

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

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

For the Years Ended  
June 30, 2003 and June 30, 2002

## **TABLE OF CONTENTS**

	<u>PAGE NO.</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<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>INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION</b>	8
<b>SUPPLEMENTARY INFORMATION</b>	
Schedules of Operating Revenues	9
Schedules of Operating Expenses	10



**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, 2003 and June 30, 2002, 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, 2003 and June 30, 2002, 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.

*Rudler & Associates, Inc.*

Fort Wright, Kentucky  
May 6, 2004

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE  
EDUCATION, LIBRARY AND MUSEUM CHARITABLE TRUST  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2003 and June 30, 2002**

ASSETS	June 30, 2003	June 30, 2002
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 37,028	\$ 48,180
Accounts receivable - student loans	8,757	4,754
Investments-Stocks	18,733	17,497
Total Current Assets	64,518	70,431
<b>PROPERTY AND EQUIPMENT</b>		
Equipment	52,089	52,089
Less: accumulated depreciation	(40,976)	(37,030)
Total Property and Equipment	11,113	15,059
<b>OTHER ASSETS</b>		
Copyright	2,000	2,000
Investments - Collectibles	257,526	255,026
Total Other Assets	259,526	257,026
Total Assets	\$ 335,157	\$ 342,516
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable - AWI	90,065	59,001
Total Current Liabilities	90,065	59,001
<b>NET ASSETS</b>		
Unrestricted Net Assets	245,092	283,515
Total Net Assets	245,092	283,515
Total Liabilities and Net Assets	\$ 335,157	\$ 342,516

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, 2003 and June 30, 2002

	June 30, 2003	June 30, 2002
REVENUES		
Operating Revenues	\$ 22,415	\$ 16,207
Interest and Dividend Income	171	487
Total Revenues	<u>22,586</u>	<u>16,694</u>
OPERATING EXPENSES	<u>62,246</u>	<u>32,200</u>
LOSS FROM OPERATIONS	<u>(39,660)</u>	<u>(15,506)</u>
OTHER INCOME (EXPENSES)		
Unrealized Gain (Loss) on Investments	<u>1,237</u>	<u>(6,522)</u>
Total Other Income (Expenses)	<u>1,237</u>	<u>(6,522)</u>
CHANGE IN NET ASSETS	(38,423)	(22,028)
NET ASSETS - Unrestricted - Beginning of Year	<u>283,515</u>	<u>305,543</u>
NET ASSETS - Unrestricted - End of Year	<u>\$ 245,092</u>	<u>\$ 283,515</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, 2003 and June 30, 2002

Increase (Decrease) in Cash and Cash Equivalents

	<u>June 30,</u> <u>2003</u>	<u>June 30,</u> <u>2002</u>	
Cash Flows From Operating Activities			
Change in Net Assets	\$ (38,423)	\$ (22,028)	
Adjustment to reconcile changes in unrestricted net assets to net cash provided by operating activities:			
Depreciation	3,946	3,946	
Unrealized (gains) losses on investments	(1,236)	6,522	
(Increase) decrease student loans	(4,003)	14,449	
Increase in other assets	(2,500)	(1,000)	
Increase in accounts payable - AWI	<u>31,064</u>	<u>17,176</u>	
Total adjustments	<u>27,271</u>	<u>41,093</u>	
Net Cash Provided (Used) by Operating Activities	<u>(11,152)</u>	<u>19,065</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	(11,152)	19,065	
Cash and Cash Equivalents at Beginning of Year	<u>48,180</u>	<u>29,115</u>	
Cash and Cash Equivalents at End of Year	<u>\$ 37,028</u>	<u>\$ 48,180</u>	
Cash Paid During the Year for:			
Interest	\$ 0	\$ 0	
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, 2003 and June 30, 2002**

**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, 2003 and June 30, 2002**

The ELM Trust administers the following classes 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:

Buildings	40 Years
Equipment	3 - 10 Years

Depreciation expense for the years ended June 30, 2003 and June 30, 2002 amounted to \$3,946 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 opened a \$60,000 line of credit in March 2003 at Fifth Third Bank with interest at prime rate plus .5% (currently 4.5%), secured by property. There was no outstanding balance on this line of credit at June 30, 2003.

**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 \$13,268 and \$12,784 for the years ended June 30, 2003 and June 30, 2002.

The Trust also had accounts payable due to the affiliated company in the amounts of \$90,065 and \$59,001 for the years ended June 30, 2003 and June 30, 2002.



**SUPPLEMENTARY INFORMATION**



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

A Professional Service Corporation  
Founded in 1969

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION**

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

Our report on our audits of the basic financial statements of American Watchmakers – Clockmakers Institute Education, Library and Museum Charitable Trust (a nonprofit organization) as of June 30, 2003 and June 30, 2002 appears on page 1. Those audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The following Schedules 1 and 2 are 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.

*Rudler & Associates, Inc.*  
Fort Wright, Kentucky  
May 6, 2004

AMERICAN WATCHMAKERS - CLOCKMAKERS-INSTITUTE  
EDUCATION, LIBRARY AND MUSEUM CHARITABLE TRUST  
SUPPLEMENTARY INFORMATION  
SCHEDULES OF OPERATING REVENUES  
For the Years Ended June 30, 2003 and June 30, 2002

	June 30, <u>2003</u>	June 30, <u>2002</u>
REVENUES		
Donations	\$ 3,914	\$ 1,138
Library Materials	1,000	0
Recycled cells	75	6,063
Miscellaneous income	<u>17,426</u>	<u>9,006</u>
Total Revenue	<u>\$ 22,415</u>	<u>\$ 16,207</u>

See Auditors' Report on Supplementary Information.

**AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE  
EDUCATION, LIBRARY AND MUSEUM CHARITABLE TRUST  
SUPPLEMENTARY INFORMATION  
SCHEDULES OF OPERATING EXPENSES  
For the Years Ended June 30, 2003 and June 30, 2002**

	<u>June 30, 2003</u>	<u>June 30, 2002</u>
<b>OPERATING EXPENSES</b>		
Salaries	\$ 30,908	\$ 0
Payroll Taxes	2,103	0
Employee Benefits	965	0
Administrative Travel	497	690
Supplies	5,054	0
Royalties	1,000	0
Grant Expense	100	0
Insurance	50	1,546
Miscellaneous Expense	403	779
Occupancy Costs	13,268	12,784
Professional Fees	3,300	3,000
Depreciation	3,946	3,946
Bad Debt Expense	0	9,455
Bank Charges	<u>652</u>	<u>0</u>
 Total Operating Expenses	 <u>\$ 62,246</u>	 <u>\$ 32,200</u>

See Auditors' Report on Supplementary Information.