

CLEVELAND RESTORATION SOCIETY, INC.

CONSOLIDATED
AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

CLEVELAND RESTORATION SOCIETY, INC.

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February 11, 2016

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, 2015 and 2014, 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, 2015 and 2014 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, 2015</u>	<u>Dec. 31, 2014</u>	<u>Increase (Decrease)</u>
Current Assets			
Cash and cash equivalents	\$ 84,988	\$ 212,122	\$ (127,134)
Restricted cash in escrow	1,707,657	1,672,221	35,436
Grants and accounts receivable	325,192	159,901	165,291
Prepaid expenses	12,233	12,556	(323)
Historic property for sale	<u>54,253</u>	<u>-</u>	<u>54,253</u>
 Total Current Assets	 2,184,323	 2,056,800	 127,523
Property and Equipment			
Furniture	62,523	77,812	(15,289)
Equipment	46,393	58,271	(11,878)
Public garden	239,527	304,892	(65,365)
Sarah Benedict House	1,462,613	1,441,522	21,091
Less: accumulated depreciation	<u>(1,445,342)</u>	<u>(1,465,290)</u>	<u>19,948</u>
 Net Property and Equipment	 365,714	 417,207	 (51,493)
Other Assets			
Investments			
General endowment	254,803	269,538	(14,735)
Sarah Benedict House endowment	240,286	254,785	(14,499)
Board designated	597,736	861,944	(264,208)
Other permanently restricted	40,000	-	40,000
Other temporarily restricted	70,000	-	70,000
Receivership properties	<u>-</u>	<u>2,517</u>	<u>(2,517)</u>
 Total Other Assets	 <u>1,202,825</u>	 <u>1,388,784</u>	 <u>(185,959)</u>
 TOTAL ASSETS	 <u>\$ 3,752,862</u>	 <u>\$ 3,862,791</u>	 <u>\$ (109,929)</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			
	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2014</u>	<u>Increase (Decrease)</u>
Current Liabilities			
Accounts payable	\$ 44,712	\$ 52,419	\$ (7,707)
Current portion - long term loan	5,298	4,990	308
Escrow funds payable	1,707,657	1,672,221	35,436
Accrued expenses	<u>11,336</u>	<u>-</u>	<u>11,336</u>
Total Current Liabilities	1,769,003	1,729,630	39,373
Long-Term Liabilities			
Empowerment Zone loan	15,367	20,357	(4,990)
Less current portion	<u>(5,298)</u>	<u>(4,990)</u>	<u>(308)</u>
Total Long-Term Liabilities	<u>10,069</u>	<u>15,367</u>	<u>(5,298)</u>
Total Liabilities	1,779,072	1,744,997	34,075
Net Assets			
Unrestricted	150,212	70,687	79,525
Unrestricted-board designated	597,736	861,944	(264,208)
Temporarily restricted	680,753	660,839	19,914
Permanently restricted	<u>545,089</u>	<u>524,324</u>	<u>20,765</u>
Total Net Assets	<u>1,973,790</u>	<u>2,117,794</u>	<u>(144,004)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,752,862</u>	<u>\$ 3,862,791</u>	<u>\$ (109,929)</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, 2015

	<u>Un- Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Grants	\$ -	\$ 483,528	\$ 50,000	\$ 533,528
Fees for services	272,959	-	-	272,959
Contributions	66,111	-	-	66,111
Special events	38,576	-	-	38,576
Membership dues	15,635	-	-	15,635
Investment income	(5,804)	-	(2,830)	(8,634)
Donated services	96,500	-	-	96,500
Rental income	-	39,940	-	39,940
Miscellaneous	2	-	-	2
Released from restrictions	<u>529,959</u>	<u>(503,554)</u>	<u>(26,405)</u>	<u>-</u>
 Total Revenue and Support	 1,013,938	 19,914	 20,765	 1,054,617
Expenses				
Public Education	130,295	-	-	130,295
Sarah Benedict House	178,333	-	-	178,333
Preservation Services	168,921	-	-	168,921
Real estate	156,451	-	-	156,451
Heritage Home Program	<u>349,560</u>	<u>-</u>	<u>-</u>	<u>349,560</u>
 Total Program	 983,560	 -	 -	 983,560
Management services	147,293	-	-	147,293
Fundraising	<u>67,767</u>	<u>-</u>	<u>-</u>	<u>67,767</u>
 Total Expenses	 <u>1,198,620</u>	 <u>-</u>	 <u>-</u>	 <u>1,198,620</u>
Increase (Decrease) in Net Assets	(184,682)	19,914	20,765	(144,003)
Net Assets at Beginning of Year	<u>932,631</u>	<u>660,839</u>	<u>524,324</u>	<u>2,117,794</u>
NET ASSETS AT END OF YEAR	<u>\$ 747,949</u>	<u>\$ 680,753</u>	<u>\$ 545,089</u>	<u>\$ 1,973,791</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
Gain (loss) on sale	(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 Program	<u>498,750</u>	<u>-</u>	<u>-</u>	<u>498,750</u>
Total Program	1,027,375	-	-	1,027,375
Management services	136,582	-	-	136,582
Fundraising	<u>54,266</u>	<u>-</u>	<u>-</u>	<u>54,266</u>
Total Expenses	<u>1,218,223</u>	<u>-</u>	<u>-</u>	<u>1,218,223</u>
Increase (Decrease) in Net Assets	(28,273)	(119,988)	9,619	(138,642)
Net Assets at Beginning of Year	<u>960,904</u>	<u>780,827</u>	<u>514,705</u>	<u>2,256,436</u>
NET ASSETS AT END OF YEAR	<u>\$ 932,631</u>	<u>\$ 660,839</u>	<u>\$ 524,324</u>	<u>\$ 2,117,794</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, 2015

	Programs					Managemen Services	Fundraising	Total
	Public Education	Sarah Benedict House	Preservation Services	Real Estate	Heritage Home Program			
Expenses								
Payroll	\$ 86,717	\$ 21,296	\$ 103,280	\$ 67,340	\$ 224,531	\$ 81,985	\$ 54,358	\$ 639,507
Payroll taxes	6,827	1,677	8,131	5,302	17,678	6,454	4,280	50,349
Advertising	250	-	-	-	54,524	100	-	54,874
Bank charges	620	-	-	-	32	384	-	1,036
Depreciation	-	86,488	-	-	-	5,790	-	92,278
Dues and subscriptions	164	-	-	-	-	1,598	-	1,762
Facade/monographs	11,366	-	-	-	-	-	-	11,366
Events-fundraising	-	-	4,600	-	420	-	-	5,020
Insurance	969	8,880	1,154	752	2,508	916	607	15,786
Insurance-health	6,890	1,692	8,206	5,351	17,840	6,514	4,319	50,812
Interest expense	-	1,086	-	-	-	-	-	1,086
Miscellaneous	-	-	-	-	320	287	-	607
Office technology	3,335	89	(293)	282	1,243	344	228	5,228
Pension	2,636	647	3,140	2,047	6,826	2,493	1,653	19,442
Postage	813	125	604	394	1,354	480	318	4,088
Professional fees	-	-	-	-	500	8,225	-	8,725
Professional fees-donated	-	-	24,000	72,500	-	-	-	96,500
Direct program exp.	2,825	-	8,705	-	221	-	-	11,751
Printing	2,287	-	-	-	1,018	866	-	4,171
Rent-equipment	1,349	331	1,607	1,048	3,493	1,276	846	9,950
Repairs	-	31,630	-	-	-	-	-	31,630
Seminars/conferences	303	-	-	-	12	5,320	-	5,635
Supplies	225	2,493	265	172	575	283	139	4,152
Workers' Comp.	235	58	280	182	608	222	147	1,732
Telephone	1,392	342	1,658	1,081	4,279	1,316	872	10,940
Travel	1,092	-	3,584	-	11,578	22,440	-	38,694
Utilities	-	21,499	-	-	-	-	-	21,499
Total Expenses	<u>\$ 130,295</u>	<u>\$ 178,333</u>	<u>\$ 168,921</u>	<u>\$ 156,451</u>	<u>\$ 349,560</u>	<u>\$ 147,293</u>	<u>\$ 67,767</u>	<u>\$1,198,620</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, 2014

	Programs						Fundraising	Total
	Public Education	Sarah Benedict House	Preservation Services	Heritage Home Program	Management Services			
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	6,923	-	-	58,388	
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>\$ 498,750</u>	<u>\$ 136,582</u>	<u>\$ 54,266</u>	<u>\$ 1,218,223</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, 2015</u>	<u>Dec. 31, 2014</u>
Cash Flows From Operating Activities		
(Decrease) in Net Assets	\$ (144,004)	\$ (138,642)
Adjustments to reconcile net (decrease) increase to net cash provided by (used in) operating activities		
Depreciation and amortization	92,279	95,672
Gain on investments	8,634	(85,008)
Loss on disposal of fixed assets	-	1,100
Decrease in Operating Assets:		
Accounts receivable	(165,291)	54,733
Prepays	323	(2,572)
Other assets	-	6,322
Decrease in Operating Liabilities:		
Accounts payable	(7,707)	19,783
Accrued liabilities	11,336	-
Total Adjustments	<u>(60,426)</u>	<u>90,030</u>
Net Cash (Used In) Operating Activities	(204,430)	(48,612)
Cash Flows From Investing Activities		
Capital expenditures	(40,786)	(5,312)
Purchase of property in receivership	(51,736)	(2,517)
Net sale of investments	<u>174,808</u>	<u>104,963</u>
Net Cash Provided By Investing Activities	82,286	97,134
Cash Flows From Financing Activities		
Notes payable repayment	<u>(4,990)</u>	<u>(4,704)</u>
Net Cash (Used In) Financing Activities	<u>(4,990)</u>	<u>(4,704)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(127,134)	43,818
Cash and Cash Equivalents at Beginning of Period	<u>212,122</u>	<u>168,304</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 84,988</u>	<u>\$ 212,122</u>
Supplemental information		
Amount of interest paid on all indebtedness was	<u>\$ 1,086</u>	<u>\$ 1,373</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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.

During 2012, CRS formed the Heritage Home Educational Society (HHES), a wholly-owned subsidiary, 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.

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 corporations 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, 2015 AND 2014

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, 2015. 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, 2015 AND 2014

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 2012 and forward.
- 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, except property, equipment (Note 6) and real estate (notes 7and8) 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, 2015 AND 2014

NOTE 4- Restricted Cash in Escrow / Heritage Home Program

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 \$1,707,657 and \$1,672,221, as of December 31, 2015 and 2014, respectively.

NOTE 5- Grants and Accounts Receivable

Grants and accounts receivable comprise the following amounts:

	<u>2015</u>	<u>2014</u>
City of Cleveland	\$ 66,514	\$ 486
Cuyahoga Arts and Culture	8,341	8,892
Ohio Arts Council	23,946	24,870
Ohio Historical Society	20,000	20,000
The Cleveland Foundation	190,000	82,500
City of Lakewood	-	5,000
History Fund	-	7,500
Individuals	600	950
Other receivable	<u>15,791</u>	<u>9,703</u>
Total Grants and receivables	<u>\$ 325,192</u>	<u>\$ 159,901</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, 2015 AND 2014

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.

NOTE 7- Receivership Property

During 2014, CRS began 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. During 2015, CRS obtained ownership of this property (See Note 8). The property is valued at cost incurred to date for 2014.

NOTE 8- Historic Property For Sale

CRS is continuing to rehabilitate the property originally obtained as receivership property. CRS has had all liens removed and this historic property is stated at cost and is now available for sale.

NOTE 9- Investments

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

	<u>2015</u>	<u>2014</u>
Mutual funds - Stocks		
500 Index Fund	\$ 398,130	\$ 498,075
Others	277,658	363,586
Mutual funds - Bonds	406,773	508,540
Money Market Funds	<u>120,264</u>	<u>16,066</u>
*Total investments at Vanguard	<u>\$1,202,825</u>	<u>\$1,386,267</u>

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2015 AND 2014

NOTE 9- Investments (continued)

CRS's investment in the stock funds range from \$35,000 to \$124,000. The bonds include 3 different classes of bonds. CRS's investment in the bond funds range from \$18,000 to \$243,000. 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, 2015 and 2014 was \$0.

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, 2015 and 2014 was \$15,367 and \$20,357, respectively. Required principal payments on the loan for the next five years are as follows:

2016	\$ 5,298
2017	5,620
2018	4,449
2019	-
Thereafter	-
Total	<u>\$15,367</u>

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

NOTE 12- Temporarily Restricted Net Assets

The temporarily restricted net assets are for the following programs:

	<u>2015</u>	<u>2014</u>
Sarah Benedict House	\$ 390,835	\$ 444,684
Preservation services	93,445	35,220
Steeple lighting	88,250	99,750
Heritage Home Program	<u>108,223</u>	<u>81,185</u>
Net Assets restricted by expenditure	680,753	660,839
CRS also has additional funds restricted by time	<u>-</u>	<u>-</u>
Total Temporarily Restricted Net Assets	<u>\$ 680,753</u>	<u>\$ 660,839</u>

For the years ended December 31, 2015 and 2014, the temporarily restricted net assets are made up of

Cash	\$ 17,945	\$ 164,212
Receivable	264,131	107,543
Investments	70,000	-
Sarah Benedict House net of depreciation	344,044	409,441
Empowerment Zone loan	<u>(15,367)</u>	<u>(20,357)</u>
Total	<u>\$ 680,753</u>	<u>\$ 660,839</u>

NOTE 13- Permanently Restricted Net Assets

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

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, 2015 and 2014, the CRS board has elected to transfer \$14,078 and \$12,472 of investment earnings to the operating account. The remaining investment earnings have been left in the fund.

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

NOTE 13- Permanently Restricted Net Assets (continued)

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 revolving fund was established in 2015 with a \$50,000 grant. The grant funds are to be used as working capital to acquire options or ownership interests in real property and/or to rehab such real property. After the real estate is renovated and/or sold, the fund is intended to be reimbursed for the lessor of its investment in the property or its share of the proceeds and be available for the next project.

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

	<u>2015</u>	<u>2014</u>
<u>Securities and Money Market funds</u>		
General Endowment	\$ 254,803	\$ 269,538
Revolving fund	40,000	-
Sarah Benedict House Endowment	<u>240,286</u>	<u>254,786</u>
	535,089	524,324
<u>Historic Property Held For Sale</u>		
Revolving fund	<u>10,000</u>	<u>-</u>
Total Permanently Restricted Net Assets	<u>\$ 545,089</u>	<u>\$524,324</u>

NOTE 14- Grants Awarded to CRS

	<u>2015</u>	<u>2014</u>
City of Cleveland	\$ 160,179	\$ 112,039
Ohio Historic Preservation Office	-	20,000
George Gund Foundation	20,000	25,000
Ohio Arts Council	23,412	24,870
Cleveland Foundation	175,000	100,000
Cuyahoga Arts & Culture	83,412	88,917
Western Reserve Land Conservancy	3,000	27,000
Charles & Helen Brown Memorial Foundation	-	8,000
Cull Family Foundation	7,500	7,500
Maxine Goodman-Levin Historical Preservation Fund	10,675	10,374
1772 Foundation	50,000	-
Other grants	<u>350</u>	<u>22,049</u>
Total Grants	<u>\$ 533,528</u>	<u>\$ 445,749</u>

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

NOTE 15- 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, 2015 and 2014 was \$19,442 and \$17,614, respectively.

NOTE 16- Leases

CRS leases its office equipment under two non-cancellable operating leases. The leases call for monthly rental payments of \$441 through October 2019 and quarterly rental payment of \$159 through March 2018. The future minimum required lease payments on the equipment are as follows:

2016	\$ 5,928
2017	5,928
2018	5,451
2019	4,410
Thereafter	<u> -</u>
 Total	 <u>\$ 21,717</u>

NOTE 17- Related Party Transactions

Board members and volunteers provide free professional services. These donated services include legal, construction, consulting, surveying historic buildings, researching potential projects, and providing assistance with other preservation related matters. The professional services are recorded as donated services and professional fees-donated in the amount of \$96,500 and \$34,200 for the years ended December 31, 2015 and 2014, respectively.

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

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, 2015 and 2014.

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, 2015 and 2014. An expense and corresponding liability will only be recorded if sickness occurs.

NOTE 19- Subsequent Events

CRS has evaluated subsequent events through March 15, 2016, which is the date the financial statements were available to be issued.

NOTE 20- Prior Period Revision

CRS originally capitalized the organizational costs related to HHES in the amount of \$6,322, which amount is deemed immaterial. The 2014 financial statements have been revised to expense these cost as direct program expenses.

See Auditors' Report

CLEVELAND RESTORATION SOCIETY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS				
	Cleveland Restoration <u>Society</u>	Heritage Home Educational <u>Society</u>	<u>Elimination</u>	<u>Total</u>
Current Assets				
Cash and cash equivalents	\$ 84,988	\$ -	\$ -	\$ 84,988
Restricted cash in escrow	-	1,707,657	-	1,707,657
Grants and accounts receivable	156,187	243,249	(74,244)	325,192
Prepaid expense	12,233			12,233
Historic property held for sale	<u>54,253</u>	<u>-</u>	<u>-</u>	<u>54,253</u>
 Total Current Assets	 307,661	 1,950,906	 (74,244)	 2,184,323
Property and Equipment				
Furniture	62,523	-	-	62,523
Equipment	46,393	-	-	46,393
Public garden	239,527	-	-	239,527
Sarah Benedict House	1,462,613	-	-	1,462,613
Less: accumulated depreciation	<u>(1,445,342)</u>	<u>-</u>	<u>-</u>	<u>(1,445,342)</u>
 Net Property and Equipment	 365,714	 -	 -	 365,714
Other Assets				
Investments				
General endowment	254,803	-	-	254,803
Sarah Benedict House endowment	240,286	-	-	240,286
Board designated	597,736	-	-	597,736
Other permanently restricted	40,000	-	-	40,000
Other temporarily restricted	70,000	-	-	70,000
Due from Heritage Home Educational Soc.	8,446	-	(8,446)	-
Receivership property	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Other Assets	 <u>1,211,271</u>	 <u>-</u>	 <u>(8,446)</u>	 <u>1,202,825</u>
 TOTAL ASSETS	 <u>\$ 1,884,646</u>	 <u>\$ 1,950,906</u>	 <u>\$ (82,690)</u>	 <u>\$ 3,752,862</u>

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

CLEVELAND RESTORATION SOCIETY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2015

LIABILITIES, CAPITAL, EQUITY AND NET ASSETS

	Cleveland Restoration Society	Heritage Home Educational Society	Elimination	Total
Current Liabilities				
Accounts payable	\$ 118,956	\$ 8,446	\$ (82,690)	\$ 44,712
Current portion long-term loan	5,298	-	-	5,298
Escrow funds payable	-	1,707,657	-	1,707,657
Accrued expenses	<u>11,336</u>	<u>-</u>	<u>-</u>	<u>11,336</u>
Total Current Liabilities	135,590	1,716,103	(82,690)	1,769,003
Long-Term Liabilities				
Empowerment Zone loan	15,367	-	-	15,367
Less current portion	<u>(5,298)</u>	<u>-</u>	<u>-</u>	<u>(5,298)</u>
Total Long-Term Liabilities	<u>10,069</u>	<u>-</u>	<u>-</u>	<u>10,069</u>
Total Liabilities	145,659	1,716,103	(82,690)	1,779,072
Net Assets				
Unrestricted	899,685	32,946	(184,683)	747,948
Temporarily restricted	579,654	81,185	19,914	680,753
Permanently restricted	524,324	-	20,765	545,089
Current net change/income	<u>(264,676)</u>	<u>120,672</u>	<u>144,004</u>	<u>-</u>
Total Net Assets	<u>1,738,987</u>	<u>234,803</u>	<u>-</u>	<u>1,973,790</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,884,646</u>	<u>\$ 1,950,906</u>	<u>\$ (82,690)</u>	<u>\$ 3,752,862</u>

Supplemental Schedule
The Accompanying Notes are an Integral Part of These Financial Statements
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CLEVELAND RESTORATION SOCIETY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2014

ASSETS				
	Cleveland Restoration <u>Society</u>	Heritage Home Educational <u>Society</u>	<u>Elimination</u>	<u>Total</u>
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)	-
Receivership property	<u>2,517</u>	<u>-</u>	<u>-</u>	<u>2,517</u>
 Total Other Assets	 <u>1,396,706</u>	 <u>-</u>	 <u>(7,922)</u>	 <u>1,388,784</u>
 TOTAL ASSETS	 <u>\$ 2,123,821</u>	 <u>\$ 1,794,274</u>	 <u>\$ (55,304)</u>	 <u>\$ 3,862,791</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	\$ 99,801	\$ 7,922	\$ (55,304)	\$ 52,419
Current portion long-term loan	4,990	-	-	4,990
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	-	(28,274)	932,631
Temporarily restricted	780,827	-	(119,988)	660,839
Permanently restricted	514,704	-	9,620	524,324
Current net change/income	<u>(252,773)</u>	<u>114,131</u>	<u>138,642</u>	<u>-</u>
Total Net Assets	<u>2,003,663</u>	<u>114,131</u>	<u>-</u>	<u>2,117,794</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,123,821</u>	<u>\$ 1,794,274</u>	<u>\$ (55,304)</u>	<u>\$ 3,862,791</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, 2015

	Cleveland Restoration <u>Society</u>	Heritage Home Educational <u>Society</u>	<u>Elimination</u>	<u>Total</u>
Revenue and Support				
Grants	\$ 333,237	\$ 200,291	\$ -	\$ 533,528
Fees for services	3,169	269,790	-	272,959
Contributions	66,111	-	-	66,111
Special events	38,576	-	-	38,576
Membership dues	15,485	150	-	15,635
Investment income	(8,634)	-	-	(8,634)
Donated services	96,500	-	-	96,500
Loss on disposal	-	-	-	-
Rental income	39,940	-	-	39,940
Miscellaneous income	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
 Total Revenue and Support	 584,385	 470,231	 -	 1,054,616
Expenses				
Payroll	414,976	224,531	-	639,507
Payroll taxes	32,671	17,678	-	50,349
Advertising	350	54,524	-	54,874
Bank charges	1,004	32	-	1,036
Depreciation	92,278	-	-	92,278
Dues and subscriptions	1,762	-	-	1,762
Facade/monographs	11,366	-	-	11,366
Events-fundraising	4,600	420	-	5,020
Insurance	13,278	2,508	-	15,786
Insurance-health	32,972	17,840	-	50,812
Interest	1,086	-	-	1,086
Miscellaneous	287	320	-	607
Office technology	3,985	1,243	-	5,228
Pension	12,616	6,826	-	19,442
Postage	2,734	1,354	-	4,088
Professional fees	8,225	500	-	8,725
Professional fees-donated	96,500	-	-	96,500
Direct program expenses	11,530	221	-	11,751
Printing	3,154	1,017	-	4,171
Rent-equipment	6,457	3,493	-	9,950
Repairs	31,630	-	-	31,630
Supplies	3,577	575	-	4,152
Seminars/conferences	5,623	12	-	5,635
Workers' Compensation	1,124	608	-	1,732
Telephone	6,661	4,279	-	10,940
Travel	27,116	11,578	-	38,694
Utilities	<u>21,499</u>	<u>-</u>	<u>-</u>	<u>21,499</u>
Total expenses	<u>849,061</u>	<u>349,559</u>	<u>-</u>	<u>1,198,620</u>
 (Decrease) Increase in Net Assets	 <u>(264,676)</u>	 <u>120,672</u>	 <u>-</u>	 <u>(144,004)</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	<u>33</u>	<u>50</u>	<u>-</u>	<u>83</u>
 Total Revenue and Support	 466,697	 612,884	 -	 1,079,581
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	6,923	-	58,388
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	<u>12,287</u>	<u>-</u>	<u>-</u>	<u>12,287</u>
Total expenses	<u>719,470</u>	<u>498,753</u>	<u>-</u>	<u>1,218,223</u>
 (Decrease) Increase in Net Assets	 <u>(252,773)</u>	 <u>114,131</u>	 <u>-</u>	 <u>(138,642)</u>

Supplemental Schedule

The Accompanying Notes are an Integral Part of these Financial Statements