

Crime Stoppers of Houston, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2020 and 2019

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, 2020 and 2019 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, 2020 and 2019 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.



March 16, 2021

Crime Stoppers of Houston, Inc.

Statements of Financial Position as of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash (Note 3)	\$ 2,564,242	\$ 2,442,326
Interest receivable and prepaid expenses	18,230	18,141
Operating contributions receivable (Note 4)	144,289	127,051
Investments (Notes 3 and 5)	1,837,209	1,807,376
Cash designated for debt service and property maintenance	719,538	719,659
Capital campaign contributions receivable designated for debt service and property maintenance, net (Note 4)	145,251	259,960
Property and equipment, net (Note 6)	<u>8,761,232</u>	<u>9,053,770</u>
TOTAL ASSETS	<u>\$ 14,189,991</u>	<u>\$ 14,428,283</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 27,773	\$ 18,772
Supplemental rewards escrow	830,079	865,079
Court rewards escrow	118,550	66,675
Refundable advances:		
Paycheck Protection Program (Note 7)	240,657	
Government grant	42,490	
Note payable, net (Note 8)	<u>1,034,317</u>	<u>1,107,690</u>
Total liabilities	<u>2,293,866</u>	<u>2,058,216</u>
Lease commitments (Note 13)		
Net assets:		
Without donor restrictions (Note 9)	10,359,803	10,591,673
With donor restrictions (Note 10)	<u>1,536,322</u>	<u>1,778,394</u>
Total net assets	<u>11,896,125</u>	<u>12,370,067</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,189,991</u>	<u>\$ 14,428,283</u>

See accompanying notes to financial statements.

Crime Stoppers of Houston, Inc.

Statement of Activities for year ended December 31, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
In-kind donations (<i>Note 11</i>)	\$ 1,760,102		\$ 1,760,102
Government grants (<i>Note 12</i>)	15,000	\$ 1,059,769	1,074,769
Court rewards		63,494	63,494
Court administrative funds	15,923		15,923
Other contributions	564,677	218,700	783,377
Net investment return	<u>3,105</u>	<u>25,781</u>	<u>28,886</u>
Total revenue	2,358,807	1,367,744	3,726,551
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>1,609,816</u>	<u>(1,609,816)</u>	
Total	<u>3,968,623</u>	<u>(242,072)</u>	<u>3,726,551</u>
EXPENSES:			
Program services	3,714,567		3,714,567
Management and general	252,353		252,353
Fundraising	<u>233,573</u>		<u>233,573</u>
Total expenses	<u>4,200,493</u>		<u>4,200,493</u>
CHANGES IN NET ASSETS	(231,870)	(242,072)	(473,942)
Net assets, beginning of year	<u>10,591,673</u>	<u>1,778,394</u>	<u>12,370,067</u>
Net assets, end of year	<u>\$ 10,359,803</u>	<u>\$ 1,536,322</u>	<u>\$ 11,896,125</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
Government grants (<i>Note 12</i>)	15,000	\$ 25,000	40,000
Court rewards		114,616	114,616
Court administrative funds	30,427		30,427
Other contributions	279,707	793,450	1,073,157
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 Functional Expenses for the year ended December 31, 2020

<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 867,182	\$ 103,887	\$ 137,496	\$ 1,108,565
Payroll taxes and benefits	115,892	13,884	18,375	148,151
TIPS hotline personnel	1,756,177			1,756,177
Depreciation	228,837	27,414	36,283	292,534
Rewards	263,825			263,825
Professional fees and contract labor	126,003	51,114	175	177,292
Occupancy	101,718	12,186	16,128	130,032
Office supplies	92,207	15,780	11,322	119,309
Advertising	62,780	7,912	2,563	73,255
Telecommunications	45,968	2,492	3,216	51,676
Interest	26,627	3,190	4,222	34,039
Insurance	19,039	2,281	3,019	24,339
Bank and credit card fees		11,267		11,267
Mileage, tolls and parking	4,960	149		5,109
Postage and delivery	2,202	485	524	3,211
Dues and subscriptions	<u>1,150</u>	<u>312</u>	<u>250</u>	<u>1,712</u>
Total expenses	<u>\$ 3,714,567</u>	<u>\$ 252,353</u>	<u>\$ 233,573</u>	<u>\$ 4,200,493</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	181,948	37,170	59,894	279,012
Rewards	206,075			206,075
Professional fees and contract labor	74,372	22,285	311	96,968
Occupancy	80,350	16,415	26,450	123,215
Office supplies	94,434	31,603	49,483	175,520
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
Bank and credit card fees		17,906		17,906
Mileage, tolls and parking	17,838	429	355	18,622
Postage and delivery	1,693	556	3,374	5,623
Dues and subscriptions	<u>944</u>	<u>460</u>	<u>320</u>	<u>1,724</u>
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.

Statements of Cash Flows for the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (473,942)	\$ (317,244)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Capital campaign contributions		(260,075)
Net realized and unrealized gain on investments	(9,415)	(10,427)
Depreciation	292,538	279,012
Amortization of loan issuance costs	1,452	1,452
Changes in operating assets and liabilities:		
Interest receivable and prepaid expenses	(89)	(8,025)
Operating contributions receivable	(17,238)	(50,308)
Accounts payable and accrued expenses	9,001	(24,650)
Supplemental rewards escrow	(35,000)	13,800
Court rewards escrow	51,875	(36,575)
Refundable advances	<u>283,147</u>	<u> </u>
Net cash provided (used) by operating activities	<u>102,329</u>	<u>(413,040)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in money market mutual funds held as investments	10,944	3,838
Purchases of investments	(570,689)	(1,097,811)
Proceeds from sales of investments	539,327	1,055,008
Purchase of property and equipment	<u> </u>	<u>(15,024)</u>
Net cash used by investing activities	<u>(20,418)</u>	<u>(53,989)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from capital campaign contributions	114,709	431,889
Principal repayments of note payable	<u>(74,825)</u>	<u>(772,350)</u>
Net cash provided (used) by financing activities	<u>39,884</u>	<u>(340,461)</u>
NET CHANGE IN CASH	121,795	(807,490)
Cash, beginning of year	<u>3,161,985</u>	<u>3,969,475</u>
Cash, end of year	<u>\$ 3,283,780</u>	<u>\$ 3,161,985</u>
<i>Reconciliation of cash balances:</i>		
Cash	\$ 2,564,242	\$ 2,442,326
Cash designated for debt service and property maintenance	<u>719,538</u>	<u>719,659</u>
Total	<u>\$ 3,283,780</u>	<u>\$ 3,161,985</u>
 <i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$32,587	\$35,734

See accompanying notes to financial statements.

Crime Stoppers of Houston, Inc.

Notes to Financial Statements for the years ended December 31, 2020 and 2019

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 escrow is an agency fund liability for specific case rewards that are in excess of Crime Stoppers' \$5,000 reward. The funds are held in escrow until the case is solved or the person or persons providing the reward requests the funds be returned.

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.

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.

Court rewards expense is recognized when approved for payment by the Reward Assessment Committee and the Board of Directors. If the court reward is unclaimed for at least 180 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.

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 – 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>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 2,564,242	\$ 2,442,326
Interest receivable	2,563	3,141
Operating contributions receivable	144,289	127,051
Investments	1,837,209	1,807,376
Cash designated for debt service and property maintenance	719,538	719,659
Capital campaign contributions receivable designated for debt service and property maintenance, net	<u>145,251</u>	<u>259,960</u>
Total financial assets	5,413,092	5,359,513
Less financial assets not available for general expenditure:		
Restricted by donors for use in future periods or future projects	(1,215,646)	(1,424,990)
Supplemental rewards escrow	(830,079)	(865,079)
Board-designated for debt service and property maintenance	(719,538)	(719,659)
Capital campaign contributions receivable designated for debt service and property maintenance, net	(145,251)	(259,960)
Court rewards escrow	<u>(118,550)</u>	<u>(66,675)</u>
Total financial assets available for general expenditure	<u>\$ 2,384,028</u>	<u>\$ 2,023,150</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 program activities, 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. Although Crime Stoppers does not intend to use the board-designated cash, amounts could be made available, if necessary.

In March 2021, Crime Stoppers was approved for a second Paycheck Protection Program loan of approximately \$190,500. Management expects the loan to be forgiven as the funds are used for payment of eligible costs. Any amounts not forgiven bear interest at 1% and are due in 2023.

NOTE 3 – CASH

Crime Stoppers is required to maintain a separate reward account for restricted contributions from the Harris County probation department. At December 31, 2020 and 2019, \$331,695 and \$276,853 included in cash and \$960,995 and \$933,635 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, 2020 and 2019, \$425,389 and \$465,389 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 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows:

	<u>2020</u>	<u>2019</u>
Contributions receivable	\$ 294,289	\$ 391,760
Discount to net present value at approximately 1.5%	<u>(4,749)</u>	<u>(4,749)</u>
Contributions receivable, net	<u>\$ 289,540</u>	<u>\$ 387,011</u>

Contributions receivable at December 31, 2020 are expected to be collected as follows:

2021	\$ 194,289
2022	50,000
2023	<u>50,000</u>
Total contributions receivable	<u>\$ 294,289</u>

Concentration – At December 31, 2020, contributions receivable from three donors comprised approximately 92% of contributions receivable. At December 31, 2019, contributions receivable from two donors comprised approximately 77% of contributions receivable.

Conditional contributions – At December 31, 2020, Crime Stoppers has approximately \$65,000 of conditional contributions from Texas Education Agency. The contributions will be recognized as revenue when the conditions, which include incurring allowable expenses, are met.

NOTE 5 – 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, 2020 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Money market mutual funds	\$ 882,746			\$ 882,746
Corporate bonds		\$ 662,523		662,523
U. S. Treasury securities	271,938			271,938
U. S. government agency securities		<u>20,002</u>		<u>20,002</u>
Total assets measured at fair value	<u>\$ 1,154,684</u>	<u>\$ 682,525</u>	<u>\$ 0</u>	<u>\$ 1,837,209</u>

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
U. S. Treasury securities	<u>367,419</u>			<u>367,419</u>
Total assets measured at fair value	<u>\$ 1,261,109</u>	<u>\$ 546,267</u>	<u>\$ 0</u>	<u>\$ 1,807,376</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 *U. S. 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.
- *U. S. Treasury securities* are valued using prices obtained from active market maker and inter-dealer brokers on a daily basis.

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 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,905,620	\$ 1,905,620
Building and improvements	7,426,425	7,426,425
Equipment and vehicles	279,045	279,045
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	10,077,981
Accumulated depreciation	<u>(1,316,749)</u>	<u>(1,024,211)</u>
Property and equipment, net	<u>\$ 8,761,232</u>	<u>\$ 9,053,770</u>

NOTE 7 – PAYCHECK PROTECTION PROGRAM REFUNDABLE ADVANCE

In April 2020, Crime Stoppers received an unsecured bank loan of \$240,657 funded through the Federal Paycheck Protection Program (PPP). The loan bears interest at 1.0% and may be repaid over 2 years.

PPP loan principal and interest may be forgiven, in whole or in part, if Crime Stoppers meets eligibility requirements and uses the loan to fund qualified payroll and other eligible costs. Crime Stoppers expects to qualify for forgiveness and will recognize a contribution when notified that forgiveness has been granted.

NOTE 8 – NOTE PAYABLE

The note payable consists of the following:

	<u>2020</u>	<u>2019</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.	\$ 1,051,745	\$ 1,126,570
Loan issuance costs	<u>(17,428)</u>	<u>(18,880)</u>
Note payable, net	<u>\$ 1,034,317</u>	<u>\$ 1,107,690</u>

Maturities of the note payable at December 31, 2020 are as follows:

2021	\$ 77,100
2022	79,446
2023	81,862
2024	84,352
2025	86,918
Thereafter	<u>642,067</u>
Total	<u>\$ 1,051,745</u>

NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2020</u>	<u>2019</u>
Property and equipment, net of acquisition – related debt	\$ 7,726,915	\$ 7,946,080
Undesignated	1,913,350	1,925,934
Board-designated for capital projects and debt service	<u>719,538</u>	<u>719,659</u>
Total net assets without donor restrictions	<u>\$ 10,359,803</u>	<u>\$ 10,591,673</u>

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Rewards	\$ 1,241,961	\$ 1,446,489
Safe School Program	289,361	263,070
Safe Community Program	<u> </u>	<u>58,835</u>
Total subject to expenditure for specified purpose	1,531,322	1,768,394
Subject to the passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	<u>5,000</u>	<u>10,000</u>
Total net assets with donor restrictions	<u>\$ 1,536,322</u>	<u>\$ 1,778,394</u>

NOTE 11 – IN-KIND DONATIONS

In-kind donations recognized during the years ended December 31, 2020 and 2019 are comprised of the following:

	<u>2020</u>	<u>2019</u>
TIPS hotline personnel:		
Houston Police Department	\$ 1,485,402	\$ 1,524,481
Pasadena Police Department	153,216	136,352
Harris County Sheriff's Office	<u>117,559</u>	<u>162,746</u>
Total TIPS hotline personnel	1,756,177	1,823,579
Advertising	3,425	10,215
Other	<u>500</u>	<u>5,672</u>
Total in-kind donations	<u>\$ 1,760,102</u>	<u>\$ 1,839,466</u>

NOTE 12 – GOVERNMENT GRANTS

Crime Stoppers is the recipient of government grants from state and local nonprofit agencies. Should these grants not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Government grants recognized are as follows:

	<u>2020</u>	<u>2019</u>
Texas Education Agency	\$ 934,769	
Harris County Sherriff's Office	50,000	
Office of the Texas Governor	50,000	
Harris County Commissioners Court	25,000	\$ 25,000
Treasurer of Harris County, Texas	<u>15,000</u>	<u>15,000</u>
Total government grants	<u>\$ 1,074,769</u>	<u>\$ 40,000</u>

Grants from federal, state, and local nonprofit funding sources require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance with the terms of the contracts. Management believes such disallowances, if any, would not be material to Crime Stoppers' financial position or changes in net assets.

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:

2021	\$ 9,000
2022	9,000
2023	9,000
2024	9,000
2025	9,000
Thereafter	<u>267,750</u>
Total	<u>\$ 312,750</u>

Rent expense was \$9,000 in 2020 and 2019.

NOTE 14 – SUBSEQUENT EVENTS

On March 11, 2020, the Director-General of the World Health Organization 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. As of the date of this report, Crime Stoppers continues to support work from home for many of its employees and delivery of virtual program opportunities. While Crime Stoppers expects these events to negatively impact operating results and financial position, the financial impact cannot be reasonably estimated at this time.

Management has evaluated subsequent events through March 16, 2021, which is the date that the financial statements were available for issuance. No events other than as disclosed above and in Note 2, were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.