

**AMERICAN WATCHMAKERS-  
CLOCKMAKERS INSTITUTE**

**Financial Statements  
and Supplementary Schedules  
June 30, 2020 (Compiled) and 2019 (Reviewed)**



**AMERICAN WATCHMAKERS- CLOCKMAKERS  
INSTITUTE**

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Certified Public Accountants, Inc. Business Management and Financial Services

## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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

Management is responsible for the accompanying financial statements of American Watchmakers-Clockmakers Institute (a non-profit corporation), which comprise the statements of financial position as of June 30, 2020 and the related statements of activities, statements of functional expenses, and statements of cash flows for the year then ended and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

### *Know Departure from Accounting Principles Generally Accepted in the United States of America*

As disclosed in Note 3 to the financial statements, certain revenues are recognized on a cash basis which is not consistent with US GAAP. Management of the Institute has not performed a detailed analysis of their revenues to determine the amount of revenue earned is consistent with US GAAP for the years ended June 30, 2020 and 2019. 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 contained in Schedule I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement; however, we have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, conclusion, nor provide any assurance on such information.

### *June 30, 2019 Financial Statements*

The financial statements of American Watchmakers-Clockmakers Institute as of June 30, 2019, were reviewed by other accountants who stated that based on their procedures they are not aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America in their report dated October 2, 2019, but they have not performed any procedures in connection with that review engagement since that date.

*Sheldon Reeder, CPAs*

Sheldon Reeder CPAs  
Cincinnati, OH  
November 24, 2020

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2020 (COMPILED) AND 2019 (REVIEWED)**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 9,135	\$ 10,781
Accounts receivable	5,717	21,955
Inventory	104,679	142,094
Investments	7,201,364	7,258,232
Prepaid expenses	<u>10,351</u>	<u>7,213</u>
TOTAL CURRENT ASSETS	<u>7,331,246</u>	<u>7,440,275</u>
<b>NON-CURRENT ASSETS</b>		
<b>EQUIPMENT</b>		
Land	237,566	237,566
Building	1,142,519	1,142,519
Equipment	215,775	213,048
Leasehold improvements	16,771	15,920
Vehicle - mobile classroom	400,308	400,308
Furnitures & fixtures	47,794	46,964
Less accumulated depreciation	<u>(920,398)</u>	<u>(820,845)</u>
TOTAL EQUIPMENT	<u>1,140,335</u>	<u>1,235,480</u>
<b>OTHER ASSETS</b>		
Copyright	<u>5,000</u>	<u>5,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 8,476,581</u></u>	<u><u>\$ 8,680,755</u></u>

See independent accountants' compilation report.

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2020 (COMPILED) AND 2019 (REVIEWED)**

	<b>June 30, 2020</b>	<b>June 30, 2019</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 52,290	\$ 46,726
Sales tax payable	131	159
Accounts payable - Elm Trust	-	1,559
Credit card	2,516	4,925
Deferred revenue	75,140	22,794
Line of credit	149,536	119,991
Current portion of long-term debt	56,300	48,900
TOTAL CURRENT LIABILITIES	335,913	245,054
<b>LONG-TERM LIABILITIES</b>		
Long-term debt- net of current portion	299,688	337,614
<b>TOTAL LIABILITES</b>	635,601	582,668
<b>NET ASSETS</b>		
Without donor restrictions	7,840,980	8,098,087
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 8,476,581</b>	<b>\$ 8,680,755</b>

See independent accountants' compilation report.

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2020 (COMPILED) AND 2019 (REVIEWED)**

	<b>June 30, 2020</b>	<b>June 30, 2019</b>
<b>OPERATING ACTIVITIES</b>		
<b>REVENUE AND PUBLIC SUPPORT</b>		
Membership	\$ 153,606	\$ 193,619
Education fees	234,071	327,664
Merchandise sales	68,593	48,729
Watch and clock certificates	-	18,845
Advertising revenue	68,391	67,261
Investment return	315,087	711,829
Other revenues	3,065	122,191
	<b>842,813</b>	<b>1,490,138</b>
<b>EXPENSES</b>		
Program expenses	795,223	766,511
Management and general	304,697	272,972
Fundraising	-	-
	<b>1,099,920</b>	<b>1,039,483</b>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>(257,107)</b>	<b>450,655</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>8,098,087</b>	<b>7,647,432</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 7,840,980</b>	<b>\$ 8,098,087</b>

See independent accountants' compilation report.

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020 (COMPILED)**

	<u>Program Services</u>				<u>Supporting Services</u>		<u>Total Expenses</u>
	<u>Education</u>	<u>HT Magazine and Retail</u>	<u>Membership</u>	<u>Clock/Watch Certification</u>	<u>Management and General</u>	<u>Fundraising</u>	
Professional services	\$ 110	\$ -	\$ 4,488	\$ 75	\$ 69,898	\$ -	\$ 74,571
Payroll expenses	203,461	91,009	21,719	16,835	116,079	-	449,103
Office expense	15,476	31,278	8,016	793	12,017	-	67,580
Information technology	1,638	10,968	11,946	227	1,879	-	26,658
Overhead	21,842	6,555	22,937	3,277	17,973	-	72,584
Repairs & maintenance	4,134	585	2,047	293	8,669	-	15,728
Insurance	9,934	1,064	3,723	532	2,367	-	17,620
Travel, lodging & meals	28,788	379	641	389	3,654	-	42,864
Annual meeting	1,370	-	3,753	-	-	-	5,123
Mid year meeting	418	-	703	439	7,541	-	9,101
Other program expenses	86,002	84,601	-	13,380	(24)	-	174,946
Cost of merchandise sold	-	22,740	-	-	43	-	22,783
Depreciation	40,031	-	-	-	59,522	-	99,553
Interest	16,627	-	-	-	5,079	-	21,706
Total expenses	<u>\$ 429,831</u>	<u>\$ 249,179</u>	<u>\$ 79,973</u>	<u>\$ 36,240</u>	<u>\$ 304,697</u>	<u>\$ -</u>	<u>\$ 1,099,920</u>

See independent accountants' compilation report.



**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019 (REVIEWED)**

	<u>Program Services</u>				<u>Supporting Activities</u>		<u>Total Expenses</u>
	<u>Education</u>	<u>HT Magazine and Retail</u>	<u>Membership</u>	<u>Clock/Watch Certification</u>	<u>Management and General</u>	<u>Fundraising</u>	
Professional services	\$ 1,357	\$ -	\$ 5,576	\$ 950	\$ 59,416	\$ -	\$ 67,299
Payroll expenses	160,930	107,361	27,098	14,578	112,598	-	422,565
Office expense	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
Insurance	4,813	1,153	4,037	577	2,133	-	12,713
Travel, lodging & meals	31,037	2,939	17,980	553	4,963	-	56,926
Annual meeting	98	-	32,368	-	-	-	32,466
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
<b>Total expenses</b>	<b>\$ 330,785</b>	<b>\$ 254,182</b>	<b>\$ 133,997</b>	<b>\$ 48,093</b>	<b>\$ 272,972</b>	<b>\$ -</b>	<b>\$ 1,039,483</b>

See independent accountants' compilation report.

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2020 (COMPILED) AND 2019 (REVIEWED)**

	<b>June 30, 2020</b>	<b>June 30, 2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (257,107)	\$ 450,655
Adjustments to reconcile change in net assets with cash flow from operations:		
Depreciation	99,553	58,022
(Gain) on sale of investments	(63,650)	(187,185)
Unrealized (gain)/loss on investments	(78,785)	(327,245)
(Increase) Decrease in:		
Accounts receivable	16,238	(9,196)
Prepaid expenses	(3,138)	(4,641)
Inventory	37,415	(61,157)
Cash overdraft	-	(4,962)
Increase (Decrease) in:		
Accounts payable	5,564	5,110
Accrued expenses	(3,996)	(319)
Member deposits	-	(1,148)
Deferred revenue	52,346	(27,415)
	<u>(195,560)</u>	<u>(109,481)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures for fixed assets	(4,408)	(509,466)
Proceeds from sale investments	1,959,570	2,407,689
Purchase of investments	(1,760,267)	(2,236,744)
	<u>194,895</u>	<u>(338,521)</u>
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net (payments to) proceeds from lines of credit	29,545	480,674
Repayments of long-term debt	(30,526)	(24,034)
	<u>(981)</u>	<u>456,640</u>
<b>NET CASH (USED) BY FINANCING ACTIVITIES</b>		
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(1,646)	8,638
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>10,781</u>	<u>2,143</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 9,135</u>	<u>\$ 10,781</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	<u>\$ 21,706</u>	<u>\$ 4,928</u>
The Company had noncash investing and financing activities as follows:		
Vehicle acquired through notes payable	<u>\$ -</u>	<u>\$ 378,258</u>
Receipt of donated equipment	<u>\$ -</u>	<u>\$ 27,359</u>

See independent accountants' compilation report

# AMERICAN WATCHMAKERS- CLOCKMAKERS INSTITUE

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

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### 1. NATURE OF OPERATIONS

America 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.

### 2. DATE OF MANAGEMENT REVIEW

Management reviews events and transactions occurring subsequent to the date of the financial statements for matters requiring potential recognition or disclosure in the financial statements. The Institute has evaluated subsequent events through November 24, 2020, the date the financial statements were available to be issued.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Adoption of New Accounting Standard

On July 1, 2019, the Institute was required to adopt Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, “ASC 606”), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. A large portion of the Institute’s revenues come from investment returns, that are outside the scope of ASC 606. Services within the scope of ASC 606 include membership and education fees paid to the Institute for services provided.

The Institute adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of July 1, 2019. Results for reporting periods beginning after July 1, 2019 are presented under ASC 606 while prior period amounts continue to be reported in accordance with legacy generally accepted accounting principles. The adoption of ASC 606 did not result in a change to the accounting for any of the in-scope revenue streams; as such, no cumulative effect adjustment was recorded.

#### Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting except for revenue recognition as explained below under Revenue Recognition.

#### Basis of Presentation

The Institute’s financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

# AMERICAN WATCHMAKERS- CLOCKMAKERS INSTITUTE

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

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## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Institute's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Institute or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Institute currently does not have net assets with restrictions that are perpetual in nature.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

### Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Institute's ongoing programs. Non-operating activities include other activities considered to be of a more unusual or nonrecurring nature. All activities of the Institute were operating activities for the years ended June 30, 2020 and 2019.

### Cash and Cash Equivalents

The Institute considers all cash and highly liquid investments with original maturities of three months or less, that are not designated for a specific purpose, to be cash equivalents for cash flow statement classification purposes. 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. It is the opinion of management that all accounts receivable are collectable; therefore, an allowance for doubtful accounts has not been provided for in these financial statements.

### Inventory

Inventory consist of published books, periodicals and classroom materials valued at cost on a first in/first out basis.

# AMERICAN WATCHMAKERS- CLOCKMAKERS INSTITUE

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

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### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### 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 computed 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

Depreciation expense was \$99,553 and \$58,022 for the years ended 2020 and 2019, respectively.

#### Donated Assets and Property and Equipment

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Institute reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Institute reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The Institute received \$0 and \$27,359 in donated property and equipment as of June 30, 2020 and 2019, respectively.

#### 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 US GAAP for the years ended June 30, 2020 and 2019. It was not practical 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 net asset without donor restrictions unless use of the related assets is limited by donor-imposed restrictions, or if they are designated as support for future periods.

#### Allocation of Functional Expenses

The costs of program, management supporting service, and fundraising activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses are directly applied when applicable. The following expenses include allocated expenses based on a periodic review performed by management: professional services, payroll, office, information technology, overhead, repairs and maintenance, insurance, travel, meetings, depreciation and interest.

# AMERICAN WATCHMAKERS- CLOCKMAKERS INSTITUE

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the year ended June 30, 2020, approximately 72% of the Institute's total expenses related to program services, 28% to management and general services, and 0% to fundraising activities. For the year ended June 30, 2019, approximately 74% of the Institute's total expenses related to program services, 26% to management and general services, and 0% to fundraising activities.

#### Income Taxes

The Institute is an Ohio nonprofit corporation and is exempt from income tax under Section 501(c)(6) of the Internal Revenue Code. The Institute has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report any unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Institute has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

## 4. AVAILABILITY AND LIQUIDITY

The following reflects the Institute's financial assets as of June 30, 2020 and 2019 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 6) that could be drawn upon if the governing board approves that action.

	<u>2020</u>
Cash and cash equivalents	\$ 9,135
Investments	7,201,364
Accounts receivable	5,717
Prepaid expenses and other	<u>10,351</u>
Financial assets available	7,226,567
Less those unavilable for general expenditures within one year due to:	
Board designated assets	<u>(7,086,427)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 140,140</u>

# AMERICAN WATCHMAKERS- CLOCKMAKERS INSTITUE

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

### 5. INVESTMENTS

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

	2020	
	Cost	Fair Value
Money Market Funds	\$ 240,772	\$ 240,772
Fixed Income	2,355,260	2,525,575
Equity Securities	3,606,618	4,435,017
Total Investments	<u>\$ 6,202,650</u>	<u>\$ 7,201,364</u>

  

	2019	
	Cost	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	<u>\$ 6,306,717</u>	<u>\$ 7,258,232</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:

	Without Donor Restrictions	
	2020	2019
Interest Income	\$ 79,886	\$ 80,425
Dividend Income	92,766	116,974
Realized Gains	63,650	187,185
Unrealized Gain	78,785	327,245
Total Investment Return	<u>\$ 315,087</u>	<u>\$ 711,829</u>

### 6. BOARD DESIGNATED NET ASSETS

Net assets without donor restrictions also include the James M. Dodson Perpetuation 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.

**AMERICAN WATCHMAKERS- CLOCKMAKERS INSTITUE**

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

**BOARD DESIGNATED NET ASSETS (Continued)**

The following schedule summarizes the changes in the Board Designated fund as of June 30:

	Without Donor Restrictions	
	2020	2019
Fund net assets, beginning of year	\$ 7,143,296	\$ 6,803,423
Investment returns, net	315,087	711,829
Appropriation of fund assets for expenditure	(371,956)	(371,956)
Fund net assets, end of year	\$ 7,086,427	\$ 7,143,296

**7. LONG-TERM DEBT**

Long-term debt consists of the following:

	2020	2019
<b>Note Payable - Bank</b>		
Note payable - Bank dated September 1, 2016, matured September 16, 2019. Monthly principal and interest payments of \$2,789 including interest at 3.5%. The note was secured by a mortgage on the real estate and building.	\$ -	\$ 8,256
<b>Note Payable - Bank</b>		
Note payable - Bank dated September 28, 2019, maturing September 28, 2025 with monthly payments of \$6,239. Interest only payments commenced October, 2019. Principal and interest payments commenced March, 2020. Interest charged at prime plus .5% or Treasury Rate plus 2.5% with minimum rate of 5.75%. The note is secured by a 2018 Farber RV and mortgage on the real estate.	355,988	378,258
Less Current Portion	(56,300)	(48,900)
Total Long-Term Debt	\$ 299,688	\$ 337,614



# AMERICAN WATCHMAKERS- CLOCKMAKERS INSTITUE

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

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### LONG-TERM DEBT (Continued)

Principal payments on long-term debt are due as follows:

2021	\$	56,300
2022		58,900
2023		62,500
2024		66,150
Thereafter		<u>112,138</u>
	\$	<u><u>355,988</u></u>

### 8. LINE OF CREDIT

The Institute obtained a \$350,000 revolving line of credit with a local bank, bearing interest on the outstanding balance at the prime rate and secured by the building and all business assets. The interest rate at June 30, 2020 and 2019 was 3.25% and 5.00%, respectively. The outstanding balance at June 30, 2020 and 2019 was \$149,536 and \$119,991, respectively.

### 9. RELATED PARTY TRANSACTIONS

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, 2020 and 2019 the Institute had accounts payable of \$0 and \$1,559 to the ELM Trust and received a \$25,300 contribution from the Trust in 2019.

### 10. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that priorities investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Agencies group assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

# AMERICAN WATCHMAKERS- CLOCKMAKERS INSTITUE

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

### FAIR VALUE MEASUREMENTS (Continued)

Level 2: Other observable inputs, either directly or indirectly, including:

- quoted prices for similar assets/liabilities in active markets;
- quoted prices for identical or similar assets in non-active markets;
- inputs other than quoted prices that are observable for the asset or liability; and,
- inputs that are derived principally from or corroborated by other observable market data.

Level 3: Unobservable inputs that cannot be corroborated by observable market data.

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 not changes in the methodologies used as of June 30, 2015

*Common stocks, money market fund, corporate bond and U.S. governmental securities:*

Values 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 techniques 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 set forth by level, within the fair value hierarchy, the Institute's assets at fair value as of June 30, 2020.

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Money Market Funds	\$ 240,772	\$ -	\$ -
Fixed Income	2,525,575	-	-
Equity Securities	4,435,017	-	-
Total Investments	<u>\$ 7,201,364</u>	<u>\$ -</u>	<u>\$ -</u>

The following table set forth by level, within the fair value hierarchy, the Institute's assets at fair value as of June 30, 2019.

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Money Market Funds	\$ 110,541	\$ -	\$ -
Fixed Income	3,056,871	-	-
Equity Securities	4,090,820	-	-
Total Investments	<u>\$ 7,258,232</u>	<u>\$ -</u>	<u>\$ -</u>

# AMERICAN WATCHMAKERS- CLOCKMAKERS INSTITUTE

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

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## 11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 24, 2020, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 Coronavirus and the resulting stay-at-home order issued by the state of Ohio in which the Institute operates, revenues continue to be negatively impacted due to cancellations of conventions and programs. The duration of the reduction in revenue may be only temporary. However, the related financial impact and duration cannot be reasonably estimated at this time.

## **SUPPLEMENTAL INFORMATION**

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**SCHEDULE I**  
**SUPPLEMENTAL SCHEDULES OF REVENUES AND GAINS**  
**FOR THE YEARS ENDED JUNE 30, 2020 (COMPILED) AND 2019 (REVIEWED)**

	<b>June 30, 2020</b>	<b>June 30, 2019</b>
<b>MEMBERSHIP DUES</b>		
Active members dues	\$ 138,006	\$ 166,444
Industry advisory board	10,500	22,050
Affiliate chapter dues	3,000	3,025
Research and educational council	2,100	2,100
	<hr/>	<hr/>
TOTAL MEMBERSHIP DUES	153,606	193,619
<b>EDUCATION FEES</b>		
Bench courses	122,025	185,548
Webinars	7,832	-
Academy	102,614	142,116
	<hr/>	<hr/>
TOTAL EDUCATION FEES	232,471	327,664
<b>WATCH AND CLOCK CERTIFICATION</b>	1,600	18,845
<b>ADVERTISING REVENUE</b>		
Display	57,915	54,310
Classified	9,376	12,951
Web	1,100	-
	<hr/>	<hr/>
TOTAL ADVERTISING REVENUE	68,391	67,261
<b>MERCHANDISE SALES</b>		
Books	49,271	35,634
Media	19,322	13,095
	<hr/>	<hr/>
TOTAL MERCHANDISE SALES	68,593	48,729
<b>OTHER REVENUES</b>		
Corporate contributions	-	47,359
ELM trust contributions	-	25,300
Meeting fees and sponsor ads	-	42,850
Miscellaneous	3,065	6,682
	<hr/>	<hr/>
TOTAL OTHER REVENUES	3,065	122,191
<b>TOTAL SUPPORT FROM OPERATIONS</b>	<b>527,726</b>	<b>778,309</b>

See independent accountants' compilation report

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**SCHEDULE I (Continued)**  
**SUPPLEMENTAL SCHEDULES OF REVENUES AND GAINS**

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	<u>June 30,</u> <u>2020</u>	<u>June 30,</u> <u>2019</u>
<b>INVESTMENT RETURNS</b>		
Interest income	79,886	80,425
Dividend income	92,766	116,974
Realized gains	63,650	187,185
Unrealized gain	<u>78,785</u>	<u>327,245</u>
 TOTAL INVESTMENT RETURNS	 <u>315,087</u>	 <u>711,829</u>
 <b>TOTAL SUPPORT AND REVENUE FROM OPERATIONS</b>	 <u>\$ 842,813</u>	 <u>\$ 1,490,138</u>

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**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**SCHEDULE II**  
**SUPPLEMENTAL SCHEDULES OF EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2020 (COMPILED) AND 2019 (REVIEWED)**

	<b>June 30, 2020</b>	<b>June 30, 2019</b>
<b>PAYROLL EXPENSES</b>		
Salaries and wages	\$ 362,565	\$ 354,360
Payroll taxes	27,283	27,096
Health insurance	47,258	31,392
Other employee benefit	11,997	9,717
TOTAL PAYROLL EXPENSES	449,103	422,565
<b>PROFESSIONAL SERVICES</b>		
Accounting	29,838	23,985
Legal	3,018	2,093
Outside contracted services	-	950
OH annual report	200	200
Financing fees	2,790	1,289
Election balloting	4,488	5,576
Investment management	34,237	33,206
TOTAL PROFESSIONAL SERVICES	74,571	67,299
<b>OFFICE EXPENSES</b>		
Staff training	-	695
Payroll processing	2,441	2,428
Bank charges	338	316
Advertising and marketing	5,255	8,754
Purchase discounts	-	-
Office supplies	3,171	5,346
Dues and subscriptions	4,088	1,508
Postage and shipping	22,648	34,336
Printing and copying	8,667	9,677
Credit card fees	15,361	20,523
Membership other costs	4,306	-
Licenses and fees	524	1,396
Shipping supplies	781	545
TOTAL OFFICE EXPENSES	67,580	85,524
<b>INFORMATION TECHNOLOGY</b>		
IT Support	9,319	5,667
Software	12,330	5,348
Internet	215	-
Website	4,794	664
TOTAL INFORMATION TECHNOLOGY	26,658	11,679

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**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**SCHEDULE II (Continued)**  
**SUPPLEMENTAL SCHEDULES OF EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2020 (COMPILED) AND 2019 (REVIEWED)**

	<b>June 30, 2020</b>	<b>June 30, 2019</b>
<b>OVERHEAD</b>		
Telephone	10,207	7,010
Cleaning and supplies	11,301	6,767
Storage and rent	5,464	840
Real estate taxes	31,299	31,422
Utilities	13,090	15,019
Alarm and security	1,223	1,418
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TOTAL OVERHEAD	72,584	62,476
<b>REPAIRS &amp; MAINTENANCE</b>		
Repairs and maintenance equipment	1,540	1,182
Repairs and maintenance building	12,631	13,176
Repairs and maintenance vehicles	1,557	1,012
	<hr/>	<hr/>
TOTAL REPAIRS & MAINTENANCE	15,728	15,370
<b>TRAVEL, LODGING AND MEALS</b>		
Staff travel and lodging	18,817	27,952
Board travel	2,270	9,435
Committee travel and lodging	448	-
Instructor travel and lodging	8,047	-
Assessor travel and lodging	750	-
Assessor meals	216	-
Vehicle expense	10,419	4,868
Trade shows - travel lodge meals	1,069	10,287
Staff meals	828	2,382
Relocation expenses	-	2,002
	<hr/>	<hr/>
TOTAL TRAVEL, LODGING AND MEALS	42,864	56,926
<b>ANNUAL MEETING</b>		
Registrations	190	-
Venue and meals	-	10,375
Travel and lodging	8	11,397
Delegate travel	-	1,744
Marketing	2,562	3,730
Plus one entertainment	-	875
Supplies	816	926
Shipping	-	1,529
Credit card fees	-	1,192
Printing	1,547	698
	<hr/>	<hr/>
TOTAL ANNUAL MEETING	5,123	32,466

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**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**SCHEDULE II (Continued)**  
**SUPPLEMENTAL SCHEDULES OF EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2020 (COMPILED) AND 2019 (REVIEWED)**

	<b>June 30, 2020</b>	<b>June 30, 2019</b>
<b>MID YEAR MEETING</b>		
Travel and lodging	7,934	-
Meals	1,167	-
<b>TOTAL MID YEAR MEETING</b>	<b>9,101</b>	<b>-</b>
<b>INSURANCE</b>		
Directors and officers insurance	4,170	3,807
Liability insurance	5,937	6,696
Employee bond	239	280
Vehicle insurance	7,274	1,930
<b>TOTAL INSURANCE</b>	<b>17,620</b>	<b>12,713</b>
<b>OTHER PROGRAM EXPENSES</b>		
Survey consulting	5,470	6,300
Instructor	14,750	26,160
Royalties	2,781	3,648
JCK logistics	75	590
Classroom rent	150	5,418
Education certification supply	14,521	17,888
Student meals	3,057	4,574
BAW supplies	53,210	26,285
Magazine publishing	51,192	57,700
Writer fee	15,110	16,534
Editing	14,630	15,830
Instructor travel and lodging	-	15,229
Assessor travel and lodging	-	4,859
Assessor meals	-	743
Complimentary services	-	585
<b>TOTAL OTHER PROGRAM EXPENSES</b>	<b>174,946</b>	<b>202,343</b>
<b>COST OF MERCHANIDSE SOLD</b>		
Book purchases	10,561	4,599
Media purchases	1,023	1,828
Merchandise purchases	11,199	745
<b>TOTAL COST OF MERCHANDISE SOLD</b>	<b>22,783</b>	<b>7,172</b>
<b>INTEREST</b>	<b>21,706</b>	<b>4,928</b>
<b>DEPRECIATION</b>	<b>99,553</b>	<b>58,022</b>
<b>TOTAL EXPENSES</b>	<b>\$ 1,099,920</b>	<b>\$ 1,039,483</b>

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