense when the reward is paid to a person who provides information leading to the arrest and charging of the suspect responsible for the crimes. Amounts collected in advance for supplemental rewards that have not been paid are reported as supplemental rewards escrow.

Government grants and other contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are classified as restricted revenue. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Crime Stoppers reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services, materials, and use of facilities are recognized at fair value when an unconditional commitment is received from the donor. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Advertising expense – Advertising costs are expensed as incurred.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncements – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The ASU is effective for fiscal periods beginning after December 15, 2019.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions* and underwater endowments will be grouped with *net assets with donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and

availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. Crime Stoppers plans to adopt this ASU for its fiscal year ending December 31, 2018. Adoption of this ASU will impact the presentation and disclosures of the financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2017</u>	<u>2016</u>
Demand deposits	\$ 3,509,231	\$ 1,842,188
Money market mutual funds	<u> </u>	<u>993,091</u>
Total cash and cash equivalents	<u>\$ 3,509,231</u>	<u>\$ 2,835,279</u>

Demand deposits exceed the federally insured limit per depositor per institution.

In the State of Texas, a court is allowed to require a probationer to make a one-time contribution of up to \$50 to a local Crime Stoppers program. In Harris County, the probation department collects this money and forwards it to Crime Stoppers. Eighty percent of such contributions are restricted by statute to be used for paying cash rewards to qualified informants. Any interest earned thereon also is restricted for this purpose.

Crime Stoppers is required to maintain a separate reward account for money received from the Harris County probation department. At December 31, 2017 and 2016, \$599,454 and \$629,208 included in cash and \$883,318 and \$1,163,611 included in investments, respectively, are restricted by statute to pay rewards to qualified informants.

Crime Stoppers also holds supplemental funds received for payment of rewards. The Board of Directors maintains supplemental rewards in separate bank accounts. At December 31, 2017 and 2016, \$364,089 and \$292,301 included in cash, respectively, are segregated by Crime Stoppers for this purpose.

NOTE 3 – PLEDGES RECEIVABLE

In 2013, Crime Stoppers launched a \$10 million capital campaign, *We Are All Crime Stoppers Capital Campaign*. The goal of the campaign is to provide funds for the first-ever Crime Stoppers' headquarters located at 3001 Main Street. Through December 31, 2017, contributions to the campaign totaled approximately \$5.2 million.

Pledges receivable are as follows:

	<u>2017</u>	<u>2016</u>
Pledges receivable	\$ 953,690	\$ 1,467,225
Discount to net present value at 1.47% to 1.98%	<u>(9,133)</u>	<u>(12,360)</u>
Pledges receivable, net	<u>\$ 944,557</u>	<u>\$ 1,454,865</u>

Pledges receivable at December 31, 2017 are expected to be collected as follows:

2018	\$ 570,167
2019	249,464
2020	<u>134,059</u>
Total pledges receivable	<u>\$ 953,690</u>

Concentration – At December 31, 2017, approximately 52% of pledges are due from three donors. At December 31, 2016, approximately 59% of pledges are due from four donors.

NOTE 4 – INVESTMENTS

Investments consist of the following:

	<u>2017</u>	<u>2016</u>
Money market mutual funds	\$ 858,301	\$ 113,754
Government agency securities	850,043	1,209,958
Corporate bonds	25,287	192,822
Equity securities	<u> </u>	<u>482,533</u>
Total investments	<u>\$ 1,733,631</u>	<u>\$ 1,999,067</u>

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Investment return includes earnings on cash and cash equivalents and consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 21,768	\$ 54,606
Net realized and unrealized gain on investments	<u>2,783</u>	<u>24,929</u>
Total investment return	<u>\$ 24,551</u>	<u>\$ 79,535</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2017 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Money market mutual funds	\$ 858,301			\$ 858,301
Government agency securities		\$ 850,043		850,043
Corporate bonds		25,287		25,287
Total investments measured at fair value	<u>\$ 858,301</u>	<u>\$ 875,330</u>	<u>\$ 0</u>	<u>\$ 1,733,631</u>

Assets measured at fair value at December 31, 2016 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Money market mutual funds	\$ 113,754			\$ 113,754
Government agency securities		\$ 1,209,958		1,209,958
Corporate bonds		192,822		192,822
Equity securities:				
Information technology	122,378			122,378
Consumer discretion	94,664			94,664
Healthcare	81,958			81,958
Consumer staples	65,508			65,508
Industrials	61,806			61,806
Financials	33,908			33,908
Materials	13,828			13,828
Telecommunication	6,139			6,139
Energy	2,344			2,344
Total investments	596,287	1,402,780		1,999,067
Cash equivalents – money market mutual funds	<u>993,091</u>			<u>993,091</u>
Total assets measured at fair value	<u>\$ 1,589,378</u>	<u>\$ 1,402,780</u>	<u>\$ 0</u>	<u>\$ 2,992,158</u>

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value.
- *Government agency securities* and *corporate bonds* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes, to calculate fair values.
- *Equity securities* are valued at the closing price reported on the active market on which the individual securities are traded.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Crime Stoppers believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 1,905,620	\$ 1,905,620
Building and improvements	7,302,016	44,416
Equipment and vehicles	246,921	222,284
Furniture and fixtures	460,396	126,018
Software	6,495	6,495
Construction in progress	<u> </u>	<u>7,204,752</u>
Total property and equipment, at cost	9,921,448	9,509,585
Accumulated depreciation and amortization	<u>(483,919)</u>	<u>(218,574)</u>
Property and equipment, net	<u>\$ 9,437,529</u>	<u>\$ 9,291,011</u>

NOTE 7 – NOTE PAYABLE

The note payable consists of the following:

	<u>2017</u>	<u>2016</u>
In December 2015, Crime Stoppers entered into a \$5,000,000 promissory note with a foundation. Proceeds from the note were used for construction of a new building. The note matures in July 2032 and with the first monthly payment beginning July 2017, bears interest at 3%. Interest will be adjusted to prime rate less 0.25% every five years beginning July 2022. The note is amortized over 25 years and unscheduled principal payments of \$250,000 or greater are allowed. Reamortization of the payment schedule based on 25-year amortization occurs subsequent to unscheduled principal payments. The note is collateralized by real property and all pledges receivable restricted for construction of the new building.	\$ 1,949,300	\$ 5,000,000
Loan issuance costs	<u>(21,785)</u>	<u>(23,237)</u>
Note payable, net	<u>\$ 1,927,515</u>	<u>\$ 4,976,763</u>

Maturities of the note payable at December 31, 2017 are as follows:

2018	\$ 50,380
2019	56,232
2020	57,943
2021	59,705
2022	61,521
Thereafter	<u>1,663,519</u>
Total	<u>\$ 1,949,300</u>

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Rewards	\$ 1,659,998	\$ 2,011,266
Safe School Program	61,712	15,550
Safe Community Program	57,935	
Use in future periods	10,000	
Capital construction projects	<u> </u>	<u>4,240,087</u>
Total temporarily restricted net assets	<u>\$ 1,789,645</u>	<u>\$ 6,266,903</u>

NOTE 9 – IN-KIND DONATIONS

In-kind donations recognized during the years ended December 31, 2017 and 2016 are classified in the statement of functional expenses as follows:

	<u>2017</u>	<u>2016</u>
TIPS hotline personnel:		
Houston Police Department	\$ 1,189,005	\$ 1,487,291
Harris County Sheriff's Office	142,664	394,588
Pasadena Police Department	<u>130,307</u>	<u>125,704</u>
Total TIPS hotline personnel	<u>1,461,976</u>	<u>2,007,583</u>
Advertising:		
Billboards – Clear Channel Outdoor	25,350	28,930
Gala media – Prime Living Magazine	15,644	25,388
Capital campaign media – Schlitzberger Stone Designs, Inc.	10,400	
Other	<u>27,482</u>	<u>31,500</u>
Total advertising	<u>78,876</u>	<u>85,818</u>
Donated vehicle	24,637	
Facilities usage – CenterPoint Energy	14,158	84,945
In-kind contributions for the Gala	13,872	
Other	<u>70,070</u>	<u>29,497</u>
Total in-kind donations	<u>\$ 1,663,589</u>	<u>\$ 2,207,843</u>

NOTE 10 – LEASE COMMITMENTS

Crime Stoppers leases certain office space and office furniture used in its operations. Operating lease expense for the years ended December 31, 2017 and 2016 was approximately \$9,000 and \$59,000, respectively.

As of December 31, 2017, future minimum annual lease payments under these noncancellable operating leases are as follows:

2018	\$ 9,000
2019	9,000
2020	9,000
2021	9,000
2022	9,000
Thereafter	<u>294,750</u>
Total	<u>\$ 339,750</u>

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 25, 2018, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
