

CAPITOL HILL RESTORATION SOCIETY, INC.

INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS

YEARS ENDED  
SEPTEMBER 30, 2011 AND 2010

**THOMAS JENKINS AND COMPANY**  
A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS CONSULTANTS

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**INDEPENDENT AUDITORS' REPORT**

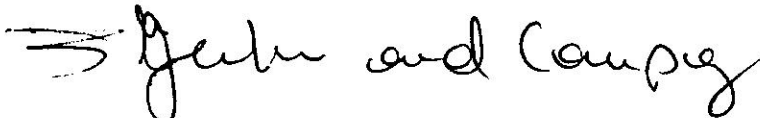
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The Board of Directors  
Capitol Hill Restoration Society, Inc.  
Washington, D.C.

We have audited the accompanying balance sheet of Capitol Hill Restoration Society, Inc. (a not-for-profit organization) as of September 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Society's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Capitol Hill Restoration Society, Inc. as of September 30, 2011 and 2010, and the changes in its net assets and changes in cash flows for the years then ended in conformity with generally accepted accounting principles accepted in the United States of America.



February 28, 2012

CAPITOL HILL RESTORATION SOCIETY, INC.  
BALANCE SHEET  
SEPTEMBER 30, 2011 and 2010

ASSETS

	<u>2011</u>	<u>2010</u>
Current assets		
Cash, and equivalents	\$ 50 385	\$ 84 321
Investments	194 659	219 887
Prepaid expenses	1 590	1 789
Other receivable	500	10 481
Total current assets	<u>247 134</u>	<u>316 478</u>
Fixed assets, at cost	12 909	12 909
Less accumulated depreciation	<u>12 357</u>	<u>12 308</u>
Total fixed assets	<u>552</u>	<u>601</u>
Other assets		
Deposit	<u>700</u>	<u>700</u>
Total other assets	<u>700</u>	<u>700</u>
Total assets	<u>\$ 248 386</u>	<u>\$ 317 779</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 2 366	\$ 1 094
Total current liabilities	<u>2 366</u>	<u>1 094</u>
Long term liabilities	<u>--</u>	<u>--</u>
Total liabilities	<u>2 366</u>	<u>1 094</u>
Net assets		
Unrestricted	223 848	294 513
Temporarily restricted	<u>22 172</u>	<u>22 172</u>
Total net assets	<u>246 020</u>	<u>316 685</u>
Total liabilities and net assets	<u>\$ 248 386</u>	<u>\$ 317 779</u>

See notes to financial statements.

CAPITOL HILL RESTORATION SOCIETY, INC  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Changes in unrestricted net assets:		
Public support		
Contributions	\$ 16 028	\$ 11 055
Other support		
Grants	--	2 556
Memberships	26 380	22 556
Programs	<u>52 768</u>	<u>70 125</u>
	<u>79 148</u>	<u>95 237</u>
Sales of materials	30	86
Less cost of sales	<u>--</u>	<u>876</u>
Net sales	<u>30</u>	<u>(790)</u>
Capital transactions		
Gain (loss) on sale of securities	<u>4 967</u>	<u>--</u>
	<u>4 967</u>	<u>--</u>
Other revenue		
Unrealized gain (loss) on investments	(4 109)	11 806
Investment income	<u>3 925</u>	<u>2 428</u>
	<u>(184)</u>	<u>14 234</u>
Total other revenue	<u>4 783</u>	<u>14 234</u>
Total support and other revenue	<u>99 989</u>	<u>119 736</u>
Expenses		
Administrative and general (Schedule I)	17 180	31 469
Seminar and program (Schedule II)	<u>153 474</u>	<u>141 456</u>
Total Expenses	<u>170 654</u>	<u>172 925</u>
Increase (decrease) in unrestricted net assets	(70 665)	(53 189)
Net Assets at beginning of year	<u>316 685</u>	<u>369 874</u>
Net Assets at end of year	<u>\$ 246 020</u>	<u>\$ 316 685</u>

See notes to financial statements.

CAPITOL HILL RESTORATION SOCIETY, INC  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (70 665)	\$ (53 189)
Adjustment to reconcile excess increase (decrease ) in net assets provided by operating activities		
Unrealized loss on investments	4 109	(11 806)
(Gain) on sale of investments	(4 967)	--
Depreciation	49	49
Changes in assets and liabilities		
(Increase) Decrease in:		
Inventory	--	876
Prepaid expenses and other receivables	10 180	(10 883)
Increase (Decrease) in:		
Accounts payable	1 272	(1 152)
Fixed assets	<u>--</u>	<u>(649)</u>
Total adjustments	<u>10 643</u>	<u>(23 565)</u>
Net cash provided by (used in) operating activities	<u>(60 022)</u>	<u>(76 754)</u>
Cash flows from investing activities		
Proceeds from sale of assets	131 000	88 000
Purchase of investments	<u>(104 914)</u>	<u>(2 417)</u>
Net cash used by investing activities	<u>26 086</u>	<u>85 583</u>
Cash flows from financing activities		
Net cash provided by (used in) financing activities	<u>--</u>	<u>--</u>
Net increase (decrease) in cash	(33 936)	8 829
Cash at beginning of year	<u>84 321</u>	<u>75 492</u>
Cash at end of year	<u>\$ 50 385</u>	<u>\$ 84 321</u>
Supplemental disclosure - cash paid for interest	<u>\$ --</u>	<u>\$ --</u>

See notes to financial statements.

CAPITOL HILL RESTORATION SOCIETY, INC  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 and 2010

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization -- Capitol Hill Restoration Society, Inc. (CHRS) is a not-for-profit corporation organized in 1975 under the laws of the District of Columbia and is classified as a tax exempt organization under Internal Revenue Code Section 501(c)(3). The CHRS was founded for the purposes of supporting the improvement and preservation of Capitol Hill as a model urban residential area, and preserving, supporting, disseminating and encouraging good practices in preserving and restoring buildings and sites on Capitol Hill.

Display of Net Assets by Class -- CHRS has adopted Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made" (SFAS No. 116). CHRS also adopted Statement of Financial Accounting Standards No. 117, "Financial Statements for Not-For-Profit Organizations." Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. According, net assets of the Institute and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Institute and/or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Institute. Generally, the donors of these assets permit the Institute to use all or part of the income earned on related investments for general or specific purposes.

CAPITOL HILL RESTORATION SOCIETY, INC  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 and 2010  
CONTINUED

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Contributed Support - CHRS recognized all contributed support received as income in the period received. Contributed support is reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. However, donor-restricted contributions whose restriction are met in the same reporting period are reported as unrestricted support.

Equipment and Improvements -- These assets are recorded at cost. Depreciation of equipment is computed under the straight-line method over the estimated economic useful lives ranging from five to ten years.

Income Taxes -- The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Programs -- All program expenses are grouped into one major program. The main program is the Mother's Day House Tour where some of the finer homes on Capitol Hill, that are historic or preserved, are open to the public.

2. INVESTMENTS & CASH EQUIVALENTS

Investments held by the Institute are listed below. In accordance with Statement of Financial Accounting Standards NO. 124, they are reported at fair value with unrealized gains and losses included in the statement of activities.



CAPITOL HILL RESTORATION SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 AND 2010  
CONTINUED

Fund	10/01/2009 Cost	Purchases Reinvestments	Redemptions	Realized Gain/Loss	09/30/2010 Cost	09/30/2010 Fair Market Value
Vanguard Money Market	153 988	116	(88 000)		66 104	66 104
Vanguard Int'l Explorer	28 528	396			28 924	30 351
Vanguard Global Equity	61 441	1 087			62 528	52 264
Vanguard MidCap Growth	40 087	39			40 126	36 649
Vanguard Energy	25 019	779			25 798	34 519
	<u>309 063</u>	<u>2 417</u>	<u>(88 000)</u>		<u>223 480</u>	<u>219 887</u>

Fund	10/01/2010 Cost	Purchases Reinvestments	Redemptions	Realized Gain/Loss	09/30/2011 Cost	09/30/2011 Fair Market Value
Vanguard Money Market	66 104	19	(63 000)		3 123	3 123
Vanguard Int'l Explorer	28 924	446	(18 000)	2 320	13 690	12 527
Vanguard Global Equity	62 528	999	(25 000)	(875)	37 652	28 710
Vanguard MidCap Growth	40 126	9 044	(25 000)	3 522	27 692	25 709
Vanguard Energy	25 798	10 440			36 238	41 417
Vanguard Energy		83 965			83 965	83 173
	<u>223 480</u>	<u>104 913</u>	<u>(131 000)</u>	<u>4 967</u>	<u>202 360</u>	<u>194 659</u>

CONTINUED

Since all fixed assets consist of office equipment, use of operating funds for fixed asset acquisitions are accounted for as unrestricted funds. Proceeds from the sale of plant assets, if unrestricted, are deposited to the operating fund balances. All expenditures for equipment and the fair value of donated equipment in excess of \$1,000 are capitalized. Donated assets are recorded at their fair market value as of the date donated.

Depreciation is computed using the straight-line method, beginning in the year subsequent to the acquisition year, at rates based on the following estimated useful lives:

At September 30, 2010 and 2011, the costs and related depreciation of fixed assets consisted of the following:

Net			Accum. Depr.	2010 Depr.	Accum. Depr.
<u>Tax Year 2010</u>	<u>Cost</u>	<u>10/01/10</u>	<u>Expense</u>	<u>09/30/11</u>	<u>Value</u>
Furniture, Fixtures & Office Equip.	12 909	12 308	49	12 357	552
	<u>\$ 12 909</u>	<u>\$ 12 308</u>	<u>\$ 49</u>	<u>\$ 12 357</u>	<u>\$ 552</u>

CAPITOL HILL RESTORATION SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 and 2010  
CONTINUED

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4. LEASE

The Society conducts its operations from facilities leased under a one-year renewable lease running from July through June. The lease payment for 2010 and 2011 is \$700 per month due on the first of each month. It is renewed for a one-year term each year by written agreement unless either party gives written notice no later than 60 days prior to the end of the lease term.

5. STATEMENT OF CASH FLOWS

For the purposes of the statement of cash flows, cash and cash equivalents include all checking accounts, savings accounts, and money market accounts.

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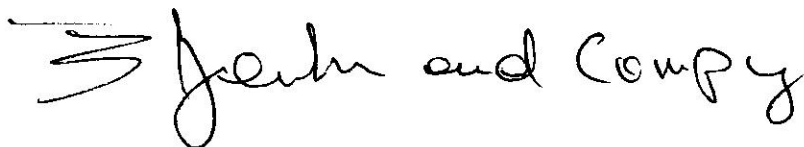
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INDEPENDENT AUDITOR'S REPORT  
ON ADDITIONAL INFORMATION

The Board of Directors  
Capitol Hill Restoration Society, Inc.  
Washington, D.C.

Our report on our audit of the basic financial statements of the Capitol Hill Restoration Society, Inc. for the fiscal years ended September 30, 2011 and 2010 appears on pages 3 and 4. We conducted our audit in accordance with generally accepted auditing standards for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, therefore, we express no opinion them.



February 28, 2012

CAPITOL HILL RESTORATION SOCIETY, INC  
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES  
YEAR ENDED SEPTEMBER 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Insurance	\$ 1 191	\$ 325
Professional fees	7 500	6 500
Supplies	1 383	1 257
Telephone	84	509
Administrative Assistant	1 675	12 821
Occupancy	1 687	5 099
Rental and maintenance of equipment	1 387	--
Office and on-line charges	378	1 317
Bank/finance charges	501	368
Meetings	451	623
Postage	602	1 286
Printing	82	920
Dues	<u>210</u>	<u>395</u>
Total expenses before depreciation	17 131	31 420
Depreciation	<u>49</u>	<u>49</u>
Total functional expenses	<u>\$ 17 180</u>	<u>\$ 31 469</u>

CAPITOL HILL RESTORATION SOCIETY, INC  
SCHEDULE OF PROGRAM EXPENSES  
YEAR ENDED SEPTEMBER 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Advertising	\$ 7 502	\$ 3 135
Professional fees	96 291	89 378
Postage and shipping	4 457	3 808
Administrative Assistant	3 315	
Occupancy	9 021	5 099
Newsletter	13 399	5 931
Membership	6 256	7 090
Equipment lease	99	
Tour expenses	9 435	17 250
Membership dues	276	415
Meeting expense	2 420	835
Transportation	224	7 973
Other	<u>779</u>	<u>542</u>
Total functional expenses	<u>\$ 153 474</u>	<u>\$ 141 456</u>