

**NATIONAL ASSOCIATION OF WATCH  
AND CLOCK COLLECTORS, INC.**

**Financial Statements**

**Years Ended March 31, 2010 and 2009**

NATIONAL ASSOCIATION OF WATCH  
AND CLOCK COLLECTORS, INC.

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## INDEPENDENT AUDITORS' REPORT


To the Board of Directors  
National Association of Watch and Clock Collectors, Inc.  
Columbia, Pennsylvania

We have audited the accompanying statement of financial position of the NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC. (a non-profit corporation) as of March 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the National Association of Watch and Clock Collectors, Inc. as of March 31, 2009 were audited by other auditors whose report, dated May 27, 2009, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the March 31, 2010 financial statements referred to above present fairly, in all material respects, the financial position of the National Association of Watch and Clock Collectors, Inc., as of March 31, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

June 9, 2010

  
ROSS BUEHLER FALK & COMPANY, LLP

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
<u>CURRENT</u>		
Cash and cash equivalents	\$ 115,009	\$ 152,348
Gift shop inventory	34,213	35,055
Accrued interest receivable	1,615	2,357
Receivable - other	42,369	17,365
Pledge receivables	9,742	11,000
Prepaid and deferred expenses	128,072	117,935
	<u>331,020</u>	<u>336,060</u>
Total Current Assets	331,020	336,060
<u>OTHER ASSETS</u>		
Cash and cash equivalents held for endowment	69,610	47,429
Cash and cash equivalents restricted for other long-term purposes	2,891	2,884
Scholarship fund investments	29,037	20,773
Investments held for endowment	335,501	336,213
Other investments	1,464,441	1,029,500
Pledge receivables, net current portion	19,001	27,387
Gift shop inventory, net current portion	43,219	21,460
	<u>1,963,700</u>	<u>1,485,646</u>
Total Other Assets	1,963,700	1,485,646
<u>PROPERTY AND EQUIPMENT</u>		
Land	53,800	53,800
Building and improvements	9,018,186	9,006,014
Office furniture and equipment	543,663	523,552
Museum equipment	635,841	635,841
School equipment	351,111	332,601
	<u>10,602,601</u>	<u>10,551,808</u>
Less: accumulated depreciation	<u>(4,598,419)</u>	<u>(4,249,401)</u>
	<u>6,004,182</u>	<u>6,302,407</u>
Total Assets	<u>\$ 8,298,902</u>	<u>\$ 8,124,113</u>

The accompanying notes are an integral part of the financial statements.

	<u>2010</u>	<u>2009</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT</b>		
Capital lease, current portion	\$ 4,584	\$ 4,261
Unearned revenue	62,714	87,732
Accounts payable	122,542	88,714
Accrued expenses	90,085	75,550
Temporary chapter savings deposits	<u>2,500</u>	<u>44,000</u>
Total Current Liabilities	282,425	300,257
<b>LONG-TERM LIABILITIES</b>		
Capital lease obligation	<u>12,088</u>	<u>16,672</u>
Total Liabilities	294,513	316,929
<b>NET ASSETS</b>		
<b>Unrestricted</b>		
General	6,530,779	6,615,400
Board designated	857,847	611,775
Temporarily restricted	210,652	196,367
Permanently restricted	<u>405,111</u>	<u>383,642</u>
Total Net Assets	<u>8,004,389</u>	<u>7,807,184</u>
Total Liabilities and Net Assets	<u><u>\$ 8,298,902</u></u>	<u><u>\$ 8,124,113</u></u>

## STATEMENTS OF ACTIVITIES

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## FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
UNRESTRICTED NET ASSETS		
Support and revenue:		
Membership dues	\$ 1,264,424	\$ 1,279,330
Life member receipts (dues transfers), net	(16,940)	(14,253)
MART receipts	159,005	177,097
Donations	131,042	93,209
Investment income	35,003	85,456
Tuition and registration fees	419,232	242,209
Field suitcase workshop income	65,875	63,360
Net proceeds from national convention	34,544	45,571
Miscellaneous income	81,825	58,938
Gift shop and school sales (net of cost of sales of \$95,865 and \$65,456)	24,331	46,142
Museum admissions	47,432	60,066
	<u>2,245,773</u>	<u>2,137,125</u>
Net assets released from restrictions	78,141	68,237
	<u>2,323,914</u>	<u>2,205,362</u>
Total Support and Revenue		
Expenses:		
Program services:		
Salaries and wages	720,176	678,504
Employee benefits and payroll taxes	175,099	143,483
Bulletin printing	121,556	139,476
MART printing	32,177	38,468
Other printing and postage	7,952	7,383
Distribution of publications	103,606	108,377
Director and staff travel	11,183	9,636
Committees and conferences	521	1,045
Field suitcase workshop	59,254	55,046
Scholarships	850	4,610
Supplies	29,408	30,747
Utilities and telephone	110,153	135,170
Equipment rental and maintenance	40,782	55,230
Insurance	6,809	6,169
Depreciation	227,422	222,185
Exhibits and advertising	35,445	33,348
Accession	29,067	21,939
Professional services	20,795	35,543
Miscellaneous	37,002	31,640
	<u>\$ 1,769,257</u>	<u>\$ 1,757,999</u>
Total Program Services		

The accompanying notes are an integral part of the financial statements.

## STATEMENTS OF ACTIVITIES

## FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
UNRESTRICTED NET ASSETS (Continued)		
Expenses (Continued):		
Supporting services:		
General and administrative:		
Salaries and wages	\$ 255,342	\$ 285,570
Employee benefits and payroll taxes	95,177	96,282
Director and staff travel	39,387	47,371
Committees	5,607	2,379
Supplies	9,390	16,154
Utilities and telephone	8,042	6,587
Equipment rental and maintenance	19,630	17,084
Building rental and maintenance	43,936	46,319
Insurance	21,296	19,113
Printing and postage	30,255	35,427
Depreciation	121,597	108,693
Professional services	57,467	74,883
Telemarketing	16,803	36,565
Website hosting	22,312	11,945
Interest expense	1,390	950
Miscellaneous	23,709	24,127
	<u>771,340</u>	<u>829,449</u>
Fundraising:		
Salaries and wages	49,195	46,587
Employee benefits and payroll taxes	2,725	2,434
Director and staff travel	-	572
Printing and postage	2,742	7,093
Professional services	5,500	5,600
Miscellaneous	2,575	2,944
	<u>62,737</u>	<u>65,230</u>
Total Supporting Services	<u>834,077</u>	<u>894,679</u>
Total Expenses	<u>2,603,334</u>	<u>2,652,678</u>
DECREASE IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS	(279,420)	(447,316)
CAPITAL TRANSACTIONS		
Net unrealized and realized gain (loss) on investments	<u>440,671</u>	<u>(391,699)</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ 161,251</u>	<u>\$ (839,015)</u>

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
TEMPORARILY RESTRICTED NET ASSETS		
Donations	\$ 52,384	\$ 33,706
Investment income	1,227	2,612
Silent auction income	6,328	8,749
Book sales	20,169	-
Net unrealized and realized loss on investments	12,318	(18,935)
Restrictions satisfied by payments	<u>(78,141)</u>	<u>(68,237)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	14,285	(42,105)
PERMANENTLY RESTRICTED NET ASSETS		
Donations	<u>21,669</u>	<u>159,418</u>
INCREASE (DECREASE) IN NET ASSETS	197,205	(721,702)
NET ASSETS		
Beginning of year	<u>7,807,184</u>	<u>8,528,886</u>
End of year	<u>\$ 8,004,389</u>	<u>\$ 7,807,184</u>



## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	\$ 197,205	\$ (721,702)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	349,019	330,878
Donations and other income restricted for endowment and other long-term purposes	(23,482)	(163,176)
Net unrealized and realized (gain) loss on investments	(452,989)	410,634
Noncash donations and expenses	(11,017)	(15,709)
(Increase) decrease in:		
Inventory	(20,917)	1,465
Receivables	(14,618)	3,408
Prepaid and deferred expenses	(10,137)	22,942
Increase (decrease) in:		
Unearned income	(25,018)	(7,434)
Accounts payable, accrued expenses, and temporary chapter savings deposits	6,863	974
NET CASH USED BY OPERATING ACTIVITIES	(5,091)	(137,720)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets restricted for endowment and other long-term purposes	4,085	2,680
Purchase of assets restricted for endowment and other long-term purposes	(23,482)	(163,176)
Purchase of property and equipment	(50,793)	(74,502)
Proceeds from sale of investment securities	72,534	770,510
Purchase of investment securities	(53,813)	(653,400)
NET CASH USED BY INVESTING ACTIVITIES	(51,469)	(117,888)
NET CASH FLOWS FROM FINANCING ACTIVITIES:		
Donations restricted for endowment	21,669	159,418
Donations and other income restricted for other long-term purposes	1,813	3,758
Payments on capital lease	(4,261)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	19,221	163,176
DECREASE IN CASH AND CASH EQUIVALENTS	(37,339)	(92,432)
CASH AND CASH EQUIVALENTS:		
Beginning	152,348	244,780
Ending	\$ 115,009	\$ 152,348

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTSNOTE 1: OPERATIONS

The National Association of Watch and Clock Collectors, Inc. (NAWCC, Inc.) provides to its world-wide members and the general public publications and programs, including a museum and library research center, in order to enhance the education of the historical and scientific importance of clocks and watches. NAWCC, Inc. also provides the availability to study the construction and repair of clocks and watches through the School of Horology. The Corporation is funded by membership support, donations, grants, admissions sales, and tuition fees.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles, the more significant of which are described below.

Donor Restrictions

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

Donated or Contributed, Investments, Services and Materials

Donated services, investments and materials, if significant in amount and clearly measurable, are reflected as contributions in the accompanying statements at their fair market value at the date of donation. Donated or contributed services vary in range from limited to active participation.

Cash and Cash Equivalents

The Corporation considers all highly liquid debt instruments and certificates of deposit purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains, expenses and losses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Corporation is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related activities pursuant of Section 509(a) of the Code. The Corporation is also organized under the State of Pennsylvania Non-Profit Corporation Law of 1972 and is exempt from state taxes.

NOTES TO FINANCIAL STATEMENTSNOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Investments

The Corporation carries investments at fair value. Fair value of the investments is determined using quoted market prices of a national securities exchange. Contributed investments are initially valued at the quoted fair value on the date received, which is then treated as cost.

Investment income (including realized and unrealized gains and losses on investments, interest, and dividends) is included in total support and revenue in the statements of activities.

Receivables

The Corporation records bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Subsequent Events

In May 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 855-10-05, "Subsequent Events", effective for years ending after June 15, 2009. ASC 855-10-05 requires management of an entity to evaluate events or transactions occurring after the balance sheet date through the date that the financial statements are available to be issued which may require amounts to be accounted for or disclosed in the footnotes of the financial statements.

Accordingly, management has evaluated all events and transactions occurring after the balance sheet date through June 9, 2010, the date through which the financial statements were available to be issued. Management feels that no events or transactions occurred subsequent to the balance sheet date requiring an adjustment to the financial statements or disclosure in the footnotes.

Inventories

The Corporation values its inventories at the lower of cost or market. For the years ended March 31, 2010 and 2009, the weighted average cost method is used to value the inventory.

Property and Equipment

The Corporation currently capitalizes assets with a useful life in excess of one year at their cost or market value, if donated, when such amounts exceed \$1,000 per item. Depreciation is calculated using the straight-line method of depreciation over their estimated useful lives as follows:

Building	19 - 39 ½ Years
Building improvements	5 - 39 Years
Office furniture and equipment	3 - 10 Years
Museum equipment	3 - 10 Years
School equipment	3 - 10 Years

The Corporation does not imply time restrictions with respect to donated fixed assets.

NOTES TO FINANCIAL STATEMENTSNOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Sales Taxes

Sales taxes assessed by a governmental authority on applicable revenue-producing transactions between the Corporation and its customers are recorded on a net basis, excluding both the collection and payment of such taxes from the Corporation's revenues and expenses.

Advertising

The Corporation expenses advertising and marketing costs as they are incurred. The advertising/marketing costs for the years ended March 31, 2010 and 2009 are \$33,947 and \$33,348, respectively.

Fair Value of Financial Instruments

Financial instruments include cash, pledge receivables and lease obligations.

The fair value of cash is materially the same as their carrying value because of the short-term maturity of those instruments. The carrying value of pledge receivables and lease obligations approximates fair value.

Revenue Recognition

NAWCC, Inc. recognizes membership dues as revenue when the cash is actually received.

The Corporation receives grant funding from the Pennsylvania Historical and Museum Commission. The grant proceeds are recognized in earnings in the period in which the related expenditures are incurred. Amounts received or receivable from the grantor are subject to audit and adjustment by the grantor. Any disallowed claims, including amounts already collected, may constitute a liability of the Corporation. The amount, if any, cannot be determined at this time, although the Corporation expects such amounts, if any, to be immaterial.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions. Restricted donations whose restrictions are met in the same reporting period are accounted for as temporarily restricted support and as net assets released from restrictions.

NAWCC, Inc. receives a significant amount of services donated by volunteers in carrying out its exempt purpose. No amounts have been reflected in the financial statements for those services as they do not meet the criteria for recognition under ASC 958-605-25, "Accounting for Contributions Received and Contributions Made".

## NOTES TO FINANCIAL STATEMENTS

NOTE 3: PREPAID AND DEFERRED EXPENSES

As of March 31, 2010 and 2009, prepaid and deferred expenses consisted of the following:

	<u>2010</u>	<u>2009</u>
Prepaid insurance	\$ 30,205	\$ 24,249
Printing, publications not yet issued	42,308	44,400
Prepaid school supplies	38,016	28,787
Other prepaid expenses	17,543	20,499
	<u>\$ 128,072</u>	<u>\$ 117,935</u>

NOTE 4: INVESTMENTS

A summary of the investments as of March 31, 2010 and 2009 is as follows:

	<u>Par/Shares</u>	<u>Rate</u>	<u>Due</u>	<u>2010</u>	
				<u>Current Market Value</u>	<u>Cost</u>
Mutual funds	-	-	-	\$ 257,420	\$ 289,489
Certificates of Deposit	735,540	0.95% - 1.78%	8/2/10 - 2/5/11	743,574	735,540
Equity Securities	5,810	N/A	N/A	25,919	21,916
Preferred Stock	3,900	FLT%	N/A	69,693	97,500
Corporate Bonds	850,000	FLT%	11/10/04 - 1/31/14	732,336	852,991
				<u>\$ 1,828,942</u>	<u>\$ 1,997,436</u>
	<u>Par/Shares</u>	<u>Rate</u>	<u>Due</u>	<u>2009</u>	
				<u>Current Market Value</u>	<u>Cost</u>
Mutual funds	-	-	-	\$ 176,858	\$ 291,178
Certificates of Deposit	701,014	1.0% - 3.93%	7/28/2010	699,239	701,014
Equity Securities	5,520	N/A	N/A	12,623	32,661
Preferred Stock	3,900	FLT%	N/A	19,500	97,500
Corporate Bonds	915,000	FLT%	11/10/11 - 3/15/33	478,266	918,775
				<u>\$ 1,386,486</u>	<u>\$ 2,041,128</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4: INVESTMENTS (Continued)

The net unrealized gain (loss) for the years ended March 31, 2010 and 2009 was \$452,989 and \$(407,117), respectively. The net unrealized loss on investments is shown under capital transactions on the combined statements of activities due to the long-term nature of the investments. The amount shown as current market value does not include interest earned but not yet paid.

In accordance with ASC 820-10-05, the various inputs that may be used to determine the value of the Corporation's investments are summarized in three broad levels as of March 31, 2010. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

- Level 1 Quoted prices in active markets for identical securities
- Level 2 Other significant observable inputs, including quoted prices for similar securities; and
- Level 3 Significant unobservable techniques supported by little or no market activity inputs.

	<u>Investments</u> <u>At Fair Value</u>
Level 1	\$ 353,032
Level 2	1,475,910
Level 3	-
	<u>\$ 1,828,942</u>

NOTE 5: ENDOWMENTS

The Corporation has adopted ASC 958-30-20, "Endowments of Not-for-Profit Organizations". The Corporation has interpreted Pennsylvania Act 141 to allow for the Corporation to select a principal and income or a total return policy in the absence of specific donor stipulations. Act 141 seeks to preserve the value of the original gift as of the gift date of the donor restricted endowment funds and provides a framework for the prudent use of endowment earnings to support the Corporation's operations. The Corporation elects the principal and income policy. As a result of this interpretation, the Corporation classifies the original value of the gift and all subsequent gifts as permanently restricted net assets. Income derived from the endowments is approved by the Board to be used to support operations and are classified as unrestricted income.

The Board has approved an investment policy for the Corporation's endowments that assigns responsibilities to an investment manager and establishes investment principles to achieve prudent investment strategies. The policy underlines the need for diversification, preservation of capital, and risk awareness with the goal of providing endowment growth and income in perpetuity.

The Corporation endowment assets consist of three funds, the earnings of which are restricted for use at the School of Horology, the Watch and Clock Museum, and the Library and Research Center. The endowment funds are composed of assets permanently restricted by donor designation as well as board designated assets. It is the Corporation's policy to account for the change in the underlying investments fair value in the board designated portion of the endowments.

NOTES TO FINANCIAL STATEMENTS

NOTE 5: ENDOWMENTS (Continued)

The following summarizes the changes in endowment net assets for the fiscal year ended March 31, 2010 and presents the endowment net assets as of March 31, 2010:

	Board- Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 74,607	\$ -	\$ 383,642	\$ 458,249
Investment Return:				
Investment income	8,062	2,357	-	10,419
Net appreciation	64,339	-	-	64,339
Total Investment Return	72,401	2,357	-	74,758
Contributions	-	-	21,469	-
Appropriation of endowment assets for expenditure	(1,036)	(2,357)	-	(3,393)
Other charges to create board-designated endowment funds	-	-	-	-
Endowment net assets, end of year	<u>\$ 145,972</u>	<u>\$ -</u>	<u>\$ 405,111</u>	<u>\$ 551,083</u>

NOTE 6: CHAPTERS

As of March 31, 2010, NAWCC, Inc. has one hundred sixty-three active chapters located throughout the world. The chapters may adopt such bylaws and regulations as they may deem desirable, providing they do not conflict with the constitution and bylaws of NAWCC, Inc. Each chapter operates as a separate entity; however, NAWCC, Inc. reserves the right to revoke the charter of any chapter for unethical conduct or inactivity after due hearing before the Board of Directors.

NOTE 7: TEMPORARY CHAPTER SAVINGS DEPOSITS

The amount reported under temporary chapter savings deposits of \$2,500 and \$44,000, shown as a current liability on the statements of financial position for the years ended March 31, 2010 and 2009, respectively, represents various Chapters' and members' excess funds transferred to NAWCC, Inc. for safekeeping. The Corporation is required to return these funds upon request; however, any interest earned on these funds belongs to NAWCC, Inc. to use at its discretion.

NOTES TO FINANCIAL STATEMENTS

NOTE 8: CAPITAL LEASES

NAWCC, Inc. leases phone system equipment through a capital lease arrangement. Furniture, fixtures, and equipment include \$23,641 for phone equipment with accumulated depreciation of \$7,880. The following is a schedule of minimum future payments under the capital lease, together with the net present value of the minimum lease payments as of March 31, 2010:

2011	\$	5,651
2012		5,651
2013		5,651
2014		1,884
Less: amounts representing interest		<u>(2,165)</u>
Present Value of Minimum Lease Payments	\$	<u><u>16,672</u></u>

NOTE 9: RESTRICTIONS ON ASSETS

Board designated net assets are unrestricted net assets for which the board has indicated a specific use. These amounts are as follows for the years ended March 31:

	<u>2010</u>	<u>2009</u>
Museum endowment	\$ 105,519	\$ 58,864
Library endowment	37,916	15,743
School of Horology endowment	2,536	-
Museum and library investment fund	<u>711,876</u>	<u>537,168</u>
	<u><u>\$ 857,847</u></u>	<u><u>\$ 611,775</u></u>



## NOTES TO FINANCIAL STATEMENTS

NOTE 9: RESTRICTIONS ON ASSETS (Continued)

The following summarizes temporarily restricted net assets for the years ended March 31:

	<u>2010</u>	<u>2009</u>
Restrictions related to the passage of time:		
Pledges receivable	\$ 28,743	\$ 38,387
Restrictions relating to the occurrence of an event:		
School of Horology:		
Midwest Regional Scholarship	29,157	20,893
Wilbur Pritchard Fund for Awards of Excellence in Watch Repair or Restoration	43,819	42,697
Zuercher Scholarship Fund	600	600
Clock Program at School of Horology	425	225
School equipment	150	-
Purchase of books for school	1,962	1,962
Watch and Clock Museum:		
Museum acquisitions	3,798	19,470
Time in office exhibit	1,133	6,633
Museum education outreach	112	112
Museum education program	7,067	7,004
Tower and street clock exhibit	1,141	1,141
Time Explorer's workshop	2,394	2,394
Friday night movies	(104)	256
Time and Explorations exhibit	685	5,833
Asian clocks exhibit	324	320
General exhibits	5,372	-
James Bond exhibit	9,526	-
Grand Complications exhibit	4,265	-
Clock and watch restoration	500	500
Clock garden	100	100
Orrery pedestal/security	750	750
Museum collection data	500	-
Delaware Clock exhibit	-	2,482
Museum DVD project	500	500
Antique European pocket watches	3,800	1,150
National:		
Human Faces in Time	200	200
Public Time Initiative	3,307	4,093
Field Suitcase workshop	7,483	7,433
Regional registration program	1,000	1,000
Marketing to attract younger members	211	500
Imis corrections - membership	1,800	-
Bulletin online project	2,400	2,400
NAWCC education	615	615
Craft contests	100	300
NAWCC message board	1,035	1,035
NAWCC auction website	(154)	-

## NOTES TO FINANCIAL STATEMENTS

NOTE 9: RESTRICTIONS ON ASSETS (Continued)

	<u>2010</u>	<u>2009</u>
Restrictions relating to the occurrence of an event (continued):		
Publications Department:		
Scanner	\$ 125	\$ 125
Special publications	9,441	-
Southern Horology supplement	2,700	2,700
Publications department	613	604
Tick Tock Talk book	4,600	-
Library and Research Center:		
Library acquisitions (silent auction proceeds)	6,694	7,559
Children's library	6	6
Acquisition of Horological art items	505	505
Seth Thomas collection book rebinding	1,830	1,830
Keystone microfilm	1,627	4,171
Binding	1,878	1,542
Hamilton ledger digitization	3,063	3,063
Hamilton Watch Company records	2,277	2,277
Library storage supplies	1,782	-
E. Howard Tower Clock records digitization	7,795	-
Seth Thomas Tower Clock ledger digitization	1,000	1,000
	<u>\$ 210,652</u>	<u>\$ 196,367</u>

Permanently restricted net assets consist of the following for the years ended March 31:

	<u>2010</u>	<u>2009</u>
Museum endowment	\$ 181,705	\$ 179,705
School of Horology endowment	173,409	156,108
Library and research center endowment	49,997	47,829
	<u>\$ 405,111</u>	<u>\$ 383,642</u>

All restricted assets as noted above are shown separately in the net assets section of the combined statement of financial position.

NOTE 10: OPERATING LEASES

NAWCC, Inc. has three pieces of equipment under operating leases. Future payments by year and in aggregate, under these operating leases, consisted of the following at March 31, 2010:

2011	\$ 10,152
2012	4,216
	<u>\$ 14,368</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10: OPERATING LEASES (Continued)

Total lease expense under these agreements for the years ended March 31, 2010 and 2009 amounted to \$10,152, respectively, and is included in equipment rental and maintenance on the statements of activities.

NOTE 11: DEFINED CONTRIBUTION RETIREMENT PLAN

The Corporation maintains a qualified 401(k) profit sharing plan (the "Plan") covering eligible employees. Full time employees who attain 21 years of age are eligible to participate in the Plan. A full time employee has to complete one year of service in order to become eligible to share in employer contributions. Participants are 100% vested in all employer contributions. Each year the employer shall contribute to the trust fund such amount as shall be determined by the employer acting through the members of its Board of Directors. Contributions to the Plan for the years ended March 31, 2010 and 2009 were \$41,796 and \$39,375, respectively.

NOTE 12: PLEDGE RECEIVABLES

The Corporation has received pledges for various projects related to its exempt purpose. Pledge receivables consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Receivables - less than one year	\$ 9,742	\$ 11,000
Receivables - one to five years	19,918	29,618
Receivables - more than five years	-	-
Total pledge receivables	<u>29,660</u>	<u>40,618</u>
Less discount to net present value	<u>(917)</u>	<u>(2,231)</u>
Net pledge receivables at March 31	<u><u>\$ 28,743</u></u>	<u><u>\$ 38,387</u></u>

The amount of pledges due long-term have been discounted to their estimated present value using a discount rate of 3.20% and 4.00% for the years ended March 31, 2010 and 2009, respectively.

NOTE 13: COLLECTIONS

The Corporation's collections are made up of horological artifacts and research materials of historical significance that are held for educational, research, and curatorial purposes. Each of the items is preserved and cared for and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for the collection or for conservation of items in the collection. As of March 31, 2010, the insurance coverage in effect for items in the collection amounted to \$9,000,000.

NOTES TO FINANCIAL STATEMENTSNOTE 14: CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Corporation to credit risk consist primarily of cash deposits and investments. The Corporation maintains its cash deposits with various financial institutions where the account balances may at times exceed FDIC and SIPC insured limits of \$250,000 and \$500,000. Deposits and investments in excess of these limits at March 31, 2010 are \$-0- and \$768,754, respectively.

The Corporation's investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect amounts reported in the statements of financial position.

NOTE 15: RISK MANAGEMENT

As a not-for-profit entity, NAWCC, Inc. has elected as of January 1, 2007, to self insure for purposes of unemployment compensation. As such, there are no quarterly contributions made to the Commonwealth of Pennsylvania. For the year ended March 31, 2009, the Corporation paid unemployment claims to two employees amounting to \$5,972. At March 31, 2009, claims continue to be paid for one former employee at \$319 per week. There are no unemployment claims outstanding at March 31, 2010.

INDEPENDENT AUDITORS' REPORT ON INFORMATION  
ACCOMPANYING THE BASIC FINANCIAL STATEMENTS

The Board of Directors  
National Association of Watch and Collectors, Inc.  
Columbia, Pennsylvania

Our report on the audits of the basic financial statements for 2010 and 2009 appears previously. Those audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information on Exhibit "E" 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 audits 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.

June 9, 2010

  
ROSS BUEHLER FALK & COMPANY, LLP

## SCHEDULE OF PROGRAM ACTIVITIES

Page 1 of 3

YEAR ENDED MARCH 31, 2010

	Membership & Operations	School of Horology	Museum & Library Research Center	Total Combined
<b>UNRESTRICTED NET ASSETS</b>				
Support and revenue:				
Membership dues	\$ 1,264,309	\$ 115	\$ -	\$ 1,264,424
Life member receipts (dues transfers), net	(16,940)	-	-	(16,940)
MART receipts	159,005	-	-	159,005
Donations	94,476	5,536	31,030	131,042
Investment income	16,226	2,046	16,731	35,003
Tuition and registration fees	-	419,232	-	419,232
Field suitcase workshop income	65,875	-	-	65,875
Net proceeds from national convention	34,544	-	-	34,544
Miscellaneous income	45,583	205	36,037	81,825
Gift shop and school sales	-	23,910	96,286	120,196
Cost of sales	-	(22,344)	(73,521)	(95,865)
Museum admissions	-	-	47,432	47,432
	<u>1,663,078</u>	<u>428,700</u>	<u>153,995</u>	<u>2,245,773</u>
Net assets released from restrictions	<u>33,081</u>	<u>850</u>	<u>44,210</u>	<u>78,141</u>
<b>Total Support and Revenue</b>	<b>\$ 1,696,159</b>	<b>\$ 429,550</b>	<b>\$ 198,205</b>	<b>\$ 2,323,914</b>
Expenses:				
Program services:				
Salaries and wages	\$ 195,813	\$ 293,996	\$ 230,367	\$ 720,176
Employee benefits and payroll taxes	52,538	56,256	66,305	175,099
Bulletin printing	121,556	-	-	121,556
MART printing	32,177	-	-	32,177
Other printing and postage	4,823	1,180	1,949	7,952
Distribution of publications	103,190	-	416	103,606
Director and staff travel	928	5,961	4,294	11,183
Committees and conferences	-	300	221	521
Field suitcase workshop	59,254	-	-	59,254
Scholarships	550	300	-	850
Supplies	4,719	13,206	11,483	29,408
Utilities and telephone	97,700	12,453	-	110,153
Equipment rental and maintenance	34,574	4,799	1,409	40,782
Insurance	-	1,009	5,800	6,809
Depreciation	-	33,057	194,365	227,422
Exhibits and advertising	1,498	12,511	21,436	35,445
Accession	-	-	29,067	29,067
Professional services	5,925	12,669	2,201	20,795
Miscellaneous	5,123	17,906	13,973	37,002
<b>Total Program Services</b>	<b>\$ 720,368</b>	<b>\$ 465,603</b>	<b>\$ 583,286</b>	<b>\$ 1,769,257</b>

Subject to the independent auditors' report on  
information accompanying the basic financial statements.

## SCHEDULE OF PROGRAM ACTIVITIES

Page 2 of 3

YEAR ENDED MARCH 31, 2010

UNRESTRICTED NET ASSETS (Continued)	Membership & Operations	School of Horology	Museum & Library Research Center	Total Combined
Expenses (Continued):				
Supporting services:				
General and administrative:				
Salaries and wages	\$ 255,342	\$ -	\$ -	\$ 255,342
Employee benefits and payroll taxes	95,177	-	-	95,177
Director and staff travel	39,387	-	-	39,387
Committees	5,607	-	-	5,607
Supplies	9,390	-	-	9,390
Utilities and telephone	8,042	-	-	8,042
Equipment rental and maintenance	19,630	-	-	19,630
Building rental and maintenance	38,922	5,014	-	43,936
Insurance	21,296	-	-	21,296
Printing and postage	30,255	-	-	30,255
Depreciation	121,597	-	-	121,597
Professional services	54,767	2,700	-	57,467
Advertising	16,803	-	-	16,803
Telemarketing	22,312	-	-	22,312
Website hosting	1,390	-	-	1,390
Interest expense	23,709	-	-	23,709
	<u>763,626</u>	<u>7,714</u>	<u>-</u>	<u>771,340</u>
Fundraising:				
Salaries and wages	49,195	-	-	49,195
Employee benefits and payroll taxes	2,725	-	-	2,725
Printing and postage	2,742	-	-	2,742
Professional services	5,500	-	-	5,500
Miscellaneous	2,575	-	-	2,575
	<u>62,737</u>	<u>-</u>	<u>-</u>	<u>62,737</u>
Total Supporting Services	<u>826,363</u>	<u>7,714</u>	<u>-</u>	<u>834,077</u>
Total Expenses	<u>1,546,731</u>	<u>473,317</u>	<u>583,286</u>	<u>2,603,334</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS	149,428	(43,767)	(385,081)	(279,420)
CAPITAL TRANSACTIONS				
Net unrealized and realized gain on investments	440,671	-	-	440,671
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ 590,099</u>	<u>\$ (43,767)</u>	<u>\$ (385,081)</u>	<u>\$ 161,251</u>

Subject to the independent auditors' report on  
information accompanying the basic financial statements.

## SCHEDULE OF PROGRAM ACTIVITIES

## YEAR ENDED MARCH 31, 2010

	Membership & Operations	School of Horology	Museum & Library Research Center	Total Combined
TEMPORARILY RESTRICTED NET ASSETS				
Donations	\$ 18,522	\$ 350	\$ 33,512	\$ 52,384
Investment income	659	568	-	1,227
Silent auction income	-	-	6,328	6,328
Book sales	20,169	-	-	20,169
Net unrealized and realized gain on investments	-	9,668	2,650	12,318
Restrictions satisfied by payments	(33,081)	(850)	(44,210)	(78,141)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	6,269	9,736	(1,720)	14,285
PERMANENTLY RESTRICTED NET ASSETS				
Donations	-	17,501	4,168	21,669
INCREASE (DECREASE) IN NET ASSETS	\$ 596,368	\$ (16,530)	\$ (382,633)	\$ 197,205

In the event that a particular division incurs a deficit, the Corporation has resolved to fund such a deficit through the use of its net assets.