

AMERICAN WATCHMAKERS-
CLOCKMAKERS INSTITUTE
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2019 AND 2018

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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, 2019 and 2018, 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, 2019 and 2018. 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.

FLASPOFFLER CPA, INC.

October 2, 2019

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS

	2019	2018
Current Assets		
Cash and Cash Equivalents	\$ 10,781	\$ 2,143
Accounts Receivable	21,955	12,759
Prepaid Expenses	7,213	2,572
Inventories	142,094	80,937
Investments	7,258,232	6,918,359
Total Current Assets	7,440,275	7,016,770
 Land, Building and Equipment		
Land	237,566	237,566
Building	1,142,519	1,142,519
Equipment	213,048	116,891
Leasehold Improvements	15,920	6,500
Vehicle-Mobile Classroom	400,308	-
Furniture & Fixtures	46,964	43,383
	2,056,325	1,546,859
Less: Accumulated Depreciation	(820,845)	(762,823)
Net Property and Equipment	1,235,480	784,036
 Other Assets		
Copyright	5,000	5,000
Total Assets	\$ 8,680,755	\$ 7,805,806

See accompanying notes and independent accountant's review report

LIABILITIES AND NET ASSETS

	2019	2018
Current Liabilities		
Cash Overdraft	\$ -	\$ 4,962
Accounts Payable	46,726	41,747
Sales Tax Payable	159	120
Accounts Payable - Elm Trust	1,559	1,428
Credit Card	4,925	
Deferred Revenues	22,794	50,209
Member Deposit	-	1,148
Payroll Withholding	-	358
Line of Credit	119,991	17,576
Current Portion of Long-Term Debt	48,900	32,560
Total Current Liabilities	245,054	150,108
Long-Term Debt-net of current portion	337,614	8,266
Total Liabilities	582,668	158,374
Net Assets		
Without Donor Restrictions	8,098,087	7,647,432
Total Net Assets	8,098,087	7,647,432
Total Liabilities and Net Assets	\$ 8,680,755	\$ 7,805,806

See accompanying notes and independent accountant's review report

AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and Gains		
Membership Dues	\$ 193,619	\$ 214,189
Education Fees	327,664	156,637
Watch and Clock Certifications	18,845	23,980
Advertising Revenue	67,261	62,412
Merchandise Sales	48,729	53,897
Other Revenues	122,191	73,510
Investment Return	711,829	499,405
Total Revenues and Gains Without Donor Restrictions	1,490,138	1,084,030
Expenses and Losses		
Program Expenses	766,511	745,180
Management and General	272,972	265,480
Total Expenses and Losses	1,039,483	1,010,660
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	450,655	73,370
NET ASSETS AT BEGINNING OF YEAR	7,647,432	7,574,062
NET ASSETS AT END OF YEAR	\$ 8,098,087	\$ 7,647,432

See accompanying notes and independent accountant's review report

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 450,655	\$ 73,370
Adjustments to Reconcile Change in Net Assets to Net Cash (Used In) Operating Activities:		
Depreciation and Amortization	58,022	44,835
(Gain) on Sale of Investments	(187,185)	(444,918)
Unrealized Loss (Gain) on Investments	(327,245)	169,202
(Increase) Decrease In:		
Accounts Receivable	(9,196)	4,698
Prepaid Expenses	(4,641)	3,457
Inventories	(61,157)	(24,327)
Increase (Decrease) In:		
Cash Overdraft	(4,962)	4,962
Accounts Payable	5,110	3,157
Deferred Revenues	(27,415)	7,444
Accrued Expenses	(319)	-
Member Deposits	(1,148)	958
Net Cash Used In Operating Activities	(109,481)	(157,162)
Cash Flows from Investing Activities		
Purchase of Investments	(2,236,744)	(2,112,321)
Capital Expenditures for Fixed Assets	(509,466)	(12,500)
Proceeds from Sale Investments	2,407,689	2,260,586
Net Cash Provided by Investing Activities	(338,521)	135,765
Cash Flows from Financing Activities		
Net (Payments To) Proceeds From Lines of Credit	480,674	17,576
Repayments of Long-Term Debt	(24,034)	(31,437)
Net Cash Used in Financing Activities	456,640	(13,861)
Net (Decrease) Increase in Cash	8,638	(35,258)
Cash at Beginning of Year	2,143	37,401
Cash at End of Year	\$ 10,781	\$ 2,143

See accompanying notes and independent accountant's review report

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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, 2016. There are currently no audits for any tax periods in progress.

Adoption of Accounting Standard

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 improves the financial reporting of not-for-profit organizations by providing more useful information to donors, grantors, creditors and other financial statement users. ASU 2016-14 changes the existing classes of net assets, improves the transparency and utility of liquidity information, changes the required presentation of cash flow information and requires the presentation of expenses by both function and natural classification. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. As a result of the adoption of ASU 2016-14, the Association has presented its net asset classifications as such and expanded the disclosures related to supporting service expenses and liquidity information.

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.

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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, periodicals, and classroom materials valued at cost on a first in/first out basis

Financial Statement Presentation

Financial statement presentation follows the accounting standards requirements for not-for-profit organizations. Under these standards, an organization is required to report information regarding its financial position and activities according to two classes of net assets depending on the existence and/or nature of any donor restrictions as follows: net assets without donor restrictions and net assets with donor restrictions.

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, 2019 and 2018. 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.

Property and Equipment

Expenditures greater than \$500 for land, building, and equipment are capitalized at cost when acquired. Donated property and equipment are valued at the approximate fair value on the date of donation. Depreciation is provided using the straight-line method over the following estimated useful lives:

Buildings	40 Years
Furniture and Equipment	3-10 Years
Vehicle-Mobile Classroom	10 Years

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
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Depreciation expense for the years ended June 30, 2019 and 2018 was \$58,022 and \$44,835, 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 2018 financial statements have been reclassified to conform with the 2019 presentation with no effect on previously reported increase in net assets.

B. INVESTMENTS

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

	2019 Cost	2019 Fair Value
Money Market Funds	\$ 110,541	\$ 110,541
Fixed Income	2,954,508	3,056,871
Equity Securities	3,241,668	4,090,820
Total Investments	\$ 6,306,717	\$ 7,258,232
	2018 Cost	2018 Fair Value
Money Market Funds	\$ 17,198	\$ 17,198
Fixed Income	2,792,828	2,720,084
Equity Securities	3,568,734	4,181,077
Total Investments	\$ 6,378,760	\$ 6,918,359

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.

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

	Without Donor Restrictions	
	2019	2018
Interest Income	80,425	\$ 66,974
Dividend Income	116,974	156,715
Realized Gains	187,185	444,918
Unrealized Gain	327,245	(169,202)
	<u>\$ 711,829</u>	<u>\$ 499,405</u>

C. LIQUIDITY

The following reflects the Institute's financial assets as of June 30, 2019 and 2018 reduced by amounts not available for general use within one year of the balance sheet date because of contractual or Board of Directors imposed restrictions. Amounts not available include amounts set aside as Board designated net assets (see Note D) that could be drawn upon if the governing board approves that action.

	2019	2018
Cash and cash equivalents	\$ 10,781	\$ 2,143
Investments	7,258,232	6,918,359
Accounts receivable	21,955	12,759
Prepaid expenses and other	7,213	6,029
Financial assets available	<u>7,298,181</u>	<u>6,939,290</u>
Less those unavailable for general expenditures within one year due to:		
Board designated assets	<u>(6,878,232)</u>	<u>(6,418,953)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 419,949</u>	<u>\$ 520,337</u>

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NOTES TO FINANCIAL STATEMENTS
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D. BOARD DESIGNATED NET ASSETS

Net assets without donor restrictions also include the James M. Dodson Perpetuation Fund (The Fund), derived 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. A description the Institute's investment policies for the fund is as follows:

GOALS AND OBJECTIVES

Performance Goal

The primary goal of the Fund is to provide supplemental income over time to support the annual operational expenses of the Institute. To accomplish this, distributions from the Fund to the Institute's General Fund will need to increase with the rate of inflation. Over time it is expected that these distributions will be a portion of the long-term average total return of the Fund (including both income and capital appreciation) and be defined as a fixed proportion of the Fund's annual value. As a result, the primary objective of the investments will be to provide long-term growth in the value of the Fund, net of investment manager expenses, sufficient to preserve the real purchasing power of the principal of the Fund. Specifically, the performance objective is the following:

Perpetuation Fund Rate of Return \geq Spending Rate + Inflation Rate + Expenses

The Fund is a long-term asset, which has the potential to enhance programs of the Institute on a permanent basis. To realize this potential fully, there must be a policy designed to protect and preserve the real purchasing power of the principal of the assets.

Performance Objectives

The specific investment performance objectives of the Fund are as follows:

1. The total return of the Fund over the long-term is expected to exceed the rate of inflation, as measured by the Consumer Price Index, plus the spending rate plus investment expenses.

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
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2. The total return net of fees is expected to exceed the return of the target Balanced Index, which is composed of the following:

a. 60% S&P 500 Index and 40% Lehman Intermediate Government Credit Bond Index.

b. These benchmark index weights are derived from calculating the mid-point ranges described in the Asset Allocation restrictions, excluding the cash component.

3. The risk level of the Fund, as measured by a portfolio volatility measure such as standard deviation of return, is expected to be maintained between 0.8 and 1.2 times that of the above Balanced Index.

INVESTMENT GUIDELINES

Asset Allocation

The board asset class diversification of the Fund will range within the following approximate limits:

	<u>Range</u>	<u>Mid-Range</u>
Cash and cash equivalents	0-10%	0%
Fixed Income securities	30-50%	40%
Common Equity securities	50-70%	60%

Within the common equity allocation defined above, the indicated equity categories will be constrained within the following ranges

<u>Equity Category</u>	<u>Range</u>
Domestic LargeCap stocks	40-80%
Domestic MidCap stocks	0-15%
Domestic SmallCap stocks	0-10%
International stocks	10-20%
Equity REIT's	0-10%

The investment manager has discretion within the above ranges to manage the overall portfolio through individual securities, exchange traded fund (ETFs), or mutual funds.

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
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Allowable Assets

1. Cash Equivalents
 - > Money Market Funds
 - > Treasury Bills
 - > Commercial Paper
 - > STIF Funds
 - > Repurchase Agreements
 - > Certificate of Deposit

2. Fixed Income Securities
 - > U.S. Government and Agency securities
 - > Investment-grade rated Corporate Notes and Bonds
 - > Government Agency Mortgage Backed Securities
 - > Investment-grade rated Asset Backed Securities
 - > Investment-grade rated Preferred stock
 - > Foreign Governments and corporations (U.S. dollar denominated)

3. Equity Securities
 - > Common Stocks
 - > Convertible Notes and Bonds
 - > Convertible Preferred Stocks
 - > American Depository Receipts (ADRs)
 - > Stocks of Non-U.S. companies

4. Mutual Funds
 - > Mutual Funds and Exchange Traded Funds that invest in securities allowed in this statement

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Prohibited Assets and Transactions

1. Commodities and future contracts
2. Private placements, unregistered securities, and restricted stock
3. Options
4. Limited partnerships
5. Private equity/Venture-capital investments
6. High yield bonds rated below investment grade
7. Real estate properties
8. Short selling
9. Margin transactions
10. Derivative securities, unless specifically allowed by this document

Diversification Guidelines

Diversification is a matter of investment manager discretion within the guidelines established in the Fund's Policy Statement. However, diversification is broadly encouraged as a method of reducing specific risks to the Fund.

Equity Securities

1. No more than 30% of the market value of the equity portion of the Fund may be invested within a single market sector.
2. No more than 5% of the market value of the equity portion of the Fund may be invested in any single company

Fixed Income Securities:

1. No more than 30% of the market value of the fixed income portion of the Fund may be invested within a single market segment, with the exception of securities issued by the U.S. government and its agencies.
2. No more than 5% of the market value of the fixed income portion of the Fund may be invested in any single company, with the exception of securities issued by the U.S. government and its agencies.
3. No more than 30% of the market value of the fixed income portion of the Fund may be invested to mature within any single year.

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

SPENDING POLICY OF THE FUND

Background

The Fund is clearly a long-term asset, which has the potential to enhance programs of the Institute on permanent basis. To fully realize this potential, there must be a policy which is designed to protect and preserve the real purchasing power of the principal of the Fund. Such a policy must not only protect against loss of principal, but also insure a steady growth of principal over time in order to offset the negative effects of inflation. In order to increase spending over time, the principal value of the Fund must continue to rise. The performance objective of the Fund must be to have the total rate of return of the Fund cover any spending and inflation.

For the purpose of the Fund's Policy Statement, "income" shall be defined as a portion of the long-term average total return of the Fund's investments, including both income received from the principal and capital appreciation. If the current yield and capital components of total return are individually used to determine the distributable proportion, versus retained, this method is inappropriate. The ability to distribute this "income" is too volatile over the long-term and unlikely to keep up with inflation. The solution rests in the concept of total return, inflation, and their relationship to the capital markets. Investors are led more by real rates of return (after inflation) than anything else. Thus, while the markets are not perfect and sometimes have a substantial time lag, there is an overall relationship between inflation rates and available investment return rates. Therefore, the minimum objective is the following:

Total Fund Rate of Return \geq Spending Rate + Inflation Rate + Expenses

The Fund must reinvest enough of its total return to allow for inflation, while also generating a rising stream of income that is sufficiently stable to be used in financial planning for the institution's programs. Many organizations achieve this by constraining annual current distributions from the portfolio to a fixed percentage of the fund's market value, regardless of the total rate for a particular year or whether the return is from interest, dividends, or capital gains/losses. While individual procedures vary, the range of practice is generally to allow a maximum of four to six percent of market value to be expended each year. This has historically allowed the total return from investments to be sufficient to achieve the above targeted goal.

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
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Spending Policy

The maximum Distribution Policy for the Fund will be determined annually by the following formula:

Up to 5.5% times Previous 12 Quarter Moving Average of the Fund's Market Value

This formula would be applied to the twelve calendar quarters ending on March 31st prior to the beginning of the new fiscal year in question, so that final budget guidance on available distributions can be determined. Until the twelve quarters of experience are available, the number of quarters the Fund has existed will be the basis. Using the twelve-quarter moving average base is preferable, as it smooths out the peaks and valleys of market changes. It is believed that this spending policy shall over time protect the inflation-adjusted value of the Fund and, consequently, allow inflation-adjusted spending to occur over the long-term. Distributions may be made from the Fund to the Institute's General Fund monthly, or as necessary up to the annual limitation established by this Policy statement.

The following schedule summarizes the changes in the Board Designated fund for the year ended June 30:

	<u>Without Donor Restrictions</u>	
	<u>2019</u>	<u>2018</u>
Fund net assets, beginning of year	\$ 6,803,423	\$ 6,675,974
Investment returns, net	711,829	499,405
Appropriation of fund assets for expenditure	(371,956)	(371,956)
Fund net assets, end of year	<u>\$ 7,143,296</u>	<u>\$ 6,803,423</u>

E. ANALYSIS AND ALLOCATION OF EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include interest and office and occupancy, which are allocated based on an estimate of space utilized, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

2019

	Program Activities				Supporting Activities	Total Expenses
	HT				Management and General	
	Education	Magazine & Retail	Membership	Clock/Watch Certification		
Payroll Expenses	160,930	107,361	27,098	14,578	112,598	422,565
Professional Services	1,357	-	5,576	950	59,416	67,299
Office Expenses	23,001	32,395	17,843	3,490	8,795	85,524
Information Technology	1,301	4,647	2,511	260	2,960	11,679
Overhead	15,863	6,040	21,120	3,021	16,432	62,476
Repairs & Maintenance	5,115	1,209	4,233	605	4,208	15,370
Travel, Lodging, & Meals	31,037	2,393	17,980	553	4,963	56,926
Annual Meeting	98	-	32,368	-	-	32,466
Mid Year Meeting	-	-	-	-	-	-
Clarity Conference	-	-	-	-	-	-
Insurance	4,813	1,153	4,037	577	2,133	12,713
Other Program Expenses	83,647	94,298	590	23,172	636	202,343
Cost of Merchandise Sold	3,229	3,943	-	-	-	7,172
Depreciation	-	-	-	-	58,022	58,022
Interest	394	197	641	887	2,809	4,928
Total Expenses	330,785	253,636	133,997	48,093	272,972	1,039,483

2018

	Program Activities				Supporting Activities	Total Expenses
	HT				Management and General	
	Education	Magazine & Retail	Membership	Clock/Watch Certification		
Payroll Expenses	139,217	115,961	33,573	19,636	112,744	421,131
Professional Services	2,810	1,175	5,279	21,841	61,440	92,545
Office Expenses	6,808	27,355	17,300	4,139	6,562	62,164
Information Technology	5,220	5,243	11,597	1,044	6,481	29,585
Overhead	20,703	8,108	28,437	4,052	21,477	82,777
Travel, Lodging, & Meals	5,663	-	218	9,781	1,478	17,140
Annual Meeting	-	-	69,197	-	-	69,197
Mid Year Meeting	-	-	379	-	6,238	6,617
Clarity Conference	-	-	-	883	-	883
Insurance	2,962	1,184	4,147	592	2,962	11,847
Other Program Expenses	22,562	107,681	2,411	23,814	-	156,468
Cost of Merchandise Sold	-	13,248	-	-	-	13,248
Depreciation	-	-	-	-	44,835	44,835
Interest	200	80	279	401	1,263	2,223
Total Expenses	206,145	280,035	172,817	86,183	265,480	1,010,660

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
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F. LINES 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 all business assets. The interest rate at June 30, 2019 was 5.00%, interest is payable monthly, and the note matures on November 29, 2019. The balance available at June 30, 2019 totaled \$230,009.

G. LONG-TERM DEBT.

Long-term debt consists of the following:

	2019	2018
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.	\$ 8,256	\$ 40,826
Note payable-Bank dated September 28, 2019, maturing September 28, 2025. Monthly principal and interest payments beginning October, 2019 are \$6,239 including interest at Prime plus .5% or Treasury Rate plus 2.5% with minimum rate of 5.75%. Monthly interest payments are due until September, 2019. The note is secured by a 2018 Farber RV and mortgage on the real estate.	\$ 378,258	\$ -
	386,514	40,826
Less Current Portion	(48,900)	(32,560)
Long-Term Debt, less Current Portion	\$ 337,614	\$ 8,266

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

Year Ending June 30:	
2019	\$ 48,900
2020	56,650
2021	60,050
2022	63,650
2023	67,500
	\$ 296,750

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
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H. 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, 2019 and 2018 The Institute had accounts payable of \$1,559 and \$1,428 to the ELM Trust and received a \$25,300 contribution from the Trust in 2019.

I. 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.

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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.

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, 2019 and 2018.

	2019	Quoted Prices in Active Markets for Identical Assets (Level 1)
	Fair Value	(Level 1)
Money Market Funds	\$ 110,541	\$ 110,541
Fixed Income	3,056,871	3,056,871
Equity Securities	4,090,820	4,090,820
Total Investments	\$ 7,258,232	\$ 7,258,232

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	<u>Fair Value</u>	2018 Quoted Prices in Active Markets for Identical Assets (Level 1)
Money Market Funds	\$ 17,198	\$ 17,198
Fixed Income	2,720,084	2,720,084
Equity Securities	4,181,077	4,181,077
Total Investments	\$ 6,918,359	\$ 6,918,359

J. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	<u>2019</u>	<u>2018</u>
<u>Cash Paid During the Year for:</u>		
Interest	\$ 4,928	\$ 3,323
<u>Non-Cash:</u>		
Financed Purchase of Vehicle	\$ 378,258	-
Receipt of Donated Equipment	\$ 27,359	-

K. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 2, 2019 the date the financial statement were available to be issued.

SUPPLEMENTARY INFORMATION

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
SCHEDULE I
SUPPLEMENTAL SCHEDULES OF REVENUES AND GAINS
FOR THE YEARS ENDED JUNE 30, 2019 and 2018

	2019	2018
Membership Dues		
Active Members Dues	\$ 166,444	\$ 172,281
Industry Advisory Board	22,050	35,908
Affiliate Chapter Dues	3,025	2,975
Research and Educational Council	2,100	3,025
Total Membership Dues Revenue	193,619	214,189
Education Fees		
Bench Courses	185,548	54,067
Academy	142,116	102,570
Total Education Revenue	327,664	156,637
Watch and Clock Certification	18,845	23,980
Advertising Revenue		
Display	54,310	51,809
Classified	12,951	10,603
Total Advertising Revenue	67,261	62,412
Merchandise Sales		
Books	35,634	44,246
Media	13,095	9,651
Total Merchandise Revenue	48,729	53,897
Other Revenues		
Individual Contribution	-	100
Corporate Contributions	47,359	-
ELM Trust Contribution	25,300	-
Meeting Fees and Sponsor ads	42,850	50,856
Miscellaneous	6,682	22,554
Total Other Revenue	122,191	73,510
Total Support From Operations	778,309	584,625

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Investment Returns		
Interest Income	80,425	66,974
Dividend Income	116,974	156,715
Realized Gains	187,185	444,918
Unrealized Gain	327,245	(169,202)
Total Investment Returns	<u>711,829</u>	<u>499,405</u>
TOTAL SUPPORT AND REVENUE FROM OPERATIONS	<u>\$ 1,490,138</u>	<u>\$ 1,084,030</u>

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AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
SCHEDULE II
SUPPLEMENTAL SCHEDULES OF EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Payroll Expenses		
Salaries and Wages	354,360	352,600
Payroll Taxes	27,096	28,544
Health Insurance	31,392	28,393
Other Employee Benefit	9,717	11,594
Total Payroll Expenses	422,565	421,131
Professional Services		
Accounting	23,985	18,385
Legal	2,093	10,188
Survey Consulting	6,300	11,053
Outside Contracted Services	950	7,788
Instructor	26,160	5,810
OH Annual Report	200	200
Financing Fees	1,289	473
Election Balloting	5,576	4,904
Investment Management	33,206	33,744
Total Professional Services	99,759	92,545
Office Expenses		
Staff Training	695	499
Payroll Processing	2,428	2,114
Bank Charges	316	969
Advertising & Marketing	8,754	6,778
Purchase Discounts	-	(143)
Office Supplies	5,415	4,158
Dues & Subscriptions	1,508	1,351
Postage & Shipping	34,336	24,002
Printing & Copying	9,677	6,343
Credit Card Fees	20,523	13,055
Membership Other Costs	-	546
License & Fees	1,396	1,750
Relocation Expense	2,002	-
Shipping Supplies	545	742
Total Office Expenses	87,595	62,164

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Information Technology		
IT Support	5,667	21,123
Software	5,348	4,172
Website	664	4,290
Total Information Technology	<u>11,679</u>	<u>29,585</u>
Overhead		
Telephone	7,010	7,999
Cleaning & Supplies	6,767	6,890
Storage & Rent	840	-
Repairs & Maintenance Equipment	1,182	560
Real Estate Taxes	31,422	30,230
Utilities	15,019	13,879
Repairs & Maintenance Building	13,176	21,998
Alarm & Security	1,418	1,221
Total Overhead	<u>76,834</u>	<u>82,777</u>
Travel, Lodging, & Meals		
Staff Travel & Lodging	37,225	1,846
Committee Travel & Lodging	-	3,667
Instructor Travel & Lodging	15,229	-
Assessor Travel & Lodging	4,859	10,421
Assessor Meals	743	563
Staff Meals	2,504	206
Committee Meals	-	437
Total Travel, Lodging, & Meals	<u>60,560</u>	<u>17,140</u>
Annual Meeting		
AM Venue & Meals	10,375	35,718
AM Travel & Lodging	11,397	25,401
AM Delegate Travel	1,744	1,500
AM Marketing	3,730	3,770
AM PlusOne Entertainment	875	323
AM Supplies	926	1,145
AM Mailing	-	328
AM Shipping	1,529	226
AM Credit Card Fees	1,192	786
AM Printing	698	-
Total Annual Meeting	<u>32,466</u>	<u>69,197</u>
Mid Year Meeting		
MYM Travel & Lodging	-	5,449

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MYM Meals	-	1,168
Total Mid Year Meeting	-	6,617
Clarity Conference		
CC Airfare & Auto	-	883
Total Clarity Conference	-	883
Insurance		
Directors & Officers Insurance	3,807	3,807
Liability Insurance	6,696	6,805
Employee Bond	281	1,235
Total Insurance	10,784	11,847
Other Program Expenses		
Royalties	3,648	5,713
JCK Travel Lodging Meals	10,327	4,999
JCK Logistics	590	788
Vehicle Repairs	1,012	-
Vehicle Expense	4,868	-
Vehicle Insurance	1,930	-
Classroom Rent	5,418	-
Education Certification Supply	17,888	42,300
Student Meals	4,574	2,010
BAW Supplies	26,214	-
Magazine Publishing	57,700	57,715
Writer Fee	16,534	29,703
Book Publishing-Perkins III	-	916
Editing	15,830	10,880
Complimentary Services	585	1,444
Total Other Program Expenses	167,118	156,468
Cost of Merchandise Sold		
Book Purchases	4,599	10,185
Media Purchases	1,828	1,798
Merchandise Purchases	746	1,265
Total Cost of Merchandise Sold	7,173	13,248
Interest	4,928	2,223
Depreciation	58,022	44,835
Total Expenses	\$ 1,039,483	\$ 1,010,660

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