

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Years Ended
June 30, 2005 and June 30, 2004

TABLE OF CONTENTS

	<u>PAGE NO.</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 6
SUPPLEMENTARY INFORMATION	
Schedules of Operating Revenues	8
Schedules of Operating Expenses	9



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

A Professional Service Corporation
Founded in 1969

INDEPENDENT AUDITORS' REPORT

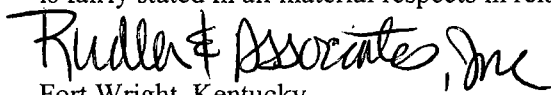
To the Board of Trustees of
American Watchmakers – Clockmakers Institute
Education, Library and Museum Charitable Trust
Harrison, Ohio

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, 2005 and June 30, 2004, 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, 2005 and June 30, 2004, 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 are 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
June 26, 2006

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE
EDUCATION, LIBRARY AND MUSEUM CHARITABLE TRUST**
STATEMENTS OF FINANCIAL POSITION
June 30, 2005 and June 30, 2004

ASSETS	June 30, 2005	June 30, 2004
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,176	\$ 23,928
Accounts receivable - student loans	6,477	6,527
Investments - stocks	0	26,232
	<u>13,653</u>	<u>56,687</u>
PROPERTY AND EQUIPMENT		
Equipment	52,089	52,089
Less: accumulated depreciation	(48,270)	(44,922)
	<u>3,819</u>	<u>7,167</u>
OTHER ASSETS		
Copyright	2,000	2,000
Investments - collectibles	257,526	257,526
	<u>259,526</u>	<u>259,526</u>
	<u>\$ 276,998</u>	<u>\$ 323,380</u>
LIABILITIES		
CURRENT LIABILITIES		
Line of credit	\$ 14,000	\$ 25,000
Accounts payable - trade	0	3,800
Accounts payable - AWI	59,812	96,527
	<u>73,812</u>	<u>125,327</u>
NET ASSETS		
Unrestricted Net Assets	<u>203,186</u>	<u>198,053</u>
	<u>203,186</u>	<u>198,053</u>
	<u>\$ 276,998</u>	<u>\$ 323,380</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, 2005 and June 30, 2004

	June 30, 2005	June 30, 2004
	<u> </u>	<u> </u>
REVENUES		
Operating revenues	\$ 31,067	\$ 28,045
Interest and Dividend Income	4	54
Total Revenues	<u>31,071</u>	<u>28,099</u>
OPERATING EXPENSES	<u>25,096</u>	<u>82,637</u>
INCOME (LOSS) FROM OPERATIONS	<u>5,975</u>	<u>(54,538)</u>
OTHER INCOME (EXPENSES)		
Unrealized Gain on Investments	0	7,499
Realized Loss on Investments	(842)	0
Total Other Income (Expense)	<u>(842)</u>	<u>7,499</u>
CHANGE IN NET ASSETS	\$ 5,133	\$ (47,039)
NET ASSETS - Unrestricted - Beginning of Year	<u>198,053</u>	<u>245,092</u>
NET ASSETS - Unrestricted - End of Year	<u><u>\$ 203,186</u></u>	<u><u>\$ 198,053</u></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, 2005 and June 30, 2004

Increase (Decrease) in Cash and Cash Equivalents

	June 30, 2005	June 30, 2004
Cash Flows From Operating Activities		
Change in net assets	\$ 5,133	\$ (47,039)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	3,348	3,946
Unrealized gain on investments	0	(7,499)
Realized loss on investments	842	0
Decrease in student loans	50	2,230
Increase (decrease) in accounts payable - trade	(3,800)	3,800
Increase (decrease) in accounts payable - AWI	(36,715)	6,462
Total adjustments	(36,275)	8,939
Net Cash Used by Operating Activities	(31,142)	(38,100)
Cash Flows From Investing Activities		
Proceeds from sale of investments	25,390	0
Net Cash Provided by Investing Activities	25,390	0
Cash Flows From Financing Activities		
Proceeds from line of credit	0	25,000
Payments on line of credit	(11,000)	0
Net Cash Provided (Used) by Financing Activities	(11,000)	25,000
Net Decrease in Cash and Cash Equivalents	(16,752)	(13,100)
Cash and Cash Equivalents at Beginning of Year	23,928	37,028
Cash and Cash Equivalents at End of Year	\$ 7,176	\$ 23,928
Cash Paid During the Year for:		
Interest	\$ 2,065	\$ 504
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, 2005 and June 30, 2004

1. 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. Management has concluded that any adjustments on balances outstanding at year-end would be immaterial.

Investments - Stock

American Watchmakers - Clockmakers Institute Education, Library and Museum Charitable Trust adopted SFAS No. 124, “Accounting for Certain Investments Held by Not-for-Profit Organizations.” Under SFAS No. 124, investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

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.

**AMERICAN WATCHMAKERS – CLOCKMAKERS INSTITUTE
EDUCATION, LIBRARY AND MUSEUM CHARITABLE TRUST
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2005 and June 30, 2004**

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.

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, 2005 and June 30, 2004 amounted to \$3,348 and \$3,946 respectively.

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, 2005 and June 30, 2004 was \$14,000 and \$25,000, respectively.

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 \$18,000 and \$18,000 for the years ended June 30, 2005 and June 30, 2004.

The Trust also had accounts payable due to the affiliated company in the amounts of \$59,812 and \$96,527 for the years ended June 30, 2005 and June 30, 2004.

SUPPLEMENTARY INFORMATION

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE
EDUCATION, LIBRARY AND MUSEUM CHARITABLE TRUST**
SUPPLEMENTARY INFORMATION
SCHEDULES OF OPERATING REVENUES
For the Years Ended June 30, 2005 and June 30, 2004

	June 30, 2005	June 30, 2004
	<u> </u>	<u> </u>
REVENUES		
Donations	\$ 5,074	\$ 10,682
Library materials	1,037	1,080
Recycled cells	0	3,300
Miscellaneous income	<u>24,956</u>	<u>12,983</u>
 Total Revenue	 <u>\$ 31,067</u>	 <u>\$ 28,045</u>

See Auditors' Report.

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE
EDUCATION, LIBRARY AND MUSEUM CHARITABLE TRUST**
SUPPLEMENTARY INFORMATION
SCHEDULES OF OPERATING EXPENSES
For the Years Ended June 30, 2005 and June 30, 2004

	June 30, 2005	June 30, 2004
OPERATING EXPENSES		
Salaries	\$ 0	\$ 43,616
Payroll Taxes	0	3,440
Employee Benefits	0	2,429
Administrative Travel	0	1,138
Supplies	990	1,978
Grant Expense	100	100
Insurance	107	0
Occupancy Costs	18,000	18,000
Professional Fees	0	3,800
Museum Expense	486	1,334
Profit Sharing	0	2,231
Depreciation	3,348	3,946
Interest	2,065	504
Shipping	0	121
	<u>\$ 25,096</u>	<u>\$ 82,637</u>
Total Operating Expenses	<u>\$ 25,096</u>	<u>\$ 82,637</u>

See Auditors' Report.