

**AMERICAN WATCHMAKERS – CLOCKMAKERS  
INSTITUTE EDUCATION, LIBRARY AND  
MUSEUM CHARITABLE TRUST**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**For the Years Ended  
June 30, 2006 and June 30, 2005**

## **TABLE OF CONTENTS**

	<u>PAGE NO.</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 6
<b>SUPPLEMENTARY INFORMATION</b>	
Schedules of Operating Revenues	8
Schedules of Operating Expenses	9



**RUDLER &  
ASSOCIATES, INC.**  
*Certified Public Accountants*

Professional Service Corporation  
Founded in 1969

**INDEPENDENT AUDITORS' REPORT**

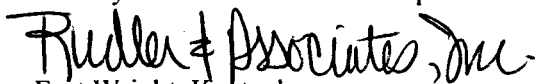
To the Board of Trustees of  
American Watchmakers – Clockmakers Institute  
Education, Library and Museum Charitable Trust  
Harrison, Ohio

We have audited the accompanying statements of financial position of American Watchmakers - Clockmakers Institute Education, Library and Museum Charitable Trust (a nonprofit organization) as of June 30, 2006 and June 30, 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of American Watchmakers - Clockmakers Institute Education, Library and Museum Charitable Trust as of June 30, 2006 and June 30, 2005, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained in the following schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Fort Wright, Kentucky  
January 12, 2007

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE  
EDUCATION, LIBRARY AND MUSEUM CHARITABLE TRUST**  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2006 and June 30, 2005

ASSETS	June 30, 2006	June 30, 2005
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 9,168	\$ 7,176
Accounts receivable - student loans	0	6,477
<b>Total Current Assets</b>	<u>9,168</u>	<u>13,653</u>
<b>PROPERTY AND EQUIPMENT</b>		
Equipment	52,089	52,089
Less: accumulated depreciation	(51,617)	(48,270)
<b>Total Property and Equipment</b>	<u>472</u>	<u>3,819</u>
<b>OTHER ASSETS</b>		
Copyright	2,000	2,000
Investments - collectibles	257,526	257,526
<b>Total Other Assets</b>	<u>259,526</u>	<u>259,526</u>
<b>Total Assets</b>	<u>\$ 269,166</u>	<u>\$ 276,998</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Line of credit	\$ 14,000	\$ 14,000
Accounts payable - AWI	63,701	59,812
<b>Total Current Liabilities</b>	<u>77,701</u>	<u>73,812</u>
<b>NET ASSETS</b>		
Unrestricted Net Assets	<u>191,465</u>	<u>203,186</u>
<b>Total Net Assets</b>	<u>191,465</u>	<u>203,186</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 269,166</u>	<u>\$ 276,998</u>

The accompanying notes are an integral part of these statements.

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE  
EDUCATION, LIBRARY AND MUSEUM CHARITABLE TRUST**

**STATEMENTS OF ACTIVITIES**

For the Years Ended June 30, 2006 and June 30, 2005

	June 30, 2006	June 30, 2005
	<u>          </u>	<u>          </u>
REVENUES		
Operating revenues	\$ 19,961	\$ 31,067
Interest and Dividend Income	0	4
Total Revenues	<u>19,961</u>	<u>          </u>
OPERATING EXPENSES	<u>25,825</u>	<u>25,096</u>
INCOME (LOSS) FROM OPERATIONS	<u>(5,864)</u>	<u>5,975</u>
OTHER EXPENSES		
Realized Loss on Investments	0	842
Bad Debt	5,857	0
Total Other Expense	<u>5,857</u>	<u>842</u>
CHANGE IN NET ASSETS	\$ (11,721)	\$ 5,133
NET ASSETS - Unrestricted - Beginning of Year	<u>203,186</u>	<u>198,053</u>
NET ASSETS - Unrestricted - End of Year	<u>\$ 191,465</u>	<u>\$ 203,186</u>

The accompanying notes are an integral part of these statements.

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE  
EDUCATION, LIBRARY AND MUSEUM CHARITABLE TRUST**

**STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2006 and June 30, 2005

Increase (Decrease) in Cash and Cash Equivalents

	June 30, 2006	June 30, 2005
Cash Flows From Operating Activities		
Change in net assets	<u>\$ (11,721)</u>	<u>\$ 5,133</u>
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	3,348	3,348
Realized loss on investments	0	842
Decrease in student loans	6,476	50
Decrease in accounts payable - trade	0	(3,800)
Increase (decrease) in accounts payable - AWI	<u>3,889</u>	<u>(36,715)</u>
Total adjustments	<u>13,713</u>	<u>(36,275)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,992</u>	<u>(31,142)</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	<u>0</u>	<u>25,390</u>
Net Cash Provided by Investing Activities	<u>0</u>	<u>25,390</u>
Cash Flows From Financing Activities		
Payments on line of credit	<u>0</u>	<u>,000)</u>
Net Cash Used by Financing Activities	<u>0</u>	<u>,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	,992	(16,752)
Cash and Cash Equivalents at Beginning of Year	<u>7,176</u>	<u>23,928</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 9,168</u></u>	<u><u>\$ 7,176</u></u>
Cash Paid During the Year for:		
Interest	\$ ,867	\$ 2,065
Income taxes	\$ 0	\$ 0

The accompanying notes are an integral part of these statements.

**AMERICAN WATCHMAKERS – CLOCKMAKERS INSTITUTE  
EDUCATION, LIBRARY AND MUSEUM CHARITABLE TRUST**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006 and June 30, 2005

**Summary of Significant Accounting Policies**

This summary of significant accounting policies of American Watchmakers – Clockmakers Institute Education, Library and Museum Charitable Trust (the ELM Trust) is presented to assist in understanding the Trust's financial statements. The financial statements and notes are representations of the Trust's management, which is responsible for their integrity and objectivity. The accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**Organization**

American Watchmakers - Clockmakers Institute Education, Library and Museum Charitable Trust operates as a not-for-profit organization, exempt from taxation under Internal Revenue Code Section 501 (c)(3).

**Basis of Accounting**

The financial statements are prepared using the accrual method of accounting.

**Cash and Cash Equivalents**

The ELM Trust considers cash and cash equivalents to include cash on hand, cash in banks, and other cash investments purchased with maturities of 90 days or less. The balances, at times, may exceed federally insured amounts.

**Accounts Receivable**

Accounts receivable are stated at the amount expected to be collected from balances outstanding at the year-end. The ELM Trust uses the direct write off method for uncollectible accounts because bad debts are insignificant. Uncollectible accounts written off in years ended June 30, 2006 and June 30, 2005 amounted to \$5,857 and \$0, respectively.

**Investments - Collectibles**

Investments - Collectibles consist of published books, periodicals, watches and timepieces valued at cost.

**Financial Statement Presentation**

The ELM Trust has adopted the Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the ELM Trust is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. As required by this statement, the ELM Trust classified its financial statements to present the classes of net assets required. In addition, the ELM Trust is required to present a statement of cash flows.

The ELM Trust administers the following class of net assets:

**Unrestricted**

Unrestricted handles the day to day operations of the ELM Trust, including all administrative expenses in accordance with provisions of the Trust's constitution.

**AMERICAN WATCHMAKERS – CLOCKMAKERS INSTITUTE  
EDUCATION, LIBRARY AND MUSEUM CHARITABLE TRUST  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
June 30, 2006 and June 30, 2005**

**Museum Quarters and Equipment**

Expenditures greater than \$500 for museum quarters and equipment are capitalized at cost when acquired. Depreciation is provided using the straight-line method and the following estimated useful lives:

Equipment	3 - 10 Years
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Depreciation expense for the years ended June 30, 2006 and June 30, 2005 amounted to \$3,348.

**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 reclassifications of prior year figures were made in order to be comparative with the current year.

**2. Line of Credit**

The Trust has a \$60,000 line of credit at Fifth Third Bank with interest at prime rate plus .5%, secured by property. The outstanding balance on this line of credit at June 30, 2006 and June 30, 2005 was \$14,000.

**3 Related Party Transactions**

**Transactions with Affiliates**

The Trust occupies space for the library and museum, in a building owned by an affiliated organization. Occupancy costs paid to the affiliated company amounted to \$11,851 and \$18,000 for the years ended June 30, 2006 and June 30, 2005.

The Trust also had accounts payable due to the affiliated company in the amounts of \$63,701 and \$59,812 for the years ended June 30, 2006 and June 30, 2005.



**SUPPLEMENTARY INFORMATION**

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE  
EDUCATION, LIBRARY AND MUSEUM CHARITABLE TRUST  
SUPPLEMENTARY INFORMATION  
SCHEDULES OF OPERATING REVENUES  
For the Years Ended June 30, 2006 and June 30, 2005**

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
REVENUES		
Donations	\$ 4,543	\$ 5,074
Library materials	883	1,037
Fundraising income	5,794	3,620
Miscellaneous income	<u>8,741</u>	<u>21,336</u>
 Total Revenue	 <u>\$ 19,961</u>	 <u>\$ 31,067</u>

See Auditors' Report.

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE  
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SUPPLEMENTARY INFORMATION  
SCHEDULES OF OPERATING EXPENSES  
For the Years Ended June 30, 2006 and June 30, 2005**

	June 30, 2006	June 30, 2005
<b>OPERATING EXPENSES</b>		
Supplies	\$ 0	\$ 390
Grant Expense	100	100
Insurance	50	107
Occupancy Costs	11,851	18,000
Professional Fees	7,150	0
Museum Expense	0	486
Fundraising Expense	1,459	600
Depreciation	3,348	3,348
Interest	1,867	2,065
	\$ 25,825	\$ 25,096

See Auditors' Report.