



**AMERICAN WATCHMAKERS – CLOCKMAKERS INSTITUTE
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

For Year Ended June 30, 2013

HARRISON FINANCIAL CENTER • 10403 HARRISON AVE. • SUITE 500 • HARRISON, OH 45030

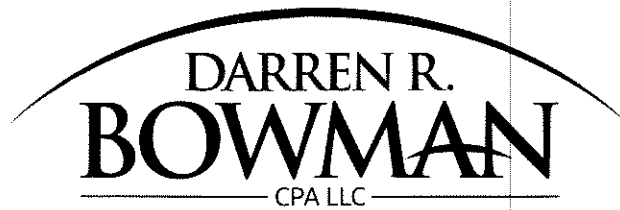
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INDEPENDENT ACCOUNTANT REVIEW REPORT

To the Board of Directors of
American Watchmakers-Clockmakers Institute

I have reviewed the accompanying statement of financial position of American Watchmakers-Clockmakers Institute (a nonprofit organization) as of June 30, 2013, and the related statements of activities, net assets, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

As explained in Note 1 to the financial statements, revenue is recognized on a cash basis which is not consistent with accounting principles generally accepted in the United States of America. Management of the Institute has not performed a detailed analysis of their revenues to determine the amount of revenue earned consistent with accounting principles generally accepted in the United States of America for the year ended June 30, 2013. It was not practicable to determine the effects of the improper revenue recognition on the financial statements.

Based on my review, except for the effects of improper revenue recognition as discussed in the preceding paragraph, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

My review was conducted for the purpose of determining that there are no material modifications that should be made to the financial statements taken as a whole. The supplementary information contained on pages 13 through 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the review procedures applied in the review of the

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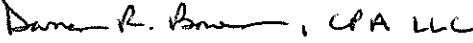
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financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with review standards generally accepted in the United States of America. In my opinion, except for the effects of improper revenue recognition discussed above, the information is fairly stated in all material aspects in relation to the financial statements as a whole.



Darren R. Bowman, CPA LLC
November 21, 2013

AMERICAN WATCHMAKER-CLOCKMAKER INSTITUTE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 48,323
Accounts Receivable	38,059
Other Receivables	5,710
Investments	6,661,515
Inventory	44,710

Total Current Assets 6,798,317

Land, Building, and Equipment

Land	237,566
Building	1,156,945
Equipment	171,465

1,565,975

Less: Accumulated depreciation (642,543)

Net Property and Equipment 923,432

Other Assets

Copyright 5,000

Total Other Assets 5,000

Total Assets \$ 7,726,749

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 79,243
Deferred Revenue	4,023
Accrued Expenses	5,134
Line of Credit	350,000
Current Portion of Long-Term Debt	28,800

Total Current Liabilities 467,200

Long-Term Liabilities

Long-Term Debt 504,348

Total Long-Term Liabilities 504,348

Total Liabilities 971,547

Net Assets

Unrestricted Operating 443,201

Unrestricted Board Designated 6,312,001

Total Net Assets 6,755,202

Total Liabilities and Net Assets \$ 7,726,749

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2013

Revenue	
Operating Revenues	<u>\$ 1,403,164</u>
Total Revenues	1,403,164
Operating Expenses	<u>1,121,429</u>
Income (Loss) from Operations	281,735
Change in Net Assets Before Extraordinary Item	281,735
Change in Net Assets	<u><u>\$ 281,735</u></u>

**AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013**

Net Assets - Unrestricted - Beginning of Year	\$ 6,473,467
Change in Net Assets	<u>281,735</u>
Net Assets - Unrestricted - End of Year	<u><u>\$ 6,755,202</u></u>

AMERICAN WATCHMAKERS-CLOCKMAKERS INSTITUTE
STATEMENT OF CASH FLOWS
FOR YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$	281,735
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation and Amortization		61,583.00
(Gain) Loss on Sale of Investments		(285,374)
Unrealized (Gain) Loss on Investments		(252,833)
(Increase) Decrease in:		
Accounts receivable		(21,020)
Other receivables		(5,710)
Inventory		(7,658)
Increase (Decrease) in:		
Accounts Payable		19,836
Accrued Liabilities		(12,604)
Deferred Revenues		4,687
Net Cash Provided By (Used In) Operating Activities		(217,357)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Investments		(2,347,141)
Capital Expenditures for Fixed Assets		(2,256)
Proceeds from the Sale of Investments		2,535,834
Net Cash Provided By (Used In) Investing Activities		186,437

CASH FLOWS FROM FINANCING ACTIVITIES:

Net Proceeds (Payments) from Lines of Credit		110,000
Repayments of Long-Term Debt		(27,631)
Unrestricted Net Assets		(3,126)
Net Cash Provided By (Used In) Financing Activities		79,243

Net Increase (Decrease) in Cash and Cash Equivalents		48,323
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CASH AND CASH EQUIVALENTS:

Beginning of Year		0
End of Year	\$	48,323

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During the Year for Interest	\$	41,311
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AMERICAN WATCHMAKERS – CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 original maturities of 90 days or less. Money market accounts in investments are not included in cash and cash equivalents.

Accounts receivable – Accounts receivable are stated at the amount expected to be collected from the balances outstanding at year-end.

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

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
JUNE 30, 2013

Unrestricted net assets also include 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 established the corpus of the Board Designated fund at \$ 7,100,000 at its inception.

Revenue Recognition – Membership dues are recognized as income when received. The payments vary based on annual membership. Management of the Institute has not performed a detailed analysis of their revenues to determine the amount of revenue earned consistent with accounting principles generally accepted in the United States of America for the year ended June 30, 2013. It was not practicable to determine the effects of the improper revenue recognition on the financial statements. Contributions received are measured at their fair values and are reported as increases in net assets. Revenues from sources other than contributions are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions, or if they are designated as support for future periods.

Advertising – Advertising costs are charged to operations when incurred and were \$9,950 for the year ended June 30, 2013.

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 and accelerated methods and the following estimated useful lives:

Buildings	40 Years
Furniture & Equipment	3 – 10 Years

Management of the Institute authorized the write-off of old, obsolete, and no longer used assets from the Statement of Financial Position for year ended June 30, 2013.

Use of 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.

Subsequent Events – Management has evaluated subsequent events through November 21, 2013, the date the financial statements were available to be issued.

AMERICAN WATCHMAKERS – CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. INVESTMENTS

Investments are stated at fair value as of June 30, 2013 and are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
Money Market Funds	\$ 455,276	\$ 455,276
Fixed Income	2,206,534	2,212,918
Equity Securities	<u>3,600,821</u>	<u>3,993,321</u>
Total Investments	\$ <u>6,262,631</u>	\$ <u>6,661,515</u>

Due to the marketability of the investments, all are considered current assets. Proceeds from all sales are immediately reinvested. Dividends and interest earnings are recorded as investment income.

3. LONG-TERM DEBT

The following is a summary of long-term debt as of June 30, 2013:

Notes payable – Merchant Bank, dated August 30, 2011, maturing September 1, 2016, with an initial interest rate of 5.5% adjusted annually to the weekly average yield on US Treasury securities adjusted to a constant 1-year maturity plus 3.75%, with a floor of 5%. Initial monthly principal and interest payments are \$4,613 based upon a 15-year amortization. The note is secured by a mortgage on real estate and building. Interest rate at June 30, 2013 was 5.0%.

Long-term Debt	\$ 533,148
Less – current maturities	<u>(28,800)</u>
Total Long-Term Debt	\$ <u>504,348</u>

Estimated maturities for the next five years ending June 30, and thereafter are as follows:

2014	\$ 28,262
2015	29,856
2016	31,540
2017	33,107
2018	410,383

At June 30, 2013, the Institute was in violation of one of its non-financial covenants. The Institute has not provided the reviewed financial statements to the bank within the

AMERICAN WATCHMAKERS – CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

timeframe required. The bank is aware of this violation and has provided a waiver of this violation to the Institute.

4. LINE OF CREDIT

The Institute has a \$350,000 line of credit at a local bank with interest at prime rate plus .25%, secured by the building and real estate. The interest rate at June 30, 2013 was 5.0%, interest is payable monthly, and the note matures on August 1, 2013. The line of credit was fully utilized as of June 30, 2013.

5. RETIREMENT PLAN

The Institute had a SEP IRA plan covering substantially all full-time employees. The plan provides contributions by the Institute in such amounts as the Board of Trustees may annually determine. The plan was discontinued by the Board on May 7, 2013. There were no contributions charged to expense for year ended June 30, 2013.

6. RELATED PARTY

The Institute's board appoints members to the board of a related entity, ELM Trust. ELM Trust is a 501(c)(3) organization that provides educational support to the Institute and its members. The ELM Trust financial information is not combined or consolidated in these financial statements.

7. 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 and 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 and liabilities in active markets that the Institute has the ability to access.
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AMERICAN WATCHMAKERS – CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Level 2	Inputs to the valuation methodology include: Quoted prices for similar assets or liabilities in inactive 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.

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 as of June 30, 2013.

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 Institute 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.

AMERICAN WATCHMAKERS – CLOCKMAKERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

The following table sets forth by level, within the fair value hierarchy, the Institute’s assets at fair value as of June 30, 2013.

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>
Money Market Funds	\$ 455,276	\$ 455,276
Fixed Income	2,212,918	2,212,918
Equity Securities	<u>3,993,321</u>	<u>3,993,321</u>
Total Investments	\$ <u>6,661,515</u>	\$ <u>6,661,515</u>

8. SUBSEQUENT EVENTS

Subsequent events were evaluated through November 21, 2013, which is the date the financial statements were available to be issued. There are no subsequent events to be reported.

SUPPLEMENTARY SCHEDULES

See Independent Accountant Review Report

AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE
SCHEDULE OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2013

Dues	
Active Member Dues	\$ 245,844
Industry Advisory Board	66,080
Affiliate Chapter Dues	3,750
Research and Educational Council	1,275
Total Dues Revenue	316,949
 Education	
Bench Courses	24,600
Academy	107,503
Total Education Revenue	132,103
Watch and Clock Certification	53,040
 Horological Times	
Display	71,517
Classified	28,838
Total Horological Times Revenue	100,355
 Merchandise	
Books	47,140
Media	6,527
Total Merchandise Revenue	53,667
 Other	
Annual Meeting	30,756
Rolex Challenge Grant	21,950
Total Other Revenue	52,706
Investment Income	694,345
TOTAL REVENUE	\$ 1,403,164

AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

Professional Fees	
Accounting	\$ 33,286
Legal	14,220
Survey Consulting	19,100
Outside Contracted Services	69,126
Investment Management	47,885
Total Professional Fees	<u>183,617</u>
 Building	
Real Estate Taxes	22,115
Interest Expense	41,311
Security Monitoring	2,909
Building Maintenance & Repairs	18,881
Total Building Expenses	<u>85,217</u>
 Utilities	
Telephone	10,535
Utilities	25,008
Total Utilities Expenses	<u>35,542</u>
 Office Expenses	
Office Supplies & Services	58,958
Printing & Copying	5,341
Postage & Shipping	36,954
Website	14,513
Software	149
Insurance	8,300
Bank Fees	2,026
Credit Card Fees	11,456
Total Office Expenses	<u>137,698</u>
 Travel Expenses	
Staff Travel	20,965
Board Travel	14,209
Affiliate Travel	2,928
Assessor Travel	10,495
Total Travel Expenses	<u>48,596</u>

AMERICAN WATCHMAKERS - CLOCKMAKERS INSTITUTE
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

Program Expenses	
Royalties	\$ 1,672
Editing & Layout Fees	9,696
Magazine Publishing	71,994
Writers' Fee	13,200
Education Supplies	2,698
Total Program Expenses	<u>99,260</u>
Other Item Expenses	
Advertising	9,950
Dues & Subscriptions	1,101
Trade Show Expenses	4,617
Annual Meeting Expenses	62,569
Depreciation	61,583
Total Other Item Expenses	<u>139,820</u>
Salaries and Benefits Expenses	
Salaries	331,779
Payroll Taxes	29,485
Health Insurance	30,030
Life Insurance	385
Total Salaries and Benefits Expenses	<u>391,679</u>
TOTAL OPERATING EXPENSES	<u><u>\$ 1,121,429</u></u>