

**AMERICAN WATCHMAKERS –  
CLOCKMAKERS INSTITUTE**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

For the Years Ended  
June 30, 2009 and June 30, 2008

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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, 2009 and June 30, 2008, 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, 2009 and June 30, 2008, 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  
February 14, 2010

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2009 and June 30, 2008

ASSETS	June 30, 2009	June 30, 2008
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 14,106	\$ 63,179
Accounts receivable	19,389	27,729
Accounts receivable-JIDA	0	97
Interest receivable	25,446	21,028
Investments	5,786,640	6,628,380
Inventories	65,361	84,830
	5,910,942	6,825,243
<b>Total Current Assets</b>	<b>5,910,942</b>	<b>6,825,243</b>
<b>LAND, BUILDING AND EQUIPMENT</b>		
Land	238,739	238,739
Building	1,173,920	1,173,920
Equipment	598,592	598,592
	2,011,251	2,011,251
Accumulated depreciation	(988,294)	(943,470)
	1,022,957	1,067,781
<b>Total Land, Building and Equipment</b>	<b>1,022,957</b>	<b>1,067,781</b>
<b>OTHER ASSETS</b>		
Deferred financing costs (net)	23,881	25,844
Copyright	5,000	5,000
Deposit - BWC	99	99
	28,980	30,943
<b>Total Other Assets</b>	<b>28,980</b>	<b>30,943</b>
<b>Total Assets</b>	<b>\$ 6,962,879</b>	<b>\$ 7,923,967</b>

The accompanying notes are an integral part of these statements.

## LIABILITIES AND NET ASSETS

	June 30, 2009	June 30, 2008
<b>CURRENT LIABILITIES</b>		
Current portion - long-term debt	\$ 40,000	\$ 35,000
Line of credit	160,000	245,000
Accounts payable	9,736	11,253
Accounts Payable - ELM Trust	3,432	0
	<u>213,168</u>	<u>291,253</u>
<b>LONG TERM LIABILITIES</b>	<u>620,000</u>	<u>660,000</u>
<b>Total Liabilities</b>	<u>833,168</u>	<u>951,253</u>
<b>NET ASSETS</b>		
Unrestricted		
Operating	(970,289)	(127,286)
Board Designated	7,100,000	7,100,000
	<u>6,129,711</u>	<u>6,972,714</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 6,962,879</u>	<u>\$ 7,923,967</u>

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**STATEMENTS OF ACTIVITIES**  
For the Years Ended June 30, 2009 and June 30, 2008

	June 30, 2009	June 30, 2008
	<u>                    </u>	<u>                    </u>
<b>REVENUES</b>		
Operating revenues	\$ 1,018,387	\$ 1,023,689
Total Revenues	<u>1,018,387</u>	<u>1,023,689</u>
 Operating Expenses	 <u>1,144,510</u>	 <u>1,065,756</u>
 Income (Loss) from Operations	 <u>(126,123)</u>	 <u>(42,067)</u>
 Other Income (Expense)		
Unrealized Gain (Loss) on Investments	(521,563)	144,794
Gain (Loss) on Sale of Investments	(194,482)	120,425
Gain (Loss) on Sale of Equipment	0	1,150
Bad Debt	<u>(835)</u>	<u>(40,032)</u>
 Total Other Income (Expense)	 <u>(716,880)</u>	 <u>226,337</u>
 Change in Net Assets	 <u>\$ (843,003)</u>	 <u>\$ 184,270</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, 2009 and June 30, 2008

	June 30, 2009	June 30, 2008
	<u>                    </u>	<u>                    </u>
Net Assets - Unrestricted - Beginning of Year	\$ 6,972,714	\$ 6,788,444
Change in Net Assets	<u>(843,003)</u>	<u>184,270</u>
Net Assets - Unrestricted - End of Year	<u>\$ 6,129,711</u>	<u>\$ 6,972,714</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, 2009 and June 30, 2008

	June 30, 2009	June 30, 2008
Cash Flows From Operating Activities		
Change in net assets	\$ (843,003)	\$ 184,270
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	46,787	51,750
(Gain) loss on sale of assets	0	(1,150)
(Gain) loss on sale of investments	194,482	(120,425)
Unrealized (gain) loss on investments	521,563	(144,794)
(Increase) decrease in accounts receivable	4,019	71,928
(Increase) decrease in inventories	19,469	(2,828)
Increase (decrease) in accounts payable	(1,517)	(3,635)
Increase (decrease) in accounts payable - ELM Trust	3,432	0
Increase (decrease) in bank overdrafts	0	(40,473)
Total adjustments	788,235	(189,627)
Net Cash Provided (Used) by Operating Activities	(54,768)	(5,357)
Cash Flows From Investing Activities		
Capital expenditures	0	(1,933)
Purchase of investments	(226,682)	(4,208,369)
Proceeds from sale of assets	0	1,150
Proceeds from sale of investments	352,377	4,261,148
Net Cash Provided (Used) by Investing Activities	125,695	51,996
Cash Flows From Financing Activities		
Net proceeds (payments) from line of credit	(85,000)	25,000
Repayment of long-term debt	(35,000)	(35,000)
Net Cash Provided (Used) by Financing Activities	(120,000)	(10,000)
Net Decrease in Cash and Cash Equivalents	(49,073)	36,639
Cash and Cash Equivalents at Beginning of Year	63,179	26,540
Cash and Cash Equivalents at End of Year	\$ 14,106	\$ 63,179

The accompanying notes are an integral part of these statements.



**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2009 and June 30, 2008

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. Accounts written off as uncollectible amounted to \$835 in year ended June 30, 2009 and \$0 in year ended June 30, 2008.

**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 Net Assets**

Unrestricted net assets handle 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, 2009 and June 30, 2008

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 Designated 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, 2009 and June 30, 2008:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Note payable – Bank of New York, secured by a GNMA bond, payable in monthly installments of \$ 2,499 for 2009 and \$2,075 for 2008 plus interest at a variable rate of 5.6% at June 30, 2009 and 2.68% at June 30, 2008. The variable rate cannot exceed 10%.	\$ 440,000	\$ 465,000
Note payable – Bank of New York, secured by a GNMA bond, payable in monthly installments of \$833 for 2009 and \$830 for 2008 plus interest at a variable rate of 5.6% at June 30, 2009 and 2.68% at June 30, 2008. The variable rate cannot exceed 10%.	220,000	230,000
Less: current maturities	<u>40,000</u>	<u>35,000</u>
	<u>\$ 620,000</u>	<u>\$ 660,000</u>

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
 June 30, 2009 and June 30, 2008

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

June 30, 2010	\$40,000
June 30, 2011	\$40,000
June 30, 2012	\$40,000
June 30, 2013	\$45,000
June 30, 2014	\$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, 2009:

	<u>Cost</u>	<u>Fair Value</u>
Municipal/Treasury Funds	\$ 610,023	\$ 610,023
Taxable Bonds	3,124,187	3,095,451
Equity Securities	<u>2,673,724</u>	<u>2,081,166</u>
Total Investments	<u>\$ 6,407,934</u>	<u>\$ 5,786,640</u>

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
Taxable Bonds	2,697,207	2,877,823
Equity Securities	<u>2,022,222</u>	<u>1,936,357</u>
Total	<u>\$ 6,533,629</u>	<u>\$ 6,628,380</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 \$18,832 for the fiscal year ended June 30, 2009 and \$0 for the fiscal year ended June 30, 2008.

**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 \$160,000 at June 30, 2009 and \$245,000 at June 30, 2008.

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
June 30, 2009 and June 30, 2008

6. CASH FLOW INFORMATION

The following is a summary of supplemental cash flow information as of June 30, 2009 and June 30, 2008:

	June 30, 2009	June 30, 2008
Cash paid during the year for:		
Interest	\$ 51,578	\$ 58,161
Income taxes	\$ 0	\$ 0

7. SUBSEQUENT EVENTS

From June 30, 2009 to the date of this report, the fair market value of the investments of the American Watchmakers - Clockmakers Institute has increased by approximately \$510,000.

8. FAIR VALUE MEASUREMENT

Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (FASB Statement No. 157), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described below:

- Level 1            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
- Level 2            Inputs to the valuation methodology include:  
Quoted prices for similar assets or liabilities in active markets;  
Quoted prices for identical or similar assets or liabilities in inactive markets;  
Inputs other than quoted prices that are observable for the asset or liability;  
Inputs that are derived principally from or corroborated by observable market data by correlation or other means.  
If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3            Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
June 30, 2009 and June 30, 2008

**FAIR VALUE MEASUREMENT (Continued)**

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2009.

*Common stocks, money market funds, corporate bonds and U.S. government securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other Organizations, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2009.

	Assets at Fair Value as of June 30, 2009			
	Level 1	Level 2	Level 3	Total
Municipal/Treasury Funds	\$ 610,023	\$ 0	\$ 0	\$ 610,023
Taxable Bonds	3,095,451	0	0	3,095,451
Equity Securities	2,081,166	0	0	2,081,166
Total assets at fair value	\$5,786,640	\$ 0	\$ 0	\$5,786,640

**SUPPLEMENTARY INFORMATION**

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

For the Years Ended June 30, 2009 and June 30, 2008

REVENUE	June 30, 2009	June 30, 2008
Dues		
Active Members Dues	\$ 278,497	\$ 288,851
Industry Advisory Board	25,750	25,395
Affiliate Chapter Dues	3,800	2,500
Research and Educational Council	2,125	1,225
Dues - Subtotal	310,172	317,971
Education		
Correspondence	13,270	8,000
Bench Courses	5,000	17,100
Academy	131,220	68,155
Education - Subtotal	149,490	93,255
Watch and Clock Certification	136,950	58,770
Horological Times		
Display	89,652	100,534
Trade Discount	(9,167)	(9,945)
Classified	17,722	18,442
Back Issues	45	147
Horological Times - Subtotal	98,252	109,178
Merchandise		
Books	51,356	83,620
Tape/DVD/CD Sales	4,147	7,225
Tape Rentals	161	225
Membership Access.	820	680
Merchandise - Subtotal	56,484	91,750
Other		
Annual Meeting Revenue	12,676	27,461
Meeting Advertising	0	1,000
Freight Charges	5,984	10,042
JIDA Management Fees	0	10,000
Trade Fair Booth Sponsorship	3,000	3,945
Miscellaneous/Grant Revenue	837	1,084
Other- Subtotal	22,497	53,532
Investment Income	244,542	299,233
Total Revenue	\$ 1,018,387	\$ 1,023,689

See Independent Auditors' Report

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF OPERATING EXPENSES**

For the Years Ended June 30, 2009 and June 30, 2008

OPERATING EXPENSES	June 30, 2009	June 30, 2008
	<u>                    </u>	<u>                    </u>
Professional Fees		
Accounting	\$      13,250	\$      10,000
Legal	4,936	14,730
Computer Consulting	0	210
Investment Management	30,545	2,500
Professional - Subtotal	<u>         48,731</u>	<u>         27,440</u>
Building		
Real Estate Taxes	23,757	21,383
Interest Expense	51,578	58,161
Security Monitoring	3,031	2,873
Landscaping Maintenance	6,651	7,760
Waste Removal	786	716
Building Maintenance / Repair	11,591	4,969
Building - Subtotal	<u>         97,394</u>	<u>         95,862</u>
Utilities		
Local Telephone	4,163	3,770
Long Distance Telephone	3,343	3,707
Water / Sewer	337	2,197
Gas / Electric	23,194	16,708
Utilities - Subtotal	<u>         31,037</u>	<u>         26,382</u>

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**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF OPERATING EXPENSES**

For the Years Ended June 30, 2009 and June 30, 2008

	<u>June 30,</u> <u>2009</u>	<u>June 30,</u> <u>2008</u>
<b>Office Expenses</b>		
Office Supplies / Services	17,648	18,696
In-House Copying	1,353	1,867
Outside Printing	3,474	1,808
Postage	13,271	16,645
Shipping / Overnight Fees	7,285	9,747
Internet / Email Access	960	960
Website Hosting	1,524	1,619
Software	4,145	3,744
Insurance - Non Employee	10,186	8,928
Awards/ Gifts	867	252
Bank Fees	2,125	2,760
Credit Card Processing	11,536	9,503
Merchandise for Resale	1,271	905
Office Expense - Subtotal	<u>75,645</u>	<u>77,434</u>
<b>Travel</b>		
Staff Travel	7,763	12,369
Board Travel	12,124	8,465
Committee Travel	595	1,278
Affiliate Chapter / REC Travel	2,484	4,200
Travel - Subtotal	<u>22,966</u>	<u>26,312</u>
<b>Horological Times</b>		
Publishing	108,540	115,967
Copyright Fees	1,050	840
Editing / Layout	6,310	6,320
Writer's Fees	9,950	10,850
Horological Times - Subtotal	<u>125,850</u>	<u>133,977</u>

See Independent Auditors' Report

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF OPERATING EXPENSES**

For the Years Ended June 30, 2009 and June 30, 2008

	<u>June 30,</u> <u>2009</u>	<u>June 30,</u> <u>2008</u>
<b>Other Items</b>		
Publicity	1,230	3,667
Trade Fair Booth Expenses	8,088	0
Annual Meeting Expense	47,482	25,764
Depreciation	44,824	49,787
Amortization	1,963	1,963
Dues and Subscriptions	492	596
Membership Materials	11,151	11,975
Book Publishing	25,687	20,470
Book Royalty	4,869	4,998
ELM Trust Expenses	0	32,202
Audio / Visual	2,643	1,226
Other Items - Subtotal	<u>148,429</u>	<u>152,648</u>
<b>Education</b>		
Classroom Supplies	2,558	923
Academy Visiting Instructor Travel	337	468
Bench course Instructor Travel	4,017	6,166
Correspondence Course Expense	0	1,977
Bench Course Instructor Fees	1,050	0
Education - Subtotal	<u>7,962</u>	<u>9,534</u>
<b>Certification</b>		
Certified Watchmaker	97,513	26,551
Certified Clockmaker	425	0
Watch Specialist / Technician	0	10,489
Certification - Subtotal	<u>97,938</u>	<u>37,040</u>
<b>Salaries and Benefits</b>		
Salaries	382,084	391,302
Payroll Taxes	31,483	32,599
Pension	18,832	0
Contingency Fund	0	464
Health Insurance	54,530	52,836
Life Insurance	1,629	1,926
Salaries and Benefits - Subtotal	<u>488,558</u>	<u>479,127</u>
<b>Total Operating Expenses</b>	<u>\$ 1,144,510</u>	<u>\$ 1,065,756</u>

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