

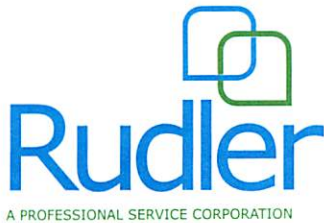
**AMERICAN WATCHMAKERS –  
CLOCKMAKERS INSTITUTE**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**For the Years Ended  
June 30, 2010 and June 30, 2009**

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## 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, 2010 and June 30, 2009, 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, 2010 and June 30, 2009, 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 PSC.*

Fort Wright, Kentucky  
November 11, 2010

CERTIFIED PUBLIC ACCOUNTANTS

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**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2010 and June 30, 2009

ASSETS	June 30, 2010	June 30, 2009
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 131,635	\$ 14,106
Accounts receivable	12,174	19,389
Interest receivable	29,411	25,446
Investments	5,861,933	5,786,640
Inventories	70,098	65,361
<b>Total Current Assets</b>	<b>6,105,251</b>	<b>5,910,942</b>
<b>LAND, BUILDING AND EQUIPMENT</b>		
Land	238,739	238,739
Building	1,173,920	1,173,920
Equipment	603,704	598,592
	2,016,363	2,011,251
Accumulated depreciation	(1,030,694)	(988,294)
<b>Total Land, Building and Equipment</b>	<b>985,669</b>	<b>1,022,957</b>
<b>OTHER ASSETS</b>		
Deferred financing costs (net)	21,918	23,881
Copyright	5,000	5,000
Deposit - BWC	99	99
<b>Total Other Assets</b>	<b>27,017</b>	<b>28,980</b>
<b>Total Assets</b>	<b>\$ 7,117,937</b>	<b>\$ 6,962,879</b>

The accompanying notes are an integral part of these statements.

## LIABILITIES AND NET ASSETS

	June 30, 2010	June 30, 2009
<b>CURRENT LIABILITIES</b>		
Current portion - long-term debt	\$ 40,000	\$ 40,000
Line of credit	140,000	160,000
Accounts payable	9,757	9,736
Accounts Payable - ELM Trust	3,432	3,432
	<hr/>	<hr/>
Total Current Liabilities	193,189	213,168
<b>LONG TERM LIABILITIES</b>	<hr/>	<hr/>
	580,000	620,000
	<hr/>	<hr/>
Total Liabilities	773,189	833,168
<b>NET ASSETS</b>		
Unrestricted		
Operating	(755,252)	(970,289)
Board Designated	7,100,000	7,100,000
	<hr/>	<hr/>
Total Net Assets	6,344,748	6,129,711
	<hr/>	<hr/>
<b>Total Liabilities and Net Assets</b>	<u>\$ 7,117,937</u>	<u>\$ 6,962,879</u>

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**STATEMENTS OF ACTIVITIES**  
For the Years Ended June 30, 2010 and June 30, 2009

	June 30, 2010	June 30, 2009
	<u>                    </u>	<u>                    </u>
REVENUES		
Operating revenues	\$ 946,600	\$ 1,018,387
Total Revenues	<u>946,600</u>	<u>1,018,387</u>
 Operating Expenses	 <u>1,066,020</u>	 <u>1,144,510</u>
Income (Loss) from Operations	<u>(119,420)</u>	<u>(126,123)</u>
Other Income (Expense)		
Unrealized Gain (Loss) on Investments	407,828	(521,563)
Gain (Loss) on Sale of Investments	(73,371)	(194,482)
Bad Debt	<u>0</u>	<u>(835)</u>
Total Other Income (Expense)	<u>334,457</u>	<u>(716,880)</u>
Change in Net Assets	<u>\$ 215,037</u>	<u>\$ (843,003)</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, 2010 and June 30, 2009

	<u>June 30,</u> <u>2010</u>	<u>June 30,</u> <u>2009</u>
Net Assets - Unrestricted - Beginning of Year	\$ 6,129,711	\$ 6,972,714
Change in Net Assets	<u>215,037</u>	<u>(843,003)</u>
Net Assets - Unrestricted - End of Year	<u>\$ 6,344,748</u>	<u>\$ 6,129,711</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, 2010 and June 30, 2009

	<u>June 30,</u> <u>2010</u>	<u>June 30,</u> <u>2009</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	<u>\$ 215,037</u>	<u>\$ (843,003)</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	44,363	46,787
(Gain) loss on sale of investments	73,371	194,482
Unrealized (gain) loss on investments	(407,828)	521,563
(Increase) decrease in accounts receivable	3,250	4,019
(Increase) decrease in inventories	(4,737)	19,469
Increase (decrease) in accounts payable	21	(1,517)
Increase (decrease) in accounts payable - ELM Trust	<u>0</u>	<u>3,432</u>
 Total adjustments	 <u>(291,560)</u>	 <u>788,235</u>
 Net Cash Provided (Used) by Operating Activities	 <u>(76,523)</u>	 <u>(54,768)</u>
 <b>Cash Flows From Investing Activities</b>		
Capital expenditures	(5,112)	0
Purchase of investments	(3,149,231)	(226,682)
Proceeds from sale of investments	<u>3,408,395</u>	<u>352,377</u>
 Net Cash Provided (Used) by Investing Activities	 <u>254,052</u>	 <u>125,695</u>
 <b>Cash Flows From Financing Activities</b>		
Net proceeds (payments) from line of credit	(20,000)	(85,000)
Repayment of long-term debt	<u>(40,000)</u>	<u>(35,000)</u>
 Net Cash Provided (Used) by Financing Activities	 <u>(60,000)</u>	 <u>(120,000)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 117,529	 (49,073)
 Cash and Cash Equivalents at Beginning of Year	 <u>14,106</u>	 <u>63,179</u>
 Cash and Cash Equivalents at End of Year	 <u><u>\$ 131,635</u></u>	 <u><u>\$ 14,106</u></u>

The accompanying notes are an integral part of these statements.



**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2010 and June 30, 2009

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 \$0 in year ended June 30, 2010 and \$835 in year ended June 30, 2009.

**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 presented its financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, 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, 2010 and June 30, 2009

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, 2010 and June 30, 2009:

	June 30, 2010	June 30, 2009
Note payable – Bank of New York, secured by a GNMA bond, payable in monthly installments of \$2,499 for 2010 and \$2,499 for 2009 plus interest at a variable rate of .8% at June 30, 2010 and 5.6% at June 30, 2009. The variable rate cannot exceed 10%.	\$ 410,000	\$ 440,000
Note payable – Bank of New York, secured by a GNMA bond, payable in monthly installments of \$833 for 2010 and \$833 for 2009 plus interest at a variable rate of .8% at June 30, 2010 and 5.6% at June 30, 2009. The variable rate cannot exceed 10%.	210,000	220,000
Less: current maturities	40,000	40,000
	\$ 580,000	\$ 620,000

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
June 30, 2010 and June 30, 2009

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

June 30, 2011	\$40,000
June 30, 2012	\$40,000
June 30, 2013	\$45,000
June 30, 2014	\$45,000
June 30, 2015	\$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, 2010:

	Cost	Fair Value
Municipal/Treasury Funds	\$ 257,711	\$ 257,711
Taxable Bonds	2,710,142	2,790,401
Equity Securities	3,272,885	2,813,821
 Total Investments	 \$ 6,240,738	 \$ 5,861,933

Investments are stated at fair value and are summarized as follows as of June 30, 2009:

	Cost	Fair Value
First American Treasury Fund	\$ 610,023	\$ 610,023
Taxable Bonds	3,124,187	3,095,451
Equity Securities	2,673,724	2,081,166
 Total	 \$ 6,407,934	 \$ 5,786,640

**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 \$19,597 for the fiscal year ended June 30, 2010 and \$18,832 for the fiscal year ended June 30, 2009.

**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 \$140,000 at June 30, 2010 and \$160,000 at June 30, 2009.

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
June 30, 2010 and June 30, 2009

**6. CASH FLOW INFORMATION**

The following is a summary of supplemental cash flow information as of June 30, 2010 and June 30, 2009:

	June 30, 2010	June 30, 2009
Cash paid during the year for:		
Interest	\$ 37,858	\$ 51,578
Income taxes	\$ 0	\$ 0

**7. SUBSEQUENT EVENTS**

The Institute has evaluated all subsequent events through November 11, 2010, the date the financial statements were available to be issued. From June 30, 2010 to the date of this report, the fair market value of the investments of the American Watchmakers - Clockmakers Institute has increased by approximately \$410,000.

**8. FAIR VALUE MEASUREMENT**

The Fair Value Measurement and Disclosure Topic of the Financial Accounting Standards Board Accounting Standard Codification 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 Accounting Standards Codification 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, 2010 and June 30, 2009

**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, 2010.

*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, 2010 and June 30, 2009.

	Assets at Fair Value as of June 30, 2010			
	Level 1	Level 2	Level 3	Total
Municipal/Treasury Funds	\$ 257,711	\$ 0	\$ 0	\$ 257,711
Taxable Bonds	2,790,401	0	0	2,790,401
Equity Securities	2,813,821	0	0	2,813,821
<b>Total assets at fair value</b>	<b><u>\$5,861,933</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 5,861,933</u></b>

	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
<b>Total assets at fair value</b>	<b><u>\$5,786,640</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$5,786,640</u></b>

**SUPPLEMENTARY INFORMATION**

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

For the Years Ended June 30, 2010 and June 30, 2009

REVENUE	June 30, 2010	June 30, 2009
<b>Dues</b>		
Active Members Dues	\$ 257,387	\$ 278,497
Industry Advisory Board	57,650	25,750
Affiliate Chapter Dues	3,425	3,800
Research and Educational Council	1,555	2,125
Dues - Subtotal	<u>320,017</u>	<u>310,172</u>
<b>Education</b>		
Correspondence	0	13,270
Bench Courses	19,695	5,000
Academy	82,048	131,220
Education - Subtotal	<u>101,743</u>	<u>149,490</u>
Watch and Clock Certification	<u>151,191</u>	<u>136,950</u>
<b>Horological Times</b>		
Display	65,304	80,485
Classified	10,917	17,722
Back Issues	0	45
Horological Times - Subtotal	<u>76,221</u>	<u>98,252</u>
<b>Merchandise</b>		
Books	39,168	51,356
Tape/DVD/CD Sales	4,036	4,147
Tape Rentals	135	161
Membership Access.	1,156	820
Merchandise - Subtotal	<u>44,495</u>	<u>56,484</u>
<b>Other</b>		
Annual Meeting Revenue	37,985	12,676
Donation - Estate	10,000	0
Freight Charges	4,680	5,984
Trade Fair Booth Sponsorship	7,487	3,000
Miscellaneous/Grant Revenue	8,646	837
Other- Subtotal	<u>68,798</u>	<u>22,497</u>
Investment Income	<u>184,135</u>	<u>244,542</u>
<b>Total Revenue</b>	<u>\$ 946,600</u>	<u>\$ 1,018,387</u>

See Independent Auditors' Report

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF OPERATING EXPENSES**  
For the Years Ended June 30, 2010 and June 30, 2009

OPERATING EXPENSES	June 30, 2010	June 30, 2009
	<u>                    </u>	<u>                    </u>
Professional Fees		
Accounting	\$ 19,206	\$ 13,250
Legal	9,758	4,936
Strategic Plan Consulting	1,750	0
Investment Management	30,393	30,545
Professional - Subtotal	<u>61,107</u>	<u>48,731</u>
Building		
Real Estate Taxes	24,053	23,757
Interest Expense	37,858	51,578
Security Monitoring	3,210	3,031
Landscaping Maintenance	8,405	6,651
Waste Removal	859	786
Building Maintenance / Repair	23,869	11,591
Building - Subtotal	<u>98,254</u>	<u>97,394</u>
Utilities		
Local Telephone	4,322	4,163
Long Distance Telephone	2,936	3,343
Water / Sewer	1,879	337
Gas / Electric	26,122	23,194
Utilities - Subtotal	<u>35,259</u>	<u>31,037</u>

See Independent Auditors' Report



**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF OPERATING EXPENSES**  
For the Years Ended June 30, 2010 and June 30, 2009

	<u>June 30,</u> 2010	<u>June 30,</u> 2009
Office Expenses		
Office Supplies / Services	15,930	15,465
In-House Copying	993	1,353
Outside Printing	1,652	3,474
Postage	7,332	13,271
Shipping / Overnight Fees	10,656	9,986
Internet / Email Access	1,120	960
Website Hosting	1,504	1,524
Software	5,471	4,145
Insurance - Non Employee	9,703	10,186
Awards/ Gifts	458	867
Bank Fees	2,416	2,125
Credit Card Processing	12,262	11,536
Merchandise for Resale	217	1,271
Office Expense - Subtotal	<u>69,714</u>	<u>76,163</u>
Travel		
Staff Travel	6,926	7,703
Board Travel	12,590	12,124
Committee Travel	1,432	595
Affiliate Chapter / REC Travel	2,400	2,484
Travel - Subtotal	<u>23,348</u>	<u>22,906</u>
Horological Times		
Publishing	94,153	109,032
Copyright Fees	0	1,050
Editing / Layout	5,670	6,310
Writer's Fees	10,400	9,950
Horological Times - Subtotal	<u>110,223</u>	<u>126,342</u>

See Independent Auditors' Report

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

For the Years Ended June 30, 2010 and June 30, 2009

	<u>June 30,</u> <u>2010</u>	<u>June 30,</u> <u>2009</u>
Other Items		
Publicity	2,214	1,230
Trade Fair Booth Expenses	9,235	8,088
Annual Meeting Expense	35,247	47,482
Depreciation	42,400	44,824
Amortization	1,963	1,963
Membership Materials	9,414	13,334
Book Publishing	11,551	25,687
Book Royalty	3,962	4,869
Staff Training	1,464	0
Audio / Visual	2,127	2,643
Other Items - Subtotal	<u>119,577</u>	<u>150,120</u>
Education		
Classroom Supplies	2,956	2,558
Bench course Instructor Travel	5,484	3,400
Bench Course Instructor Fees	125	1,050
Education - Subtotal	<u>8,565</u>	<u>7,008</u>
Certification		
Certified Watchmaker	72,598	95,826
Certified Clockmaker	0	425
Certification - Subtotal	<u>72,598</u>	<u>96,251</u>
Salaries and Benefits		
Salaries	351,556	379,973
Payroll Taxes	28,756	31,483
Pension	19,597	18,832
Health Insurance	66,142	56,641
Life Insurance	1,324	1,629
Salaries and Benefits - Subtotal	<u>467,375</u>	<u>488,558</u>
Total Operating Expenses	<u>\$ 1,066,020</u>	<u>\$ 1,144,510</u>

See Independent Auditors' Report