

**HOROLOGICAL SOCIETY OF NEW YORK, INC.**

**FINANCIAL STATEMENTS  
AND  
ACCOUNTANTS' REPORT**

**MARCH 31, 2022 AND 2021**

# HOROLOGICAL SOCIETY OF NEW YORK, INC.

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To: The Board of Directors of  
Horological Society of New York, Inc.

We have reviewed the accompanying statements of financial position of Horological Society of New York, Inc., a not-for-profit organization, as of March 31, 2022 and 2021, and the related statements of activities, expenses and cash flows for the years then ended, and the related notes to the financial statements. 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, we do not express such an opinion.

### ***Management's Responsibility for the Financial Statements***

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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

### ***Accountants' Responsibility***

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Horological Society of New York, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

### ***Accountants' Conclusion***

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

New York, NY  
March 23, 2023

*Skody Scot & Company, CPAs, P.C.*

**HOROLOGICAL SOCIETY OF NEW YORK, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2022 AND 2021**

	<b>2022</b>	<b>(Restated) 2021</b>
<b>ASSETS</b>		
Cash	\$ 370,697	\$ 448,284
Contributions and other receivables	27,500	6,434
Inventory	-	28,500
Prepaid expenses	-	10,800
Property and equipment, net	4,046	8,093
Security deposits	3,000	3,000
Collections aquired since October 2021 (see Note 1)	5,000	-
Research library	1,638,544	1,400,000
Total assets	\$ 2,048,787	\$ 1,905,111

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable and accrued expenses	\$ 4,937	\$ 9,822
Refundable advance	-	48,942
Total liabilities	4,937	58,764
Net Assets:		
Without donor restrictions	2,043,850	446,347
With donor restrictions	-	1,400,000
Total net assets	2,043,850	1,846,347
Total liabilities and net assets	\$ 2,048,787	\$ 1,905,111

**See independent accountants' review report  
and accompanying notes.**

**HOROLOGICAL SOCIETY OF NEW YORK, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED MARCH 31, 2022 AND 2021**

	2022			(Restated) 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues:</b>						
Contributions	\$ 375,088	\$ -	\$ 375,088	\$ 698,208	\$ -	\$ 698,208
Contributions, nonfinancial	200,000	-	200,000	23,000	90,000	113,000
Program service revenue	230,040	-	230,040	122,966	-	122,966
Government grants	48,942	-	48,942	62,030	-	62,030
Special events (net of expenses of \$33,758 in 2022)	97,993	-	97,993	-	-	-
Interest income	288	-	288	170	-	170
Net assets released from restriction:						
Satisfaction of purpose restrictions	1,400,000	(1,400,000)	-	30,000	(30,000)	-
Total support and revenues	<u>2,352,351</u>	<u>(1,400,000)</u>	<u>952,351</u>	<u>936,374</u>	<u>60,000</u>	<u>996,374</u>
<b>Expenses:</b>						
Program services	554,788	-	554,788	445,565	-	445,565
Management and general	200,060	-	200,060	175,564	-	175,564
Total expenses	<u>754,848</u>	<u>-</u>	<u>754,848</u>	<u>621,129</u>	<u>-</u>	<u>621,129</u>
Increase/(decrease) in net assets	1,597,503	(1,400,000)	197,503	315,245	60,000	375,245
Net assets, beginning of year, restated	446,347	1,400,000	1,846,347	131,102	1,340,000	1,471,102
Net assets, end of year, restated	<u>\$ 2,043,850</u>	<u>\$ -</u>	<u>\$ 2,043,850</u>	<u>\$ 446,347</u>	<u>\$ 1,400,000</u>	<u>\$ 1,846,347</u>

See independent accountants' review report  
and accompanying notes.

**HOROLOGICAL SOCIETY OF NEW YORK, INC.**  
**STATEMENT OF EXPENSES**  
**YEAR ENDED MARCH 31, 2022**

	Program Services	Management and General	Total Expenses
Salaries	\$ 181,436	\$ 77,758	\$ 259,194
Payroll taxes and benefits	13,598	9,081	22,679
Consultants and outside services	50,449	-	50,449
Depreciation	4,047	-	4,047
Grants and scholarships	142,200	-	142,200
Insurance	4,766	4,767	9,533
Meals and entertainment	1,738	-	1,738
Office expenses	3,540	38,375	41,915
Professional fees	-	10,167	10,167
Promotion	11,470	-	11,470
Rent and utilities	107,498	46,071	153,569
Research library	11,994	-	11,994
Supplies	2,601	-	2,601
Travel, hotels and meetings	16,127	12,713	28,840
Watch design	3,324	-	3,324
Website	-	1,128	1,128
Total expenses	<u>\$ 554,788</u>	<u>\$ 200,060</u>	<u>\$ 754,848</u>

**See independent accountants' review report  
and accompanying notes.**

**HOROLOGICAL SOCIETY OF NEW YORK, INC.**  
**STATEMENT OF EXPENSES**  
**YEAR ENDED MARCH 31, 2021**  
**(Restated)**

	Program Services	Management and General	Total Expenses
Salaries	\$ 171,730	\$ 73,599	\$ 245,329
Payroll taxes and benefits	18,386	7,880	26,266
Consultants and outside services	15,651	-	15,651
Depreciation	4,047	-	4,047
Grants and scholarships	106,001	-	106,001
Insurance	2,834	2,834	5,668
Meals and entertainment	398	-	398
Office expenses	1,347	40,257	41,604
Professional fees	-	8,798	8,798
Promotion	4,142	-	4,142
Rent and utilities	98,456	42,196	140,652
Research library	19,339	-	19,339
Supplies	1,648	-	1,648
Travel, hotels and meetings	1,586	-	1,586
Total expenses	<u>\$ 445,565</u>	<u>\$ 175,564</u>	<u>\$ 621,129</u>

**See independent accountants' review report  
and accompanying notes.**

**HOROLOGICAL SOCIETY OF NEW YORK, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MARCH 31, 2022 AND 2021**

	<b>2022</b>	<b>(Restated) 2021</b>
Cash flows from operating activities:		
Increase in net assets	\$ 197,503	\$ 375,245
Adjustments for non-cash items included in operating activities:		
Depreciation	4,047	4,047
Contributed nonfinancial assets	(200,000)	(113,000)
Changes in assets and liabilities:		
(Increase)/decrease in assets:		
Contributions and other receivables	(21,066)	(5,000)
Inventory	28,500	-
Prepaid expenses	10,800	1,000
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	(4,885)	(9,670)
Refundable advance	(48,942)	48,942
Net cash provided/(used) by operating activities	(34,043)	301,564
Cash flows from investing activities:		
Purchases for research library	(38,544)	-
Purchases accessioned into the permanent collection	(5,000)	-
Net cash used by investing activities	(43,544)	-
Net increase/(decrease) in cash	(77,587)	301,564
Cash at beginning of year	448,284	146,720
Cash at end of year	\$ 370,697	\$ 448,284

**See independent accountants' review report  
and accompanying notes.**



**HOROLOGICAL SOCIETY OF NEW YORK, INC.  
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies

The Organization

Horological Society of New York, Inc. (Organization), a not-for-profit organization, was incorporated in the State of New York on October 15, 1934. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal, state or local income taxes has been recorded. The Organization does not believe its financial statements contain any uncertain tax positions. The Organization primarily receives its support from contributions and program service revenue.

The primary purpose of the Organization is to advance the art and science of horology. The Organization seeks to accomplish this by offering horology classes to the public. The classes are taught by professional watchmakers and are intended to make horology accessible and enjoyable.

Basis of Accounting

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Receivables

Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. All receivables are expected to be received within one year and as such have been stated at their net realizable value with no allowance for uncollectable receivables.

Inventory

Inventory held as of March 31, 2021 is stated at estimated fair market value and consists of watches which were auctioned at the Organization gala during the year ended March 31, 2022.

**HOROLOGICAL SOCIETY OF NEW YORK, INC.  
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Collections

Collection items consist of rare and expensive timepieces and the Organization has adopted the following policies:

Collection items acquired on or after October 28, 2021: Accessions of these collection items are capitalized at cost, if the items were purchased, or at their estimated fair value on the accession date, if the items were contributed. Gains or losses from the deaccession of these items are reflected in the statements of activities as changes in the appropriate net asset classes, depending on the existence or absence of donor-imposed restrictions. Collection items held by the Organization have cultural, aesthetic and historical value that is worth preserving perpetually. The Organization is protecting and preserving the service potential of the collection items. Therefore, the collection items are not depreciated.

Collection items acquired prior to October 28, 2021: Collection items purchased prior to October 28, 2021, were not capitalized and they are not recognized in the Organization's financial statements. Proceeds from insurance recoveries or deaccessions of these items are reflected in the statements of activities as changes in the appropriate net asset classes.

It is the policy of the Organization to reinvest any proceeds from the sale of a collection item back into the collection.

Research Library

The research library consists of items that are of cultural, aesthetic and historical value and are to be maintained by the Organization in perpetuity. These items are available to members of the Organization to use for reference in their ongoing horological endeavors. Items in the library are stated at the appraised value on the accession date if the items were contributed or at cost if they are purchased. In addition, the research library includes costs necessary to put the library in service. Gains or losses from the deaccession of these items are reflected in the statements of activities as changes in the appropriate net asset classes, depending on the existence or absence of donor-imposed restrictions. Since the research library items are to be maintained in perpetuity, the Organization is protecting and preserving the service potential of the collection items. Therefore, the library items are not depreciated.

**HOROLOGICAL SOCIETY OF NEW YORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Property and Equipment

The Organization capitalizes certain property and equipment with estimated lives of greater than one year. Purchased property and equipment are stated at cost, less accumulated depreciation. Donated property and equipment are stated at estimated fair value, less accumulated depreciation. Depreciation of furniture and equipment is computed by the straight-line method over estimated useful lives of five years. Expenditures for repairs and maintenance are expensed as incurred and major renewals and betterments are capitalized.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. This classification includes net assets designated by the board or management for a specified purpose.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature (endowment), where the donor stipulates that resources be maintained in perpetuity.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged to program and supporting services based upon direct charges for those items specifically identified with the respective functions or an allocation utilizing a reasonable method, including time spent for salaries and related, square footage for occupancy and nature of insurance coverage. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**HOROLOGICAL SOCIETY OF NEW YORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The Organization recognizes contributions when cash, noncash assets, or unconditional promises to give are received. Conditional promises to give, which have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received prior to meeting the conditions are reported as refundable advances in the statements of financial position. As of March 31, 2022 and 2021, the Organization did not have any conditional pledges that were not recognized.

Contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted for a purpose by the donor are reported as support with donor restrictions and increases in net assets with donor restrictions. Contributions received with restrictions that are met in the same reporting period are reported as support without donor restrictions and increases in net assets without donor restrictions. When a restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

Program service revenue relates to fees received in exchange for program services and mainly consists of education and membership fees, which are determined based on consideration of similar services by nonprofits in similar areas. Education revenue generally contains a single delivery/service element and revenue is recognized at a single point in time when ownership, risks and rewards transfer, and all performance obligations are considered to be satisfied. Membership fee revenue is recognized ratably over the membership period. Payments are made in full upon registration and refunds are generally not given. Any revenue received which has not been earned is recorded as deferred revenue.

The Organization received grants from governmental agencies. Depending upon the terms of the grant, it can be either an exchange transaction or a contribution. In accordance with grant provisions, the grant can be an expense reimbursement grant which requires that approved expenses be incurred prior to reimbursement by the grantor. Other grants permit advances of grant funds or full payment of grant funds at the start of the grant. If the grant is an exchange type grant, all unreimbursed expenses, for approved purposes, as of year-end are recorded as receivables and any unexpended advances are recorded as refundable advances. If the grant is a contribution, it is recognized in accordance with the contribution recognition policy described above.

During the year ended March 31, 2021, the Organization received \$46,089 and \$48,942 of Paycheck Protection Program funds from the U.S. Small Business Administration. Management has determined that the correct model to follow is the grant model and that the purpose-related conditions imposed on the \$46,089 grant were met during the year ended March 31, 2021 and on the \$48,942 grant during the year ended March 31, 2022 and are reported as government grants in the 2021 and 2022, respectively, statements of activities.

The Organization receives special events revenue which contains both an exchange component and a conditional contribution component. Both components are recognized when the event takes place. Any event revenue received in advance of the event is recorded as deferred revenue.

**HOROLOGICAL SOCIETY OF NEW YORK, INC.  
NOTES TO FINANCIAL STATEMENTS**

**Note 2 - Property and Equipment**

Property and equipment consist of the following at March 31, 2022 and 2021:

	2022	2021
Watchmaking benches	\$ 20,234	\$ 20,234
Less: Accumulated depreciation	( 16,188)	( 12,141)
	\$ 4,046	\$ 8,093

**Note 3 - Net Assets with Donor Restrictions**

As of March 31, 2021, net assets with donor restrictions amounted to \$1,400,000 and were restricted for the research library. The research library was placed in service and therefore, the \$1,400,000 was released from restriction during the year ended March 31, 2022.

**Note 4 - Revenue from Contracts with Customers**

All of the revenue derived from contracts with customers during fiscal years 2022 and 2021 was fully earned in the same annual reporting period. Details of revenue from contracts with customers during the years ended March 31, 2022 and 2021 are as follows:

	2022	2021
Class registration fees	\$ 80,526	\$ 8,860
Membership fees	146,014	114,106
Venue rental	3,500	-
	\$ 230,040	\$ 122,966

**Note 5 - Government Grants**

The Organization was awarded various grants by government agencies. Total revenue recognized for the years ended March 31, 2022 and 2021, specified by grantor, is as follows:

	2022	2021
The City of New York	\$ -	\$ 15,941
US Small Business Administration	48,942	46,089
	\$ 48,942	\$ 62,030

**Note 6 - Commitments and Contingencies**

The Organization leases office space under a noncancelable operating lease set to expire on August 31, 2024. Minimum aggregate annual rental commitments are as follows:

Year ended March 31, 2023	\$ 160,546
2024	188,309
2025	79,571

**HOROLOGICAL SOCIETY OF NEW YORK, INC.  
NOTES TO FINANCIAL STATEMENTS**

Note 7 - Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other obligations as they come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Amounts available for general expenditures over a 12-month period include donor-restricted amounts that are available for ongoing programmatic and support expenditures.

The following reflects the Organization's financial assets, as of March 31, 2022 and 2021, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

	2022	2021
Financial assets:		
Cash	\$ 370,697	\$ 448,284
Receivables	27,500	6,434
Total financial assets	398,197	454,718
Less those unavailable for general expenditures within one year	-	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 398,197	\$ 454,718

Note 8 - Contributed Nonfinancial Assets

The Organization received nonfinancial contributions that meet the criteria for being recognized in accordance with US GAAP. For the years ended March 31, 2022 and 2021, amounts recognized in the statements of activities are as follows:

	2022	2021
Nonfinancial assets:		
Research library – library of horological items available for member research	\$ 200,000	\$ 90,000
Watches	-	23,000
	\$ 200,000	\$ 113,000

The contributed nonfinancial assets relating to the research library were initially classified as with donor restrictions since the library is restricted to remain as a library collection for the Organization. This restriction was considered satisfied using the put in-service method during the year ended March 31, 2022. As such, the net assets related to the library are without donor restriction as of March 31, 2022. The contributed nonfinancial assets relating to the watches during the year ended March 31, 2021 had no donor-imposed restrictions and therefore, were classified as without donor restriction as of March 31, 2021.

The valuation technique used by the Organization for the library items received is the fair value of the entire library appraised by an outside appraiser on behalf of the donor prior to transfer to the Organization. The valuation technique used by the Organization for the watches received is the estimated fair value at the date of donation.

**HOROLOGICAL SOCIETY OF NEW YORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

Note 9 - Concentrations

The Organization maintains its checking account with a major financial institution. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. At times, the balance of the account may have exceeded the insurance limits during the years ended March 31, 2022 and 2021.

For the year ended March 31, 2022, approximately 43% of the Organization's total revenue was provided by one major contributor. It is always possible that benefactors, grantors or contributors might be lost in the near term. In the event funding is terminated or significantly reduced, the Organization's ability to continue providing services at the same level would be greatly diminished.

Note 10 - Restatement

During the years ended March 31, 2021 and 2020, the Organization received library content contributions amounting to \$90,000 and \$1,310,000, respectively. The Organization did not recognize these amounts as revenue in the respective fiscal years since the library was not complete. A restatement was made to increase the beginning of the year net assets (April 1, 2020) by \$1,310,000, recognize \$90,000 contributed nonfinancial assets during the year ended March 31, 2021 and to add the research library asset of \$1,400,000 as of March 31, 2021.

Note 11 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures through March 23, 2023, which is the date the financial statements were available to be issued.