

Crime Stoppers of Houston, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2019 and 2018

Crime Stoppers of Houston, Inc.

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position as of December 31, 2019 and 2018	2
Statement of Activities for the year ended December 31, 2019	3
Statement of Activities for the year ended December 31, 2018	4
Statement of Functional Expenses for the year ended December 31, 2019	5
Statement of Functional Expenses for the year ended December 31, 2018	6
Statements of Cash Flows for the years ended December 31, 2019 and 2018	7
Notes to Financial Statements for the years ended December 31, 2019 and 2018	8

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, 2019 and 2018 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.

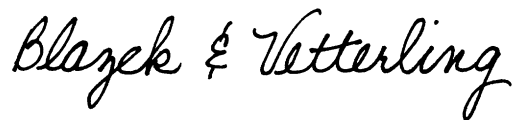
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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, 2019 and 2018 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 21, 2020

Crime Stoppers of Houston, Inc.

Statements of Financial Position as of December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash (Note 4)	\$ 2,442,326	\$ 2,864,364
Accrued interest and prepaid expenses	18,141	10,116
Operating contributions receivable (Note 5)	127,051	76,743
Investments (Note 6)	1,807,376	1,757,984
Cash designated for capital projects and debt service	719,659	1,105,111
Capital campaign contributions receivable, net (Note 5)	259,960	431,774
Property and equipment, net (Note 7)	<u>9,053,770</u>	<u>9,317,758</u>
TOTAL ASSETS	<u>\$ 14,428,283</u>	<u>\$ 15,563,850</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 18,772	\$ 43,422
Supplemental rewards escrow	865,079	851,279
Court rewards escrow	66,675	103,250
Note payable, net (Note 8)	<u>1,107,690</u>	<u>1,878,588</u>
Total liabilities	<u>2,058,216</u>	<u>2,876,539</u>
Net assets:		
Without donor restrictions (Note 9)	10,591,673	10,962,052
With donor restrictions (Note 10)	<u>1,778,394</u>	<u>1,725,259</u>
Total net assets	<u>12,370,067</u>	<u>12,687,311</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,428,283</u>	<u>\$ 15,563,850</u>

See accompanying notes to financial statements.

Crime Stoppers of Houston, Inc.

Statement of Activities for year ended December 31, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
In-kind donations (<i>Note 11</i>)	\$ 1,839,466		\$ 1,839,466
Court rewards		\$ 114,616	114,616
Court administrative funds	30,427		30,427
Other contributions	294,707	818,450	1,113,157
Special events	658,475		658,475
Direct donor benefit costs	(123,694)		(123,694)
Net investment return	<u>21,323</u>	<u>35,116</u>	<u>56,439</u>
Total revenue	2,720,704	968,182	3,688,886
Net assets released from restrictions:			
Satisfaction of capital campaign restrictions	260,075	(260,075)	
Satisfaction of program restrictions	<u>654,972</u>	<u>(654,972)</u>	
Total	<u>3,635,751</u>	<u>53,135</u>	<u>3,688,886</u>
EXPENSES:			
Program services	3,311,117		3,311,117
Management and general	299,300		299,300
Fundraising	<u>395,713</u>		<u>395,713</u>
Total expenses	<u>4,006,130</u>		<u>4,006,130</u>
CHANGES IN NET ASSETS	(370,379)	53,135	(317,244)
Net assets, beginning of year	<u>10,962,052</u>	<u>1,725,259</u>	<u>12,687,311</u>
Net assets, end of year	<u>\$ 10,591,673</u>	<u>\$ 1,778,394</u>	<u>\$ 12,370,067</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 11</i>)	\$ 1,970,726		\$ 1,970,726
Court 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 Functional Expenses for the year ended December 31, 2019

<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 617,949	\$ 126,242	\$ 203,415	\$ 947,606
Payroll taxes and benefits	82,713	16,898	27,228	126,839
TIPS hotline personnel	1,823,579			1,823,579
Depreciation and amortization	181,948	37,170	59,894	279,012
Rewards	206,075			206,075
Office expenses and supplies	94,434	31,603	49,483	175,520
Occupancy	80,350	16,415	26,450	123,215
Professional fees and contract labor	74,372	22,285	311	96,968
Advertising	42,678	16,632	3,543	62,853
Telecommunications	40,064	3,209	6,041	49,314
Interest	24,250	4,954	7,982	37,186
Insurance	22,230	4,541	7,317	34,088
Mileage, tolls and parking	17,838	429	355	18,622
Bank and credit card fees		17,906		17,906
Postage and delivery	1,693	556	3,374	5,623
Dues and subscriptions	944	460	320	1,724
Total expenses	<u>\$ 3,311,117</u>	<u>\$ 299,300</u>	<u>\$ 395,713</u>	4,006,130
Direct donor benefit costs				<u>123,694</u>
Total				<u>\$ 4,129,824</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
Depreciation and amortization	174,236	45,569	48,250	268,055
Rewards	409,890			409,890
Office expenses and supplies	91,218	54,593	69,431	215,242
Occupancy	73,243	19,156	20,283	112,682
Professional fees and contract labor	98,506	21,724	99,764	219,994
Advertising	18,950	6,250	68,157	93,357
Telecommunications	33,491	3,735	3,943	41,169
Interest	39,530	10,413	10,993	60,936
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.

Statements of Cash Flows for the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (317,244)	\$ (122,233)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Contributions restricted to capital campaign	(260,075)	(505,859)
Contributed vehicle		(32,535)
Net realized and unrealized (gain) loss on investments	(10,427)	4,002
Depreciation	279,012	268,055
Amortization of loan issuance costs	1,452	1,452
Changes in operating assets and liabilities:		
Accrued interest and prepaid expenses	(8,025)	(1,672)
Operating contributions receivable	(50,308)	(1,333)
Accounts payable and accrued expenses	(24,650)	9,547
Deferred revenue		(32,979)
Supplemental rewards escrow	13,800	87,500
Court rewards escrow	<u>(36,575)</u>	<u>37,550</u>
Net cash used by operating activities	<u>(413,040)</u>	<u>(288,505)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in money market mutual funds held as investments	3,838	(39,227)
Purchases of investments	(1,097,811)	(758,648)
Proceeds from sales of investments	1,055,008	769,520
Proceeds from sale of property and equipment		13,750
Purchase of property and equipment	<u>(15,024)</u>	<u>(129,499)</u>
Net cash used by investing activities	<u>(53,989)</u>	<u>(144,104)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted to capital campaign	431,889	943,232
Principal repayments of note payable	<u>(772,350)</u>	<u>(50,379)</u>
Net cash provided (used) by financing activities	<u>(340,461)</u>	<u>892,853</u>
NET CHANGE IN CASH	(807,490)	460,244
Cash, beginning of year	<u>3,969,475</u>	<u>3,509,231</u>
Cash, end of year	<u>\$ 3,161,985</u>	<u>\$ 3,969,475</u>
<i>Reconciliation of cash balances:</i>		
Cash	\$ 2,442,326	\$ 2,864,364
Cash designated for capital projects and debt service	<u>719,659</u>	<u>1,105,111</u>
Total	<u>\$ 3,161,985</u>	<u>\$ 3,969,475</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$35,734	\$59,484

See accompanying notes to financial statements.

Crime Stoppers of Houston, Inc.

Notes to Financial Statements for the years ended December 31, 2019 and 2018

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.

Supplemental rewards received prior to payment are reported as supplemental rewards escrow. Payment is made when information is received which leads to the arrest and charges against a suspect.

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.

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 with donor restrictions. Conditional contributions are subject to one or more barriers that must be overcome before Crime Stoppers is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Funding received before conditions are met is reported as refundable advances.

Court rewards are contributions recognized when received from the Harris County probation department. Court reward payments are expensed when approved for payment by the Reward Assessment Committee and the Board of Directors. If the court reward is unclaimed for at least 45 days, the funds are redeposited and funds are held in a restricted cash account for one year. 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.

Special events – Contributions and ticket sales represent the amounts paid by donors, sponsors, and attendees of a fundraising event. Ticket sales include elements of both contributions and exchange transactions and are recognized when an event occurs. Cost of direct donor benefits provided represents the costs of goods and services provided in exchange for the amount paid by event attendees.

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 more than one activity 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.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS

Crime Stoppers adopted Accounting Standards Update (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. Crime Stoppers adopted the new standard effective January 1, 2019. Adoption of this ASU had no impact on total beginning net assets.

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 comprise the following:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash	\$ 2,442,326	\$ 2,864,364
Accrued interest	3,141	2,538
Operating contributions receivable	127,051	76,743
Investments	1,807,376	1,757,984
Cash designated for capital projects and debt service	719,659	1,105,111
Capital campaign contributions receivable, net	<u>259,960</u>	<u>431,774</u>
Total financial assets	5,359,513	6,238,514
Less financial assets not available for general expenditure:		
Restricted by donors for use in future periods or future projects	(1,424,990)	(1,116,974)
Supplemental rewards escrow	(865,079)	(851,279)
Board-designated for capital projects and debt service	(719,659)	(1,105,111)
Capital campaign contributions receivable, net	(259,960)	(431,774)
Court rewards escrow	<u>(66,675)</u>	<u>(103,250)</u>
Total financial assets available for general expenditure	<u>\$ 2,023,150</u>	<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, 2019 and 2018, \$276,853 and \$411,316 included in cash and \$933,635 and \$898,216 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, 2019 and 2018, \$465,389 and \$451,589 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, 2019, contributions to the campaign totaled approximately \$5.7 million.

Contributions receivable are as follows:

	<u>2019</u>	<u>2018</u>
Contributions receivable	\$ 391,760	\$ 513,266
Discount to net present value at approximately 1.5%	<u>(4,749)</u>	<u>(4,749)</u>
Contributions receivable, net	<u>\$ 387,011</u>	<u>\$ 508,517</u>

Contributions receivable at December 31, 2019 are expected to be collected as follows:

2020	\$ 186,760
2021	105,000
2022	50,000
2023	<u>50,000</u>
Total contributions receivable	<u>\$ 391,760</u>

Concentration – At December 31, 2019, approximately 77% of contributions are due from two donors. At December 31, 2018, approximately 49% of contributions are due from two donors.

NOTE 6 – INVESTMENTS AND 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, 2019 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Money market mutual funds	\$ 893,690			\$ 893,690
Corporate bonds		\$ 546,267		546,267
Government agency securities		367,419		367,419
Total assets measured at fair value	<u>\$ 893,690</u>	<u>\$ 913,686</u>	<u>\$ 0</u>	<u>\$ 1,807,376</u>

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
Corporate bonds		\$ 99,838		99,838
Government agency securities		760,618		760,618
Total assets measured at fair value	<u>\$ 897,528</u>	<u>\$ 860,456</u>	<u>\$ 0</u>	<u>\$ 1,757,984</u>

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

- *Mutual funds* are valued at the reported net asset value.
- *Corporate bonds* and *government agency securities* 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.

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 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 1,905,620	\$ 1,905,620
Building and improvements	7,426,425	7,426,425
Equipment and vehicles	279,045	264,021
Furniture and fixtures	460,396	460,396
Software	<u>6,495</u>	<u>6,495</u>
Total property and equipment, at cost	10,077,981	10,062,957
Accumulated depreciation and amortization	<u>(1,024,211)</u>	<u>(745,199)</u>
Property and equipment, net	<u>\$ 9,053,770</u>	<u>\$ 9,317,758</u>

NOTE 8 – NOTE PAYABLE

The note payable consists of the following:

	<u>2019</u>	<u>2018</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 in 2017, bearing 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. Re-amortization 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.	\$ 1,126,570	\$ 1,898,920
Loan issuance costs	<u>(18,880)</u>	<u>(20,332)</u>
Note payable, net	<u>\$ 1,107,690</u>	<u>\$ 1,878,588</u>

Maturities of the note payable at December 31, 2019 are as follows:

2020	\$ 57,943
2021	59,705
2022	61,521
2023	63,392
2024	65,320
Thereafter	<u>818,689</u>
Total	<u>\$ 1,126,570</u>

NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2019</u>	<u>2018</u>
Property and equipment, net	\$ 7,946,080	\$ 7,439,170
Board-designated for debt service		700,000
Undesignated	1,925,934	2,417,771
Board-designated for capital projects	<u>719,659</u>	<u>405,111</u>
Total net assets without donor restrictions	<u>\$ 10,591,673</u>	<u>\$ 10,962,052</u>

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Rewards	\$ 1,446,489	\$ 1,472,854
Statewide Initiative Program		117,255
Safe School Program	263,070	76,712
Safe Community Program	<u>58,835</u>	<u>58,438</u>
Total subject to expenditure for specified purpose	1,768,394	1,725,259
Subject to the passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	<u>10,000</u>	<u> </u>
Total net assets with donor restrictions	<u>\$ 1,778,394</u>	<u>\$ 1,725,259</u>

NOTE 11 – IN-KIND DONATIONS

In-kind donations recognized during the years ended December 31, 2019 and 2018 are comprised of the following:

	<u>2019</u>	<u>2018</u>
TIPS hotline personnel:		
Houston Police Department	\$ 1,524,481	\$ 1,545,356
Harris County Sheriff's Office	162,746	168,330
Pasadena Police Department	<u>136,352</u>	<u>132,888</u>
Total TIPS hotline personnel	1,823,579	1,846,574
Advertising	10,215	62,840
Donated vehicle		32,535
Other	<u>5,672</u>	<u>28,777</u>
Total in-kind donations	<u>\$ 1,839,466</u>	<u>\$ 1,970,726</u>

NOTE 12 – 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:

2020	\$ 9,000
2021	9,000
2022	9,000
2023	9,000
2024	9,000
Thereafter	<u>276,750</u>
Total	<u>\$ 321,750</u>

Rent expense was \$9,000 in 2019 and 2018.

NOTE 13 – SUBSEQUENT EVENTS

On March 11, 2020, the Director-General of the World Health Organization (WHO) declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and on March 13, 2020, a national emergency was declared in the United States. Crime Stoppers has cancelled its annual luncheon which has historically provided a significant portion of its annual support. Crime Stoppers is pursuing financial relief under legislation passed by the Federal government; however, there are no assurances that such relief will be obtained. While the extent of the impact of COVID-19 on Crime Stoppers' operational and financial performance will depend on developments such as the duration and spread of the outbreak, the impact on those served, donors, employees, and vendors, all are uncertain and cannot be predicted. Therefore, while Crime Stoppers expects this matter will negatively impact its operating results and financial position, the financial impact cannot be reasonably estimated at this time.

Management has evaluated subsequent events through April 21, 2020, which is the date that the financial statements were available for issuance. No other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
