

CLEVELAND RESTORATION SOCIETY, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

CLEVELAND RESTORATION SOCIETY, INC.

CONTENTS

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2-3
Statements of Activities and Changes in Net Assets	
For the year ended December 31, 2010	4
For the year ended December 31, 2009	5
Statements of Functional Expenses	
For the year ended December 31, 2010	6
For the year ended December 31, 2009	7
Statements of Cash Flows	8
NOTES TO THE FINANCIAL STATEMENTS	9-16

February 21, 2011

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

Independent Auditors' Report

We have audited the accompanying statements of financial position of Cleveland Restoration Society, Inc. (a not-for-profit corporation) as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cleveland Restoration Society, Inc. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Koester, DiSalvo and Fried

CLEVELAND RESTORATION SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS			
	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>	<u>Increase (Decrease)</u>
Current Assets			
Cash and cash equivalents	\$ 180,371	\$ 201,600	\$ (21,229)
Grants and accounts receivable	211,344	220,229	(8,885)
Prepaid expenses	<u>18,086</u>	<u>18,752</u>	<u>(666)</u>
 Total Current Assets	 409,801	 440,581	 (30,780)
Property and Equipment			
Furniture	77,812	81,436	(3,624)
Equipment	59,175	54,908	4,267
Public garden	301,992	301,992	-
Sarah Benedict House	1,440,212	1,440,212	-
Less: accumulated depreciation	<u>(1,094,515)</u>	<u>(1,014,629)</u>	<u>(79,886)</u>
 Net Property and Equipment	 784,676	 863,919	 (79,243)
Other Assets			
Investments (Note 6)	911,530	839,628	71,902
Database project	14,565	20,592	(6,027)
Real estate held for sale (Note 7)	<u>89,733</u>	<u>-</u>	<u>89,733</u>
 Total Other Assets	 <u>1,015,828</u>	 <u>860,220</u>	 <u>155,608</u>
 TOTAL ASSETS	 <u>\$ 2,210,305</u>	 <u>\$ 2,164,720</u>	 <u>\$ 45,585</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION

LIABILITIES AND NET ASSETS			
	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>	<u>Increase (Decrease)</u>
Current Liabilities			
Accounts payable	\$ 18,200	\$ 19,089	\$ (889)
Escrow funds payable	13,919	70,894	(56,975)
Less cash held in reserve	(13,919)	(70,894)	56,975
Empowerment Zone loan (Note 9)	<u>37,585</u>	<u>41,285</u>	<u>(3,700)</u>
Total Current Liabilities	55,785	60,374	(4,589)
Long-Term Liabilities			
Total Liabilities	55,785	60,374	(4,589)
Net Assets			
Unrestricted	214,053	206,935	7,118
Temporarily restricted	1,028,937	1,057,783	(28,846)
Permanently restricted	<u>911,530</u>	<u>839,628</u>	<u>71,902</u>
Total Net Assets	<u>2,154,520</u>	<u>2,104,346</u>	<u>50,174</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,210,305</u>	<u>\$ 2,164,720</u>	<u>\$ 45,585</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Un- Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Grants	\$ -	\$ 538,772	\$ -	\$ 538,772
Heritage Home Loan Program	-	139,340	-	139,340
Contributions	126,936	-	-	126,936
Technical assistance	30,711	-	-	30,711
Special events	26,952	-	-	26,952
Membership dues	18,096	-	-	18,096
Investment income	902	-	91,327	92,229
Donated services	34,200	-	-	34,200
Rental income	-	30,139	-	30,139
Property management	4,673	-	-	4,673
Miscellaneous	4,412	-	-	4,412
Released from restrictions	<u>756,522</u>	<u>(737,097)</u>	<u>(19,425)</u>	<u>-</u>
Total Revenue and Support	1,003,404	(28,846)	71,902	1,046,460
Expenses				
Public Education	76,886	-	-	76,886
Neighborhood Historic Preservation (NHPP)	177,231	-	-	177,231
Sarah Benedict House	140,178	-	-	140,178
Heritage Home Loan program	325,579	-	-	325,579
Preservation Services	<u>134,546</u>	<u>-</u>	<u>-</u>	<u>134,546</u>
Total Program	854,420	-	-	854,420
Management services	87,218	-	-	87,218
Fundraising	<u>54,648</u>	<u>-</u>	<u>-</u>	<u>54,648</u>
Total Expenses	<u>996,286</u>	<u>-</u>	<u>-</u>	<u>996,286</u>
Increase (Decrease) in Net Assets	7,118	(28,846)	71,902	50,174
Net Assets at Beginning of Year	<u>206,935</u>	<u>1,057,783</u>	<u>839,628</u>	<u>2,104,346</u>
NET ASSETS AT END OF YEAR	<u>\$ 214,053</u>	<u>\$ 1,028,937</u>	<u>\$ 911,530</u>	<u>\$ 2,154,520</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Un- Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Grants	\$ -	\$ 547,925	\$ -	\$ 547,925
Heritage Home Loan Program	-	127,460	-	127,460
Contributions	68,450	-	-	68,450
Technical assistance	48,323	-	-	48,323
Special events	20,385	-	-	20,385
Membership dues	18,998	-	-	18,998
Investment income	2,481	-	124,501	126,982
Donated services	12,000	-	-	12,000
Donated furniture	-	400	-	400
Rental income	-	25,299	-	25,299
Property management	14,246	-	-	14,246
Miscellaneous	66	-	-	66
Released from restrictions	<u>811,453</u>	<u>(811,453)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	996,402	(110,369)	124,501	1,010,534
Expenses				
Public Education	128,443	-	-	128,443
Neighborhood Historic Preservation (NHPP)	179,597	-	-	179,597
Sarah Benedict House	139,134	-	-	139,134
Heritage Home Loan Program	347,860	-	-	347,860
Preservation Services	<u>92,317</u>	<u>-</u>	<u>-</u>	<u>92,317</u>
Total Program	887,351	-	-	887,351
Management services	<u>97,254</u>	<u>-</u>	<u>-</u>	<u>97,254</u>
Total Expenses	<u>984,605</u>	<u>-</u>	<u>-</u>	<u>984,605</u>
Increase (Decrease in) Net Assets	11,797	(110,369)	124,501	25,929
Net Assets at Beginning of Year	<u>195,138</u>	<u>1,168,152</u>	<u>715,127</u>	<u>2,078,417</u>
NET ASSETS AT END OF YEAR	<u>\$ 206,935</u>	<u>\$ 1,057,783</u>	<u>\$ 839,628</u>	<u>\$ 2,104,346</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	PROGRAMS							Total
	Public <u>Education</u>	NHPP	Sarah Benedict <u>House</u>	Heritage Home Loan <u>Program</u>	Preservation <u>Services</u>	Management <u>Services</u>	Fundraising	
Expenses								
Payroll	\$ 30,760	\$ 127,380	\$ -	\$ 238,837	\$ 66,326	\$ 24,701	\$ 40,955	\$ 528,959
Payroll taxes	2,551	10,178	-	19,083	5,299	1,882	3,133	42,126
Advertising	3,742	330	-	6,817	-	-	-	10,889
Amortization	3,014	-	-	-	-	-	3,013	6,027
Bank charges	-	-	-	-	-	1,906	-	1,906
Contract services	-	-	-	-	22,200	3,287	-	25,487
Conference	-	-	-	45	210	3,292	-	3,547
Depreciation	-	-	89,903	-	-	7,793	-	97,695
Dues and subscriptions	-	-	-	-	140	2,301	-	2,441
Facade/monographs	9,566	-	-	-	-	-	-	9,566
Insurance	828	1,313	-	6,212	1,056	4,394	-	13,804
Insurance-health	3,253	14,251	-	26,720	7,420	4,088	3,253	58,984
Interest expense	-	-	2,376	-	-	-	-	2,376
Miscellaneous	206	-	-	-	76	-	-	282
Office technology	3,069	-	1,938	-	8,668	4,474	-	18,148
Pension	1,098	2,404	-	4,508	1,252	780	-	10,042
Postage	823	3,001	-	1,067	1,734	2,556	-	9,181
Professional fees	-	-	-	-	-	5,121	-	5,121
Professional fees-legal	-	12,000	-	-	-	4,729	-	16,729
Direct program exp.	13,330	-	-	6,155	15,816	-	3,603	38,904
Printing	2,707	118	-	964	-	506	-	4,295
Photography	-	-	-	-	-	21	-	21
Rent-equipment	561	2,246	-	4,211	723	1,617	-	9,357
Repairs	-	-	32,698	-	-	-	-	32,698
Workers' Comp.	186	406	-	762	212	117	-	1,682
Telephone	691	798	-	2,680	476	6,182	691	11,518
Travel	426	2,806	-	7,518	1,837	7,471	-	20,058
Tours/workshops	75	-	-	-	1,101	-	-	1,176
Utilities	-	-	13,263	-	-	-	-	13,263
Total Expenses	\$ 76,886	\$ 177,231	\$ 140,178	\$ 325,579	\$ 134,546	\$ 87,218	\$ 54,648	\$ 996,285

The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	PROGRAMS						Total
	Public <u>Education</u>	NHPP	Sarah Benedict <u>House</u>	Preservation <u>Services</u>	Heritage Home Loan <u>Program</u>	Management <u>Services</u>	
Expenses							
Payroll	\$ 69,345	\$ 125,474	\$ -	\$ 65,585	\$ 254,095	\$ 38,494	\$ 552,994
Payroll taxes	6,168	11,160	-	5,833	22,178	3,426	48,765
Advertising	2,385	-	-	-	145	-	2,530
Amortization	6,027	-	-	-	-	-	6,027
Annual meeting	1,035	-	-	-	-	-	1,035
Bank charges	-	-	-	-	-	1,860	1,860
Committee expenses	361	-	-	263	-	3,795	4,419
Contract services	-	-	-	2,500	-	14,191	16,691
Conference	-	-	-	-	220	-	220
Depreciation	-	-	93,359	-	-	5,127	98,486
Dues and subscriptions	-	-	-	-	50	3,670	3,720
Facade/monographs	9,052	-	-	-	-	-	9,052
Insurance	2,107	3,813	-	1,993	7,722	1,171	16,806
Insurance-health	13,057	12,142	-	-	24,619	3,694	53,511
Interest expense	-	-	2,816	-	-	-	2,816
Miscellaneous	9,206	-	-	-	24	200	9,431
Office technology	3,432	870	-	457	1,783	267	6,808
Program expenses	-	-	-	11,000	-	-	11,000
Pension	2,635	2,450	-	-	4,961	753	10,798
Postage	145	1,302	-	-	1,450	7,728	10,625
Professional fees	-	-	-	-	-	4,659	4,659
Professional fees-legal	-	12,000	-	-	-	-	12,000
Printing	685	1,239	-	751	4,093	380	7,148
Rent-equipment	949	1,718	-	898	3,479	527	7,571
Repairs	-	-	27,520	-	-	-	27,520
Seminars/conferences	-	-	-	-	-	241	241
Supplies	93	1,261	1,683	-	7,931	-	10,967
Workers' Comp.	-	-	-	-	419	-	419
Telephone	1,303	2,357	-	1,232	4,779	718	10,389
Travel	458	3,811	-	1,805	9,912	6,353	22,339
Utilities	-	-	13,756	-	-	-	13,756
Total Expenses	<u>\$ 128,443</u>	<u>\$ 179,597</u>	<u>\$ 139,134</u>	<u>\$ 92,317</u>	<u>\$ 347,860</u>	<u>\$ 97,254</u>	<u>\$ 984,605</u>

The Accompanying Notes are an Integral Part of These Financial Statements

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

	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	\$ 50,174	\$ 25,929
Adjustments to reconcile net increase (decrease) to net cash provided by (used in) operating activities		
Depreciation and amortization	103,722	104,513
(Gain) loss on investments	(91,327)	(124,501)
Donated property	(70,000)	-
Decrease (Increase) in Operating Assets:		
Accounts receivable	8,885	(6,879)
Prepays	666	199
Increase (Decrease) in Operating Liabilities:		
Accounts payable	(889)	(20,260)
Total Adjustments	<u>(48,943)</u>	<u>(46,928)</u>
Net Cash Provided By (Used in) Operating Activities	1,231	(20,999)
Cash Flows From Investing Activities		
Capital expenditures	(18,451)	(11,019)
Net sale (purchase) of investments	19,423	-
Investment in property	<u>(19,733)</u>	<u>-</u>
Net Cash Provided By (Used In) Investing Activities	(18,761)	(11,019)
Cash Flows From Financing Activities		
Notes payable repayment	<u>(3,699)</u>	<u>(3,259)</u>
Net Cash Provided By (Used In) Financing Activities	<u>(3,699)</u>	<u>(3,259)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(21,229)	(35,277)
Cash and Cash Equivalents at Beginning of Period	<u>201,600</u>	<u>236,877</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 180,371</u>	<u>\$ 201,600</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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

- B. The agency is tax-exempt under Internal Revenue Service Code Section 501(c)(3).

NOTE 2- Summary of Significant Accounting Policies

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

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

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

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009

NOTE 2- Summary of Significant Accounting Policies (Continued)

- D. Allocation of Expenses- Expenses are generally charged to the specific programs for which they are incurred. In some cases, however, common expenses are incurred which support the work performed under program services as well as supporting services. Such expenses are allocated among the various program services and support services based on the relationship of functionalized payroll costs to total payroll costs.
- E. Depreciation - Property and equipment are depreciated using the straight-line method over estimated useful lives. (See Note 5- Property and Equipment)
- F. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- G. Contributions and Grants- Nonrestricted contributions, if any, are recorded as support when received or receivable. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Grants with donor restrictions are recorded as temporarily restricted grants when awarded. Some grants awarded to CRS require the fulfillment of certain specific conditions. Failure to fulfill these conditions could result in either the return of funds to the grantor or the refusal by the grantor to release additional funds pursuant to the grant.
- H. Advertising Costs – CRS expenses advertising cost when incurred.
- I. CRS complies with FASB ASC 740 – Accounting for Uncertainty in Income Taxes. FASB ASC 740 details how companies should recognize, measure, present and disclose uncertain tax positions that have been or 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.
- J. Unadopted FASB statements. Various FASB statements have been issued, where compliance is encouraged but not required until after years ending December 31, 2010. Management is unaware of any issued and unadopted FASB statements that would have a material effect on the financial statements.

See Auditors’ Report

CLEVELAND RESTORATION SOCIETY, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2010 AND 2009

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.

Included in the cash balance are funds restricted to the following projects:

	<u>2010</u>	<u>2009</u>
Cash Reserve Fund	\$148,390	\$148,390
Advocacy	5,000	5,000
Other	<u>12,306</u>	<u>12,306</u>
Total Restricted Cash	<u>\$ 165,696</u>	<u>\$ 165,696</u>

NOTE 4- Grants and Accounts Receivable

Grants and accounts receivable comprise the following amounts:

	<u>2010</u>	<u>2009</u>
City of Cleveland	\$ 10,330	\$ -
City of Rocky River	5,770	-
NTHP-Partners in the Field	39,950	59,500
The Cleveland Foundation	145,000	116,500
Mandel Foundation	3,500	10,000
William P. & Amanda C. Madar Foundation	-	10,000
Canton Preservation Society	-	5,000
Individuals	5,100	17,365
Other receivable	<u>1,694</u>	<u>1,864</u>
Total Grants and receivables	<u>\$ 211,344</u>	<u>\$ 220,229</u>

Management believes that all amounts are collectible.

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2010 AND 2009

NOTE 5- 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 6- Sarah Benedict Endowment and Other Investments

Investments consist of fixed income and equity securities, as follows, held at Northern Trust Bank:

	SBH Endowment <u>2009</u>	General Endowment <u>2010</u>	TOTAL <u>2010</u>	TOTAL <u>2009</u>
Sears Roebuck	-	-	\$ -	\$ 15,075
Real Estate	6,763	19,288	26,051	-
Commodities	18,697	53,203	71,900	58,086
Equity securities	111,005	317,631	428,636	389,144
Fixed income Securities	87,043	247,295	334,338	293,068
Money Market Funds	<u>16,310</u>	<u>34,295</u>	<u>50,605</u>	<u>84,255</u>
*Total investments at Charles Schwab	<u>\$239,818</u>	<u>\$671,712</u>	<u>\$911,530</u>	<u>\$839,628</u>

The Equity securities include 30 different Blue Chip stocks. CRS's investment in the individual stocks is less than \$45,000 each. The general account securities are designated as the general endowment as of December 31, 2010. (See Note 11- Permanently Restricted Net Assets)

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2010 AND 2009

NOTE 7-Real Estate Held For Sale

During FYE December 31, 2010, CRS received a donation of real estate valued at \$70,000. It is CRS's intention to sell the property; however, the property needs various repairs before it can be sold. CRS has incurred \$19,733 in repairs as of December 31, 2010. A purchase offer of approximately \$90,000 has been received and is presently being negotiated.

NOTE 8- 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, 2010 and 2009 was \$0.

NOTE 9- Empowerment Zone Loan

CRS has an unsecured construction loan from the Empowerment Zone with a \$60,000 maximum credit limit. Interest only payments (6%) are due monthly. The balance as of December 31, 2010 and 2009 was \$37,585 and \$41,285, respectively.

NOTE 10- Temporarily Restricted Net Assets

The temporarily restricted net assets restricted by expenditure are for the following programs:

	<u>2010</u>	<u>2009</u>
Rehabilitation, maintenance and operating expenses of the Sarah Benedict House	\$ 730,043	\$ 785,409
Neighborhood Preservation Expenses/Cash reserve	78,390	78,390
John Hay School Murals	10,000	10,000
Preservation Projects	<u>-</u>	<u>-</u>
Net Assets restricted by expenditure	818,433	873,799
CRS also has additional funds restricted by time	<u>210,504</u>	<u>183,984</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,028,937</u>	<u>\$ 1,057,783</u>

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009

NOTE 11- Permanently 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 \$25,000 gift from the Robert C. Gaede for the purpose of awarding an annual lifetime achievement award.

During fiscal year ended December 31, 2010, the CRS board has elected to transfer \$19,425 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>2010</u>	<u>2009</u>
General Endowment		
Securities	\$ 637,417	\$575,216
Money Market Funds	<u>34,295</u>	<u>51,188</u>
	671,712	626,404
Sarah Benedict House Endowment		
Money Market Funds	16,310	33,067
Securities	<u>223,508</u>	<u>180,157</u>
	239,818	213,224
Total Permanently Restricted Net Assets	<u>\$911,530</u>	<u>\$839,628</u>

NOTE 12- 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 June 1, 2003, CRS matches 50% of an employee's contribution up to 6% of gross earnings. The pension expense for the years ended December 31, 2010 and 2009 was \$10,042 and \$10,798, respectively.

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009

NOTE 13- Grants Awarded to CRS

	<u>2010</u>	<u>2009</u>
City of Cleveland	\$ 118,430	\$ 167,033
Ohio Historic Preservation Office	5,000	-
George Gund Foundation	20,000	-
Canton Preservation Society	-	5,000
Cleveland Foundation	183,500	161,500
Akron Community Foundation	10,000	10,000
Bruening Foundation	-	10,000
Cuyahoga Arts & Culture	124,392	124,392
National Trust for Historic Preservation	22,950	25,500
Charles & Helen Brown Memorial Foundation	10,000	-
Kelvin & Eleanor Smith Foundation	9,500	9,500
Thomas Jorgenson	-	10,000
Richard W. Parke	-	10,000
Nordson Corporation Foundation	-	5,000
Cull Family Foundation	5,000	5,000
The Lubrizol Foundation	-	5,000
Louise H. & David Ingalls	<u>30,000</u>	<u>-</u>
 Total Grants	 <u>\$ 538,272</u>	 <u>\$ 547,925</u>

NOTE 14- Leases

CRS leases its office equipment under two noncancellable operating leases. One lease calls for monthly rental payments of \$383 and the other calls for quarterly payments of \$159.

The future minimum required lease payments on the equipment are as follows:

2011	\$ 5,132
2012	1,019
2013	636
Thereafter	<u>-</u>
 Total	 <u>\$ 6,787</u>

NOTE 15- Statement of Cash Flow Disclosures

The amount of interest paid on all indebtedness was \$2,376 and \$2,816 for December 31, 2010 and 2009, respectively.

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009

NOTE 16- Related Party Transactions

Board members provide free legal advice as needed throughout the year. This legal advice is recorded as donated legal services. \$12,000 and \$12,000 was recorded as donation revenue and legal expense for the years ended December 31, 2010 and 2009, respectively.

During FYE December 31, 2010, CRS also had a task force that met regarding the closing of landmark Catholic Churches. This team was comprised of architects and other volunteers. Members have been involved with surveying buildings and researching reuse strategies. The architecture and engineering services is recorded as donated services and contract services in the amount of \$22,000.

NOTE 17- Subsequent Events

CRS has evaluated subsequent events through February 10, 2011, which is the date the financial statements were available to be issued.

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, 2010 and 2009.

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, 2010 and 2009. An expense and corresponding liability will only be recorded if sickness occurs.

See Auditors' Report