

Crime Stoppers of Houston, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2018 and 2017

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, 2018 and 2017 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, 2018 and 2017 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.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, Crime Stoppers of Houston, Inc., adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. These amendments have been applied on a retrospective basis to the financial statements as of and for the year ended December 31, 2017, except that certain information has been omitted as permitted by the ASU. Our opinion is not modified with respect to this matter.

Blazek & Vetterling

March 19, 2019

Crime Stoppers of Houston, Inc.

Statements of Financial Position as of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash (Note 4)	\$ 2,864,364	\$ 2,991,837
Accrued interest and prepaid expenses	10,116	8,444
Operating contributions receivable (Note 5)	76,743	75,410
Investments (Notes 6 and 7)	1,757,984	1,733,631
Cash designated for capital projects and debt service	1,105,111	517,394
Capital campaign contributions receivable, net (Note 5)	431,774	869,147
Property and equipment, net (Note 8)	<u>9,317,758</u>	<u>9,437,529</u>
TOTAL ASSETS	<u>\$ 15,563,850</u>	<u>\$ 15,633,392</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 43,422	\$ 33,875
Deferred revenue		32,979
Supplemental rewards escrow	851,279	763,779
Court rewards escrow	103,250	65,700
Note payable, net (Note 9)	<u>1,878,588</u>	<u>1,927,515</u>
Total liabilities	<u>2,876,539</u>	<u>2,823,848</u>
Net assets:		
Without donor restrictions (Note 10)	10,962,052	11,019,899
With donor restrictions (Note 11)	<u>1,725,259</u>	<u>1,789,645</u>
Total net assets	<u>12,687,311</u>	<u>12,809,544</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,563,850</u>	<u>\$ 15,633,392</u>

See accompanying notes to financial statements.

Crime Stoppers of Houston, Inc.

Statement of Activities for year ended December 31, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
In-kind donations (<i>Note 12</i>)	\$ 1,970,726		\$ 1,970,726
Court and supplemental rewards		\$ 187,274	187,274
Court administrative funds	44,703		44,703
Other contributions	229,743	1,168,750	1,398,493
Special events	633,012		633,012
Direct donor benefit costs	(153,134)		(153,134)
Net investment return	14,804	12,944	27,748
Other income	<u>2,013</u>	<u> </u>	<u>2,013</u>
Total revenue	2,741,867	1,368,968	4,110,835
Net assets released from restrictions:			
Satisfaction of capital campaign restrictions	505,859	(505,859)	
Satisfaction of program restrictions	917,495	(917,495)	
Expiration of time restrictions	<u>10,000</u>	<u>(10,000)</u>	<u> </u>
Total	<u>4,175,221</u>	<u>(64,386)</u>	<u>4,110,835</u>
EXPENSES:			
Program services	3,402,856		3,402,856
Management and general	335,286		335,286
Fundraising	<u>494,926</u>		<u>494,926</u>
Total expenses	<u>4,233,068</u>		<u>4,233,068</u>
CHANGES IN NET ASSETS	(57,847)	(64,386)	(122,233)
Net assets, beginning of year	<u>11,019,899</u>	<u>1,789,645</u>	<u>12,809,544</u>
Net assets, end of year	<u>\$ 10,962,052</u>	<u>\$ 1,725,259</u>	<u>\$ 12,687,311</u>

See accompanying notes to financial statements.

Crime Stoppers of Houston, Inc.

Statement of Activities for year ended December 31, 2017

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Government grant	\$ 4,000,000		\$ 4,000,000
Contributions:			
In-kind donations (<i>Note 12</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)
Net investment return	<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 (<i>Note 2</i>)	<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 Functional Expenses for the year ended December 31, 2018

<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 511,746	\$ 134,818	\$ 142,307	\$ 788,871
Payroll taxes and benefits	75,369	19,856	20,959	116,184
TIPS hotline personnel	1,846,574			1,846,574
Rewards	409,890			409,890
Depreciation and amortization	174,236	45,569	48,250	268,055
Professional fees and contract labor	98,506	21,724	99,764	219,994
Office expenses and supplies	91,218	54,593	69,431	215,242
Occupancy	73,243	19,156	20,283	112,682
Advertising	18,950	6,250	68,157	93,357
Interest	39,530	10,413	10,993	60,936
Telecommunications	33,491	3,735	3,943	41,169
Insurance	17,152	4,485	4,750	26,387
Mileage, tolls and parking	9,710	1,142	2,443	13,295
Bank and credit card fees		11,874		11,874
Postage and delivery	1,733	1,396	3,646	6,775
Dues and subscriptions	<u>1,508</u>	<u>275</u>	<u></u>	<u>1,783</u>
Total expenses	<u>\$ 3,402,856</u>	<u>\$ 335,286</u>	<u>\$ 494,926</u>	4,233,068
Direct donor benefit costs				<u>153,134</u>
Total				<u>\$ 4,386,202</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
Professional fees and contract labor	1,413	23,571	120,000	144,984
Office expenses and supplies	97,136	35,193	106,695	239,024
Occupancy	77,862	17,946	13,350	109,158
Advertising	58,151	10,176	48,046	116,373
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
Mileage, tolls and parking	5,426	1,128	25	6,579
Bank and credit card fees		11,625		11,625
Postage and delivery	1,545	735	1,548	3,828
Dues and subscriptions	2,113	542	109	2,764
Contributed facilities usage	14,158			14,158
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>\$ 3,835,271</u>

See accompanying notes to financial statements.

Crime Stoppers of Houston, Inc.

Statements of Cash Flows for the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (122,233)	\$ 3,571,679
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Contributions restricted to capital campaign	(505,859)	(393,854)
Contributed vehicle	(32,535)	(24,637)
Net realized and unrealized (gain) loss on investments	4,002	(2,783)
Depreciation	268,055	265,345
Amortization of loan issuance costs	1,452	1,452
Changes in operating assets and liabilities:		
Accrued interest and prepaid expenses	(1,672)	10,513
Operating contributions receivable	(1,333)	(28,669)
Accounts payable and accrued expenses	9,547	22,402
Deferred revenue	(32,979)	32,979
Supplemental rewards escrow	87,500	71,788
Court rewards escrow	<u>37,550</u>	<u>22,050</u>
Net cash provided (used) by operating activities	<u>(288,505)</u>	<u>3,548,265</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in money market mutual funds held as investments	(39,227)	(744,547)
Purchases of investments	(758,648)	(1,075,051)
Proceeds from sales of investments	769,520	2,087,817
Proceeds from sale of property and equipment	13,750	
Purchase of property and equipment	<u>(129,499)</u>	<u>(1,024,663)</u>
Net cash used by investing activities	<u>(144,104)</u>	<u>(756,444)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted to capital campaign	943,232	932,831
Principal repayments of note payable	<u>(50,379)</u>	<u>(3,050,700)</u>
Net cash provided (used) by financing activities	<u>892,853</u>	<u>(2,117,869)</u>
NET CHANGE IN CASH	460,244	673,952
Cash, beginning of year	<u>3,509,231</u>	<u>2,835,279</u>
Cash, end of year	<u>\$ 3,969,475</u>	<u>\$ 3,509,231</u>
<i>Reconciliation of cash balances:</i>		
Cash	\$ 2,864,364	\$ 2,991,837
Cash designated for capital projects and debt service	<u>1,105,111</u>	<u>517,394</u>
Total	<u>\$ 3,969,475</u>	<u>\$ 3,509,231</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$59,484	\$63,311

See accompanying notes to financial statements.

Crime Stoppers of Houston, Inc.

Notes to Financial Statements for the years ended December 31, 2018 and 2017

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).

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions 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 contributions receivable is provided when it is believed that contributions 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 contributions receivable 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 contributions receivable.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment management and custodial expenses.

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 – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service unless the donor also has placed a time restriction on the use of the long-lived asset, in which case the release occurs over the term of the time restriction.

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.

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.

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.

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.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to one or more activities are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation and amortization, occupancy costs, interest expense and insurance expense are allocated based on estimates of time of persons associated with use of goods or services.

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. Crime Stoppers is required to adopt this ASU for fiscal year 2020. Management has not yet determined the impact adoption of this ASU will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. This ASU could impact the timing of revenue recognition and the financial statement disclosures related to such transactions. Crime Stoppers is required to apply the amendments in its fiscal year 2020 financial statements. The amendments should be applied on a modified prospective basis, but retrospective application also is permitted. Management has not determined the eventual method of adoption of the ASU or the impact on the financial statements.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

Crime Stoppers adopted the amendments of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. These amendments have been applied on a retrospective basis to the financial statements for the year ended December 31, 2017, except that information regarding liquidity and availability of resources has been omitted as permitted by the ASU. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2018 presentation but had no impact on total net assets or total changes in net assets for 2017.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 comprise the following:

Financial assets at December 31, 2018:	
Cash	\$ 2,864,364
Accrued interest	2,538
Operating contributions receivable	76,743
Investments	1,757,984
Cash designated for capital projects and debt service	1,105,111
Capital campaign contributions receivable, net	<u>431,774</u>
Total financial assets	6,238,514
Less financial assets not available for general expenditure:	
Restricted by donors for use in future periods or future projects	(1,116,974)
Supplemental rewards escrow	(851,279)
Board-designated for capital projects and debt service	(1,105,111)
Capital campaign contributions receivable, net	(431,774)
Court rewards escrow	<u>(103,250)</u>
Total financial assets available for general expenditure	<u>\$ 2,630,126</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Crime Stoppers considers all expenditures related to its ongoing activities of Tip-Line, Statewide Initiative, Safe School, and Safe Community programs, as well as the conduct of services undertaken to support these activities, to be general expenditures.

As part of Crime Stoppers' liquidity management, financial assets have been structured to be available as its general expenditures, liabilities, and other obligations become due by maintaining a significant portion of its assets in cash and investments.

NOTE 4 – CASH

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, 2018 and 2017, \$411,316 and \$599,454 included in cash and \$898,216 and \$883,318 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, 2018 and 2017, \$451,589 and \$364,089 included in cash, respectively, are segregated by Crime Stoppers for this purpose. The remaining supplemental reward funds are held with investments.

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

NOTE 5 – CONTRIBUTIONS 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, 2018, contributions to the campaign totaled approximately \$5.7 million.

Contributions receivable are as follows:

	<u>2018</u>	<u>2017</u>
Contributions receivable	\$ 513,266	\$ 953,690
Discount to net present value at 1.47% to 1.98%	<u>(4,749)</u>	<u>(9,133)</u>
Contributions receivable, net	<u>\$ 508,517</u>	<u>\$ 944,557</u>

Contributions receivable at December 31, 2018 are expected to be collected as follows:

2019	\$ 252,207
2020	186,059
2021	<u>75,000</u>
Total contributions receivable	<u>\$ 513,266</u>

Concentration – At December 31, 2018, approximately 49% of contributions are due from two donors. At December 31, 2017, approximately 52% of contributions are due from three donors.

NOTE 6 – INVESTMENTS

Investments consist of the following:

	<u>2018</u>	<u>2017</u>
Money market mutual funds	\$ 897,528	\$ 858,301
Government agency securities	760,618	850,043
Corporate bonds	<u>99,838</u>	<u>25,287</u>
Total investments	<u>\$ 1,757,984</u>	<u>\$ 1,733,631</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 that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 7 – 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, 2018 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Money market mutual funds	\$ 897,528			\$ 897,528
Government agency securities		\$ 760,618		760,618
Corporate bonds		<u>99,838</u>		<u>99,838</u>
Total assets measured at fair value	<u>\$ 897,528</u>	<u>\$ 860,456</u>	<u>\$ 0</u>	<u>\$ 1,757,984</u>

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		<u>25,287</u>		<u>25,287</u>
Total assets measured at fair value	<u>\$ 858,301</u>	<u>\$ 875,330</u>	<u>\$ 0</u>	<u>\$ 1,733,631</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.

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 8 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 1,905,620	\$ 1,905,620
Building and improvements	7,426,425	7,302,016
Equipment and vehicles	264,021	246,921
Furniture and fixtures	460,396	460,396
Software	<u>6,495</u>	<u>6,495</u>
Total property and equipment, at cost	10,062,957	9,921,448
Accumulated depreciation and amortization	<u>(745,199)</u>	<u>(483,919)</u>
Property and equipment, net	<u>\$ 9,317,758</u>	<u>\$ 9,437,529</u>

NOTE 9 – NOTE PAYABLE

The note payable consists of the following:

	<u>2018</u>	<u>2017</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 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 in 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 contributions receivable restricted for construction of the new building.	\$ 1,898,920	\$ 1,949,300
Loan issuance costs	<u>(20,332)</u>	<u>(21,785)</u>
Note payable, net	<u>\$ 1,878,588</u>	<u>\$ 1,927,515</u>

Maturities of the note payable at December 31, 2018 are as follows:

2019	\$ 56,232
2020	57,943
2021	59,705
2022	61,521
2023	63,392
Thereafter	<u>1,600,127</u>
Total	<u>\$ 1,898,920</u>

NOTE 10 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2018</u>	<u>2017</u>
Property and equipment, net	\$ 7,439,170	\$ 7,510,014
Board-designated for debt service	700,000	
Undesignated	2,417,771	2,992,491
Board-designated for capital projects	<u>405,111</u>	<u>517,394</u>
Total net assets without donor restrictions	<u>\$ 10,962,052</u>	<u>\$ 11,019,899</u>

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Rewards	\$ 1,472,854	\$ 1,659,998
Statewide Initiative Program	117,255	
Safe School Program	76,712	61,712
Safe Community Program	<u>58,438</u>	<u>57,935</u>
Total subject to expenditure for specified purpose	1,725,259	1,779,645
Subject to the passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	<u> </u>	<u>10,000</u>
Total net assets with donor restrictions	<u>\$ 1,725,259</u>	<u>\$ 1,789,645</u>

NOTE 12 – IN-KIND DONATIONS

In-kind donations recognized during the years ended December 31, 2018 and 2017 are comprised of the following:

	<u>2018</u>	<u>2017</u>
TIPS hotline personnel:		
Houston Police Department	\$ 1,545,356	\$ 1,189,005
Harris County Sheriff's Office	168,330	142,664
Pasadena Police Department	<u>132,888</u>	<u>130,307</u>
Total TIPS hotline personnel	1,846,574	1,461,976
Advertising	62,840	78,876
Donated vehicle	32,535	24,637
Facilities usage		14,158
Other	<u>28,777</u>	<u>83,942</u>
Total in-kind donations	<u>\$ 1,970,726</u>	<u>\$ 1,663,589</u>

NOTE 13 – LEASE COMMITMENTS

In 2011, Crime Stoppers entered into a noncancelable lease agreement to rent a portion of the land on which the building is located. The agreement is effective through September 14, 2055. Future minimum commitments are as follows:

2019	\$ 9,000
2020	9,000
2021	9,000
2022	9,000
2023	9,000
Thereafter	<u>285,750</u>
Total	<u>\$ 330,750</u>

Rent expense was \$9,000 in 2018 and 2017.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 19, 2019, 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.