

CLEVELAND RESTORATION SOCIETY, INC.

CONSOLIDATED
AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

CLEVELAND RESTORATION SOCIETY, INC.

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February 11, 2015

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

Independent Auditors' Report

We have audited the accompanying consolidated financial statements of Cleveland Restoration Society, Inc. (a not-for-profit corporation), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related consolidated 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 consolidated financial position of Cleveland Restoration Society, Inc. as of December 31, 2014 and 2013 and the consolidated 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.

Other

Our audit was conducted for the purpose of forming an opinion on of the basic financial statements taken as a whole. The information on pages 19-24 is presented for purposes of additional analysis and is not a required part of the financial statements. The information has been subject to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Koester, DiSalvo and Fried

CLEVELAND RESTORATION SOCIETY, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS			
	<u>Dec. 31, 2014</u>	<u>Dec. 31, 2013</u>	<u>Increase (Decrease)</u>
Current Assets			
Cash and cash equivalents	\$ 212,122	\$ 168,304	\$ 43,818
Restricted cash in escrow	1,672,221	763,224	908,997
Grants and accounts receivable	159,901	214,634	(54,733)
Prepaid expenses	<u>12,556</u>	<u>9,984</u>	<u>2,572</u>
Total Current Assets	2,056,800	1,156,146	900,654
Property and Equipment			
Furniture	77,812	77,812	-
Equipment	58,271	58,271	-
Public garden	304,892	304,892	-
Sarah Benedict House	1,441,522	1,440,212	1,310
Less: accumulated depreciation	<u>(1,465,290)</u>	<u>(1,372,520)</u>	<u>(92,770)</u>
Net Property and Equipment	417,207	508,667	(91,460)
Other Assets			
Investments			
General endowment	269,538	264,080	5,458
Sarah Benedict House endowment	254,785	250,624	4,161
Board designated	861,944	891,518	(29,574)
Organizational Costs	6,322	6,322	-
Receivership properties	<u>2,517</u>	<u>-</u>	<u>2,517</u>
Total Other Assets	<u>1,395,106</u>	<u>1,412,544</u>	<u>(17,438)</u>
TOTAL ASSETS	<u>\$ 3,869,113</u>	<u>\$ 3,077,357</u>	<u>\$ 791,756</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

LIABILITIES AND NET ASSETS			Increase
	<u>Dec. 31, 2014</u>	<u>Dec. 31, 2013</u>	<u>(Decrease)</u>
Current Liabilities			
Accounts payable	\$ 50,769	\$ 32,636	\$ 18,133
Current portion - long term loan	4,990	4,700	290
Security deposits	1,650	-	1,650
Escrow funds payable	<u>1,672,221</u>	<u>763,224</u>	<u>908,997</u>
Total Current Liabilities	1,729,630	800,560	929,070
Long-Term Liabilities			
Empowerment Zone loan	20,357	25,061	(4,704)
Less current portion	<u>(4,990)</u>	<u>(4,700)</u>	<u>(290)</u>
Total Long-Term Liabilities	<u>15,367</u>	<u>20,361</u>	<u>(4,994)</u>
Total Liabilities	1,744,997	820,921	924,076
Net Assets			
Unrestricted	77,010	69,387	7,623
Unrestricted-board designated	861,944	891,518	(29,574)
Temporarily restricted	660,839	780,827	(119,988)
Permanently restricted	<u>524,323</u>	<u>514,704</u>	<u>9,619</u>
Total Net Assets	<u>2,124,116</u>	<u>2,256,436</u>	<u>(132,320)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,869,113</u>	<u>\$ 3,077,357</u>	<u>\$ 791,756</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Un- Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Grants	\$ -	\$ 445,749	\$ -	\$ 445,749
Fees for services	304,060	-	-	304,060
Contributions	80,269	-	-	80,269
Special events	93,665	-	-	93,665
Membership dues	17,566	-	-	17,566
Investment income	51,333	-	33,796	85,129
Donated services	34,200	-	-	34,200
Loss on disposal of equipment	(1,100)	-	-	(1,100)
Rental income	-	19,960	-	19,960
Miscellaneous	83	-	-	83
Released from restrictions	<u>609,874</u>	<u>(585,697)</u>	<u>(24,177)</u>	<u>-</u>
 Total Revenue and Support	 1,189,950	 (119,988)	 9,619	 1,079,581
Expenses				
Public Education	158,133	-	-	158,133
Sarah Benedict House	167,662	-	-	167,662
Preservation Services	202,830	-	-	202,830
Heritage Home Loan	<u>492,428</u>	<u>-</u>	<u>-</u>	<u>492,428</u>
 Total Program	 1,021,053	 -	 -	 1,021,053
Management services	136,582	-	-	136,582
Fundraising	<u>54,266</u>	<u>-</u>	<u>-</u>	<u>54,266</u>
 Total Expenses	 <u>1,211,901</u>	 <u>-</u>	 <u>-</u>	 <u>1,211,901</u>
Increase (Decrease) in Net Assets	(21,951)	(119,988)	9,619	(132,320)
Net Assets at Beginning of Year	<u>960,905</u>	<u>780,827</u>	<u>514,704</u>	<u>2,256,436</u>
NET ASSETS AT END OF YEAR	<u>\$ 938,954</u>	<u>\$ 660,839</u>	<u>\$ 524,323</u>	<u>\$ 2,124,116</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY, INC.
CONSOLIDATED 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	210,505	17,770	-	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
Gain (loss) on sale	(452)	-	-	(452)
Rental income	-	33,282	-	33,282
Miscellaneous	1,942	-	-	1,942
Released from restrictions	<u>692,321</u>	<u>(575,798)</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.
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

	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	\$ 106,898	\$ 19,398	\$101,001	\$ 325,002	\$ 67,400	\$ 35,972	\$ 655,671	
Payroll taxes	8,246	1,496	7,496	25,071	4,945	2,775	50,030	
Advertising	125	-	450	53,552	-	-	54,127	
Bank charges	501	-	529	255	1,115	-	2,401	
Depreciation	-	89,757	-	-	5,914	-	95,672	
Dues and subscriptions	250	-	-	-	1,470	-	1,720	
Facade/monographs	10,670	-	-	-	-	-	10,670	
Events-fundraising	-	-	-	-	-	8,040	8,040	
Insurance	4,153	-	2,167	6,694	1,453	1,258	15,724	
Insurance-health	8,896	-	6,845	22,892	4,515	2,534	45,681	
Interest expense	-	1,373	-	-	-	-	1,373	
Miscellaneous	-	-	-	75	1,106	492	1,673	
Office technology	4,681	1,164	614	916	11,446	-	18,820	
Pension	3,430	-	2,639	8,827	1,741	977	17,614	
Postage	1,449	-	653	1,865	399	345	4,711	
Professional fees	-	-	-	9,950	9,849	-	19,799	
Professional fees-donated	-	-	22,200	12,000	-	-	34,200	
Direct program exp.	221	-	51,244	601	-	-	52,066	
Printing	114	-	807	1,781	1,220	-	3,922	
Rent-equipment	3,485	-	1,819	5,618	1,219	1,056	13,197	
Repairs	-	42,164	-	-	-	-	42,164	
Seminars/conferences	269	-	-	600	5,042	-	5,911	
Workers' Comp.	122	22	111	371	73	41	740	
Telephone	2,561	-	1,372	5,402	896	776	11,007	
Travel	2,062	1	2,883	10,956	16,779	-	32,681	
Utilities	-	12,287	-	-	-	-	12,287	
Total Expenses	<u>\$ 158,133</u>	<u>\$ 167,662</u>	<u>\$202,830</u>	<u>\$ 492,428</u>	<u>\$ 136,582</u>	<u>\$ 54,266</u>	<u>\$ 1,211,901</u>	

The Accompanying Notes are an Integral Part of These Financial Statements

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

	Programs						Fundraising	Total
	Public Education	Sarah Benedict House	Preservation Services	Heritage Home Loan	Management Services			
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	-	-	51,864	-	-	56,395	
Amortization	1,256	-	-	-	-	1,256	2,511	
Bank charges	331	-	-	-	1,238	-	1,569	
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-fundraising	-	-	-	-	-	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	113	-	438	389	1,008	
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	719	-	-	73,972	
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	<u>\$ 169,769</u>	<u>\$ 152,542</u>	<u>\$ 238,474</u>	<u>\$ 402,745</u>	<u>\$ 98,894</u>	<u>\$ 56,172</u>	<u>\$ 1,118,596</u>	

The Accompanying Notes are an Integral Part of These Financial Statements

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

	<u>Dec. 31, 2014</u>	<u>Dec. 31, 2013</u>
Cash Flows From Operating Activities		
(Decrease) Increase in Net Assets	\$ (132,320)	\$ 63,585
Adjustments to reconcile net (decrease) increase to net cash provided by (used in) operating activities		
Depreciation and amortization	95,672	98,903
Gain on investments	(85,008)	(196,959)
Loss on disposal of fixed assets	1,100	452
Decrease in Operating Assets:		
Accounts receivable	54,733	(113,869)
Prepays	(2,572)	8,303
Decrease in Operating Liabilities:		
Accounts payable	18,133	(22,721)
Security deposits	1,650	-
Total Adjustments	<u>83,708</u>	<u>(225,891)</u>
Net Cash (Used In) Operating Activities	(48,612)	(162,306)
Cash Flows From Investing Activities		
Capital expenditures	(5,312)	(6,524)
Purchase of property in receivership	(2,517)	-
Net sale of investments	<u>104,963</u>	<u>116,523</u>
Net Cash Provided By Investing Activities	97,134	109,999
Cash Flows From Financing Activities		
Notes payable repayment	<u>(4,704)</u>	<u>(4,427)</u>
Net Cash (Used In) Financing Activities	<u>(4,704)</u>	<u>(4,427)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	43,818	(56,734)
Cash and Cash Equivalents at Beginning of Period	<u>168,304</u>	<u>225,038</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 212,122</u>	<u>\$ 168,304</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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 two core programs - Public Education and Advocacy 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.

Heritage Home Education Society (HHES) is a non-profit organization that works closely with CRS. The two organizations share board members, staff and other resources and therefore, HHES is consolidated within these financial statements.

HHES has one core program the Heritage Home Program.

- B. Both agencies are tax-exempt under Internal Revenue Service Code Section 501(c)(3).

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.

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013

NOTE 2- Summary of Significant Accounting Policies (Continued)

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.

- 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. Unadopted FASB statements. Various FASB statements have been issued, where compliance is encouraged but not required until years ending after December 31, 2014. 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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013

NOTE 2- Summary of Significant Accounting Policies (Continued)

- 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 2011, 2012, and 2013.
- J. Advertising Costs- CRS expenses advertising cost when incurred.
- 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.

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013

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.

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 \$1,672,221 and \$763,224, as of December 31, 2014 and 2013, respectively.

NOTE 5- Grants and Accounts Receivable

Grants and accounts receivable comprise the following amounts:

	<u>2014</u>	<u>2013</u>
City of Cleveland	\$ 486	\$ 4,280
Cuyahoga Arts and Culture	8,892	8,892
Ohio Arts Council	24,870	24,870
Ohio Historical Society	20,000	7,500
The Cleveland Foundation	82,500	125,500
City of Lakewood	5,000	15,000
History Fund	7,500	
Individuals	950	7,676
Other receivable	<u>9,703</u>	<u>20,916</u>
Total Grants and receivables	<u>\$ 159,901</u>	<u>\$ 214,634</u>

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

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013

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 allows 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. Effective January 1, 2014, HHES ran the entire Heritage Home Program. As a wholly owned subsidiary, all assets and liabilities are consolidated in these financial statements. (See Note 4)

NOTE 8- Receivership Property

CRS is rehabilitating a property under the receivership law of Ohio. CRS petitioned the housing court and was appointed legal receiver of this property, which was declared a public nuisance because of the state of disrepair. CRS will perform certain repairs and then sell the property. The proceeds of the sale are applied as follows:

1. Repair costs
2. Receivership fee to CRS
3. Satisfy original liens
4. Balance to owner

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013

NOTE 9- Sarah Benedict and General Endowments

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

	SBH Endowment <u>2014</u>	Board Designated & General Endowment <u>2014</u>	<u>TOTAL</u> 2014	<u>TOTAL</u> 2013
Mutual funds - Stocks				
500 Index Fund	\$ 89,038	\$ 409,037	\$ 498,075	\$ 448,881
Others	64,335	299,251	363,586	367,117
Mutual funds - Bonds	90,902	417,638	508,540	492,379
Money Market Funds	<u>10,510</u>	<u>5,556</u>	<u>16,066</u>	<u>62,845</u>
*Total investments at Vanguard	<u>\$254,785</u>	<u>\$1,131,482</u>	<u>\$1,386,267</u>	<u>\$1,406,222</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 10- 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, 2014 and 2013 was \$0.

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013

NOTE 11- 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, 2014 and 2013 was \$20,357 and \$25,061, respectively. Required principal payments on the loan for the next five years are as follows:

2015	\$ 4,990
2016	5,294
2017	5,620
2018	4,453
Thereafter	-
Total	<u>\$20,357</u>

NOTE 12- Temporarily Restricted Net Assets

The temporarily restricted net assets are for the following programs:

	<u>2014</u>	<u>2013</u>
Sarah Benedict House expenses	\$ 444,684	\$ 520,628
Preservation services	35,220	13,335
Steeple lighting	99,750	42,961
Heritage Home Loan Program	<u>81,185</u>	<u>170,451</u>
Net Assets restricted by expenditure	660,839	747,375
 CRS also has additional funds restricted by time	 <u>-</u>	 <u>33,452</u>
Total Temporarily Restricted Net Assets	<u>\$ 660,839</u>	<u>\$ 780,827</u>

For the years ended December 31, 2014 and 2013, the temporarily restricted net assets are made up of

Cash	\$164,212	\$ 162,178
Receivable	107,543	148,900
Sarah Benedict House net of depreciation	409,441	494,810
Empowerment Zone loan	<u>(20,357)</u>	<u>(25,061)</u>
Total	<u>\$660,839</u>	<u>\$ 780,827</u>

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2014 AND 2013

NOTE 13- 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 (\$269,538) consists of the foregoing \$175,000 principal balance and \$94,538 of accumulated earnings.

During fiscal years ended December 31, 2014 and 2013, the CRS board has elected to transfer \$12,472 and \$99,236 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>2014</u>	<u>2013</u>
General Endowment	\$ 269,538	\$264,080
Sarah Benedict House Endowment	<u>254,785</u>	<u>250,624</u>
Total Permanently Restricted Net Assets	<u>\$ 524,323</u>	<u>\$514,704</u>

NOTE 14-Reclassification

Certain revenue and expenses for fiscal year ended December 31, 2013, have been reclassified to conform to fiscal year ended December 31, 2014 presentation. None of the reclassifications affect the net assets.

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013

NOTE 15- Grants Awarded to CRS

	<u>2014</u>	<u>2013</u>
City of Cleveland	\$ 112,039	\$ 201,918
Ohio Historic Preservation Office	20,000	15,000
George Gund Foundation	25,000	20,000
Louise H. & David Ingalls Foundation	-	10,000
Ohio Arts Council	24,870	24,870
Cleveland Foundation	100,000	175,000
Akron Community Foundation	-	7,500
Cuyahoga Arts & Culture	88,917	88,917
Western Reserve Land Conservancy	27,000	
Charles & Helen Brown Memorial Foundation	8,000	15,000
Kelvin & Eleanor Smith Foundation	-	7,500
Cull Family Foundation	7,500	7,000
Maxine Goodman-Levin Historical Preservation Fund	10,374	10,175
Other grants	20,079	-
Abington Foundation	<u>-</u>	<u>5,000</u>
 Total Grants	 <u>\$ 445,749</u>	 <u>\$ 587,880</u>

NOTE 16- 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, 2014 and 2013 was \$17,614 and \$14,270, respectively.

NOTE 17- 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:

2015	\$ 1,446
Thereafter	<u>-</u>
 Total	 <u>\$ 1,446</u>

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013

NOTE 18- Statement of Cash Flow Disclosures

The amount of interest paid on all indebtedness was \$1,373 and \$1,649 for December 31, 2014 and 2013, respectively.

NOTE 19- 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, 2014 and 2013, 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 for each of the years ended December 31, 2014 and 2013, respectively.

NOTE 20- 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, 2014 and 2013.

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, 2014 and 2013. An expense and corresponding liability will only be recorded if sickness occurs.

NOTE 21- Subsequent Events

CRS has evaluated subsequent events through March 18, 2015, which is the date the financial statements were available to be issued.

See Auditors' Report

CLEVELAND RESTORATION SOCIETY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2014

ASSETS				
	Cleveland Restoration Society	Heritage Home Educational Society	Elimination	Total
Current Assets				
Cash and cash equivalents	\$ 211,916	\$ 206	\$ -	\$ 212,122
Restricted cash in escrow	-	1,672,221	-	1,672,221
Grants and accounts receivable	85,436	121,847	(47,382)	159,901
Prepaid expense	<u>12,556</u>	<u>-</u>	<u>-</u>	<u>12,556</u>
 Total Current Assets	 309,908	 1,794,274	 (47,382)	 2,056,800
Property and Equipment				
Furniture	77,812	-	-	77,812
Equipment	58,271	-	-	58,271
Public garden	304,892	-	-	304,892
Sarah Benedict House	1,441,522	-	-	1,441,522
Less: accumulated depreciation	<u>(1,465,290)</u>	<u>-</u>	<u>-</u>	<u>(1,465,290)</u>
 Net Property and Equipment	 417,207	 -	 -	 417,207
Other Assets				
Investments				
General endowment	269,538	-	-	269,538
Sarah Benedict House endowment	254,785	-	-	254,785
Board designated	861,944	-	-	861,944
Due from Heritage Home Educational Soc.	7,922	-	(7,922)	-
Organizational costs	-	6,322	-	6,322
Receivership property	<u>2,517</u>	<u>-</u>	<u>-</u>	<u>2,517</u>
 Total Other Assets	 <u>1,396,706</u>	 <u>6,322</u>	 <u>(7,922)</u>	 <u>1,395,106</u>
 TOTAL ASSETS	 <u>\$ 2,123,821</u>	 <u>\$ 1,800,596</u>	 <u>\$ (55,304)</u>	 <u>\$ 3,869,113</u>

Supplemental Schedule
The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2014

LIABILITIES, CAPITAL, EQUITY AND NET ASSETS

	Cleveland Restoration Society	Heritage Home Educational Society	Elimination	Total
Current Liabilities				
Accounts payable	\$ 98,151	\$ 7,922	\$ (55,304)	\$ 50,769
Current portion long-term loan	4,990	-	-	4,990
Security deposits	1,650	-	-	1,650
Escrow funds payable	<u>-</u>	<u>1,672,221</u>	<u>-</u>	<u>1,672,221</u>
Total Current Liabilities	104,791	1,680,143	(55,304)	1,729,630
Long-Term Liabilities				
Empowerment Zone loan	20,357	-	-	20,357
Less current portion	<u>(4,990)</u>	<u>-</u>	<u>-</u>	<u>(4,990)</u>
Total Long-Term Liabilities	<u>15,367</u>	<u>-</u>	<u>-</u>	<u>15,367</u>
Total Liabilities	120,158	1,680,143	(55,304)	1,744,997
Net Assets				
Unrestricted	960,905	-	(21,951)	938,954
Temporarily restricted	780,827	-	(119,988)	660,839
Permanently restricted	514,704	-	9,619	524,323
Current net change/income	<u>(252,773)</u>	<u>120,453</u>	<u>132,320</u>	<u>-</u>
Total Net Assets	<u>2,003,663</u>	<u>120,453</u>	<u>-</u>	<u>2,124,116</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,123,821</u>	<u>\$ 1,800,596</u>	<u>\$ (55,304)</u>	<u>\$ 3,869,113</u>

Supplemental Schedule
The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS				
	Cleveland Restoration Society	Heritage Home Educational Society	Elimination	Total
Current Assets				
Cash and cash equivalents	\$ 168,304	\$ -	\$ -	\$ 168,304
Restricted cash in escrow	763,224	-	-	763,224
Grants and accounts receivable	214,634	-	-	214,634
Prepaid expense	<u>9,984</u>	<u>-</u>	<u>-</u>	<u>9,984</u>
Total Current Assets	1,156,146	-	-	1,156,146
Property and Equipment				
Furniture	77,812	-	-	77,812
Equipment	58,271	-	-	58,271
Public garden	304,892	-	-	304,892
Sarah Benedict House	1,440,212	-	-	1,440,212
Less: accumulated depreciation	<u>(1,372,520)</u>	<u>-</u>	<u>-</u>	<u>(1,372,520)</u>
Net Property and Equipment	508,667	-	-	508,667
Other Assets				
Investments				
General endowment	264,080	-	-	264,080
Sarah Benedict House endowment	250,624	-	-	250,624
Board designated	891,518	-	-	891,518
Due from Heritage Home Educational Soc.	6,322	-	(6,322)	-
Organizational costs	-	6,322	-	6,322
Receivership property	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Assets	<u>1,412,544</u>	<u>6,322</u>	<u>(6,322)</u>	<u>1,412,544</u>
TOTAL ASSETS	<u>\$ 3,077,357</u>	<u>\$ 6,322</u>	<u>\$ (6,322)</u>	<u>\$ 3,077,357</u>

Supplemental Schedule
The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2013

LIABILITIES, CAPITAL, EQUITY AND NET ASSETS

	Cleveland Restoration Society	Heritage Home Educational Society	Elimination	Total
Current Liabilities				
Accounts payable	\$ 32,636	\$ 6,322	\$ (6,322)	\$ 32,636
Current portion long-term loan	4,700	-	-	4,700
Security deposits	-	-	-	-
Escrow funds payable	<u>763,224</u>	<u>-</u>	<u>-</u>	<u>763,224</u>
Total Current Liabilities	800,560	6,322	(6,322)	800,560
Long-Term Liabilities				
Empowerment Zone loan	25,061	-	-	25,061
Less current portion	<u>(4,700)</u>	<u>-</u>	<u>-</u>	<u>(4,700)</u>
Total Long-Term Liabilities	<u>20,361</u>	<u>-</u>	<u>-</u>	<u>20,361</u>
Total Liabilities	820,921	6,322	(6,322)	820,921
Net Assets				
Unrestricted	995,163	-	(34,258)	960,905
Temporarily restricted	714,093	-	66,734	780,827
Permanently restricted	483,595	-	31,109	514,704
Current net change/income	<u>63,585</u>	<u>-</u>	<u>(63,585)</u>	<u>-</u>
Total Net Assets	<u>2,256,436</u>	<u>-</u>	<u>-</u>	<u>2,256,436</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,077,357</u>	<u>\$ 6,322</u>	<u>\$ (6,322)</u>	<u>\$ 3,077,357</u>

Supplemental Schedule
The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Cleveland Restoration <u>Society</u>	Heritage Home Educational <u>Society</u>	<u>Elimination</u>	<u>Total</u>
Revenue and Support				
Grants	\$ 318,841	\$ 126,908	\$ -	\$ 445,749
Grants transferred	(170,451)	170,451	-	-
Fees for services	6,585	297,475	-	304,060
Contributions	74,269	6,000	-	80,269
Special events	93,665	-	-	93,665
Membership dues	17,566	-	-	17,566
Investment income	85,129	-	-	85,129
Donated services	22,200	12,000	-	34,200
Loss on disposal	(1,100)	-	-	(1,100)
Rental income	19,960	-	-	19,960
Miscellaneous income	33	50	-	83
	<u>466,697</u>	<u>612,884</u>	<u>-</u>	<u>1,079,581</u>
Total Revenue and Support				
Expenses				
Payroll	330,669	325,002	-	655,671
Payroll taxes	24,959	25,071	-	50,030
Advertising	575	53,552	-	54,127
Bank charges	2,146	255	-	2,401
Depreciation	95,672	-	-	95,672
Dues and subscriptions	1,720	-	-	1,720
Facade/monographs	10,670	-	-	10,670
Events-fundraising	8,040	-	-	8,040
Insurance	9,030	6,694	-	15,724
Insurance-health	22,786	22,895	-	45,681
Interest	1,373	-	-	1,373
Miscellaneous	1,598	75	-	1,673
Office technology	17,904	916	-	18,820
Pension	8,787	8,827	-	17,614
Postage	2,846	1,865	-	4,711
Professional fees	9,849	9,950	-	19,799
Professional fees-donated	22,200	12,000	-	34,200
Direct program expenses	51,465	601	-	52,066
Printing	2,141	1,781	-	3,922
Rent-equipment	7,579	5,618	-	13,197
Repairs	42,164	-	-	42,164
Seminars/conferences	5,311	600	-	5,911
Workers' Compensation	369	371	-	740
Telephone	5,605	5,402	-	11,007
Travel	21,725	10,956	-	32,681
Utilities	12,287	-	-	12,287
	<u>719,470</u>	<u>492,431</u>	<u>-</u>	<u>1,211,901</u>
Total expenses				
(Decrease) Increase in Net Assets	<u>(252,773)</u>	<u>120,453</u>	<u>-</u>	<u>(132,320)</u>

Supplemental Schedule

The Accompanying Notes are an Integral Part of these Financial Statements

CLEVELAND RESTORATION SOCIETY
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Cleveland Restoration <u>Society</u>	Heritage Home Educational <u>Society</u>	<u>Elimination</u>	<u>Total</u>
Revenue and Support				
Grants	\$ 587,880	\$ -	\$ -	\$ 587,880
Fees for services	228,275	-	-	228,275
Contributions	64,360	-	-	64,360
Special events	16,037	-	-	16,037
Membership dues	19,519	-	-	19,519
Investment income	197,138	-	-	197,138
Donated services	34,200	-	-	34,200
Loss on disposal	(452)	-	-	(452)
Rental income	33,282	-	-	33,282
Miscellaneous income	<u>1,942</u>	<u>-</u>	<u>-</u>	<u>1,942</u>
 Total Revenue and Support	 1,182,181	 -	 -	 1,182,181
Expenses				
Payroll	563,544	-	-	563,544
Payroll taxes	44,043	-	-	44,043
Advertising	56,395	-	-	56,395
Amortization	2,511	-	-	2,511
Bank charges	1,569	-	-	1,569
Contract services	19,579	-	-	19,579
Depreciation	96,392	-	-	96,392
Dues and subscriptions	2,980	-	-	2,980
Facade/monographs	11,917	-	-	11,917
Events	10,729	-	-	10,729
Insurance	16,090	-	-	16,090
Insurance-health	41,327	-	-	41,327
Interest	1,649	-	-	1,649
Miscellaneous	1,008	-	-	1,008
Office technology	12,314	-	-	12,314
Pension	14,270	-	-	14,270
Postage	6,329	-	-	6,329
Professional fees	5,716	-	-	5,716
Professional fees-donated	34,200	-	-	34,200
Direct program expenses	73,972	-	-	73,972
Printing	6,130	-	-	6,130
Rent-equipment	14,310	-	-	14,310
Repairs	27,595	-	-	27,595
Seminars/conferences	2,587	-	-	2,587
Workers' Compensation	819	-	-	819
Telephone	11,368	-	-	11,368
Travel	24,748	-	-	24,748
Utilities	<u>14,504</u>	<u>-</u>	<u>-</u>	<u>14,504</u>
 Total expenses	 <u>1,118,596</u>	 <u>-</u>	 <u>-</u>	 <u>1,118,596</u>
 Increase (Decrease) in Net Assets	 <u>\$ 63,585</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 63,585</u>

Supplemental Schedule

The Accompanying Notes are an Integral Part of these Financial Statements