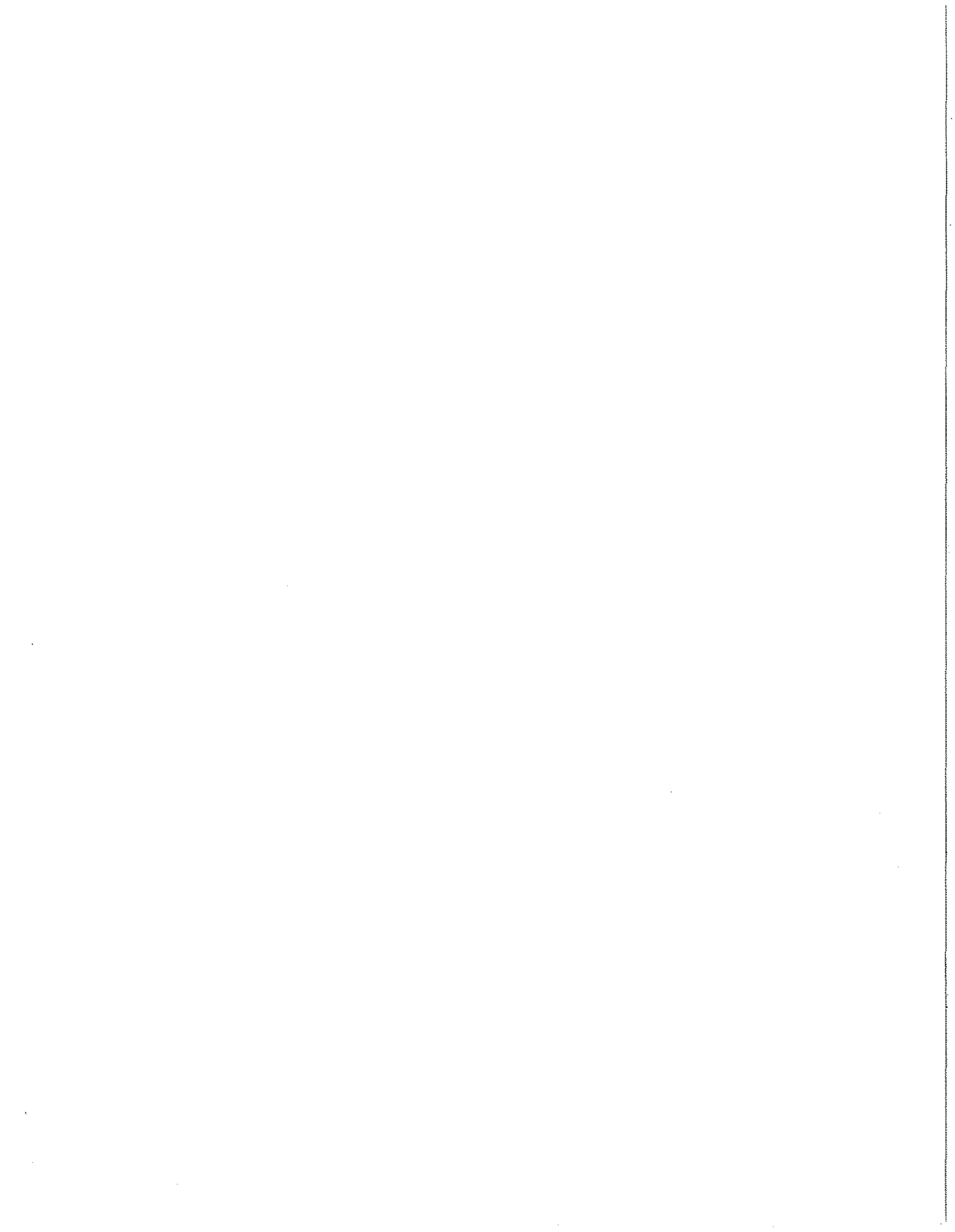


**AMERICAN WATCHMAKERS –  
CLOCKMAKERS INSTITUTE**

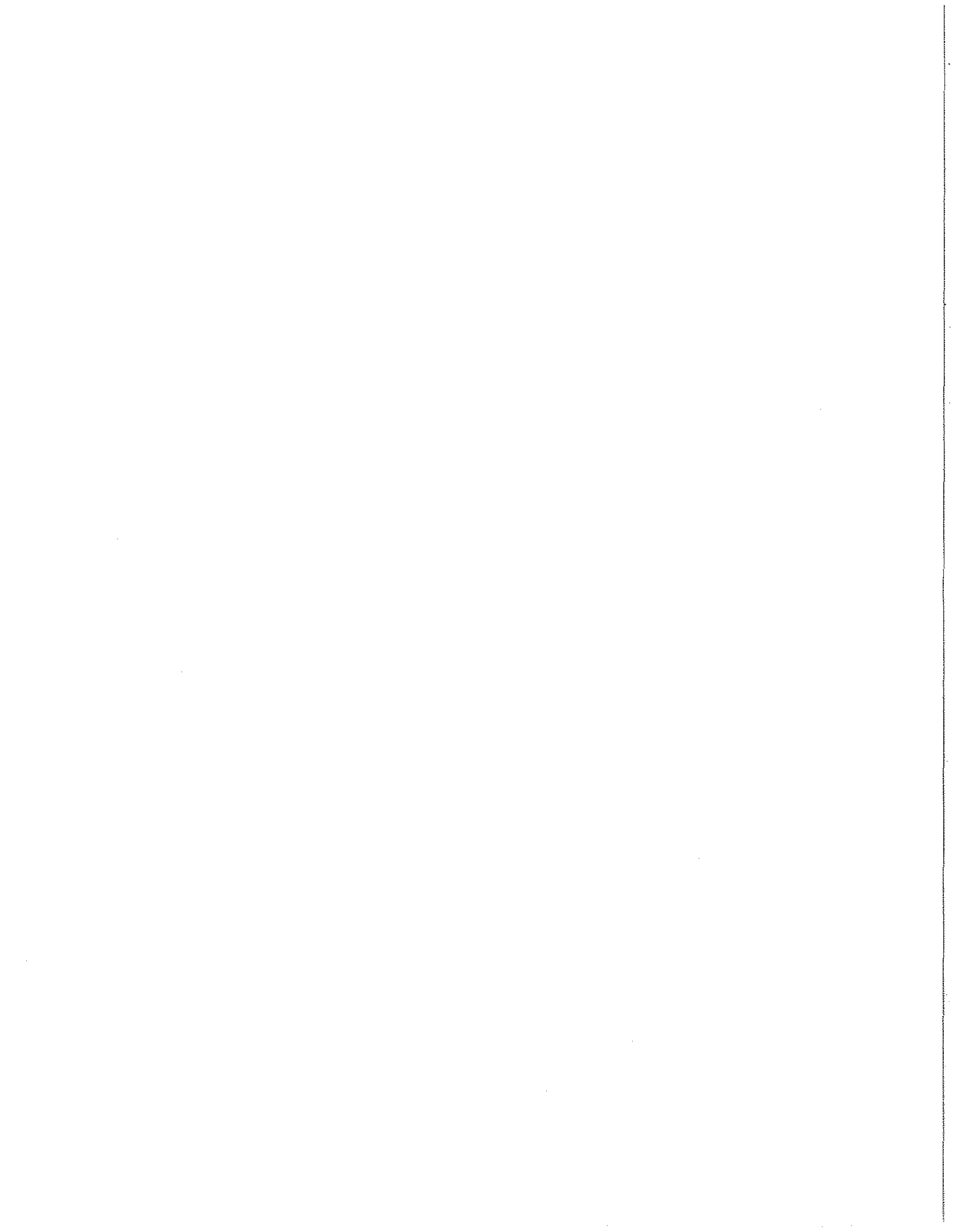
**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

For the Years Ended  
June 30, 2008 and June 30, 2007



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**RUDLER &  
ASSOCIATES, INC.**

*Certified Public Accountants*

A Professional Service Corporation  
Founded in 1969

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statements of financial position of American Watchmakers - Clockmakers Institute (a nonprofit organization) as of June 30, 2008 and June 30, 2007, 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 above present fairly, in all material respects, the financial position of American Watchmakers - Clockmakers Institute as of June 30, 2008 and June 30, 2007, 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.

*Rudler & Associates, Inc.*

Fort Wright, Kentucky  
March 18, 2009

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2008 and June 30, 2007

ASSETS	June 30, 2008	June 30, 2007
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 63,179	\$ 26,540
Accounts receivable	27,729	27,690
Accounts receivable-Elm Trust	0	68,009
Accounts receivable-JIDA	97	3,492
Interest receivable	21,028	21,591
Investments	6,628,380	6,415,940
Inventories	84,830	82,002
	6,825,243	6,645,264
<b>LAND, BUILDING AND EQUIPMENT</b>		
Land	238,739	238,739
Building	1,173,920	1,173,920
Equipment	598,592	614,073
	2,011,251	2,026,732
Accumulated depreciation	(943,470)	(911,097)
	1,067,781	1,115,635
<b>OTHER ASSETS</b>		
Deferred financing costs (net)	25,844	27,807
Copyright	5,000	5,000
Deposit - BWC	99	99
	30,943	32,906
	6,825,243	6,645,264
	1,067,781	1,115,635
	30,943	32,906
<b>Total Assets</b>	<b>\$ 7,923,967</b>	<b>\$ 7,793,805</b>

The accompanying notes are an integral part of these statements.

## LIABILITIES AND NET ASSETS

	June 30, 2008	June 30, 2007
<b>CURRENT LIABILITIES</b>		
Current portion - long-term debt	\$ 35,000	\$ 35,000
Line of credit	245,000	220,000
Accounts payable	11,253	14,888
Bank overdrafts - checking	0	40,473
	<hr/>	<hr/>
Total Current Liabilities	291,253	310,361
<b>LONG TERM LIABILITIES</b>		
	660,000	695,000
	<hr/>	<hr/>
Total Liabilities	951,253	1,005,361
<b>NET ASSETS</b>		
Unrestricted		
Operating	(127,286)	(311,556)
Board Designated	7,100,000	7,100,000
	<hr/>	<hr/>
Total Net Assets	6,972,714	6,788,444
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 7,923,967	\$ 7,793,805
	<hr/>	<hr/>

## AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE

## STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2008 and June 30, 2007

	June 30, 2008	June 30, 2007
REVENUES		
Operating revenues	\$ 724,456	\$ 644,008
Investment income	299,233	348,930
Total Revenues	<u>1,023,689</u>	<u>992,938</u>
Operating Expenses	<u>955,845</u>	<u>1,120,088</u>
Income (Loss) from Operations	<u>67,844</u>	<u>(127,150)</u>
Other Income (Expense)		
Unrealized Gain (Loss) on Investments	144,794	(50,043)
Gain (Loss) on Sale of Investments	120,425	25,875
Gain (Loss) on Sale of Equipment	1,150	0
Bad Debt	(40,032)	0
Depreciation	(49,787)	(60,122)
Amortization	(1,963)	(1,963)
Interest expense	<u>(58,161)</u>	<u>(66,169)</u>
Total Other Income (Expense)	<u>116,426</u>	<u>(152,422)</u>
Change in Net Assets	<u>\$ 184,270</u>	<u>\$ (279,572)</u>

The accompanying notes are an integral part of these statements.



**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**STATEMENTS OF NET ASSETS**  
For the Years Ended June 30, 2008 and June 30, 2007

	June 30, 2008	June 30, 2007
Net Assets - Unrestricted - Beginning of Year	\$ 6,788,444	\$ 7,068,016
Change in Net Assets	<u>184,270</u>	<u>(279,572)</u>
Net Assets - Unrestricted - End of Year	<u>\$ 6,972,714</u>	<u>\$ 6,788,444</u>

The accompanying notes are an integral part of these statements.

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2008 and June 30, 2007

	<u>June 30,</u> 2008	<u>June 30,</u> 2007
Cash Flows From Operating Activities		
Change in net assets	\$ 184,270	\$ (279,572)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	51,750	62,085
(Gain) loss on sale of assets	(1,150)	0
(Gain) loss on sale of investments	(120,425)	(25,875)
Unrealized (gain) loss on investments	(144,794)	50,043
(Increase) decrease in accounts receivable	71,928	(13,649)
(Increase) decrease in inventories	(2,828)	17,677
Increase (decrease) in accounts payable	(3,635)	(414)
Increase (decrease) in bank overdrafts	(40,473)	36,624
	<u>(189,627)</u>	<u>126,491</u>
Net Cash Provided (Used) by Operating Activities	<u>(5,357)</u>	<u>(153,081)</u>
Cash Flows From Investing Activities		
Capital expenditures	(1,933)	(41,565)
Purchase of investments	(4,208,369)	(1,979,647)
Proceeds from sale of assets	1,150	0
Proceeds from sale of investments	4,261,148	2,094,131
	<u>51,996</u>	<u>72,919</u>
Net Cash Provided (Used) by Investing Activities	<u>51,996</u>	<u>72,919</u>
Cash Flows From Financing Activities		
Net proceeds from line of credit	25,000	116,000
Repayment of long-term debt	(35,000)	(35,000)
	<u>(10,000)</u>	<u>81,000</u>
Net Cash Provided (Used) by Financing Activities	<u>(10,000)</u>	<u>81,000</u>
Net Decrease in Cash and Cash Equivalents	36,639	838
Cash and Cash Equivalents at Beginning of Year	<u>26,540</u>	<u>25,702</u>
Cash and Cash Equivalents at End of Year	<u>\$ 63,179</u>	<u>\$ 26,540</u>

The accompanying notes are an integral part of these statements.

# AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and June 30, 2007

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of American Watchmakers – Clockmakers Institute is presented to assist in understanding the Institute's financial statements. The financial statements and notes are representations of the Institute'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 operates as a not-for-profit organization, exempt from taxation under Internal Revenue Code Section 501 (c)(6). The Institute is a trade organization for professionals in watchmaking, watch repair, clockmaking, and clock repair.

#### Basis of Accounting

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

#### 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 maturities of 90 days or less. Money Market accounts in investments are not included in cash and cash equivalents. The balances, at times, may exceed federally insured amounts.

#### Accounts Receivable

Accounts receivable are stated at the amount expected to be collected from balances outstanding at the year-end. The American Watchmakers - Clockmakers Institute uses the direct write off method for uncollectible accounts because bad debts are insignificant. No accounts were written off as uncollectible in years ended June 30, 2008 and June 30, 2007.

#### Inventories

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

#### Deferred Financing Costs

The Institute has capitalized the financing costs of the bonds and amortizing the cost over twenty years.

#### Financial Statement Presentation

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

The Institute administers the following classes of net assets:

#### Unrestricted

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

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
June 30, 2008 and June 30, 2007

This also includes the proceeds from the sale of the Packard Watch Collection. Interest received from the investment principal is to be used for the benefit of the membership. The Institute's Board of Directors has set the corpus of this Board Restricted Fund at \$7,100,000.

**Revenue Recognition**

Membership dues are recognized as income when billed. The payments vary based on annual membership.

**Land, Building and Equipment**

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

Buildings	40 Years
Furniture and Equipment	3 - 10 Years

**Advertising**

Advertising costs are charged to operations when incurred.

**Reclassifications**

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

**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.

**2. LONG TERM LIABILITIES**

The following is a summary of long term debt as of June 30, 2008 and June 30, 2007:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Note payable – Bank of New York, secured by a GNMA bond, payable in monthly installments of \$2,075 for 2008 and 2007 plus interest at a variable rate of 2.68% at June 30, 2008 and 5.52% at June 30, 2007. The variable rate cannot exceed 10%.	\$ 465,000	\$ 490,000
Note payable – Bank of New York, secured by a GNMA bond, payable in monthly installments of \$830 for 2008 and \$831 for 2007 plus interest at a variable rate of 2.68% at June 30, 2008 and 5.52% at June 30, 2007. The variable rate cannot exceed 10%.	230,000	240,000
Less: current maturities	<u>35,000</u>	<u>35,000</u>
	<u>\$ 660,000</u>	<u>\$ 695,000</u>

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
 June 30, 2008 and June 30, 2007

Estimated current maturities for the next five years are as follows:

June 30, 2009	\$35,000
June 30, 2010	\$40,000
June 30, 2011	\$40,000
June 30, 2012	\$40,000
June 30, 2013	\$45,000

3. INVESTMENTS

Investments are stated at fair value and are summarized as follows. Due to the marketability of the investments all are considered current assets. Proceeds from all sales are immediately reinvested.

Investments are stated at fair value and are summarized as follows as of June 30, 2008:

	<u>Cost</u>	<u>Fair Value</u>
First American Treasury Fund	\$ 1,814,200	\$ 1,814,200
Fixed Income Securities	2,697,207	2,877,823
Equity Securities	<u>2,022,222</u>	<u>1,936,357</u>
Total Investments	<u>\$ 6,533,629</u>	<u>\$ 6,628,380</u>

Investments are stated at fair value and are summarized as follows as of June 30, 2007:

	<u>Cost</u>	<u>Fair Value</u>
Alliance Capital Reserves	\$ 104,990	\$ 104,990
Corporate Bonds	76,935	82,612
Government National Mortgage Association	<u>6,284,058</u>	<u>6,228,338</u>
Total	<u>\$ 6,465,983</u>	<u>\$ 6,415,940</u>

4. RETIREMENT PLAN

The Institute has a SEP IRA plan covering substantially all full-time employees. The plan provides for contributions by the Institute in such amounts as the Board of Trustees may annually determine. The Institute's contributions charged to expense were \$0 for the fiscal year ended June 30, 2008 and \$24,340 for the fiscal year ended June 30, 2007.

5. LINES OF CREDIT

The Institute has a \$300,000 line of credit at Fifth Third Bank with interest at prime rate, secured by equipment. The balance for the Fifth Third line of credit was \$245,000 at June 30, 2008 and \$220,000 at June 30, 2007.

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
June 30, 2008 and June 30, 2007

6. CASH FLOW INFORMATION

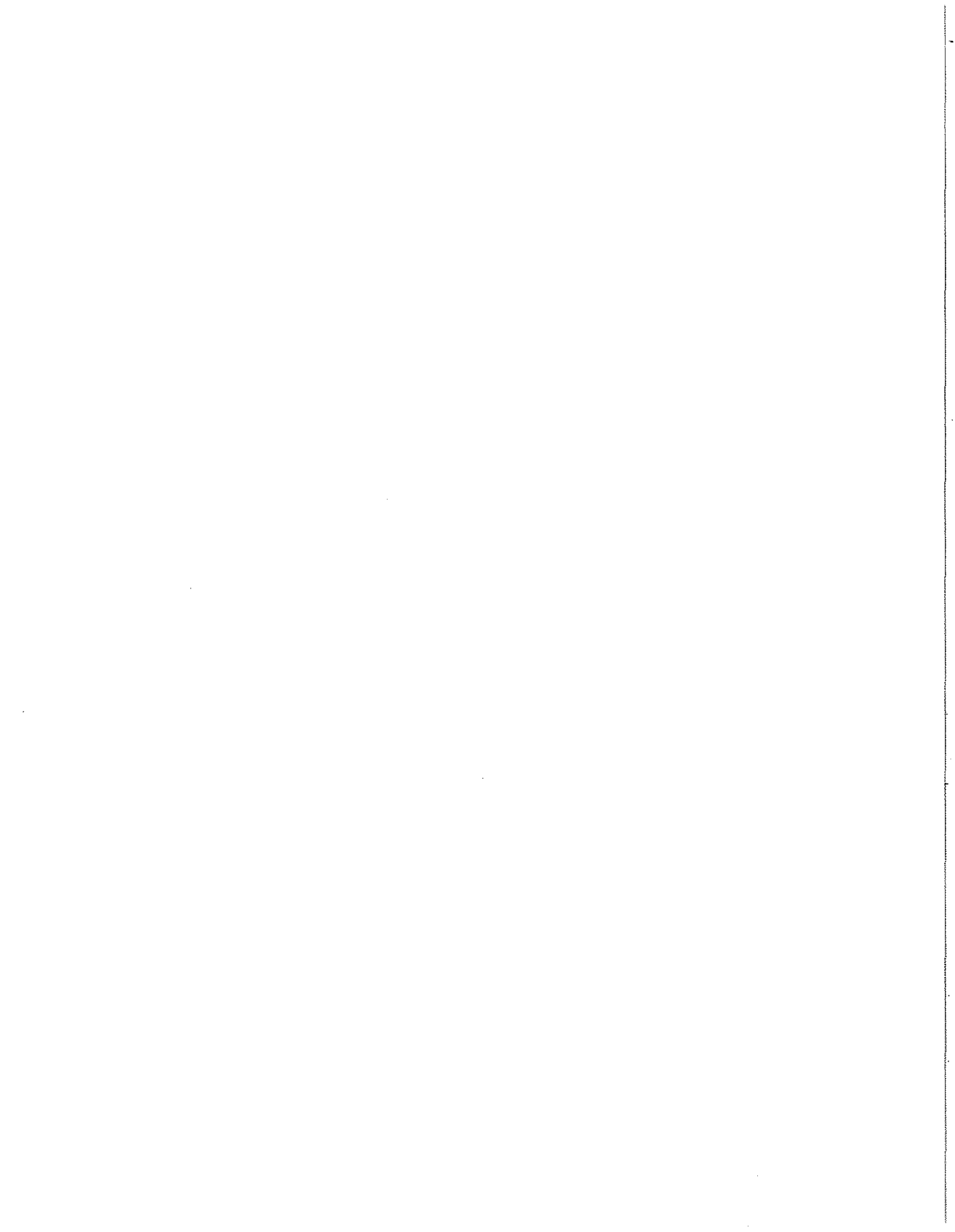
The following is a summary of supplemental cash flow information as of June 30, 2008 and June 30, 2007:

	June 30, 2008	June 30, 2007
Cash paid during the year for:		
Interest	\$ 58,161	\$ 66,169
Income taxes	\$ 0	\$ 0

7. SUBSEQUENT EVENTS

From June 30, 2008 to the date of this report, the fair market value of the investments of the American Watchmakers - Clockmakers Institute has decreased by approximately \$1,140,000.

**SUPPLEMENTARY INFORMATION**





**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF REVENUES**

For the Years Ended June 30, 2008 and June 30, 2007

REVENUE	June 30, 2008	June 30, 2007
Active Members Dues	\$ 316,312	\$ 284,583
Affiliate Chapter Dues	2,500	2,625
Industry Advisory Board	25,395	24,025
Research and Educational Council	1,225	1,225
Seminars	25,100	21,704
Watch and Clock Certification	62,715	16,322
Horological Times Magazine/Publications	193,798	210,270
Video Programs	7,450	6,984
Membership Materials	10,722	10,088
Miscellaneous Income	11,084	20,334
Tuition	68,155	45,848
Total Revenue	<u>\$ 724,456</u>	<u>\$ 644,008</u>

See Independent Auditors' Report

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF OPERATING EXPENSES**  
For the Years Ended June 30, 2008 and June 30, 2007

OPERATING EXPENSES	June 30, 2008	June 30, 2007
Salaries	\$ 389,214	\$ 429,585
Payroll Taxes	32,599	35,788
Real Estate Tax	21,513	18,318
Utilities	19,621	17,219
Telephone	10,056	13,902
Horological Times Magazine/Publications	133,733	134,734
Stationery and Office Supplies	18,939	24,014
Administrative Travel	22,040	36,179
Board and Executive Meetings	29,964	35,269
Membership Materials	11,975	10,013
Freight, Express and Postage	29,963	27,928
Royalties	25,468	51,617
Seminars	14,490	52,483
Legal and Professional Services	30,351	41,187
Advertising	4,086	27,210
Bank Service Charges	12,263	11,539
Insurance	8,928	10,231
Employee Benefits	57,261	39,056
Repairs and Maintenance	15,508	15,218
Audio Visual Programs	1,226	8,325
Security	2,873	2,873
Retirement Plan	0	24,340
Miscellaneous Expense	3,437	4,957
Technician and Certification	28,135	48,103
ELM Trust Expenses	32,202	0
Total Operating Expenses	<u>\$ 955,845</u>	<u>\$ 1,120,088</u>

See Independent Auditors' Report