

Crime Stoppers of Houston, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2021 and 2020

Crime Stoppers of Houston, Inc.

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Crime Stoppers of Houston, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Crime Stoppers of Houston, Inc. as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Crime Stoppers of Houston, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Crime Stoppers of Houston, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Crime Stoppers of Houston, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Crime Stoppers of Houston, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Blazek & Vetterling

April 19, 2022

Crime Stoppers of Houston, Inc.

Statements of Financial Position as of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash (<i>Note 3</i>)	\$ 4,290,363	\$ 3,283,780
Interest receivable and prepaid expenses	2,720	18,230
Contributions receivable, net (<i>Note 4</i>)	250,349	289,540
Investments (<i>Notes 3 and 5</i>)	1,836,735	1,837,209
Property and equipment, net (<i>Note 6</i>)	<u>8,517,681</u>	<u>8,761,232</u>
TOTAL ASSETS	<u>\$ 14,897,848</u>	<u>\$ 14,189,991</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 56,334	\$ 27,773
Court rewards escrow	52,200	118,550
Supplemental rewards escrow	809,579	830,079
Refundable advances:		
Special events	35,000	
Paycheck Protection Program (<i>Note 2</i>)		240,657
Government grant		42,490
Note payable, net (<i>Note 7</i>)	<u>247,934</u>	<u>1,034,317</u>
Total liabilities	<u>1,201,047</u>	<u>2,293,866</u>
Commitments and contingencies (<i>Notes 10 and 12</i>)		
Net assets:		
Without donor restrictions (<i>Note 8</i>)	11,983,145	10,359,803
With donor restrictions (<i>Note 9</i>)	<u>1,713,656</u>	<u>1,536,322</u>
Total net assets	<u>13,696,801</u>	<u>11,896,125</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,897,848</u>	<u>\$ 14,189,991</u>

See accompanying notes to financial statements.

Crime Stoppers of Houston, Inc.

Statement of Activities for year ended December 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government grants <i>(Note 10)</i>	\$ 500,000	\$ 1,549,430	\$ 2,049,430
In-kind donations <i>(Note 11)</i>	1,505,609		1,505,609
Court rewards		90,204	90,204
Court administrative funds	22,551		22,551
Other contributions	365,887	571,116	937,003
Special events	1,205,825	35,000	1,240,825
Direct donor benefit costs	(141,284)		(141,284)
Award reversion	188,275		188,275
Net investment return	413	(1,387)	(974)
Total revenue	3,647,276	2,244,363	5,891,639
Net assets released from restrictions:			
Satisfaction of program restrictions	2,062,029	(2,062,029)	
Expiration of time	5,000	(5,000)	
Total	5,714,305	177,334	5,891,639
EXPENSES:			
Program services	3,536,049		3,536,049
Management and general	226,185		226,185
Fundraising	328,729		328,729
Total expenses	4,090,963		4,090,963
CHANGES IN NET ASSETS	1,623,342	177,334	1,800,676
Net assets, beginning of year	10,359,803	1,536,322	11,896,125
Net assets, end of year	\$ 11,983,145	\$ 1,713,656	\$ 13,696,801

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:			
Government grants <i>(Note 10)</i>	\$ 15,000	\$ 1,059,769	\$ 1,074,769
In-kind donations <i>(Note 11)</i>	1,760,102		1,760,102
Court rewards		63,494	63,494
Court administrative funds	15,923		15,923
Other contributions	564,677	218,700	783,377
Award reversion	78,375		78,375
Net investment return	<u>3,105</u>	<u>25,781</u>	<u>28,886</u>
Total revenue	2,437,182	1,367,744	3,804,926
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>1,609,816</u>	<u>(1,609,816)</u>	
Total	<u>4,046,998</u>	<u>(242,072)</u>	<u>3,804,926</u>
EXPENSES:			
Program services	3,792,942		3,792,942
Management and general	252,353		252,353
Fundraising	<u>233,573</u>		<u>233,573</u>
Total expenses	<u>4,278,868</u>		<u>4,278,868</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.

Statements of Functional Expenses for the years ended December 31, 2021 and 2020

<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2021 TOTAL</u>
TIPS hotline personnel	\$ 1,500,350			\$ 1,500,350
Salaries	885,426	\$ 85,399	\$ 186,788	1,157,613
Payroll taxes and benefits	124,777	12,035	26,323	163,135
Depreciation	218,208	21,046	46,033	285,287
Professional fees and contract labor	214,515	27,607		242,122
Office supplies	116,102	34,591	34,342	185,035
Occupancy	112,819	10,881	23,800	147,500
Advertising	62,674	7,190	3,681	73,545
Telecommunications	56,450	8,152		64,602
Insurance	17,576	1,695	3,708	22,979
Interest	14,720	1,420	3,105	19,245
Bank and credit card fees		14,440		14,440
Court and other rewards	195,475			195,475
Other	16,957	1,729	949	19,635
Total expenses	<u>\$ 3,536,049</u>	<u>\$ 226,185</u>	<u>\$ 328,729</u>	4,090,963
Direct donor benefit costs				<u>141,284</u>
Total				<u>\$ 4,232,247</u>

<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2020 TOTAL</u>
TIPS hotline personnel	\$ 1,756,177			\$ 1,756,177
Salaries	867,182	\$ 103,887	\$ 137,496	1,108,565
Payroll taxes and benefits	115,892	13,884	18,375	148,151
Depreciation	228,837	27,414	36,283	292,534
Professional fees and contract labor	126,003	51,114	175	177,292
Office supplies	92,207	15,780	11,322	119,309
Occupancy	101,718	12,186	16,128	130,032
Advertising	62,780	7,912	2,563	73,255
Telecommunications	45,968	2,492	3,216	51,676
Insurance	19,039	2,281	3,019	24,339
Interest	26,627	3,190	4,222	34,039
Bank and credit card fees		11,267		11,267
Court and other rewards	342,200			342,200
Other	8,312	946	774	10,032
Total expenses	<u>\$ 3,792,942</u>	<u>\$ 252,353</u>	<u>\$ 233,573</u>	<u>\$ 4,278,868</u>

See accompanying notes to financial statements.

Crime Stoppers of Houston, Inc.

Statements of Cash Flows for the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 1,800,676	\$ (473,942)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	16,302	(9,415)
Depreciation	285,287	292,538
Amortization of debt issuance costs	1,453	1,452
Changes in operating assets and liabilities:		
Interest receivable and prepaid expenses	15,510	(89)
Contributions receivable	39,191	97,471
Accounts payable and accrued expenses	28,561	9,001
Court rewards escrow	(66,350)	51,875
Supplemental rewards escrow	(20,500)	(35,000)
Refundable advances	<u>(248,147)</u>	<u>283,147</u>
Net cash provided by operating activities	<u>1,851,983</u>	<u>217,038</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in money market mutual funds held as investments	(18,552)	10,944
Purchases of investments	(1,163,891)	(570,689)
Proceeds from sales of investments	1,166,615	539,327
Purchase of property and equipment	<u>(41,736)</u>	<u> </u>
Net cash used by investing activities	<u>(57,564)</u>	<u>(20,418)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments of note payable	<u>(787,836)</u>	<u>(74,825)</u>
NET CHANGE IN CASH	1,006,583	121,795
Cash, beginning of year	<u>3,283,780</u>	<u>3,161,985</u>
Cash, end of year	<u>\$ 4,290,363</u>	<u>\$ 3,283,780</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$17,792	\$32,587

See accompanying notes to financial statements.

Crime Stoppers of Houston, Inc.

Notes to Financial Statements for the years ended December 31, 2021 and 2020

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. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. An allowance for uncollectible contributions receivable is provided when it is believed that contributions may not be collected in full. The amount of loss on contributions 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.

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 \$3,000. 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. Rewards paid out of supplemental rewards escrow were \$146,500 and \$5,000 for the years ended December 31, 2021 and 2020, respectively.

Debt issuance costs represent costs incurred related to the issuance of notes payable and are amortized as interest expense over the term of the notes. Unamortized debt issuance costs are netted against related debt.

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.

In-kind contributions – Donated materials and services are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. 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 revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special events revenue is recognized when the events occur. Direct donor benefit costs represent the cost of goods and services provided to attendees of the special events. Funds received in advance of an event are reported as a refundable advance.

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 60 days, the funds are redeposited and funds are held in a restricted cash account for 120 days. Unclaimed court rewards outstanding for more than 180 days 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, 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, 2021.

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, will require contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and will require disclosure about the measurement and use of types of contributed nonfinancial assets. The ASU will be effective for fiscal years beginning after June 15, 2021 and requires retrospective application.

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>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 4,290,363	\$ 3,283,780
Interest receivable	2,720	2,563
Contributions receivable, net	250,349	289,540
Investments	<u>1,836,735</u>	<u>1,837,209</u>
Total financial assets	6,380,167	5,413,092
Less financial assets not available for general expenditure:		
Restricted by donors for use in future periods or future projects	(1,296,873)	(1,215,646)
Supplemental rewards escrow	(809,579)	(830,079)
Board-designated cash for debt service and property maintenance	(182,608)	(719,538)
Capital campaign contributions receivable designated for debt service and property maintenance, net	(100,000)	(145,251)
Court rewards escrow	<u>(52,200)</u>	<u>(118,550)</u>
Total financial assets available for general expenditure	<u>\$ 3,938,907</u>	<u>\$ 2,384,028</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 those 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.

Crime Stoppers received a \$240,657 Paycheck Protection Program (PPP) loan through the Small Business Administration in April 2020. In March 2021, Crime Stoppers was approved for a second PPP loan of \$190,544. In 2021, Crime Stoppers was notified that both PPP loans had been forgiven and \$431,201 was recognized as a government grant contribution.

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, 2021 and 2020, \$316,198 and \$331,695 included in cash and \$960,451 and \$960,995 included in investments, respectively, are restricted by statute to pay rewards to qualified informants.

Crime Stoppers also holds supplemental rewards escrow funds. At December 31, 2021 and 2020, \$466,389 and \$425,389 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 consist of the following:

	<u>2021</u>	<u>2020</u>
Capital campaign – designated for debt service and property maintenance	\$ 100,000	\$ 150,000
Texas Education Agency	95,373	
Other	<u>54,976</u>	<u>144,289</u>
Total contributions receivable	250,349	294,289
Discount to net present value at approximately 1.5%		<u>(4,749)</u>
Contributions receivable, net	<u>\$ 250,349</u>	<u>\$ 289,540</u>

Contributions receivable at December 31, 2021 are expected to be collected as follows:

2022	\$ 200,349
2023	<u>50,000</u>
Total contributions receivable	<u>\$ 250,349</u>

At December 31, 2021, Crime Stoppers has approximately \$50,000 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, 2021 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Money market mutual funds	\$ 901,298			\$ 901,298
U. S. Treasury securities	494,856			494,856
U. S. government agency securities		\$ 253,674		253,674
Corporate bonds		<u>186,907</u>		<u>186,907</u>
Total assets measured at fair value	<u>\$ 1,396,154</u>	<u>\$ 440,581</u>	<u>\$ 0</u>	<u>\$ 1,836,735</u>

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
U. S. Treasury securities	271,938			271,938
U. S. government agency securities		\$ 20,002		20,002
Corporate bonds		<u>662,523</u>		<u>662,523</u>
Total assets measured at fair value	<u>\$ 1,154,684</u>	<u>\$ 682,525</u>	<u>\$ 0</u>	<u>\$ 1,837,209</u>

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

- *Mutual funds* are valued at the reported net asset value.
- *U. S. Treasury securities* are valued using prices obtained from active market maker and inter-dealer brokers on a daily basis.
- *U. S. 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.

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>2021</u>	<u>2020</u>
Land	\$ 1,905,620	\$ 1,905,620
Building and improvements	7,426,425	7,426,425
Equipment and vehicles	320,781	279,045
Furniture and fixtures	460,396	460,396
Software	<u>6,495</u>	<u>6,495</u>
Total property and equipment, at cost	10,119,717	10,077,981
Accumulated depreciation	<u>(1,602,036)</u>	<u>(1,316,749)</u>
Property and equipment, net	<u>\$ 8,517,681</u>	<u>\$ 8,761,232</u>

NOTE 7 – NOTE PAYABLE

The note payable consists of the following:

	<u>2021</u>	<u>2020</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 in July 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.	\$ 263,909	\$ 1,051,745
Debt issuance costs	<u>(15,975)</u>	<u>(17,428)</u>
Note payable, net	<u>\$ 247,934</u>	<u>\$ 1,034,317</u>

Maturities of the note payable at December 31, 2021 are as follows:

2022	\$ 101,063
2023	104,137
2024	<u>58,709</u>
Total	<u>\$ 263,909</u>

NOTE 8 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2021</u>	<u>2020</u>
Property and equipment, net of acquisition-related debt	\$ 8,269,747	\$ 7,726,915
Undesignated	3,430,790	1,768,099
Board-designated for capital projects and debt service	<u>282,608</u>	<u>864,789</u>
Total net assets without donor restrictions	<u>\$ 11,983,145</u>	<u>\$ 10,359,803</u>

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Rewards	\$ 1,343,578	\$ 1,241,961
Safe School Program	263,070	289,361
Safe Community Program	<u>107,008</u>	<u> </u>
Total subject to expenditure for specified purpose	1,713,656	1,531,322
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>5,000</u>
Total net assets with donor restrictions	<u>\$ 1,713,656</u>	<u>\$ 1,536,322</u>

NOTE 10 – 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>2021</u>	<u>2020</u>
Texas Education Agency	\$ 1,014,288	\$ 934,769
Treasurer of Harris County, Texas	500,000	15,000
Small Business Administration	431,201	
Office of the Texas Governor	78,941	50,000
Harris County Commissioners Court	25,000	25,000
Harris County Sherriff's Office	<u> </u>	<u>50,000</u>
Total government grants	<u>\$ 2,049,430</u>	<u>\$ 1,074,769</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 by Crime Stoppers 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 11 – IN-KIND DONATIONS

In-kind donations recognized are comprised of the following:

	<u>2021</u>	<u>2020</u>
TIPS hotline personnel:		
Houston Police Department	\$ 1,227,038	\$ 1,485,402
Pasadena Police Department	138,410	153,216
Harris County Sheriff's Office	<u>134,902</u>	<u>117,559</u>
Total TIPS hotline personnel	1,500,350	1,756,177
Other	<u>5,259</u>	<u>3,925</u>
Total in-kind donations	<u>\$ 1,505,609</u>	<u>\$ 1,760,102</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:

2022	\$ 9,000
2023	9,000
2024	9,000
2025	9,000
2026	9,000
Thereafter	<u>258,750</u>
Total	<u>\$ 303,750</u>

Rent expense was \$9,000 in 2021 and 2020.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 19, 2022, 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.
