

CLEVELAND RESTORATION SOCIETY, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

CLEVELAND RESTORATION SOCIETY, INC.

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February 14, 2014

To the Board of Directors
Cleveland Restoration Society, Inc.
Cleveland, Ohio

Independent Auditors' Report

We have audited the accompanying financial statements of Cleveland Restoration Society, Inc. (a not-for-profit corporation), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses and 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 circumstance, 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 financial statement presentation.

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 Cleveland Restoration Society, Inc. as of December 31, 2013 and 2012 and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Koester, DiSalvo and Fried

CLEVELAND RESTORATION SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS			
	<u>Dec. 31, 2013</u>	<u>Dec. 31, 2012</u>	<u>Increase (Decrease)</u>
Current Assets			
Cash and cash equivalents	\$ 168,304	\$ 225,038	\$ (56,734)
Restricted cash in escrow	763,224	292,254	470,970
Grants and accounts receivable	214,634	100,765	113,869
Prepaid expenses	<u>9,984</u>	<u>18,287</u>	<u>(8,303)</u>
Total Current Assets	1,156,146	636,344	519,802
Property and Equipment			
Furniture	77,812	77,812	-
Equipment	58,271	64,070	(5,799)
Public garden	304,892	304,892	-
Sarah Benedict House	1,440,212	1,440,212	-
Less: accumulated depreciation	<u>(1,372,520)</u>	<u>(1,287,999)</u>	<u>(84,521)</u>
Net Property and Equipment	508,667	598,987	(90,320)
Other Assets			
Investments			
General endowment	264,080	249,468	14,612
Sarah Benedict House endowment	250,624	234,127	16,497
Board designated	891,518	842,191	49,327
Heritage Home Educational Soc.	6,322	6,322	-
Database project, net	<u>-</u>	<u>2,511</u>	<u>(2,511)</u>
Total Other Assets	<u>1,412,544</u>	<u>1,334,619</u>	<u>77,925</u>
TOTAL ASSETS	<u>\$ 3,077,357</u>	<u>\$ 2,569,950</u>	<u>\$ 507,407</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION

LIABILITIES AND NET ASSETS			Increase
	<u>Dec. 31, 2013</u>	<u>Dec. 31, 2012</u>	<u>(Decrease)</u>
Current Liabilities			
Accounts payable	\$ 32,636	\$ 55,357	\$ (22,721)
Current portion - long term loan	4,700	4,427	273
Escrow funds payable	<u>763,224</u>	<u>292,254</u>	<u>470,970</u>
Total Current Liabilities	800,560	352,038	448,522
Long-Term Liabilities			
Empowerment Zone loan	25,061	29,488	(4,427)
Less current portion	<u>(4,700)</u>	<u>(4,427)</u>	<u>(273)</u>
Total Long-Term Liabilities	<u>20,361</u>	<u>25,061</u>	<u>(4,700)</u>
Total Liabilities	820,921	377,099	443,822
Net Assets			
Unrestricted	69,387	152,972	(83,585)
Unrestricted-board designated	891,518	842,191	49,327
Temporarily restricted	780,827	714,093	66,734
Permanently restricted	<u>514,704</u>	<u>483,595</u>	<u>31,109</u>
Total Net Assets	<u>2,256,436</u>	<u>2,192,851</u>	<u>63,585</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,077,357</u>	<u>\$ 2,569,950</u>	<u>\$ 507,407</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Un- Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Grants	\$ -	\$ 587,880	\$ -	\$ 587,880
Fees for services	84,796	143,479	-	228,275
Contributions	60,760	3,600	-	64,360
Special events	16,037	-	-	16,037
Membership dues	19,519	-	-	19,519
Investment income	49,506	-	147,632	197,138
Donated services	34,200	-	-	34,200
Loss on disposal of equipment	(452)	-	-	(452)
Rental income	-	33,282	-	33,282
Miscellaneous	1,942	-	-	1,942
Released from restrictions	<u>818,030</u>	<u>(701,507)</u>	<u>(116,523)</u>	<u>-</u>
Total Revenue and Support	1,084,338	66,734	31,109	1,182,181
Expenses				
Public Education	169,769	-	-	169,769
Sarah Benedict House	152,542	-	-	152,542
Preservation Services	238,474	-	-	238,474
Heritage Home Loan	<u>402,745</u>	<u>-</u>	<u>-</u>	<u>402,745</u>
Total Program	963,530	-	-	963,530
Management services	98,894	-	-	98,894
Fundraising	<u>56,172</u>	<u>-</u>	<u>-</u>	<u>56,172</u>
Total Expenses	<u>1,118,596</u>	<u>-</u>	<u>-</u>	<u>1,118,596</u>
Increase (Decrease) in Net Assets	(34,258)	66,734	31,109	63,585
Net Assets at Beginning of Year	<u>995,163</u>	<u>714,093</u>	<u>483,595</u>	<u>2,192,851</u>
NET ASSETS AT END OF YEAR	<u>\$ 960,905</u>	<u>\$ 780,827</u>	<u>\$ 514,704</u>	<u>\$ 2,256,436</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Un- Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Grants	\$ -	\$ 305,213	\$ -	\$ 305,213
Fees for services	30,021	86,665	-	116,686
Contributions	79,834	-	-	79,834
Special events	38,635	-	-	38,635
Membership dues	18,894	-	-	18,894
Investment income	80,090	-	71,614	151,704
Donated services	34,200	-	-	34,200
Rental income	-	31,769	-	31,769
Miscellaneous	21,240	-	-	21,240
Released from restrictions	<u>805,090</u>	<u>(769,613)</u>	<u>(35,477)</u>	<u>-</u>
 Total Revenue and Support	 1,108,004	 (345,966)	 36,137	 798,175
Expenses				
Public Education	203,623	-	-	203,623
Sarah Benedict House	188,665	-	-	188,665
Preservation Services	146,761	-	-	146,761
Heritage Home Loan	<u>328,240</u>	<u>-</u>	<u>-</u>	<u>328,240</u>
 Total Program	 867,289	 -	 -	 867,289
Management services	91,949	-	-	91,949
Fundraising	<u>66,497</u>	<u>-</u>	<u>-</u>	<u>66,497</u>
 Total Expenses	 <u>1,025,735</u>	 <u>-</u>	 <u>-</u>	 <u>1,025,735</u>
 Increase (Decrease) in Net Assets	 82,269	 (345,966)	 36,137	 (227,560)
Net Assets at Beginning of Year	<u>912,894</u>	<u>1,060,059</u>	<u>447,458</u>	<u>2,420,411</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 995,163</u>	 <u>\$ 714,093</u>	 <u>\$ 483,595</u>	 <u>\$ 2,192,851</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Programs						Fundraising	Total
	Public <u>Education</u>	Sarah Benedict <u>House</u>	Preservation <u>Services</u>	Heritage Home <u>Loan</u>	Management <u>Services</u>			
Expenses								
Payroll	\$ 100,218	\$ 15,193	\$ 109,669	\$ 260,102	\$ 44,440	\$ 33,922	\$ 563,544	
Payroll taxes	7,827	1,187	8,466	20,315	3,599	2,649	44,043	
Advertising	4,531	-	-	2,325	-	-	6,856	
Amortization	1,256	-	-	-	-	1,256	2,511	
Bank charges	331	-	-	-	1,238	-	1,569	
Committee expenses	-	-	113	-	-	-	113	
Contract services	150	-	15,021	-	4,408	-	19,579	
Depreciation	-	90,546	-	-	5,847	-	96,392	
Dues and subscriptions	100	-	245	-	2,635	-	2,980	
Facade/monographs	11,917	-	-	-	-	-	11,917	
Events	-	-	-	-	-	10,729	10,729	
Insurance	4,249	-	2,217	6,850	1,487	1,287	16,090	
Insurance-health	8,736	-	8,205	19,196	2,622	2,568	41,327	
Interest expense	-	1,649	-	-	-	-	1,649	
Miscellaneous	-	68	-	-	438	389	895	
Office technology	3,553	1,777	30	-	6,954	-	12,314	
Pension	2,981	-	2,800	6,718	895	876	14,270	
Postage	2,720	-	676	2,087	453	392	6,329	
Professional fees	-	-	-	500	5,216	-	5,716	
Professional fees-donated	-	-	22,200	12,000	-	-	34,200	
Direct program exp.	11,832	-	61,422	50,258	-	-	123,511	
Printing	389	-	327	2,971	2,443	-	6,130	
Rent-equipment	3,779	-	1,972	6,092	1,322	1,145	14,310	
Repairs	-	27,595	-	-	-	-	27,595	
Seminars/conferences	-	-	-	-	2,587	-	2,587	
Workers' Comp.	149	23	161	386	51	50	819	
Telephone	3,002	-	1,566	4,839	1,050	909	11,368	
Travel	2,049	-	3,384	8,106	11,209	-	24,748	
Utilities	-	14,504	-	-	-	-	14,504	
Total Expenses	\$ 169,769	\$ 152,542	\$ 238,474	\$ 402,745	\$ 98,894	\$ 56,172	\$ 1,118,596	

The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

Expenses	Programs						Total
	Public Education	Sarah Benedict House	Preservation Services	Heritage Home Loan	Management Services	Fundraising	
Payroll	\$ 119,426	\$ 39,283	\$ 56,433	\$ 198,584	\$ 46,198	40,011	\$ 499,934
Payroll taxes	9,512	3,031	4,397	15,615	2,704	3,145	38,403
Advertising	9,237	-	-	9,522	-	-	18,759
Amortization	3,014	-	-	-	-	3,013	6,027
Bank charges	-	-	-	-	1,862	-	1,862
Contract services	2,921	-	1,524	38,851	1,022	885	45,202
Conference	-	-	-	1,375	1,642	-	3,017
Depreciation	-	90,433	-	-	5,310	-	95,743
Dues and subscriptions	100	-	25	84	1,835	-	2,044
Facade/monographs	10,671	-	-	-	-	-	10,671
Insurance	3,946	-	2,059	6,360	1,380	1,195	14,940
Insurance-health	8,550	3,077	5,416	15,780	2,735	3,180	38,738
Interest expense	-	1,906	-	-	-	-	1,906
Office technology	3,256	2,182	-	72	3,838	-	9,348
Program expenses	1,314	-	-	-	-	-	1,314
Pension	2,439	725	1,140	4,106	701	815	9,925
Postage	2,802	-	689	2,533	462	400	6,886
Professional fees	-	-	-	-	5,120	-	5,120
Professional fees-donated	-	-	22,000	12,000	-	-	34,000
Direct program exp.	18,060	-	46,387	865	-	11,920	77,232
Printing	1,036	-	1,953	1,810	1,222	-	6,021
Photography	-	-	94	-	-	-	94
Rent-equipment	2,909	-	1,518	4,688	1,017	881	11,013
Repairs	-	33,009	-	-	-	-	33,009
Workers' Comp.	301	139	188	658	116	134	1,535
Telephone	3,029	-	1,581	4,883	1,059	918	11,470
Travel	1,100	-	1,357	10,454	13,726	-	26,637
Utilities	-	14,880	-	-	-	-	14,880
Total Expenses	<u>\$ 203,623</u>	<u>\$ 188,665</u>	<u>\$ 146,761</u>	<u>\$ 328,240</u>	<u>\$ 91,949</u>	<u>\$ 66,497</u>	<u>\$ 1,025,735</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED

	<u>Dec. 31, 2013</u>	<u>Dec. 31, 2012</u>
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	\$ 63,585	\$ (227,560)
Adjustments to reconcile net (decrease) increase to net cash provided by (used in) operating activities		
Depreciation and amortization	98,903	101,770
Gain on investments	(147,632)	(151,417)
Loss on sale of Investment property	452	-
Decrease in Operating Assets:		
Accounts receivable	(113,869)	76,275
Prepays	8,303	(1,316)
Other assets	-	(6,322)
Decrease in Operating Liabilities:		
Accounts payable	(22,721)	44,211
Total Adjustments	<u>(176,564)</u>	<u>63,201</u>
Net Cash (Used In) Operating Activities	(112,979)	(164,359)
Cash Flows From Investing Activities		
Capital expenditures	(6,524)	(7,244)
Net sale (purchase) of investments	<u>67,196</u>	<u>49,282</u>
Net Cash Provided By Investing Activities	60,672	42,038
Cash Flows From Financing Activities		
Notes payable repayment	<u>(4,427)</u>	<u>(4,170)</u>
Net Cash (Used In) Financing Activities	<u>(4,427)</u>	<u>(4,170)</u>
Net (Decrease) in Cash and Cash Equivalents	(56,734)	(126,491)
Cash and Cash Equivalents at Beginning of Period	<u>225,038</u>	<u>351,529</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 168,304</u>	<u>\$ 225,038</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1- Description of Organization

- A. Cleveland Restoration Society, Inc. (CRS) is a non-profit, membership organization. CRS uses the powerful tool of historic preservation to revitalize our diverse communities, strengthen the regional economy, and enhance the quality of life in northeastern Ohio.

CRS's vision: Our dream for ourselves and our children is that northeastern Ohio reclaims its vitality and prosperity and adds to its beauty through the preservation of its remarkable architectural heritage.

CRS has three core programs - Public Education and advocacy, the Heritage Home Program and the Preservation Services Program (including the Sacred Landmarks Assistance Program). CRS and its staff are headquartered at the historic Sarah Benedict House in the Upper Prospect Historic District in downtown Cleveland.

- B. The agency is tax-exempt under Internal Revenue Service Code Section 501(c)(3). CRS's wholly-owned subsidiary Heritage Home Educational Society is a disregarded entity, and as such is tax exempt under CRS's exempt tax status.

NOTE 2- Summary of Significant Accounting Policies

- A. General Methods- The accompanying financial statements have been prepared as prescribed in the American Institute of Certified Public Accountants' Guide for Not-For-Profit Organizations.
- B. Accrual Basis- The organization records transactions on an accrual basis. Revenue is recognized when earned, support is recognized when receivable, and expenses are recognized when incurred.
- C. Statements of Financial Accounting Standards Board (FASB)

CRS complies with FASB ASC 958-605-25, which affects the timing of revenue recognition with regard to temporarily restricted net assets.

CRS also complies with FASB ASC-205, which establishes standards for general purpose external financial statements of not-for-profit organizations. This statement requires classification of an organization's net assets and its support and revenue, expenses and distributions based on the existence or absence of donor-imposed restrictions into three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Temporarily restricted net assets are available for payment of program expenses or specific operating expense and cannot be used for general operating expenses unless specifically stated in the grant.

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 2- Summary of Significant Accounting Policies (Continued)

- D. Allocation of Expenses- Expenses are generally charged to the specific program to which the expense applies. Occasionally common expenses may be applied to more than one expense category. In such cases an allocation method based on payroll is used to allocate expenses appropriately.

Expenses associated with grant writing and reporting, and other staff time associated with raising funds are shown on the functional expense statement as fund-raising expenses.

- E. Depreciation - Property and equipment are depreciated using the straight-line method over estimated useful lives. (See Note 6- Property and Equipment)
- F. Use of Estimates- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- G. Contributions and Grants- Nonrestricted contributions, if any, are recorded as support when received or receivable. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Grants with donor restrictions are recorded as temporarily restricted grants when awarded. Some grants awarded to CRS require the fulfillment of certain specific conditions. Failure to fulfill these conditions could result in either the return of funds to the grantor or the refusal by the grantor to release additional funds pursuant to the grant.
- H. Advertising Costs- CRS expenses advertising cost when incurred.
- I. CRS complies with FASB ASC 740- Accounting for Uncertainty in Income Taxes. FASB ASC 740 details how companies should recognize, measure, present and disclose uncertain tax positions that have been or are expected to be taken. As such, the financial statements would reflect expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the position and all relevant facts, if they existed. The management of CRS believes that there are no uncertain tax positions. The organization's tax years that remain subject to examination by the Internal Revenue Service are 2010, 2011, and 2012.
- J. Unadopted FASB statements. Various FASB statements have been issued, where compliance is encouraged but not required until years ending after December 31, 2013. Management is unaware of any issued and unadopted FASB statements that would have a material effect on the financial statements.

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 2- Summary of Significant Accounting Policies (Continued)

- K. Investments - Initial valuation- Pursuant to FASB ASC 958-320 and FASB ASC 958-325, CRS initially measures investments at acquisition cost (including brokerage cost and transaction fees) if they are purchased. If they are received as a donation they are recorded at estimated fair value.

Subsequent valuation- CRS complies with FASB ASC 958-320, which requires investments in equity securities with readily determined fair value and all investments in debt securities to be measured at fair value in the statement of financial position. With regard to other investments, such as real estate, CRS values the investment at lower of cost or management's estimate of fair value.

Valuation hierarchy- FASB ASC 820-10-50 Fair Value Measurements and Disclosures requires categorization of applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). For CRS the financial assets and liabilities reported at fair value are based upon quoted prices for identical assets or liabilities in an active market (Level 1).

NOTE 3- Cash and Cash Equivalents

CRS considers all highly-liquid investments with an original maturity of three months or less when purchased to be cash equivalents. There are no bank restrictions on the cash accounts. CRS maintains its cash in a bank account which, at times, exceeds federally-insured limits. The organization has not experienced any losses in this account and believes it is not exposed to any significant credit risk related to cash.

NOTE 4- Restricted Cash in Escrow / Heritage Home Program - Loans

The Heritage Home Program was developed to assist homeowners in the rehabilitation of older homes. As part of this program, low fixed rate financing is arranged through certain financial institutions for repair, maintenance and rehab projects for the homes. CRS prepares written construction specifications for exterior projects, will provide names of qualified contractors and will provide technical advice as to the proper materials and design of the projects.

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2013 AND 2012

NOTE 4- Restricted Cash in Escrow / Heritage Home Program – Loans (Continued)

As part of the approved loan process, funds are deposited with CRS, whose sole purpose is to act as escrow agent of the funds that are to be disbursed for project expenses. Property owners and contractors will provide to CRS documents including contract estimates, plans, permits, and certifications created to execute the work to be performed by the contractor or homeowner. CRS, with the approval of the property owner, will disburse funds from escrow to pay for the performance of work as stipulated in the contract.

CRS is liable for those funds actually deposited and received by it under an escrow agreement. CRS is permitted to invest such funds and is entitled to earn and receive all interest derived from such investments. CRS has recorded a liability for the amount of escrow proceeds received and a corresponding asset representing the restricted cash invested in the accompanying Statement of Financial Position, amounting to \$763,224.

NOTE 5- Grants and Accounts Receivable

Grants and accounts receivable comprise the following amounts:

	<u>2013</u>	<u>2012</u>
City of Cleveland	\$ 4,280	\$ -
Cuyahoga Arts and Culture	8,892	9,101
Ohio Arts Council	24,870	19,521
Ohio Historical Society	7,500	10,000
The Cleveland Foundation	125,500	56,500
City of Lakewood	15,000	-
Individuals	7,676	1,213
Other receivable	<u>20,916</u>	<u>4,430</u>
Total Grants and receivables	<u>\$ 214,634</u>	<u>\$ 100,765</u>

Based upon review of specific receivables, management believes that all amounts are collectible.

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CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 6- Property and Equipment

Property and equipment are stated at cost, if purchased, or at the fair market value on the date of donation, if contributed. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets as follows:

Category	Estimated useful life
Furniture & Fixtures	7 years
Equipment	5 years
Public Garden	15 years
Sarah Benedict House	20 years

Costs of maintenance and repairs are charged to expenses. Costs of renewals and betterments, where significant in amount, are capitalized.

Prior to 1999, CRS did not track donated furniture and fixtures. Since the date and value of these pre-1999 donations cannot be determined, and since many of the items would be fully depreciated before the date of these statements, a value for these items has not been included in the financial statements.

NOTE 7- Heritage Home Educational Society

During 2012, CRS formed the Heritage Home Educational Society to administer the Heritage Home Program. This entity will allow CRS to work outside the City of Cleveland and expand the program not only within Cuyahoga County, but to other counties as well.

This entity was inactive during 2013 and 2012; therefore a consolidating schedule has not been presented. However, as a wholly owned subsidiary, all assets and liabilities are consolidated in these financial statements. (See Note 4)

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2013 AND 2012

NOTE 8- Sarah Benedict and General Endowments

Investments consist of fixed income and equity securities, as follows, held at Vanguard:

	SBH Endowment	Board Designated & General Endowment	TOTAL	TOTAL
	<u>2013</u>	<u>2013</u>	<u>2013</u>	<u>2012</u>
Mutual funds - Stocks				
500 Index Fund	\$ 89,556	\$ 394,325	\$ 483,881	\$ 440,935
Others (5)	65,194	301,923	367,117	359,124
Mutual funds - Bonds	85,886	406,493	492,379	471,398
Money Market Funds	<u>9,988</u>	<u>52,857</u>	<u>62,845</u>	<u>54,329</u>
*Total investments at Vanguard	<u>\$250,624</u>	<u>\$1,155,598</u>	<u>\$1,406,222</u>	<u>\$1,325,786</u>

The other stocks include 11 different classes of stocks. CRS's investment in the stock funds range from \$10,000 to \$140,000. The bonds include 3 different classes of bonds. CRS's investment in the bond funds range from \$20,000 to \$260,000. The original source, for the purchase of the investments, was a donor restricted contribution. The principal balance was required to be invested in perpetuity; gains (net of losses) up to 5% of the fund each year are available for withdrawal for operating expenses. Over time, additional donor restricted contributions have been added to the investments.

In 2007 and 2011, CRS received unrestricted contributions from the estates of CRS supporters in the amounts of \$435,841 and \$400,000, respectively. CRS's board chose to add a portion of these contributions to the existing investment account in an attempt to further secure the financial stability of the organization. Although the intention of the board is to observe the same guidelines of the original endowment and only withdraw up to 5% of the fund each year, the principal can be withdrawn with a majority two-thirds vote of the board. Any earnings, losses and withdrawals are allocated proportionally to the balance of the donor restricted and board designated portion of the investments.

NOTE 9- Credit Line

CRS also has an unsecured cash reserve (credit line) of up to \$10,000. The interest rate is 12.75%. The balance as of December 31, 2013 and 2012 was \$0.

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CLEVELAND RESTORATION SOCIETY, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2013 AND 2012

NOTE 10- Empowerment Zone Loan

CRS has an unsecured construction loan from the Empowerment Zone with a \$60,000 maximum credit limit. The loan requires monthly principal and interest payments (6%) in the amount of \$506. The balance as of December 31, 2013 and 2012 was \$25,061 and \$29,488, respectively. Required principal payments on the loan for the next five years are as follows:

2014	\$ 4,700
2015	4,986
2016	5,294
2017	5,620
2018	4,458
Thereafter	<u>-</u>
Total	\$25,061

NOTE 11- Temporarily Restricted Net Assets

The temporarily restricted net assets are for the following programs:

	<u>2013</u>	<u>2012</u>
Sarah Benedict House expenses	\$ 520,628	\$ 566,660
Preservation services	13,335	1,135
Steeple lighting	42,961	54,461
John Hay School Murals	<u>-</u>	<u>10,000</u>
Net Assets restricted by expenditure	576,924	632,256
 CRS also has additional funds restricted by time	 <u>203,903</u>	 <u>81,837</u>
 Total Temporarily Restricted Net Assets	 <u>\$ 780,827</u>	 <u>\$ 714,093</u>

For the years ended December 31, 2013 and 2012, the temporarily restricted net assets are made up of

Cash	\$162,178	\$ 63,103
Receivable	148,900	95,122
Sarah Benedict House net of depreciation	494,810	585,356
Empowerment Zone loan	<u>(25,061)</u>	<u>(29,488)</u>
Total	<u>\$780,827</u>	<u>\$ 714,093</u>

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CLEVELAND RESTORATION SOCIETY, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2013 AND 2012

NOTE 12- Permanently and Board Designated Restricted Net Assets

The permanently restricted funds consist of the General Endowment and the Sarah Benedict House Endowment.

The General Endowment was established in 1996 with a \$100,000 gift from the F. J. O'Neill Charitable Corporation. This gift and other contributions are required to be invested in perpetuity. Also included in the General Endowment fund is a \$50,000 gift from the Estate of Robert Cull and a \$25,000 gift from Robert C. Gaede, the latter gift being for the purpose of awarding an annual lifetime achievement award. The fund balance (\$264,080) consists of the foregoing \$175,000 principal balance and \$12,643 of accumulated earnings.

During fiscal years ended December 31, 2013 and 2012, the CRS board has elected to transfer \$99,236 and \$35,477 of investment earnings to the operating account. The remaining investment earnings have been left in the fund.

The Sarah Benedict Endowment is a donor restricted endowment fund. The proceeds of the fund are restricted to the operation and maintenance of the Sarah Benedict House. Included in the fund is a \$70,000 gift from the F. J. O'Neill Charitable Corporation, among other gifts from foundations, corporations and individuals.

The funds consist of securities and money market funds as follows:

	<u>2013</u>	<u>2012</u>
General Endowment	\$ 264,080	\$249,468
Sarah Benedict House Endowment	<u>250,624</u>	<u>234,127</u>
Total Permanently Restricted Net Assets	<u>\$ 514,704</u>	<u>\$483,595</u>

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CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 13- Grants Awarded to CRS

	<u>2013</u>	<u>2012</u>
City of Cleveland	\$ 201,918	\$ 103,117
Ohio Historic Preservation Office	15,000	10,000
George Gund Foundation	20,000	20,000
Louise H. & David Ingalls Foundation	10,000	-
Ohio Arts Council	24,870	19,521
Cleveland Foundation	175,000	-
Akron Community Foundation	7,500	10,000
Cuyahoga Arts & Culture	88,917	91,012
Richard & Julia Moe Foundation	-	8,000
Charles & Helen Brown Memorial Foundation	15,000	5,000
Kelvin & Eleanor Smith Foundation	7,500	7,500
Cull Family Foundation	7,000	7,000
Maxine Goodman-Levin Historical Preservation Fund	10,175	14,063
Abington Foundation	<u>5,000</u>	<u>10,000</u>
 Total Grants	 <u>\$ 587,880</u>	 <u>\$ 305,213</u>

NOTE 14- Employee Benefit Plan

CRS has established an employee benefit plan effective January 1, 1998, under which employees can make elective deferrals as provided for under I.R.C. section 403 (b). Effective January 1, 2013, CRS matches 100% of the first 3% of the compensation contributed by the employee and 50% of the next 3% of compensation contributed by the employee. The pension expense for the years ended December 31, 2013 and 2012 was \$14,270 and \$9,925, respectively.

NOTE 15- Leases

CRS leases its office equipment under two noncancellable operating leases. One lease calls for monthly rental payments of \$482 and the other calls for quarterly payments of \$159. The future minimum required lease payments on the equipment are as follows:

2014	\$ 5,784
2015	1,446
Thereafter	<u>-</u>
 Total	 <u>\$ 7,230</u>

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CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 16- Statement of Cash Flow Disclosures

The amount of interest paid on all indebtedness was \$1,649 and \$1,906 for December 31, 2013 and 2012, respectively.

NOTE 17- Related Party Transactions

Board members provide free legal advice as needed throughout the year. This legal advice is recorded as revenue in the form of donated services and a corresponding expense, professional fees-donated in the amount of \$12,000 for each of the years ended December 31, 2013 and 2012, respectively.

Board members and volunteers provide free architecture and engineering services. These donated services include surveying historic buildings, researching potential projects, and providing assistance with other preservation related matters. The architecture and engineering services are recorded as donated services and professional fees-donated in the amount of \$22,200 and \$22,200 for years ended December 31, 2013 and 2012, respectively.

NOTE 18- Contingent Liabilities

Vacation is earned and accrued commencing January 1, of each year, and is based on service time of the employee and whether the employee is full or part time. Vacation pay not used as of the end of the year is not carried forward to the next year (except as noted below). Consequently no liability exists as of December 31, 2013 and 2012.

It is the policy of CRS to allow employees to "bank" unused vacation as extended sick time. The banked sick time can accumulate up to a maximum amount and is carried forward. Since there is no requirement that the employee be compensated for unused sick time, no liability is recorded as of December 31, 2013 and 2012. An expense and corresponding liability will only be recorded if sickness occurs.

NOTE 19- Subsequent Events

CRS has evaluated subsequent events through March 18, 2014, which is the date the financial statements were available to be issued.

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