

**AMERICAN WATCHMAKERS-
CLOCKMAKERS INSTITUTE**

Financial Statements

June 30, 2021 and 2020



**AMERICAN WATCHMAKERS- CLOCKMAKERS
INSTITUTE**

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ATLAS CPAs & Advisors PLLC
3737 West Fork Road
Cincinnati, OH 45247

It's about time.

INDEPENDENT ACCOUNTANT'S 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, 2021 and 2020 and the related statements of activities, functional expenses, and cash flows for the years 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.

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

As disclosed in Note 2 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, 2021 and 2020. It was not practicable to determine the effects of the improper revenue recognition on the statements of financial position, 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.

ATLAS CPAs & Advisors PLLC

Cincinnati, OH
April 21, 2022



AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 164,237	\$ 9,135
Accounts receivable, net	3,105	5,717
Inventories	91,830	104,679
Investments, at fair value	8,395,178	7,201,364
Prepaid expenses	8,175	10,351
TOTAL CURRENT ASSETS	8,662,525	7,331,246
PROPERTY AND EQUIPMENT		
Land	237,566	237,566
Building	1,142,519	1,142,519
Equipment	222,409	215,775
Leasehold improvements	16,771	16,771
Vehicle - mobile classroom	400,308	400,308
Furnitures and fixtures	47,794	47,794
Less accumulated depreciation	(1,017,887)	(920,398)
TOTAL PROPERTY AND EQUIPMENT, NET	1,049,480	1,140,335
OTHER ASSETS		
Copyright	5,000	5,000
TOTAL ASSETS	\$ 9,717,005	\$ 8,476,581

The accompanying notes are an integral part of the financial statements.

AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	2021	2020
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 28,960	\$ 52,290
Accounts payable - related party	1,150	-
Sales tax payable	-	131
Credit card	1,083	2,516
Deferred revenue	3,232	75,140
Line of credit - First Financial	-	149,536
Margin loan account - Charles Schwab	601,102	-
Current portion of long-term debt	-	56,300
TOTAL CURRENT LIABILITIES	635,527	335,913
LONG-TERM LIABILITIES		
Long-term debt- net of current portion	-	299,688
TOTAL LIABILITES	635,527	635,601
NET ASSETS		
Without donor restrictions	9,081,478	7,840,980
TOTAL LIABILITIES AND NET ASSETS	\$ 9,717,005	\$ 8,476,581

The accompanying notes are an integral part of the financial statements.

AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE
STATEMENTS OF ACTIVITIES
For the years ended June 30, 2021 and 2020

	2021	2020
REVENUE AND PUBLIC SUPPORT		
Membership	\$ 144,652	\$ 153,606
Education fees	50,318	234,071
Merchandise sales	36,881	68,593
Advertising revenue	57,776	68,391
Investment return, net	1,565,784	315,087
PPP loan forgiveness	53,900	-
Other revenues	5,061	3,065
	1,914,372	842,813
FUNCTIONAL EXPENSES		
Program expenses	465,339	795,223
Management and general	208,535	304,697
	673,874	1,099,920
CHANGE IN NET ASSETS	1,240,498	(257,107)
NET ASSETS - BEGINNING OF YEAR	7,840,980	8,098,087
NET ASSETS - END OF YEAR	\$ 9,081,478	\$ 7,840,980

The accompanying notes are an integral part of the financial statements.

AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2021

	Program Services				Supporting Services			Total
	Education	HT Magazine and Retail	Membership	Clock/Watch Certification	Management and General	Fundraising		
Payroll expenses	\$ 143,507	\$ 82,616	\$ -	\$ 1,337	\$ 22,725	\$ -	\$ 250,185	
Professional services	-	-	2,244	-	64,714	-	66,958	
Office expense	1,205	22,950	4,329	124	10,971	-	39,579	
Information technology	1,464	7,455	10,177	219	2,048	-	21,363	
Overhead	13,415	4,988	17,431	2,494	15,557	-	53,885	
Repairs and maintenance	731	292	1,024	146	4,030	-	6,223	
Insurance	15,454	1,652	5,619	826	4,670	-	28,221	
Travel, lodging and meals	4,789	-	-	-	3,543	-	8,332	
Other program expenses	6,721	51,366	-	-	2,279	-	60,366	
Cost of merchandise sold	-	7,434	-	-	-	-	7,434	
Depreciation	40,000	-	-	-	57,489	-	97,489	
Interest	13,330	-	-	-	20,509	-	33,839	
Total functional expenses	\$ 240,616	\$ 178,753	\$ 40,824	\$ 5,146	\$ 208,535	\$ -	\$ 673,874	

The accompanying notes are an integral part of the financial statements.

AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE
SCHEDULE OF FUNCTIONAL EXPENSES
For the year ended June 30, 2020

	Program Services				Supporting Activities			Total
	Education	HT Magazine and Retail	Membership	Clock/Watch Certification	Management and General	Fundraising		
Payroll expenses	\$ 203,461	\$ 91,009	\$ 21,719	\$ 16,835	\$ 116,079	\$ -	\$ -	\$ 449,103
Professional services	110	-	4,488	75	69,898	-	-	74,571
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 and 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 and meals	28,788	379	641	389	3,654	-	-	33,851
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)	-	-	183,959
Cost of merchandise sold	-	22,740	-	-	43	-	-	22,783
Depreciation	40,031	-	-	-	59,522	-	-	99,553
Interest	16,627	-	-	-	5,079	-	-	21,706
Total functional expenses	\$ 429,831	\$ 249,179	\$ 79,973	\$ 36,240	\$ 304,697	\$ -	\$ -	\$ 1,099,920

The accompanying notes are an integral part of the financial statements.

AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,240,498	\$ (257,107)
Adjustments to reconcile change in net assets with cash flow from operations:		
Depreciation	97,489	99,553
Gain on sale of investments	(563,336)	(63,650)
Unrealized gains on investments	(832,380)	(78,785)
(Increase) Decrease in:		
Accounts receivable, net	2,612	16,238
Prepaid expenses	2,176	(3,138)
Inventories	12,849	37,415
Increase (Decrease) in:		
Accounts payable	(23,330)	5,564
Accounts payable - related party	1,150	-
Accrued expenses	(1,564)	(3,996)
Deferred revenue	(71,908)	52,346
	<u>(135,744)</u>	<u>(195,560)</u>
NET CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(6,634)	(4,408)
Proceeds from sale of investments	2,820,364	1,959,570
Purchase of investments	(2,618,462)	(1,760,267)
	<u>195,268</u>	<u>194,895</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lines of credit - First Financial	308,397	756,262
Payments on line of credit - First Financial	(457,933)	(726,717)
Proceeds from margin loan account - Charles Schwab	602,286	-
Payments on margin loan account - Charles Schwab	(1,184)	-
Repayments of long-term debt	(355,988)	(30,526)
	<u>95,578</u>	<u>(981)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		
NET CHANGE IN CASH AND CASH EQUIVALENTS	155,102	(1,646)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>9,135</u>	<u>10,781</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 164,237</u>	<u>\$ 9,135</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 33,839</u>	<u>\$ 21,706</u>

The accompanying notes are an integral part of the financial statements.

AMERICAN WATCHMAKERS- CLOCKMAKERS INSTITUE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Institute's financial statements. The policies conform to generally accepted accounting principles and have been consistently applied. The financial statements and notes are representations of the Institute's management who is responsible for their integrity and objectivity.

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:

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.

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.

AMERICAN WATCHMAKERS- CLOCKMAKERS INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2021 and 2020.

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 carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Concentration of Credit Risk

The Institute maintains cash in bank deposit accounts, which at times may exceed federally insured limits. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage up to \$250,000 per depositor at each insured financial institution. The Company's cash in bank did not exceed federal insured limits as of June 30, 2021 and 2020, respectively. Management considers this risk to be mitigated by the bank's high credit rating and has not experienced any losses on such accounts.

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.

Investments

Investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

AMERICAN WATCHMAKERS- CLOCKMAKERS INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories consist of published books, periodicals and classroom materials valued at the lower of cost or net realizable value on a first in/first out basis.

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. Normal repairs and maintenance are expensed as incurred. Land, by its nature, is neither depreciated or amortized. 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 \$97,489 and \$99,553 for the years ended June 30, 2021 and 2020, 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 did not receive any donated property and equipment during the years ended June 30, 2021 and 2020.

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, 2021 and 2020. 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.

AMERICAN WATCHMAKERS- CLOCKMAKERS INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of Functional Expenses

The costs of program, management supporting service, and fundraising activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited. Management, on an equitable basis that reflects time and effort, determines such allocations. 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.

For the year ended June 30, 2021, approximately 69% of the Institute's total expenses related to program services, 31% to management and general services, and 0% to fundraising activities. 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.

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. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

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 as of June 30, 2021 and 2020. The Institute believes the only years open for potential IRS audits are the years ended June 30, 2018 to 2021.

Advertising Costs

The Institute expenses advertising costs as they are incurred. Advertising costs were \$226 and \$5,255 for the years ended June 30, 2021 and 2020, respectively.

Recently Issued Significant Accounting Standards

Lease Accounting Standard

In February, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This new standard is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position. The ASU is effective for the years beginning after December 15, 2022.

AMERICAN WATCHMAKERS- CLOCKMAKERS INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following reflects the Institute's financial assets as of June 30, 2021 and 2020 reduced by amounts not available for general use within one year of the balance sheet date. Amounts not available include amounts set aside as Board designated net assets (see Note 5) that could be drawn upon if the governing board approves that action.

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 164,237	\$ 9,135
Investments, at fair value	8,395,178	7,201,364
Accounts receivable, net	3,105	5,717
	8,562,520	7,216,216
Less those unavailable for general expenditures within one year:		
Board designated assets	(8,280,255)	(7,086,427)
Financial assets available to meet cash needs for general expenditures within one year	\$ 282,265	\$ 129,789

NOTE 4 - INVESTMENTS

The Institute's investments consist of common stocks, money market funds and corporate bonds. All of the investments are valued based on Level 1 for fair value measurements. Investments are stated at fair value of June 30 2021 and 2020, and are summarized as follows:

	2021	
	Cost	Fair Value
Money Market Funds	\$ 29,578	\$ 29,578
Fixed Income	2,784,364	2,871,003
Equity Securities	3,718,296	5,494,597
Total Investments	\$ 6,532,238	\$ 8,395,178
	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	\$ 6,202,650	\$ 7,201,364

AMERICAN WATCHMAKERS- CLOCKMAKERS INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 4 – INVESTMENTS (Continued)

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 statements of activities for the years ended June 30, 2021 and 2020:

	Without Donor Restrictions	
	2021	2020
Interest Income	\$ 101,058	\$ 79,886
Dividend Income	69,010	92,766
Realized Gains	563,336	63,650
Unrealized Gain	832,380	78,785
Total Investment Return	\$ 1,565,784	\$ 315,087

NOTE 5 - 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.

The following schedule summarizes the changes in the Board Designated fund as of June 30, 2021 and 2020:

	Without Donor Restrictions	
	2021	2020
Fund net assets, beginning of year	\$ 7,086,427	\$ 7,143,296
Investment returns, net	1,565,784	315,087
Appropriation of fund assets for expenditure	(371,956)	(371,956)
Fund net assets, end of year	\$ 8,280,255	\$ 7,086,427

AMERICAN WATCHMAKERS- CLOCKMAKERS INSTITUE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 6 - LONG-TERM DEBT

Long-term debt consists of the following:

	2021	2020
Note Payable - Bank		
Note payable - Bank dated September 28, 2019, maturing September 28, 2025 with monthly payments of \$6,239. Interest only payments commenced October, 2019. Pricipal and interest payments commmenced 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. Note paid off in fiscal year 2021.	\$ -	\$ 355,988
	-	355,988
Less Current Portion	-	(56,300)
Total Long-Term Debt	\$ -	\$ 299,688

NOTE 7 - 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, 2021 and 2020 was 3.25%. The outstanding balance at June 30, 2021 and 2020 was \$0 and \$149,536, respectively. Line of credit was paid off during the year ended June 30, 2021 and replaced with a margin loan account with their investment broker.

The Institute entered into a margin loan account agreement with its investment broker in April 2021. An initial amount of \$600,250 was borrowed, bearing interest at the base rate determined by the investment broker and secured by the equity investments in the brokerage account. The interest rate at June 30, 2021 was 2.00%. The outstanding balance at June 30, 2021 was \$601,102.

NOTE 8 – PPP LOAN

The Institute was awarded a Paycheck Protection Program (“PPP”) loan as a result of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) on March 26, 2021 in the amount of \$53,900. The Institute expected to be eligible for loan forgiveness, concluding that the PPP loan represents, in essence, a grant; thus, the Institute has elected to use the guidance in *ASC 958-605, Not-for-Profit Entities: Revenue Recognition* as allowable by the AICPA. The Institute utilized the funds for payroll expenses during the period March 26, 2021 through August 3, 2021. As the Institute has incurred the majority of the qualifying expenses during the year ended June 30, 2021, the entire \$53,900 has been recorded as other income for the year ended June 30, 2021. The entire \$53,900 was forgiven on October 14, 2021.

AMERICAN WATCHMAKERS- CLOCKMAKERS INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 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, 2021 and 2020 the Institute had accounts payable to the ELM Trust of \$1,150 and \$0, respectively.

NOTE 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 prioritizes 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.

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.

AMERICAN WATCHMAKERS- CLOCKMAKERS INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 11 - SUBSEQUENT EVENTS

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 April 21, 2022, the date the financial statements were available to be issued. Management has determined that no events require disclosure, except those noted below.

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, 2021 and 2020

	2021	2020
MEMBERSHIP DUES		
Active members dues	\$ 133,072	\$ 138,006
Industry advisory board	6,480	10,500
Affiliate chapter dues	3,000	3,000
Research and educational council	2,100	2,100
	<u>144,652</u>	<u>153,606</u>
EDUCATION FEES		
Bench courses	20,175	122,025
Webinars	115	7,832
Academy	29,028	102,614
	<u>49,318</u>	<u>232,471</u>
	<u>1,000</u>	<u>1,600</u>
WATCH AND CLOCK CERTIFICATION		
ADVERTISING REVENUE		
Display	50,697	57,915
Classified	7,079	9,376
Web	-	1,100
	<u>57,776</u>	<u>68,391</u>
MERCHANDISE SALES		
Books	30,846	49,271
Media	6,035	19,322
	<u>36,881</u>	<u>68,593</u>
OTHER REVENUES		
Workers compensation rebates	4,181	-
Business contributions	130	-
PPP loan forgiveness	53,900	-
Miscellaneous	750	3,065
	<u>58,961</u>	<u>3,065</u>
TOTAL SUPPORT FROM OPERATIONS	<u>348,588</u>	<u>527,726</u>

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AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE
SCHEDULE I
SUPPLEMENTAL SCHEDULES OF REVENUES AND GAINS
For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
INVESTMENT RETURNS		
Interest income	101,058	79,886
Dividend income	69,010	92,766
Realized gains	563,336	63,650
Unrealized gain	<u>832,380</u>	<u>78,785</u>
 TOTAL INVESTMENT RETURNS	 <u>1,565,784</u>	 <u>315,087</u>
 TOTAL SUPPORT AND REVENUE FROM OPERATIONS	 <u><u>\$ 1,914,372</u></u>	 <u><u>\$ 842,813</u></u>

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AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE
SCHEDULE II
SUPPLEMENTAL SCHEDULES OF EXPENSES
For the years ended June 30, 2021 and 2020

	2021	2020
PAYROLL EXPENSES		
Salaries and wages	\$ 207,406	\$ 362,565
Payroll taxes	16,775	27,283
Health insurance	22,577	47,258
Other employee benefit	3,427	11,997
	250,185	449,103
TOTAL PAYROLL EXPENSES		
PROFESSIONAL SERVICES		
Accounting	23,950	29,838
Legal	1,324	3,018
Ohio annual report	200	200
Financing fees	2,875	2,790
Election balloting	2,244	4,488
Investment management	36,365	34,237
	66,958	74,571
TOTAL PROFESSIONAL SERVICES		
OFFICE EXPENSES		
Payroll processing	920	2,441
Bank charges	3,131	338
Advertising and marketing	226	5,255
Office supplies	3,110	3,171
Dues and subscriptions	3,343	4,088
Postage and shipping	17,825	22,648
Printing and copying	3,972	8,667
Credit card fees	6,357	15,361
Membership other costs	591	4,306
Licenses and fees	78	524
Shipping supplies	26	781
	39,579	67,580
TOTAL OFFICE EXPENSES		
INFORMATION TECHNOLOGY		
IT Support	11,082	9,319
Software	7,757	12,330
Internet	-	215
Website	2,524	4,794
	21,363	26,658
TOTAL INFORMATION TECHNOLOGY		

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AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE
SCHEDULE II
SUPPLEMENTAL SCHEDULES OF EXPENSES
For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OVERHEAD		
Telephone	10,375	10,207
Cleaning and supplies	1,062	11,301
Storage and rent	1,177	5,464
Real estate taxes	30,432	31,299
Utilities	9,359	13,090
Alarm and security	1,480	1,223
	<hr/>	<hr/>
TOTAL OVERHEAD	53,885	72,584
	<hr/>	<hr/>
REPAIRS & MAINTENANCE		
Repairs and maintenance equipment	1,386	1,540
Repairs and maintenance building	4,837	12,631
Repairs and maintenance vehicles	-	1,557
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TOTAL REPAIRS & MAINTENANCE	6,223	15,728
	<hr/>	<hr/>
TRAVEL, LODGING AND MEALS		
Staff travel and lodging	4,789	18,817
Board travel	875	2,270
Committee travel and lodging	-	448
Instructor travel and lodging	-	8,047
Assessor travel and lodging	-	750
Assessor meals	-	216
Vehicle expense	931	10,419
Trade shows - travel lodge meals	1,576	1,069
Staff meals	161	828
	<hr/>	<hr/>
TOTAL TRAVEL, LODGING AND MEALS	8,332	42,864
	<hr/>	<hr/>
ANNUAL MEETING		
Registrations	-	190
Travel and lodging	-	8
Marketing	-	2,562
Supplies	-	816
Printing	-	1,547
	<hr/>	<hr/>
TOTAL ANNUAL MEETING	-	5,123
	<hr/>	<hr/>

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AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE
SCHEDULE II
SUPPLEMENTAL SCHEDULES OF EXPENSES
For the years ended June 30, 2021 and 2020

	2021	2020
MID YEAR MEETING		
Travel and lodging	-	7,934
Meals	-	1,167
TOTAL MID YEAR MEETING	-	9,101
INSURANCE		
Directors and officers insurance	4,523	4,170
Liability insurance	16,869	5,937
Employee bond	1,158	239
Vehicle insurance	5,671	7,274
TOTAL INSURANCE	28,221	17,620
OTHER PROGRAM EXPENSES		
Survey consulting	-	5,470
Instructor	210	14,750
Royalties	1,420	2,781
JCK logistics	-	75
Classroom rent	-	150
Education certification supply	467	14,521
Student meals	274	3,057
BAW supplies	5,980	53,210
Magazine publishing	36,983	51,192
Writer fee	8,348	15,110
Editing	6,684	14,630
TOTAL OTHER PROGRAM EXPENSES	60,366	174,946
COST OF MERCHANIDSE SOLD		
Book purchases	7,121	10,561
Media purchases	38	1,023
Merchandise purchases	275	11,199
TOTAL COST OF MERCHANDISE SOLD	7,434	22,783
INTEREST	33,839	21,706
DEPRECIATION	97,489	99,553
TOTAL FUNCTIONAL EXPENSES	\$ 673,874	\$ 1,099,920

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