

AMERICAN WATCHMAKERS-
CLOCKMAKERS INSTITUTE

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2017 AND 2016

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
American Watchmakers-Clockmakers Institute
Harrison, Ohio

We have reviewed the accompanying financial statements of American Watchmakers-Clockmakers Institute (a nonprofit organization) which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statement on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, except for the issue noted in the Known Departure From Accounting Principles Generally Accepted in the United States of America paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in

order for them to be in accordance with accounting principles generally accepted in the United States of America.

Known Departure from Accounting Principles Generally Accepted in the United States of America

As disclosed in Note A to the financial statements, certain revenues are recognized on a cash basis which is not consistent with accounting principles generally accepted in the United States of America. Management of the Organization has not performed a detailed analysis of their revenues to determine the amount of revenue earned is consistent with accounting principles generally accepted in the United States of America for the years ended June 30, 2017 and 2016. It was not practicable to determine the effects of the improper revenue recognition on the statements of financial position, statements of activities, and cash flows.

Supplementary Information

The supplementary information included in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express and opinion on such information.

FLASPOELLER CPA, INC.

September 20, 2016

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	2017	2016
Current Assets		
Cash and Cash Equivalents	\$ 37,401	\$ 13,750
Accounts Receivable	17,457	12,489
Prepaid Expenses	6,029	11,915
Inventories	56,610	64,951
Investments	6,790,909	6,426,914
Total Current Assets	6,908,406	6,530,019
Land, Building and Equipment		
Land	237,566	237,566
Building	1,142,519	1,142,519
Equipment	138,701	113,629
Leasehold Improvements	6,500	6,500
Furniture & Fixtures	58,985	58,986
	1,584,271	1,559,200
Less: Accumulated Depreciation	(767,900)	(725,434)
Net Property and Equipment	816,371	833,766
Other Assets		
Copyright	5,000	5,000
Total Assets	\$ 7,729,777	\$ 7,368,785

See accompanying notes and independent accountant's review report

LIABILITIES AND NET ASSETS

	2017	2016
Current Liabilities		
Accounts Payable	\$ 39,758	\$ 34,225
Sales Tax Payable	42	39
Accounts Payable - Elm Trust	339	1,376
Deferred Revenues	42,765	66,694
Member Deposit	190	8,117
Payroll Withholding	358	-
Line of Credit	-	13,231
Current Portion of Long-Term Debt	31,442	31,115
Total Current Liabilities	114,894	154,797
Long-Term Debt-net of current portion	40,821	72,321
Total Liabilities	155,715	227,118
Net Assets		
Unrestricted		
Operating	1,262,061	829,666
Board Designated	6,312,001	6,312,001
Total Net Assets	7,574,062	7,141,667
Total Liabilities and Net Assets	\$ 7,729,777	\$ 7,368,785

See accompanying notes and independent accountant's review report

AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
UNRESTRICTED NET ASSETS SUPPORT		
Membership Dues	\$ 233,419	\$ 255,376
Education Fees	150,348	102,708
Watch and Clock Certifications	47,615	70,972
Advertising Revenue	76,199	78,114
Merchandise Sales	34,719	24,840
Other Revenues	53,783	66,812
Total Support From Operations	596,083	598,822
Investment Income		
Interest and dividend income	173,267	202,263
Realized gain on sale of Investments	223,175	52,898
Unrealized gain (loss) on Investments	363,462	(195,447)
Total Investment Income	759,904	59,714
TOTAL SUPPORT AND REVENUE FROM OPERATIONS	1,355,987	658,536
EXPENSES		
Program Services	141,221	123,309
Supporting Services		
Management and General	782,371	809,105
TOTAL EXPENSES	923,592	932,414
TOTAL INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	432,395	(273,878)
NET ASSETS AT BEGINNING OF YEAR	7,141,667	7,415,545
NET ASSETS AT END OF YEAR	\$ 7,574,062	\$ 7,141,667

See accompanying notes and independent accountant's review report

**AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 432,395	\$ (273,878)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used In) Operating Activities:		
Depreciation and Amortization	42,466	48,531
(Gain) on Sale of Investments	(223,175)	(52,898)
Unrealized (Gain) Loss on Investments	(363,462)	195,447
(Increase) Decrease In:		
Accounts Receivable	(4,968)	18,442
Prepaid Expenses	5,886	(11,915)
Inventories	8,341	(20,961)
Increase (Decrease) In:		
Accounts Payable	4,496	(13,394)
Deferred Revenues	(23,929)	34,475
Accrued Expenses	361	(287)
Member Deposits	(7,927)	(1,712)
Net Cash Used In Operating Activities	(129,516)	(78,150)
Cash Flows from Investing Activities		
Purchase of Investments	(1,877,133)	(1,593,050)
Capital Expenditures for Fixed Assets	(25,070)	(15,005)
Proceeds from Sale Investments	2,099,774	1,735,115
Net Cash Provided by Investing Activities	197,571	127,060
Cash Flows from Financing Activities		
Net (Payments To) Proceeds From Lines of Credit	(13,231)	6,045
Repayments of Long-Term Debt	(31,173)	(48,851)
Net Cash Used in Financing Activities	(44,404)	(42,806)
Net Increase in Cash	23,651	6,104
Cash at Beginning of Year	13,750	7,646
Cash at End of Year	\$ 37,401	\$ 13,750
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for Interest	\$ 3,323	\$ 6,638

See accompanying notes and independent accountant's review report

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

American Watchmakers-Clockmakers Institute (The Institute) is a trade organization for professionals in watchmaking, watch repair, clockmaking, and clock repair. The institute operates as a not-for-profit organization, exempt from taxation under Internal Revenue Code Section 501 (c)(6). The Institute receives membership dues, tuition, and advertising revenues and provides members access to education and certifications. Members are also provided with The Horological Times Publication.

The Institute believes it is no longer subject to income tax examinations for the fiscal years prior to June 30, 2014. There are currently no audits for any tax periods in progress.

Basis of Accounting

The financial statements are prepared using the accrual method of accounting except for revenue recognition as explained below under Revenue Recognition.

Cash and Cash Equivalents

The Institute considers cash and cash equivalents to include cash on hand, cash in banks, and other cash investments purchased with original maturities of 90 days or less. Money market accounts in investments are not included in cash and cash equivalents. The balances, at times, may exceed federally insured amounts.

Accounts receivable

Accounts receivable are stated at the amount expected to be collected from the balances outstanding at the year-end. Accordingly, there is no allowance for doubtful accounts. Amounts determined to be uncollectable are charged to expense at that time.

Inventories

Inventories consist of published books and periodicals valued at cost on a first in/first out basis

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Financial Statement Presentation

The Institute has presented its financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Under the guidance, the Institute is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

The Institute administers the following classes of net assets:

Unrestricted Net Assets

Unrestricted net assets handle the day to day operations of the Institute, including all administrative expenses in accordance with provisions of the Institute's constitution. Annual dues are designated for use by this class of net assets.

Unrestricted net assets also include the proceeds from the sale of the Packard Watch Collection. Earnings received from the investment principal is to be used for the benefit of the membership. The Institute's Board of Directors established the corpus of the Board Designated fund at \$7,100,000 at its inception.

Revenue Recognition

Membership dues are recognized as income when received. The payments vary based on annual membership. Management of the Institute has not performed a detailed analysis of their revenues to determine the amount of revenue earned consistent with accounting principles generally accepted in the United States of America for the years-ended June 30, 2017 and 2016. It was not practicable to determine the effects of the improper revenue recognition on the financial statements. Contributions received are measured at their fair values and are reported as increases in net assets. Revenues from sources other than contributions are reported as increases in unrestricted net asset unless use of the related assets is limited by donor-imposed restrictions, or if they are designated as support for future periods.

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Property and Equipment

Expenditures greater than \$500 for land, building, and equipment are capitalized at cost when acquired. Depreciation is provided using the straight-line and accelerated methods over the following estimated useful lives:

Buildings	40 Years
Furniture and Equipment	3-10 Years

Depreciation expense for the years ended June 30, 2017 and 2016 was \$42,466 and \$48,531, Respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform with the 2017 presentation with no effect on previously reported increase in net assets.

Subsequent Events

Management has evaluated subsequent events through September 22, 2017, the date the financial statements were available to be issued.

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

B. INVESTMENTS

Investments are stated at fair value as of June 30, and are summarized as follows:

	<u>2017</u>	<u>2017</u>
	Cost	Fair Value
Money Market Funds	\$ 100,065	\$ 100,065
Fixed Income	2,245,239	2,292,261
Equity Securities	3,700,909	4,398,583
Total Investments	<u>\$ 6,046,213</u>	<u>\$ 6,790,909</u>
	<u>2016</u>	<u>2016</u>
	Cost	Fair Value
Money Market Funds	\$ 379,560	\$ 379,560
Fixed Income	1,991,316	1,987,848
Equity Securities	3,740,948	4,059,506
Total Investments	<u>\$ 6,111,824</u>	<u>\$ 6,426,914</u>

Due to the marketability of the investments all are considered current assets. Proceeds from all sales are immediately reinvested. Dividends and interest earnings are recorded as investment income.

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30:

	<u>2017</u>	<u>2016</u>
	Unrestricted	Unrestricted
Interest Income	\$ 71,243	\$ 83,767
Dividend Income	102,024	118,496
Realized Gains	223,175	52,898
Unrealized Gain	363,462	(195,447)
Total Investment Return	<u>\$ 759,904</u>	<u>\$ 59,714</u>

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

C. LONG-TERM DEBT

Long-term debt as of June 30, consists of the following:

Note payable-Bank, dated September 1, 2016, maturing September 16, 2019. Monthly principal and interest payments are \$2,789 including interest at 3.5%. The note is secured by a mortgage on the real estate and building.

	2017	2016
Long-Term Debt	\$ 72,263	\$ 103,436
Less-Current Portion	(31,442)	(31,115)
Long-Term Debt-Net of Current Portion	\$ 40,821	\$ 72,321

Principal payments on Long-Term Debt are due as follows:

Year Ending June 30:		
2018	\$	31,442
2019		32,560
2020		8,261
	\$	72,263

D. LINE OF CREDIT

The Institute has a \$350,000 line of credit at a local bank with interest at the prime rate, secured by the building and real estate. The interest rate at June 30, 2017 was 4.25%, interest is payable monthly, and the note matures on November 29, 2017. The balance available at June 30, 2017 totaled \$350,000. The Institute is currently negotiating with the bank for renewal of the line of credit.

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

E. RELATED PARTY

The Institute's board appoints members to the board of a related entity, ELM Trust. ELM Trust is a 501(c) 3 organization that provides educational support to the Institute and its members. The ELM Trust financial information is not combined or consolidated in these financial statements. The Institute receives contributions from time to time that are partially or wholly designated to the ELM Trust. At June 30, 2017 and 2016 The Institute had accounts payable of \$339 and \$1,376 to the ELM Trust and received a \$6,000 contribution from the Trust in 2016.

F. FAIR VALUE MEASUREMENT

The Fair Value Measurement and Disclosure Topic of the Financial Accounting Standards Board Accounting Standard Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Accounting Standards Codification are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Institute has the ability to access.
- Level 2 Inputs to the valuation methodology include:
Quoted prices for similar assets or liabilities in inactive markets;
Quoted prices identical or similar assets or liabilities in inactive markets;
Inputs other than quoted prices that are observable for the asset or liability;
Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
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Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2015.

Common stocks, money market funds, corporate bonds and U.S. government securities:
Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Institute believes its valuation methods are appropriate and consistent with other organizations, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Institute's assets at fair value as of June 30, 2017 and 2016.

	2017	2016
	Fair Value	Fair Value
	(Level 1)	(Level 1)
Money Market Funds	\$ 100,065	\$ 379,560
Fixed Income	2,292,261	1,987,848
Equity Securities	4,398,583	4,059,506
Total Investments	\$ 6,790,909	\$ 6,426,914

SUPPLEMENTARY INFORMATION

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
SCHEDULE I
SUPPLEMENTAL SCHEDULES OF UNRESTRICTED NET ASSETS SUPPORT
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

	2017	2016
Dues		
Active Members Dues	\$ 186,219	\$ 207,980
Industry Advisory Board	41,075	40,696
Affiliate Chapter Dues	3,425	3,400
Research and Educational Council	2,700	3,300
Total Dues Revenue	233,419	255,376
Education		
Bench Courses	54,084	6,822
Academy	96,264	95,886
Total Education Revenue	150,348	102,708
Watch and Clock Certification	47,615	70,972
Advertising		
Display	62,272	64,369
Classified	13,927	13,745
Total Advertising Revenue	76,199	78,114
Merchandise		
Books	28,590	20,580
Media	6,129	4,260
Total Merchandise Revenue	34,719	24,840
Other		
ELM Trust Contribution	-	6,000
Individual Contribution	-	650
Meeting Fees and Sponsor ads	52,977	59,161
Miscellaneous	806	1,001
Total Other Revenue	53,783	66,812
Total Support From Operations	596,083	598,822

See independent accountant's review report

Investment Returns		
Interest Income	71,243	83,767
Dividend Income	102,024	118,496
Realized Gains	223,175	52,898
Unrealized Gain	363,462	(195,447)
Total Investment Returns	<u>759,904</u>	<u>59,714</u>
TOTAL SUPPORT AND REVENUE FROM OPERATIONS	<u>\$ 1,355,987</u>	<u>\$ 658,536</u>

See independent accountant's review report

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
SCHEDULE II
SUPPLEMENTAL SCHEDULES OF EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Program Expenses		
Royalties	992	1,770
Education Certification Supply	13,301	12,725
Advertising & Marketing	11,924	3,714
Student Meals	751	1,630
Magazine Publishing	60,618	59,836
Writer Fees	29,686	24,221
Book Publishing and Production	1,200	880
Books	7,480	5,947
Media	2,879	836
Editing	12,390	11,750
Total Program Services Expenses	141,221	123,309
Supporting Services Expenses		
Salaries and Benefits Expenses		
Salaries	336,656	329,288
Payroll Taxes	30,160	29,694
Health Insurance	33,679	37,481
Other Employee Benefit	16,894	15,258
Total Salaries and Benefits Expenses	417,389	411,721
Professional Fees		
Accounting	19,490	19,348
Legal	3,172	2,800
Survey Consulting	11,970	27,555
Outside Contracted Services	1,000	204
Instructor	4,517	-
Investment Management	32,468	30,980
Total Professional Fees	72,617	80,887

See independent accountant's review report

Building		
Real Estate Taxes	21,016	21,007
Interest Expense	3,323	6,638
Depreciation	29,766	29,767
Telephone	5,925	7,300
Utilities	16,651	17,977
Security Monitoring	2,141	3,850
Building Maintenance and Repairs	11,742	12,368
Total Building Expenses	<u>90,564</u>	<u>98,907</u>
Office Expenses		
Office Supplies	4,603	2,879
Cleaning Supplies	6,090	82
Printing and Copying	5,737	8,854
Dues & Subscriptions	1,898	1,956
Postage & Shipping	32,488	30,156
Shipping Supplies	781	199
Information Technology	15,206	4,462
Staff Training	(1,700)	1,413
Payroll Processing	2,103	1,527
Insurance	10,129	10,287
Depreciation-Office Furnishings and Equipment	12,700	18,764
Miscellaneous	78	598
Bank Fees	1,560	1,400
License & Fees	200	229
Credit Card Processing	12,023	12,111
Total Office Expenses	<u>103,896</u>	<u>94,917</u>
Travel and Meeting Expenses		
Staff Travel	18,877	24,492
Assessor Travel	4,633	15,152
Annual Meeting	68,625	51,092
Mid Year Meeting	5,770	4,515
Election Balloting	-	6,922
Total Travel Expenses	<u>97,905</u>	<u>102,173</u>
Bad Debt-Write Off of Grant Receivable	<u>-</u>	<u>20,500</u>
Total Supporting Services Expenses	<u>782,371</u>	<u>809,105</u>
Total Expenses	<u>\$ 923,592</u>	<u>\$ 932,414</u>

See independent accountant's review report