

CLEVELAND RESTORATION SOCIETY, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

CLEVELAND RESTORATION SOCIETY, INC.

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February 28, 2013

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

Independent Auditors' Report

We have audited the accompanying financial statements of Cleveland Restoration Society, Inc. (a not-for-profit corporation), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cleveland Restoration Society, Inc. as of December 31, 2012 and 2011 and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Koester, DiSalvo and Fried*

CLEVELAND RESTORATION SOCIETY, INC.  
STATEMENTS OF FINANCIAL POSITION

ASSETS			Increase
	<u>Dec. 31, 2012</u>	<u>Dec. 31, 2011</u>	<u>(Decrease)</u>
Current Assets			
Cash and cash equivalents	\$ 225,038	\$ 351,529	\$ (126,491)
Grants and accounts receivable	100,765	177,040	(76,275)
Prepaid expenses	<u>18,287</u>	<u>16,971</u>	<u>1,316</u>
Total Current Assets	344,090	545,540	(201,450)
Property and Equipment			
Furniture	77,812	77,812	-
Equipment	64,070	59,726	4,344
Public garden	304,892	301,992	2,900
Sarah Benedict House	1,440,212	1,440,212	-
Less: accumulated depreciation	<u>(1,287,999)</u>	<u>(1,192,256)</u>	<u>(95,743)</u>
Net Property and Equipment	598,987	687,486	(88,499)
Other Assets			
Investments (Note 6)			
General endowment	249,468	229,920	19,548
Sarah Benedict House endowment	234,127	217,538	16,589
Board designated	842,191	776,193	65,998
Heritage Home Educational Soc.	6,322	-	6,322
Database project, net	<u>2,511</u>	<u>8,538</u>	<u>(6,027)</u>
Total Other Assets	<u>1,334,619</u>	<u>1,232,189</u>	<u>102,430</u>
TOTAL ASSETS	<u>\$ 2,277,696</u>	<u>\$ 2,465,215</u>	<u>\$ (187,519)</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, 2012</u>	<u>Dec. 31, 2011</u>	<u>Increase (Decrease)</u>
Current Liabilities			
Accounts payable	\$ 55,357	\$ 11,146	\$ 44,211
Escrow funds payable	292,254	145,396	146,858
Less cash held in reserve	(292,254)	(145,396)	(146,858)
Empowerment Zone loan (Note 9)	<u>29,488</u>	<u>33,658</u>	<u>(4,170)</u>
Total Current Liabilities	84,845	44,804	40,041
Long-Term Liabilities			
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	84,845	44,804	40,041
Net Assets			
Unrestricted	152,972	136,701	16,271
Unrestricted-board designated	842,191	776,193	65,998
Temporarily restricted	714,093	1,060,059	(345,966)
Permanently restricted	<u>483,595</u>	<u>447,458</u>	<u>36,137</u>
Total Net Assets	<u>2,192,851</u>	<u>2,420,411</u>	<u>(227,560)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,277,696</u>	<u>\$ 2,465,215</u>	<u>\$ (187,519)</u>

The Accompanying Notes are an Integral Part of These Financial Statements

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

	<u>Un- Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Grants	\$ -	\$ 291,150	\$ -	\$ 291,150
Heritage Home Loan Program	-	86,665	-	86,665
Contributions	79,834	-	-	79,834
Technical assistance	24,363	-	-	24,363
Special events	38,635	-	-	38,635
Membership dues	18,894	-	-	18,894
Investment income	80,090	-	71,614	151,704
Donated services	34,200	-	-	34,200
Rental income	-	31,769	-	31,769
Property management	14,063	-	-	14,063
Miscellaneous	26,898	-	-	26,898
Released from restrictions	<u>791,027</u>	<u>(755,550)</u>	<u>(35,477)</u>	<u>-</u>
Total Revenue and Support	1,108,004	(345,966)	36,137	798,175
Expenses				
Public Education	203,623	-	-	203,623
Sarah Benedict House Preservation Program	188,665	-	-	188,665
Heritage Home program	<u>146,761</u>	<u>-</u>	<u>-</u>	<u>146,761</u>
Total Program	867,289	-	-	867,289
Management services	91,949	-	-	91,949
Fundraising	<u>66,497</u>	<u>-</u>	<u>-</u>	<u>66,497</u>
Total Expenses	<u>1,025,735</u>	<u>-</u>	<u>-</u>	<u>1,025,735</u>
Increase (Decrease) in Net Assets	82,269	(345,966)	36,137	(227,560)
Net Assets at Beginning of Year	<u>912,894</u>	<u>1,060,059</u>	<u>447,458</u>	<u>2,420,411</u>
NET ASSETS AT END OF YEAR	<u>\$ 995,163</u>	<u>\$ 714,093</u>	<u>\$ 483,595</u>	<u>\$ 2,192,851</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Un- Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Grants	\$ -	\$ 411,179	\$ -	\$ 411,179
Heritage Home Loan Program	-	101,800	-	101,800
Contributions	470,824	-	-	470,824
Technical assistance	16,392	-	-	16,392
Special events	36,198	-	-	36,198
Membership dues	16,127	-	-	16,127
Investment income	34	-	5,665	5,699
Donated services	34,200	-	-	34,200
Gain (loss) on sale	-	(7,239)	-	(7,239)
Rental income	-	38,442	-	38,442
Property management	12,664	-	-	12,664
Miscellaneous	10,653	-	-	10,653
Released from restrictions	<u>545,253</u>	<u>(513,060)</u>	<u>(32,193)</u>	<u>-</u>
Total Revenue and Support	1,142,345	31,122	(26,528)	1,146,939
Expenses				
Public Education	172,442	-	-	172,442
Sarah Benedict House	142,985	-	-	142,985
Preservation Services	129,298	-	-	129,298
Heritage Home Loan Program	<u>272,302</u>	<u>-</u>	<u>-</u>	<u>272,302</u>
Total Program	717,027	-	-	717,027
Management services	91,770	-	-	91,770
Fundraising	<u>72,251</u>	<u>-</u>	<u>-</u>	<u>72,251</u>
Total Expenses	<u>881,048</u>	<u>-</u>	<u>-</u>	<u>881,048</u>
Increase (Decrease) in Net Assets	261,297	31,122	(26,528)	265,891
Net Assets at Beginning of Year	<u>651,597</u>	<u>1,028,937</u>	<u>473,986</u>	<u>2,154,520</u>
NET ASSETS AT END OF YEAR	<u>\$ 912,894</u>	<u>\$ 1,060,059</u>	<u>\$ 447,458</u>	<u>\$ 2,420,411</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, 2012

	Programs						Total
	Public <u>Education</u>	Sarah Benedict <u>House</u>	Preservation <u>Services</u>	Heritage Home <u>Program</u>	Management <u>Services</u>	Fundraising	
Expenses							
Payroll	\$ 119,426	\$ 39,283	\$ 56,433	\$ 198,584	\$ 46,198	\$ 40,011	\$ 499,934
Payroll taxes	9,512	3,031	4,397	15,615	2,704	3,145	38,403
Advertising	9,237	-	-	9,522	-	-	18,759
Amortization	3,014	-	-	-	-	3,013	6,027
Bank charges	-	-	-	-	1,862	-	1,862
Contract services	2,921	-	1,524	38,851	1,022	885	45,202
Conference	-	-	-	1,375	1,642	-	3,017
Depreciation	-	90,433	-	-	5,310	-	95,743
Dues and subscriptions	100	-	25	84	1,835	-	2,044
Facade/monographs	10,671	-	-	-	-	-	10,671
Insurance	3,946	-	2,059	6,360	1,380	1,195	14,940
Insurance-health	8,550	3,077	5,416	15,780	2,735	3,180	38,738
Interest expense	-	1,906	-	-	-	-	1,906
Office technology	3,256	2,182	-	72	3,838	-	9,348
Program expenses	1,314	-	-	-	-	-	1,314
Pension	2,439	725	1,140	4,106	701	815	9,925
Postage	2,802	-	689	2,533	462	400	6,886
Professional fees	-	-	-	-	5,120	-	5,120
Professional fees-legal	-	-	-	12,000	-	-	12,000
Direct program exp.	18,060	-	68,387	865	-	11,920	99,232
Printing	1,036	-	1,953	1,810	1,222	-	6,021
Photography	-	-	94	-	-	-	94
Rent-equipment	2,909	-	1,518	4,688	1,017	881	11,013
Repairs	-	33,009	-	-	-	-	33,009
Workers' Comp.	301	139	188	658	116	134	1,535
Telephone	3,029	-	1,581	4,883	1,059	918	11,470
Travel	1,100	-	1,357	10,454	13,726	-	26,637
Utilities	-	14,880	-	-	-	-	14,880
Total Expenses	<u>\$ 203,623</u>	<u>\$ 188,665</u>	<u>\$ 146,761</u>	<u>\$ 328,240</u>	<u>\$ 91,949</u>	<u>\$ 66,497</u>	<u>\$ 1,025,735</u>

The Accompanying Notes are an Integral Part of These Financial Statements



CLEVELAND RESTORATION SOCIETY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2011

Expenses	Programs						Total
	<u>Public Education</u>	<u>Sarah Benedict House</u>	<u>Preservation Services</u>	<u>Heritage Home Program</u>	<u>Management Services</u>	<u>Fundraising</u>	
Payroll	\$ 101,508	\$ -	\$ 73,828	\$ 166,463	\$ 31,442	51,301	\$ 424,542
Payroll taxes	7,970	-	5,797	13,628	2,468	4,026	33,889
Advertising	4,831	-	-	1,990	-	-	6,821
Amortization	3,014	-	-	-	-	3,013	6,027
Bank charges	-	-	-	-	1,844	-	1,844
Contract services	5,663	882	-	35,660	3,732	-	45,936
Conference	-	-	-	-	2,622	-	2,622
Depreciation	-	90,353	-	-	7,388	-	97,741
Dues and subscriptions	-	-	-	20	2,463	-	2,483
Facade/monographs	9,003	-	-	-	-	-	9,003
Insurance	3,524	-	2,496	5,726	2,936	-	14,682
Insurance-health	8,240	-	5,993	13,513	2,590	4,227	34,563
Interest expense	-	2,148	-	-	-	-	2,148
Miscellaneous	-	-	-	-	209	-	209
Office technology	3,161	1,930	15	33	5,043	-	10,182
Pension	2,016	-	1,466	3,305	625	1,018	8,430
Postage	2,031	-	1,438	3,301	1,693	-	8,463
Professional fees	-	-	-	-	5,083	-	5,083
Professional fees-legal	-	-	-	12,000	900	-	12,900
Direct program exp.	14,195	-	33,580	3,955	472	8,666	60,868
Printing	900	-	-	-	3,026	-	3,926
Photography	-	-	-	-	230	-	230
Rent-equipment	2,314	-	-	3,760	1,929	-	8,003
Repairs	-	35,473	-	-	-	-	35,473
Workers' Comp.	340	-	248	-	253	-	841
Telephone	2,691	-	3,460	4,177	2,142	-	12,469
Travel	744	-	977	4,771	12,680	-	19,172
Tours/workshops	297	-	-	-	-	-	297
Utilities	-	12,199	-	-	-	-	12,199
<b>Total Expenses</b>	<b><u>\$ 172,442</u></b>	<b><u>\$ 142,985</u></b>	<b><u>\$ 129,298</u></b>	<b><u>\$ 272,302</u></b>	<b><u>\$ 91,770</u></b>	<b><u>\$ 72,251</u></b>	<b><u>\$ 881,048</u></b>

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, 2012</u>	<u>Dec. 31, 2011</u>
Cash Flows From Operating Activities		
(Decrease) Increase in Net Assets	\$ (227,560)	\$ 265,891
Adjustments to reconcile net (decrease) increase to net cash provided by (used in) operating activities		
Depreciation and amortization	101,770	103,768
Gain on investments	(151,417)	(5,665)
Loss on sale of Investment property	-	7,239
Decrease in Operating Assets:		
Accounts receivable	76,275	34,304
Prepays	(1,316)	1,115
Other assets	(6,322)	-
Decrease in Operating Liabilities:		
Accounts payable	44,211	(7,055)
Total Adjustments	<u>63,201</u>	<u>133,706</u>
Net Cash (Used In) Provided By Operating Activities	(164,359)	399,597
Cash Flows From Investing Activities		
Capital expenditures	(7,244)	(551)
Sale of property	-	82,494
Net sale (purchase) of investments	<u>49,282</u>	<u>(306,456)</u>
Net Cash Provided By (Used In) Investing Activities	42,038	(224,513)
Cash Flows From Financing Activities		
Notes payable repayment	<u>(4,170)</u>	<u>(3,927)</u>
Net Cash (Used In) Financing Activities	<u>(4,170)</u>	<u>(3,927)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(126,491)	171,157
Cash and Cash Equivalents at Beginning of Period	<u>351,529</u>	<u>180,372</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 225,038</u>	<u>\$ 351,529</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 1- Description of Organization

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

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

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

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

NOTE 2- Summary of Significant Accounting Policies

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

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

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

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2012 AND 2011

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. The organization's tax years that remain subject to examination by the Internal Revenue Service are 2009, 2010, and 2011.
- J. Unadopted FASB statements. Various FASB statements have been issued, where compliance is encouraged but not required until years ending after December 31, 2012. 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, 2012 AND 2011

NOTE 2- Summary of Significant Accounting Policies (Continued)

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

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

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

NOTE 3- Cash and Cash Equivalents

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

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

	2012	2011
Cash Reserve Fund	\$ 148,390	\$ 148,390
Advocacy	1,135	5,000
Other	-	12,306
Total Restricted Cash	\$ 149,525	\$ 165,696

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2012 AND 2011

NOTE 4- Grants and Accounts Receivable

Grants and accounts receivable comprise the following amounts:

	<u>2012</u>	<u>2011</u>
City of Cleveland	\$ -	\$ 1,106
Cuyahoga Arts and Culture	9,101	9,101
Ohio Arts Council	19,521	16,399
Ohio Historical Society	10,000	-
The Cleveland Foundation	56,500	140,750
Mandel Foundation	-	3,500
Individuals	1,213	625
Other receivable	<u>4,430</u>	<u>5,559</u>
Total Grants and receivables	<u>\$ 100,765</u>	<u>\$ 177,040</u>

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

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.

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2012 AND 2011

NOTE 6- Sarah Benedict and General Endowments

Investments consist of fixed income and equity securities, as follows, held at Vanguard (during fiscal year ended December 31, 2011 investments were held at Northern Trust Company):

	SBH Endowment	Board Designated & General Endowment	TOTAL	TOTAL
	2012	2012	2012	2011
Real Estate	\$ -	\$ -	\$ -	\$ 33,580
Stocks	141,276	658,783	800,059	-
Bonds	83,192	388,206	471,398	-
Commodities	-	-	-	75,313
Equity securities	-	-	-	568,966
Fixed income Securities	-	-	-	467,040
Money Market Funds	<u>9,659</u>	<u>44,670</u>	<u>54,329</u>	<u>78,752</u>
*Total investments at Vanguard	<u>\$234,127</u>	<u>\$1,091,659</u>	<u>\$1,325,786</u>	<u>\$1,223,651</u>

The stocks include 10 different classes of stocks. CRS's investment in individual stocks is as much as \$360,000. 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 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 7- Real Estate Held For Sale

During fiscal year ended December 31, 2010, CRS received a donation of real estate valued at \$70,000. It was CRS's intention to sell the property; however, the property needed various repairs before it could be sold. CRS incurred \$19,733 in renovation expenses during fiscal year ended December 31, 2010. This property was sold during fiscal year ended December 31, 2011 resulting in a net loss of \$7,239 after CRS incurred additional expenses related to the sale.

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CLEVELAND RESTORATION SOCIETY, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2012 AND 2011

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, 2012 and 2011 was \$0.

NOTE 9- 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, 2012 and 2011 was \$29,488 and \$33,658, respectively.

NOTE 10- Temporarily Restricted Net Assets

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

	2012	2011
Rehabilitation, maintenance and operating expenses of the Sarah Benedict House	\$ 566,660	\$ 710,199
Neighborhood Preservation Expenses/Cash reserve	-	78,390
John Hay School Murals	10,000	10,000
Net Assets restricted by expenditure	576,660	798,589
CRS also has additional funds restricted by time	137,433	261,470
Total Temporarily Restricted Net Assets	\$ 714,093	\$ 1,060,059

NOTE 11- Permanently and Board Designated Restricted Net Assets

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

The General Endowment was established in 1996 with a \$100,000 gift from the F. J. O'Neill Charitable Corporation. This gift and other contributions are required to be invested in perpetuity. Also included in the General Endowment fund is a \$50,000 gift from the estate of Robert Cull and a \$25,000 gift from Robert C. Gaede, the latter gift being for the purpose of awarding an annual lifetime achievement award. The fund balance (\$249,468) consists of the foregoing \$175,000 principal balance and \$74,468 of accumulated earnings.

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CLEVELAND RESTORATION SOCIETY, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2012 AND 2011

NOTE 11- Permanently Restricted Net Assets (Continued)

During fiscal years ended December 31, 2012 and 2011, the CRS board has elected to transfer \$35,477 and \$32,193, 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>2012</u>	<u>2011</u>
General Endowment	\$ 249,468	\$229,920
Sarah Benedict House Endowment	<u>234,127</u>	<u>217,538</u>
Total Permanently Restricted Net Assets	<u>\$ 483,595</u>	<u>\$447,458</u>

NOTE 12- Grants Awarded to CRS

	<u>2012</u>	<u>2011</u>
City of Cleveland	\$ 103,117	\$ 84,234
Ohio Historic Preservation Office	10,000	20,034
George Gund Foundation	20,000	20,000
Stark County CBP	-	38,000
Ohio Arts Council	19,521	16,399
Cleveland Foundation	-	115,000
Akron Community Foundation	10,000	10,000
Cuyahoga Arts & Culture	91,012	91,012
Richard & Julia Moe Foundation	8,000	-
Charles & Helen Brown Memorial Foundation	5,000	-
Kelvin & Eleanor Smith Foundation	7,500	9,500
Cull Family Foundation	7,000	7,000
Abington Foundation	<u>10,000</u>	<u>-</u>
Total Grants	<u>\$ 291,150</u>	<u>\$ 411,179</u>

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CLEVELAND RESTORATION SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2012 AND 2011

NOTE 13- 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, 2012 and 2011 was \$9,925 and \$8,430, respectively.

NOTE 14- Leases

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

2013	\$ 6,420
2014	5,784
2015	1,446
Thereafter	<u>-</u>
Total	<u>\$ 13,650</u>

NOTE 15- Statement of Cash Flow Disclosures

The amount of interest paid on all indebtedness was \$1,906 and \$2,148 for December 31, 2012 and 2011, respectively.

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 and the amount of \$12,000 was recorded as donation revenue and legal expense for each of the years ended December 31, 2012 and 2011, respectively.

Board members and volunteers provide free architecture and engineering services. This donated service includes surveying historic buildings, researching potential projects, and providing assistance with other preservation related matters. The architecture and engineering services are recorded as donated services and contract services in the amount of \$22,200 and \$22,200 for years ended December 31, 2012 and 2011, respectively.

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CLEVELAND RESTORATION SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2012 AND 2011

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, 2012 and 2011.

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, 2012 and 2011. An expense and corresponding liability will only be recorded if sickness occurs.

NOTE 18- Subsequent Events

CRS has evaluated subsequent events through March 8, 2013, which is the date the financial statements were available to be issued.

NOTE 19- Reclassifications

In prior years the board designated funds held in the investment account, which also held the general endowment investments, were presented as if they were part of the general endowment, (donor restricted) instead of board designated. The financial statements for the 2011 have been reclassified to separate the general endowment (donor restricted) and the board designated amounts.

NOTE 20- Heritage Home Educational Society.

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

This entity was inactive during 2012, therefore a consolidating schedule has not been presented, however as a wholly owned subsidiary, all assets and liabilities are consolidated in these financial statements.

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