

CLEVELAND RESTORATION SOCIETY, INC.

CONSOLIDATED
AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

CLEVELAND RESTORATION SOCIETY, INC.

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February 9, 2017

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, 2016 and 2015, 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, 2016 and 2015 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, 2016</u>	<u>Dec. 31, 2015</u>	<u>Increase (Decrease)</u>
Current Assets			
Cash and cash equivalents	\$ 215,887	\$ 84,988	\$ 130,899
Restricted cash in escrow	1,524,127	1,707,657	(183,530)
Grants and accounts receivable	209,793	325,192	(115,399)
Prepaid expenses	12,155	12,233	(78)
Historic property for sale	<u>-</u>	<u>54,253</u>	<u>(54,253)</u>
 Total Current Assets	 1,961,962	 2,184,323	 (222,361)
Property and Equipment			
Furniture	62,523	62,523	-
Equipment	46,393	46,393	-
Public garden	239,527	239,527	-
Sarah Benedict House	1,475,307	1,462,613	12,694
Less: accumulated depreciation	<u>(1,534,642)</u>	<u>(1,445,342)</u>	<u>(89,300)</u>
 Net Property and Equipment	 289,108	 365,714	 (76,606)
Other Assets			
Investments			
General endowment	263,867	254,803	9,064
Sarah Benedict House endowment	258,441	240,286	18,155
Board designated	775,490	597,736	177,754
Revolving fund	50,733	40,000	10,733
Other temporarily restricted	-	70,000	(70,000)
Unrestricted	<u>5,184</u>	<u>-</u>	<u>5,184</u>
 Total Other Assets	 <u>1,353,715</u>	 <u>1,202,825</u>	 <u>150,890</u>
 TOTAL ASSETS	 <u>\$ 3,604,785</u>	 <u>\$ 3,752,862</u>	 <u>\$ (148,077)</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, 2016</u>	<u>Dec. 31, 2015</u>	<u>Increase (Decrease)</u>
Current Liabilities			
Accounts payable	\$ 27,379	\$ 44,712	\$ (17,333)
Current portion - long term loan	5,625	5,298	327
Escrow funds payable	1,524,127	1,707,657	(183,530)
Accrued expenses	<u>21,337</u>	<u>11,336</u>	<u>10,001</u>
Total Current Liabilities	1,578,468	1,769,003	(190,535)
Long-Term Liabilities			
Empowerment Zone loan	10,070	15,367	(5,297)
Less current portion	<u>(5,625)</u>	<u>(5,298)</u>	<u>(327)</u>
Total Long-Term Liabilities	<u>4,445</u>	<u>10,069</u>	<u>(5,624)</u>
Total Liabilities	1,582,913	1,779,072	(196,159)
Net Assets			
Unrestricted	80,881	150,211	(69,330)
Unrestricted-board designated	775,490	597,736	177,754
Temporarily restricted	567,460	680,753	(113,293)
Permanently restricted	<u>598,041</u>	<u>545,090</u>	<u>52,951</u>
Total Net Assets	<u>2,021,872</u>	<u>1,973,790</u>	<u>48,082</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,604,785</u>	<u>\$ 3,752,862</u>	<u>\$ (148,077)</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, 2016

	<u>Un- Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Grants	\$ -	\$ 411,064	\$ 25,000	\$ 436,064
Fees for services	283,203	-	-	283,203
Contributions	92,937	-	-	92,937
Special events	96,457	-	-	96,457
Membership dues	20,025	-	-	20,025
Investment income	3,440	64,214	43,225	110,879
Donated services	52,000	-	-	52,000
Gain on property sale	131,067	-	617	131,684
Rental income	-	44,750	-	44,750
Miscellaneous	1,102	-	-	1,102
Released from restrictions	<u>649,212</u>	<u>(633,321)</u>	<u>(15,891)</u>	<u>-</u>
 Total Revenue and Support	 1,329,443	 (113,293)	 52,951	 1,269,101
Expenses				
Public Education	148,082	-	-	148,082
Sarah Benedict House	159,131	-	-	159,131
Preservation Services	213,096	-	-	213,096
Real estate	48,521	-	-	48,521
Heritage Home Program	<u>405,582</u>	<u>-</u>	<u>-</u>	<u>405,582</u>
 Total Program	 974,412	 -	 -	 974,412
Management services	169,023	-	-	169,023
Fundraising	<u>77,584</u>	<u>-</u>	<u>-</u>	<u>77,584</u>
 Total Expenses	 <u>1,221,019</u>	 <u>-</u>	 <u>-</u>	 <u>1,221,019</u>
 Increase (Decrease) in Net Assets	 108,424	 (113,293)	 52,951	 48,082
Net Assets at Beginning of Year	<u>747,947</u>	<u>680,753</u>	<u>545,090</u>	<u>1,973,790</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 856,371</u>	 <u>\$ 567,460</u>	 <u>\$ 598,041</u>	 <u>\$ 2,021,872</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 loss	(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>529,958</u>	<u>(503,554)</u>	<u>(26,404)</u>	<u>-</u>
 Total Revenue and Support	 1,013,937	 19,914	 20,766	 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>
(Decrease) Increase in Net Assets	(184,683)	19,914	20,766	(144,003)
Net Assets at Beginning of Year	<u>932,630</u>	<u>660,839</u>	<u>524,324</u>	<u>2,117,793</u>
NET ASSETS AT END OF YEAR	<u>\$ 747,947</u>	<u>\$ 680,753</u>	<u>\$ 545,090</u>	<u>\$ 1,973,790</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, 2016

	Programs							Fundraising	Total
	Public Education	Sarah Benedict House	Preservation Services	Real Estate	Heritage Home Program	Management Services			
Expenses									
Payroll	\$ 97,378	\$ 15,895	\$ 114,010	\$ 36,333	\$ 253,393	\$ 97,979	\$ 52,896	\$ 667,884	
Payroll taxes	7,567	1,235	8,859	2,823	19,781	7,273	4,111	51,649	
Advertising	2,271	-	-	-	61,015	-	-	63,286	
Bank charges	1,168	-	-	-	67	851	-	2,086	
Depreciation	-	83,096	-	-	-	6,204	-	89,300	
Dues and subscriptions	-	-	-	-	38	1,674	-	1,712	
Facade/monographs	11,785	-	-	-	-	-	-	11,785	
Events-fundraising	-	-	-	-	234	-	9,777	10,011	
Insurance	1,268	6,845	1,485	473	3,300	1,276	689	15,336	
Insurance-health	11,551	1,886	13,524	4,310	30,246	11,991	6,275	79,783	
Interest expense	-	778	-	617	-	-	-	1,395	
Miscellaneous	178	-	-	-	-	74	-	252	
Office technology	3,443	43	310	99	689	266	144	4,994	
Pension	3,089	504	3,616	1,152	8,038	3,108	1,678	21,185	
Postage	609	87	643	199	1,436	537	290	3,801	
Professional fees	-	458	-	-	-	10,009	-	10,467	
Professional fees-donated	-	-	52,000	-	-	-	-	52,000	
Direct program exp.	667	-	12,161	-	549	-	-	13,377	
Printing	546	-	27	-	849	4,712	-	6,134	
Rent-equipment	1,443	236	1,690	538	3,755	1,685	784	10,131	
Repairs	-	31,335	-	-	-	-	-	31,335	
Seminars/conferences	1,995	-	-	-	-	3,598	-	5,593	
Supplies	459	1,161	617	171	1,195	462	250	4,315	
Telephone	1,271	671	1,488	497	3,307	1,279	690	9,203	
Travel	1,394	83	2,666	1,309	17,690	16,045	-	39,187	
Utilities	-	14,818	-	-	-	-	-	14,818	
Total Expenses	\$ 148,082	\$ 159,131	\$ 213,096	\$ 48,521	\$ 405,582	\$ 169,023	\$ 77,584	\$1,221,019	

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, 2015

	Programs						Fundraising	Total
	Public Education	Sarah Benedict House	Preservation Services	Real Estate	Heritage Home Program	Managemen Services		
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	-	1,035
Depreciation	-	86,488	-	-	-	5,790	-	92,279
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	15,785
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	5,229
Pension	2,636	647	3,140	2,047	6,826	2,493	1,653	19,443
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	-	4,170
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	-	5,636
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	10,939
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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	\$ 48,082	\$ (144,003)
Adjustments to reconcile net (decrease) increase to net cash provided by (used in) operating activities		
Depreciation and amortization	89,300	92,279
(Gain) Loss on investments	(110,879)	8,634
(Gain) on property sale	(131,684)	-
Decrease in Operating Assets:		
Accounts receivable	115,399	(165,291)
Prepays	78	323
Decrease in Operating Liabilities:		
Accounts payable	(17,333)	(7,707)
Accrued liabilities	10,001	11,336
Total Adjustments	<u>(45,118)</u>	<u>(60,426)</u>
Net Cash Provided By (Used In) Operating Activities	2,964	(204,429)
Cash Flows From Investing Activities		
Capital expenditures	(12,694)	(40,787)
Purchase of property in receivership	-	(51,736)
Net (purchase) sale of investments	(49,092)	174,808
Proceeds from sale of property	<u>195,018</u>	<u>-</u>
Net Cash Provided By Investing Activities	133,232	82,285
Cash Flows From Financing Activities		
Notes payable repayment	<u>(5,297)</u>	<u>(4,990)</u>
Net Cash (Used In) Financing Activities	<u>(5,297)</u>	<u>(4,990)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	130,899	(127,134)
Cash and Cash Equivalents at Beginning of Period	<u>84,988</u>	<u>212,122</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 215,887</u>	<u>\$ 84,988</u>
Supplemental information		
Amount of interest paid on all indebtedness was	<u>\$ 1,395</u>	<u>\$ 1,086</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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 Preservation Services Program (including the Sacred Landmarks Assistance Program) and its' Historic Real Estate 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, 2016 AND 2015

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, 2016. 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, 2016 AND 2015

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 2013 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 real estate (Notes 7) 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, 2016 AND 2015

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 \$1,524,127 and \$1,707,657, as of December 31, 2016 and 2015, respectively .

NOTE 5- Grants and Accounts Receivable

Grants and accounts receivable comprise the following amounts:

	<u>2016</u>	<u>2015</u>
City of Cleveland	\$ 55,000	\$ 66,514
Cuyahoga Arts and Culture	8,341	8,341
Ohio Arts Council	23,503	23,946
Ohio Historical Society	25,000	20,000
The Cleveland Foundation	80,000	190,000
City of Olmsted Falls	1,500	-
John P. Murphy Foundation	5,000	-
Individuals	657	600
Other receivable	<u>10,792</u>	<u>15,791</u>
Total Grants and receivables	<u>\$ 209,793</u>	<u>\$ 325,192</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, 2016 AND 2015

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- Historic Property for Sale

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 continued to rehabilitate the property, had all liens removed and then took ownership of the property. This property was sold during 2016, and CRS realized a gain on the sale of \$131,684.

NOTE 8- Investments

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

	<u>2016</u>	<u>2015</u>
Mutual funds - Stocks		
500 Index Fund	\$ 501,430	\$ 398,130
Others	338,086	277,658
Mutual funds - Bonds	458,282	406,773
Money Market Funds	<u>55,917</u>	<u>120,264</u>
*Total investments	<u>\$1,353,715</u>	<u>\$1,202,825</u>

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

NOTE 8- Investments (continued)

CRS invests in 5 highly diversified stock funds and 3 highly diversified bond funds. The stock funds range from over 340 stocks held in the fund to over 4,200 stocks. The bond funds range from over 500 different bond issues to over 8,600 bond issues. 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.

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, 2016 and 2015 was \$0.

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, 2016 and 2015 was \$10,070 and \$15,367, respectively. Required principal payments on the loan for the next five years are as follows:

2017	\$ 5,625
2018	4,445
2019	-
2020	-
Thereafter	-
Total	<u>\$10,070</u>

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

NOTE 11- 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:

2017	\$ 5,928
2018	5,451
2019	4,410
Thereafter	<u>-</u>
Total	<u>\$ 15,789</u>

NOTE 12- Temporarily Restricted Net Assets

The temporarily restricted net assets are for the following programs:

	<u>2016</u>	<u>2015</u>
Sarah Benedict House	\$ 339,769	\$ 390,835
Preservation services	59,790	93,445
Steeple lighting	75,750	88,250
Heritage Home Program	<u>59,651</u>	<u>108,223</u>
Net Assets restricted by expenditure	534,960	680,753
CRS also has additional funds restricted by time	<u>32,500</u>	<u>-</u>
Total Temporarily Restricted Net Assets	<u>\$ 567,460</u>	<u>\$ 680,753</u>

For the years ended December 31, 2016 and 2015, the temporarily restricted net assets are made up of:

Cash	\$ 130,940	\$ 17,945
Receivable	175,398	264,131
Investments	-	70,000
Sarah Benedict House net of depreciation	271,192	344,044
Empowerment Zone loan	<u>(10,070)</u>	<u>(15,367)</u>
Total	<u>\$ 567,460</u>	<u>\$ 680,753</u>

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

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 (\$263,867) consists of the foregoing \$175,000 principal balance and \$88,867 of accumulated earnings.

During fiscal years ended December 31, 2016 and 2015, the CRS board has elected to transfer \$13,379 and \$14,078 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 revolving fund was established in 2015 with a \$50,000 grant. An additional \$25,000 grant was added to the fund in 2016. 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 lesser 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>2016</u>	<u>2015</u>
<u>Securities and Money Market funds</u>		
General Endowment	\$ 263,867	\$ 254,803
Revolving fund	75,733	40,000
Sarah Benedict House Endowment	<u>258,441</u>	<u>240,286</u>
	598,041	535,089
<u>Historic Property Held For Sale</u>		
Revolving fund	<u>-</u>	<u>10,000</u>
Total Permanently Restricted Net Assets	<u>\$ 598,041</u>	<u>\$ 545,089</u>

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

NOTE 14- Grants Awarded to CRS

	<u>2016</u>	<u>2015</u>
City of Cleveland	\$ 164,727	\$ 160,179
Ohio Historic Preservation Office	25,000	-
George Gund Foundation	25,000	20,000
Ohio Arts Council	23,503	23,412
Cleveland Foundation	-	175,000
Cuyahoga Arts & Culture	83,412	83,412
Ingalls Foundation	75,000	-
John P Murphy Foundation	10,000	-
Western Reserve Land Conservancy	-	3,000
Third Federal Savings and loan	6,120	-
Ohio Humanities Council	5,000	-
Cull Family Foundation	7,500	7,500
Maxine Goodman-Levin Historical Preservation Fund	10,802	10,675
1772 Foundation	-	50,000
Other grants	<u>-</u>	<u>350</u>
 Total Grants	 <u>\$ 436,064</u>	 <u>\$ 533,528</u>

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, 2016 and 2015 was \$21,185 and \$19,443, respectively.

NOTE 16- 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 \$52,000 and \$96,500 for the years ended December 31, 2016 and 2015, respectively.

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

NOTE 17- 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, 2016 and 2015.

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, 2016 and 2015. An expense and corresponding liability will only be recorded if sickness occurs.

NOTE 18- Subsequent Events

CRS has evaluated subsequent events through March 7, 2017, 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, 2016

ASSETS				
	Cleveland Restoration Society	Heritage Home Educational Society	<u>Elimination</u>	<u>Total</u>
Current Assets				
Cash and cash equivalents	\$ 215,887	\$ -	\$ -	\$ 215,887
Restricted cash in escrow	-	1,524,127	-	1,524,127
Grants and accounts receivable	152,542	57,251	-	209,793
Due from Cleveland Restoration Society	-	162,931	(162,931)	-
Prepaid expense	12,155	-	-	12,155
Historic property held for sale	-	-	-	-
Total Current Assets	380,584	1,744,309	(162,931)	1,961,962
Property and Equipment				
Furniture	62,523	-	-	62,523
Equipment	46,393	-	-	46,393
Public garden	239,527	-	-	239,527
Sarah Benedict House	1,475,307	-	-	1,475,307
Less: accumulated depreciation	(1,534,642)	-	-	(1,534,642)
Net Property and Equipment	289,108	-	-	289,108
Other Assets				
Investments				
General endowment	263,867	-	-	263,867
Sarah Benedict House endowment	258,441	-	-	258,441
Board designated	775,490	-	-	775,490
Other permanently restricted	50,733	-	-	50,733
Other temporarily restricted	-	-	-	-
Unrestricted	5,184	-	-	5,184
Due from Heritage Home Educational Soc.	9,146	-	(9,146)	-
Receivership property	-	-	-	-
Total Other Assets	1,362,861	-	(9,146)	1,353,715
TOTAL ASSETS	\$ 2,032,553	\$ 1,744,309	\$ (172,077)	\$ 3,604,785

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

CLEVELAND RESTORATION SOCIETY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2016

LIABILITIES, CAPITAL, EQUITY AND NET ASSETS

	Cleveland Restoration Society	Heritage Home Educational Society	Elimination	Total
Current Liabilities				
Accounts payable	\$ 27,379	\$ -	\$ -	\$ 27,379
Current portion long-term loan	5,625	-	-	5,625
Due to Heritage Home Educational Soc.	162,931	-	(162,931)	-
Escrow funds payable	-	1,524,127	-	1,524,127
Accrued expenses	<u>21,337</u>	<u>-</u>	<u>-</u>	<u>21,337</u>
 Total Current Liabilities	 217,272	 1,524,127	 (162,931)	 1,578,468
Long-Term Liabilities				
Due to Cleveland Restoration Society	-	9,146	(9,146)	-
Empowerment Zone loan	10,070	-	-	10,070
Less current portion	<u>(5,625)</u>	<u>-</u>	<u>-</u>	<u>(5,625)</u>
 Total Long-Term Liabilities	 <u>4,445</u>	 <u>9,146</u>	 <u>(9,146)</u>	 <u>4,445</u>
 Total Liabilities	 221,717	 1,533,273	 (172,077)	 1,582,913
Net Assets				
Unrestricted	621,366	126,581	108,424	856,371
Temporarily restricted	572,530	108,223	(113,293)	567,460
Permanently restricted	545,090	-	52,951	598,041
Current net change	<u>71,850</u>	<u>(23,768)</u>	<u>(48,082)</u>	<u>-</u>
 Total Net Assets	 <u>1,810,836</u>	 <u>211,036</u>	 <u>-</u>	 <u>2,021,872</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,032,553</u>	 <u>\$ 1,744,309</u>	 <u>\$ (172,077)</u>	 <u>\$ 3,604,785</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

ASSETS				
	Cleveland Restoration Society	Heritage Home Educational Society	<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	169,005	-	325,192
Due from Cleveland Restoration Society	-	74,244	(74,244)	-
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	\$ 44,712	\$ -	\$ -	\$ 44,712
Due to Heritage Home Educational Soc.	74,244	-	(74,244)	-
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	1,707,657	(74,244)	1,769,003
Long-Term Liabilities				
Due to Cleveland Restoration Society	-	8,446	(8,446)	-
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>8,446</u>	<u>(8,446)</u>	<u>10,069</u>
Total Liabilities	145,659	1,716,103	(82,690)	1,779,072
Net Assets				
Unrestricted	899,684	32,946	(184,683)	747,947
Temporarily restricted	579,654	81,185	19,914	680,753
Permanently restricted	524,324	-	20,766	545,090
Current net change/income	<u>(264,675)</u>	<u>120,672</u>	<u>144,003</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>

CLEVELAND RESTORATION SOCIETY
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Cleveland Restoration <u>Society</u>	Heritage Home Educational <u>Society</u>	<u>Elimination</u>	<u>Total</u>
Revenue and Support				
Grants	\$ 331,088	\$ 104,976	\$ -	\$ 436,064
Fees for services	11,800	271,403	-	283,203
Contributions	86,937	6,000	-	92,937
Special events	96,357	100	-	96,457
Membership dues	20,025	-	-	20,025
Investment income	110,879	-	-	110,879
Donated services	52,000	-	-	52,000
Gain on property sale	131,684	-	-	131,684
Rental income	44,750	-	-	44,750
Miscellaneous income	<u>1,067</u>	<u>35</u>	<u>-</u>	<u>1,102</u>
 Total Revenue and Support	 886,587	 382,514	 -	 1,269,101
Expenses				
Payroll	414,491	253,393	-	667,884
Payroll taxes	31,868	19,781	-	51,649
Advertising	2,271	61,015	-	63,286
Bank charges	2,019	67	-	2,086
Depreciation	89,300	-	-	89,300
Dues and subscriptions	1,474	238	-	1,712
Facade/monographs	11,785	-	-	11,785
Events-fundraising	9,777	234	-	10,011
Insurance	12,036	3,300	-	15,336
Insurance-health	49,537	30,246	-	79,783
Interest	1,395	-	-	1,395
Miscellaneous	252	-	-	252
Office technology	4,305	689	-	4,994
Pension	13,147	8,038	-	21,185
Postage	2,365	1,436	-	3,801
Professional fees	9,967	500	-	10,467
Professional fees-donated	52,000	-	-	52,000
Direct program expenses	12,828	549	-	13,377
Printing	5,285	849	-	6,134
Rent-equipment	6,376	3,755	-	10,131
Repairs	31,335	-	-	31,335
Seminars/conferences	5,593	-	-	5,593
Supplies	3,120	1,195	-	4,315
Telephone	5,896	3,307	-	9,203
Travel	21,497	17,690	-	39,187
Utilities	<u>14,818</u>	<u>-</u>	<u>-</u>	<u>14,818</u>
Total expenses	<u>814,737</u>	<u>406,282</u>	<u>-</u>	<u>1,221,019</u>
 Increase (Decrease) in Net Assets	 <u>\$ 71,850</u>	 <u>\$ (23,768)</u>	 <u>\$ -</u>	 <u>\$ 48,082</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 Society	Heritage Home Educational Society	<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
Gain on disposal	-	-	-	-
Rental income	39,940	-	-	39,940
Miscellaneous income	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
 Total Revenue and Support	 584,386	 470,231	 -	 1,054,617
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
Seminars/conferences	5,623	12	-	5,635
Supplies	3,577	575	-	4,152
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>(264,675)</u>	 <u>120,672</u>	 <u>-</u>	 <u>(144,003)</u>

Supplemental Schedule

The Accompanying Notes are an Integral Part of these Financial Statements