

CLEVELAND RESTORATION SOCIETY, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

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, 2011	4
For the year ended December 31, 2010	5
Statements of Functional Expenses	
For the year ended December 31, 2011	6
For the year ended December 31, 2010	7
Statements of Cash Flows	8
NOTES TO THE FINANCIAL STATEMENTS	9-17

February 28, 2012

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, 2011 and 2010, 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, 2011 and 2010, 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, 2011</u>	<u>Dec. 31, 2010</u>	<u>Increase (Decrease)</u>
Current Assets			
Cash and cash equivalents	\$ 351,529	\$ 180,371	\$ 171,158
Grants and accounts receivable	177,040	211,344	(34,304)
Prepaid expenses	<u>16,971</u>	<u>18,086</u>	<u>(1,115)</u>
Total Current Assets	545,540	409,801	135,739
Property and Equipment			
Furniture	77,812	77,812	-
Equipment	59,726	59,175	551
Public garden	301,992	301,992	-
Sarah Benedict House	1,440,212	1,440,212	-
Less: accumulated depreciation	<u>(1,192,256)</u>	<u>(1,094,515)</u>	<u>(97,741)</u>
Net Property and Equipment	687,486	784,676	(97,190)
Other Assets			
Investments (Note 6)	1,223,651	911,530	312,121
Database project	8,538	14,565	(6,027)
Real estate held for sale (Note 7)	<u>-</u>	<u>89,733</u>	<u>(89,733)</u>
Total Other Assets	<u>1,232,189</u>	<u>1,015,828</u>	<u>216,361</u>
TOTAL ASSETS	<u>\$ 2,465,215</u>	<u>\$ 2,210,305</u>	<u>\$ 254,910</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, 2011</u>	<u>Dec. 31, 2010</u>	<u>Increase (Decrease)</u>
Current Liabilities			
Accounts payable	\$ 11,146	\$ 18,200	\$ (7,054)
Escrow funds payable	145,396	13,919	131,477
Less cash held in reserve	(145,396)	(13,919)	(131,477)
Empowerment Zone loan (Note 9)	<u>33,658</u>	<u>37,585</u>	<u>(3,927)</u>
Total Current Liabilities	44,804	55,785	(10,981)
Long-Term Liabilities			
Total Liabilities	44,804	55,785	(10,981)
Net Assets			
Unrestricted	136,701	214,053	(77,352)
Temporarily restricted	1,060,059	1,028,937	31,122
Permanently restricted	<u>1,223,651</u>	<u>911,530</u>	<u>312,121</u>
Total Net Assets	<u>2,420,411</u>	<u>2,154,520</u>	<u>265,891</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,465,215</u>	<u>\$ 2,210,305</u>	<u>\$ 254,910</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	105,824	-	365,000	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
Loss on sale of investment property	-	(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>571,604</u>	<u>(513,060)</u>	<u>(58,544)</u>	<u>-</u>
 Total Revenue and Support	 803,696	 31,122	 312,121	 1,146,939
Expenses				
Public Education	172,442	-	-	172,442
Neighborhood Historic Sarah Benedict House	142,985	-	-	142,985
Heritage Home Loan program	272,302	-	-	272,302
Preservation Services	<u>129,298</u>	<u>-</u>	<u>-</u>	<u>129,298</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	 (77,352)	 31,122	 312,121	 265,891
Net Assets at Beginning of Year	<u>214,053</u>	<u>1,028,937</u>	<u>911,530</u>	<u>2,154,520</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 136,701</u>	 <u>\$ 1,060,059</u>	 <u>\$ 1,223,651</u>	 <u>\$ 2,420,411</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	4,405	-	-	4,405
Released from restrictions	<u>756,522</u>	<u>(737,097)</u>	<u>(19,425)</u>	<u>-</u>
Total Revenue and Support	1,003,397	(28,846)	71,902	1,046,453
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	7,111	(28,846)	71,902	50,167
Net Assets at Beginning of Year	<u>206,942</u>	<u>1,057,783</u>	<u>839,628</u>	<u>2,104,353</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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	PROGRAMS						Total
	Public <u>Education</u>	Sarah Benedict <u>House</u>	Heritage Home Loan <u>Program</u>	Preservation <u>Services</u>	Management <u>Services</u>	<u>Fundraising</u>	
Expenses							
Payroll	\$ 101,508	\$ -	\$ 166,463	\$ 73,828	\$ 31,442	\$ 51,301	\$ 424,542
Payroll taxes	7,970	-	13,628	5,797	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	-	5,726	2,496	2,936	-	14,682
Insurance-health	8,240	-	13,513	5,993	2,590	4,227	34,563
Interest expense	-	2,148	-	-	-	-	2,148
Miscellaneous	-	-	-	-	209	-	209
Office technology	3,161	1,930	33	15	5,043	-	10,182
Pension	2,016	-	3,305	1,466	625	1,018	8,430
Postage	2,031	-	3,301	1,438	1,693	-	8,463
Professional fees	-	-	-	-	5,083	-	5,083
Professional fees-legal	-	-	12,000	-	900	-	12,900
Direct program exp.	14,195	-	3,955	33,580	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	-	4,177	3,460	2,142	-	12,469
Travel	744	-	4,771	977	12,680	-	19,172
Tours/workshops	297	-	-	-	-	-	297
Utilities	-	12,199	-	-	-	-	12,199
Total Expenses	<u>\$ 172,442</u>	<u>\$ 142,985</u>	<u>\$ 272,302</u>	<u>\$ 129,298</u>	<u>\$ 91,770</u>	<u>\$ 72,251</u>	<u>\$ 881,048</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 Education	NHPP	Sarah Benedict House	Preservation Services	Heritage Home Loan Program	Management Services	Fundraising	
Expenses								
Payroll	\$ 30,760	\$ 127,380	\$ -	\$ 66,326	\$ 238,837	\$ 24,701	40,955	\$ 528,959
Payroll taxes	2,551	10,178	-	5,299	19,083	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	-	-	-	210	45	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	-	1,056	6,212	4,394	-	13,804
Insurance-health	3,253	14,251	-	7,420	26,720	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	-	1,252	4,508	780	-	10,042
Postage	823	3,001	-	1,734	1,067	2,556	-	9,181
Professional fees	-	-	-	-	-	5,121	-	5,121
Professional fees-legal	-	12,000	-	-	-	4,729	-	16,729
Direct program exp.	13,330	-	-	15,816	6,155	-	3,603	38,904
Printing	2,707	118	-	-	964	506	-	4,295
Photography	-	-	-	-	-	21	-	21
Rent-equipment	561	2,246	-	723	4,211	1,617	-	9,357
Repairs	-	-	32,698	-	-	-	-	32,698
Workers' Comp.	186	406	-	212	762	117	-	1,682
Telephone	691	798	-	476	2,680	6,182	691	11,518
Travel	426	2,806	-	1,837	7,518	7,471	-	20,058
Tours/workshops	75	-	-	1,101	-	-	-	1,176
Utilities	-	-	13,263	-	-	-	-	13,263
Total Expenses	<u>\$ 76,886</u>	<u>\$ 177,231</u>	<u>\$ 140,178</u>	<u>\$ 134,546</u>	<u>\$ 325,579</u>	<u>\$ 87,218</u>	<u>\$ 54,648</u>	<u>\$ 996,286</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, 2011</u>	<u>Dec. 31, 2010</u>
Cash Flows From Operating Activities		
Increase in Net Assets	\$ 265,891	\$ 50,167
Adjustments to reconcile net increase (decrease) to net cash provided by (used in) operating activities		
Depreciation and amortization	103,768	103,722
Gain on investments	(5,665)	(91,327)
Loss on sale of Investment property	7,239	-
Donated property	-	(70,000)
Decrease in Operating Assets:		
Accounts receivable	34,304	8,885
Prepays	1,115	666
Decrease in Operating Liabilities:		
Accounts payable	(7,054)	(889)
Total Adjustments	<u>133,707</u>	<u>(48,943)</u>
Net Cash Provided By Operating Activities	399,598	1,224
Cash Flows From Investing Activities		
Capital expenditures	(551)	(18,444)
Sale of property	82,494	-
Net sale (purchase) of investments	(306,456)	19,423
Investment in property	-	(19,733)
Net Cash Used In Investing Activities	(224,513)	(18,754)
Cash Flows From Financing Activities		
Notes payable repayment	<u>(3,927)</u>	<u>(3,699)</u>
Net Cash Used In Financing Activities	<u>(3,927)</u>	<u>(3,699)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	171,158	(21,229)
Cash and Cash Equivalents at Beginning of Period	<u>180,371</u>	<u>201,600</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 351,529</u>	<u>\$ 180,371</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

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, the Heritage Home Loan Program (including the Neighborhood Historic Preservation 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, 2011 AND 2010

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 2008, 2009, and 2010.
- J. Unadopted FASB statements. Various FASB statements have been issued, where compliance is encouraged but not required until years ending after December 31, 2011. 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, 2011 AND 2010

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:

	2011	2010
Cash Reserve Fund	\$ 148,390	\$ 148,390
Advocacy	5,000	5,000
Other	12,306	12,306
Total Restricted Cash	\$ 165,696	\$ 165,696

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2011 AND 2010

NOTE 4- Grants and Accounts Receivable

Grants and accounts receivable comprise the following amounts:

	<u>2011</u>	<u>2010</u>
City of Cleveland	\$ 1,106	\$ 10,330
Cuyahoga Arts and Culture	9,101	-
Ohio Arts Council	16,399	-
City of Rocky River	-	5,770
NTHP-Partners in the Field	-	39,950
The Cleveland Foundation	140,750	145,000
Mandel Foundation	3,500	3,500
Individuals	625	5,100
Other receivable	<u>5,559</u>	<u>1,694</u>
Total Grants and receivables	<u>\$ 177,040</u>	<u>\$ 211,344</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, 2011 AND 2010

NOTE 6- Sarah Benedict Endowment and Other Investments

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

	SBH Endowment <u>2011</u>	General Endowment <u>2011</u>	TOTAL <u>2011</u>	TOTAL <u>2010</u>
Real Estate	\$ 5,773	\$ 27,807	\$ 33,580	\$ 26,051
Commodities	13,050	62,263	75,313	71,900
Equity securities	97,310	471,656	568,966	428,636
Fixed income Securities	80,690	386,350	467,040	334,338
Money Market Funds	<u>20,715</u>	<u>58,037</u>	<u>78,752</u>	<u>50,605</u>
*Total investments at Northern Trust Company	<u>\$217,538</u>	<u>\$1,006,113</u>	<u>\$1,223,651</u>	<u>\$911,530</u>

The Equity securities include 30 different Blue Chip stocks. CRS's investment in individual stocks is as much as \$265,000. The general account securities are designated as the general endowment as of December 31, 2011. (See Note 11- Permanently Restricted Net Assets)

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 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 renovation expenses as of 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.

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, 2011 and 2010 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, 2011 and 2010 was \$33,658 and \$37,585, respectively.

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2011 AND 2010

NOTE 10- Temporarily Restricted Net Assets

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

	2011	2010
Rehabilitation, maintenance and operating expenses of the Sarah Benedict House	\$ 710,199	\$ 730,043
Neighborhood Preservation Expenses/Cash reserve	78,390	78,390
John Hay School Murals	10,000	10,000
Preservation Projects	-	-
Net Assets restricted by expenditure	798,589	818,433
CRS also has additional funds restricted by time	261,470	210,504
Total Temporarily Restricted Net Assets	<u>\$ 1,060,059</u>	<u>\$ 1,028,937</u>

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 years ended December 31, 2011 and 2010, the CRS board has elected to transfer \$36,509 and \$19,425, of investment earnings to the operating account. The remaining investment earnings have been left in the fund.

During fiscal year ended December 31 2011, CRS received a bequest from the estate of CRS supporter. \$365,000 of this request was treated as donation to the general endowment 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.

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

NOTE 11- Permanently Restricted Net Assets (Continued)

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

	2011	2010
General Endowment		
Securities	\$ 954,076	\$637,417
Money Market Funds	58,037	34,295
	1,012,113	671,712
Sarah Benedict House Endowment		
Money Market Funds	20,715	16,310
Securities	190,823	223,508
	211,538	239,818
Total Permanently Restricted Net Assets	<u>\$1,223,651</u>	<u>\$911,530</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, 2011 and 2010 was \$8,430 and \$10,042, respectively.

NOTE 13- Grants Awarded to CRS

	2011	2010
City of Cleveland	\$ 84,234	\$ 118,430
Ohio Historic Preservation Office	20,034	5,000
George Gund Foundation	20,000	20,000
Stark County CBP	38,000	-
Ohio Arts Council	16,399	-
Cleveland Foundation	115,000	183,500
Akron Community Foundation	10,000	10,000
Cuyahoga Arts & Culture	91,012	124,392
National Trust for Historic Preservation	-	22,950
Charles & Helen Brown Memorial Foundation	-	10,000
Kelvin & Eleanor Smith Foundation	9,500	9,500
Cull Family Foundation	7,000	5,000
Louise H. & David Ingalls Foundation	-	30,000
Total Grants	<u>\$ 411,179</u>	<u>\$ 538,772</u>

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2011 AND 2010

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:

2012		\$ 6,420
2013		6,420
2014		5,784
2015		1,446
Thereafter		<u> -</u>
 Total		 <u>\$ 20,070</u>

NOTE 15- Statement of Cash Flow Disclosures

The amount of interest paid on all indebtedness was \$2,148 and \$2,376 for December 31, 2011 and 2010, 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. \$12,000 and \$12,000 was recorded as donation revenue and legal expense for the years ended December 31, 2011 and 2010, 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, 2011 and 2010, respectively.

NOTE 17- Subsequent Events

CRS has evaluated subsequent events through February 28, 2012, which is the date the financial statements were available to be issued.

See Auditors' Report

CLEVELAND RESTORATION SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

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, 2011 and 2010.

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, 2011 and 2010. An expense and corresponding liability will only be recorded if sickness occurs.

See Auditors' Report