

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

Financial Statements

Years Ended March 31, 2014 and 2013



ROSS BUEHLER FALK & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

NATIONAL ASSOCIATION OF WATCH
AND CLOCK COLLECTORS, INC.

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ROSS BUEHLER FALK & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of National Association of Watch and Clock Collectors, Inc., (a nonprofit organization), which comprise the statements of financial position as of March 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Association of Watch and Clock Collectors, Inc. as of March 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

ROSS BUEHLER FALK & COMPANY, LLP

June 2, 2014

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NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2014 AND 2013

	2014	2013
<u>ASSETS</u>		
<u>CURRENT</u>		
Cash and cash equivalents	\$ 784,267	\$ 534,209
Gift shop inventory	13,041	15,099
Receivables - other	16,702	2,507
Pledge receivables	44,035	-
Prepaid and deferred expenses	82,875	73,818
	940,920	625,633
<u>OTHER ASSETS</u>		
Cash and cash equivalents held for endowment	104,471	85,633
Cash and cash equivalents restricted for other long-term purposes	52,848	50,102
Scholarship fund investments	36,186	40,304
Investments held for endowment	432,350	373,398
Other investments	1,391,269	1,734,475
Pledge receivables, net current portion	139,590	-
Gift shop inventory, net current portion	35,939	32,315
	2,192,653	2,316,227
<u>PROPERTY AND EQUIPMENT</u>		
Land	53,800	53,800
Building and improvements	9,163,965	9,143,465
Office furniture and equipment	433,647	427,563
Museum equipment	637,646	637,646
School equipment	309,498	309,498
	10,598,556	10,571,972
Less: accumulated depreciation	(5,486,713)	(5,229,296)
	5,111,843	5,342,676
Total Assets	\$ 8,245,416	\$ 8,284,536

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

	<u>2014</u>	<u>2013</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT		
Capital lease, current portion	\$ -	\$ 1,855
Unearned revenue	61,377	73,827
Accounts payable	75,997	81,568
Annuity payable, current portion	11,190	11,190
Accrued expenses	123,095	144,240
Temporary chapter savings deposits	6,541	3,465
	<u>278,200</u>	<u>316,145</u>
LONG-TERM LIABILITIES		
Annuity payable	<u>151,456</u>	<u>162,646</u>
	<u>151,456</u>	<u>162,646</u>
	<u>151,456</u>	<u>162,646</u>
	<u>429,656</u>	<u>478,791</u>
NET ASSETS		
Unrestricted		
General	5,994,754	6,158,314
Board designated	960,350	974,362
Temporarily restricted	163,563	213,938
Permanently restricted	697,093	459,131
	<u>7,815,760</u>	<u>7,805,745</u>
	<u>7,815,760</u>	<u>7,805,745</u>
	<u>\$ 8,245,416</u>	<u>\$ 8,284,536</u>

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
UNRESTRICTED NET ASSETS		
Support and revenue:		
Membership dues	\$ 1,141,766	\$ 1,174,152
Life member dues transfers, net	-	(18,522)
MART receipts	140,262	140,629
Donations	133,399	280,680
Investment income	68,569	83,722
Tuition and registration fees	105,113	113,123
Field suitcase workshop income	45,725	54,355
Net proceeds from national convention	61,722	40,228
Miscellaneous income	86,932	63,394
Gift shop and school sales (net of cost of sales of \$40,090 and \$58,144)	30,540	28,574
Museum admissions	54,885	59,425
	<u>1,868,913</u>	<u>2,019,760</u>
Net assets released from restrictions	283,391	154,154
	<u>2,152,304</u>	<u>2,173,914</u>
Expenses:		
Program services:		
Salaries and wages	449,696	462,430
Employee benefits and payroll taxes	109,941	118,379
Bulletin printing	96,689	107,767
MART printing	27,873	29,838
Other printing and postage	23,859	5,630
Distribution of publications	74,164	76,860
Director and staff travel	4,395	1,976
Committees and conferences	33,831	8,320
Field suitcase workshop	37,979	24,291
Supplies	17,634	18,090
Utilities and telephone	93,265	96,796
Equipment rental and maintenance	39,992	27,395
Insurance	9,000	6,043
Depreciation	239,768	245,183
Exhibits and advertising	15,726	19,960
Accession purchases	47,318	13,802
Professional services	65,204	57,327
Miscellaneous	53,744	34,327
	<u>\$ 1,440,078</u>	<u>\$ 1,354,414</u>

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

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
UNRESTRICTED NET ASSETS (continued)		
Expenses (continued)		
Supporting services:		
General and administrative:		
Salaries and wages	\$ 343,804	\$ 337,182
Employee benefits and payroll taxes	107,700	99,763
Director and staff travel	36,001	42,877
Committees	5,422	7,944
Supplies	10,433	9,030
Utilities and telephone	1,389	1,610
Equipment rental and maintenance	15,039	14,218
Building rental and maintenance	31,723	29,441
Insurance	19,068	20,938
Printing and postage	26,738	32,062
Depreciation	17,650	24,097
Professional services	198,003	129,415
Telemarketing	11,267	14,484
Website hosting	10,474	10,152
Interest expense	499	348
Miscellaneous	30,008	27,385
	<u>865,218</u>	<u>800,946</u>
Fundraising:		
Salaries and wages	21,404	20,510
Employee benefits and payroll taxes	8,678	8,017
Director and staff travel	847	1,506
Printing and postage	4,090	3,757
Professional services	6,245	6,195
Miscellaneous	2,932	2,883
	<u>44,196</u>	<u>42,868</u>
Total Supporting Services	<u>909,414</u>	<u>843,814</u>
Total Expenses	<u>2,349,492</u>	<u>2,198,228</u>
DECREASE IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS	(197,188)	(24,314)
CAPITAL TRANSACTIONS		
Net unrealized and realized gain on investments	<u>19,616</u>	<u>156,775</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ (177,572)</u>	<u>\$ 132,461</u>

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	2014	2013
TEMPORARILY RESTRICTED NET ASSETS		
Donations	\$ 221,980	\$ 57,806
Silent auction income	5,318	6,128
Book sales	964	6,526
Friends of the Collection income	-	2,000
Net unrealized and realized gain on investments	4,754	8,654
Restrictions satisfied by payments	(283,391)	(154,154)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(50,375)	(73,040)
PERMANENTLY RESTRICTED NET ASSETS		
Donations	237,962	6,043
INCREASE IN NET ASSETS	10,015	65,464
NET ASSETS		
Beginning of year	7,805,745	7,740,281
End of year	\$ 7,815,760	\$ 7,805,745

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 10,015	\$ 65,464
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	257,417	269,280
Donations and other income restricted for endowment and other long-term purposes	(89,920)	(150,762)
Net unrealized and realized gain on investments	(24,370)	(165,429)
Noncash donations and expenses	(202)	(5,763)
(Increase) decrease in:		
Inventory	(1,566)	624
Receivables	(197,820)	30,534
Prepaid and deferred expenses	(9,057)	(27,755)
Increase (decrease) in:		
Unearned income	(12,450)	(40,448)
Accounts payable, accrued expenses, and temporary chapter savings deposits	(23,640)	73,579
Split-interest agreement	(11,190)	(11,190)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(102,783)</u>	<u>38,134</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets restricted for endowment and other long-term purposes	930	-
Purchase of assets restricted for endowment and other long-term purposes	(89,920)	(150,762)
Purchase of property and equipment	(26,584)	(66,929)
Proceeds from sale of investment securities	3,519,369	1,853,927
Purchase of investment securities	<u>(3,299,191)</u>	<u>(1,700,901)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>104,604</u>	<u>(64,665)</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES:		
Donations restricted for endowment	237,962	6,043
Donations and other income restricted for other long-term purposes	12,130	144,719
Payments on capital lease	<u>(1,855)</u>	<u>(5,303)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>248,237</u>	<u>145,459</u>
INCREASE IN CASH AND CASH EQUIVALENTS	250,058	118,928
CASH AND CASH EQUIVALENTS:		
Beginning	<u>534,209</u>	<u>415,281</u>
Ending	<u>\$ 784,267</u>	<u>\$ 534,209</u>

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 workshops for the repair of clocks and watches in the museum and school building. 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

Management has evaluated all events and transactions occurring after the balance sheet date through June 2, 2014, 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.

Inventories

The Corporation values its inventories at the lower of cost or market. For the years ended March 31, 2014 and 2013, 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.

NOTE 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, 2014 and 2013 are \$15,726 and \$19,960, 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.

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".

Reclassifications

Certain reclassifications have been made to the March 31, 2013 balances to conform to the March 31, 2014 presentation. Such reclassifications have had no effect on total net assets as previously reported.

NOTES TO FINANCIAL STATEMENTS

NOTE 3: PREPAID AND DEFERRED EXPENSES

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

	<u>2014</u>	<u>2013</u>
Prepaid insurance	\$ 7,429	\$ 13,045
Printing, publications not yet issued	6,492	3,535
Prepaid workshop supplies	20,724	22,630
Prepaid national convention	-	8,388
Other prepaid expenses	48,230	26,220
	<u>\$ 82,875</u>	<u>\$ 73,818</u>

NOTE 4: INVESTMENTS

A summary of the investments as of March 31 is as follows:

	<u>Par/Shares</u>	<u>Rate</u>	<u>Due</u>	<u>2014</u>	
				<u>Current Market Value</u>	<u>Cost</u>
Mutual funds	-	-	-	\$ 446,362	\$ 402,980
Equity securities	28,098	N/A	N/A	1,466,291	1,371,533
Corporate bonds	-	-	-	-	-
				<u>\$ 1,912,653</u>	<u>\$ 1,774,513</u>
	<u>Par/Shares</u>	<u>Rate</u>	<u>Due</u>	<u>2013</u>	
				<u>Current Market Value</u>	<u>Cost</u>
Mutual funds	-	-	-	\$ 822,411	\$ 760,383
Equity securities	10,024	N/A	N/A	539,347	397,740
Corporate bonds	235,400	Variable %	1/31/14 - 1/29/37	836,521	845,745
				<u>\$ 2,198,279</u>	<u>\$ 2,003,868</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4: INVESTMENTS (Continued)

The net unrealized gain for the years ended March 31, 2014 and 2013 was \$24,370 and \$165,429, 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, 2014 and 2013. 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.

	2014 Investments At Fair Value	2013 Investments At Fair Value
Level 1	\$ 1,672,745	\$ 2,021,024
Level 2	239,908	177,255
Level 3	-	-
	\$ 1,912,653	\$ 2,198,279

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 maintains the purchasing power of the Investment and Endowment Funds. 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 four funds, the earnings of which are restricted for use at the School, 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, 2014 and presents the endowment net assets as of March 31, 2014:

	Board- Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 153,403	\$ -	\$ 459,131	\$ 612,534
Investment Return:				
Investment income	18,895	-	-	18,895
Net depreciation	-	-	-	-
Total Investment Return	18,895	-	-	18,895
Contributions	-	-	237,962	237,962
Appropriation of endowment assets for expenditure	(32,437)	-	-	(32,437)
Other charges to create board-designated endowment funds	-	-	-	-
Endowment net assets, end of year	<u>\$ 139,861</u>	<u>\$ -</u>	<u>\$ 697,093</u>	<u>\$ 836,954</u>

NOTE 6: CHAPTERS

As of March 31, 2014, NAWCC, Inc. has one hundred sixty two 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 \$6,541 and \$3,465, shown as a current liability on the statements of financial position for the years ended March 31, 2014 and 2013, 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 \$23,641. The leases were satisfied during the year ended March 31, 2014.

NOTE 9: SPLIT-INTEREST AGREEMENTS

The Corporation is a party to a split-interest agreement with a donor. The split-interest agreement is a charitable gift annuity. Under split-interest agreements, a donor makes an initial gift, in which the Corporation has a beneficial interest, to a trust or directly to the Corporation. Donated assets are maintained by a trust or the Corporation and distributions are made to a beneficiary or beneficiaries during the term of the agreement. At the end of the agreement's term, any remaining assets covered by the agreement are distributed to the remainder beneficiary or beneficiaries.

Assets received under split-interest agreements are recorded at the fair value on the date received. Beneficial interests to be received are recorded at the net present value of future expected cash flows. Liabilities to beneficiaries are recorded at the net present value of expected payments based upon the amount of the contribution, any contractual rate of return and the life expectancy of the beneficiary. Contribution revenue is recorded as either temporarily or permanently restricted based on the existence of any donor imposed conditions in the split-interest agreement. Interest payments on current gift annuities are made at a variable rate based on Internal Revenue Service actuarial tables (2.20% at March 31, 2014).

NOTE 10: 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>2014</u>	<u>2013</u>
Museum endowment	\$ 107,698	\$ 114,953
Library endowment	38,085	40,393
School of Horology endowment	(6,392)	(1,943)
Museum and library investment fund	673,943	687,813
Heritage fund	146,545	133,138
NAWCC fund	471	8
	<u>\$ 960,350</u>	<u>\$ 974,362</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10: RESTRICTIONS ON ASSETS (Continued)

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

	<u>2014</u>	<u>2013</u>
Restrictions related to the passage of time:		
Pledges receivable	\$ 15,262	\$ -
Restrictions relating to the occurrence of an event:		
School of Horology:		
Midwest Regional Scholarship	10,489	36,444
Wilbur Pritchard Fund for Awards of Excellence in Watch Repair or Restoration	45,921	45,303
Zuercher Scholarship Fund	609	600
School equipment	885	873
Purchase of books for school	1,868	1,842
Anthony Montefusco Memorial Scholarship	1,040	1,025
Watch and Clock Museum:		
Museum acquisitions	22,253	51,492
Time in Office exhibit	1,149	1,133
Museum public programs	1,125	109
Museum security system	(137)	99
Museum education outreach	12	112
Museum education program	5,017	5,527
Tower and street clock exhibit	1,157	1,141
Time Explorer's workshop	1,470	1,449
Friday night movies	-	(104)
Time and Explorations exhibit	695	685
Asian clocks exhibit	-	324
General exhibits	7,970	8,590
James Bond exhibit	1,408	1,388
Clockworks exhibit	-	(778)
Clock and watch restoration	507	500
Clock garden	101	100
Orrery pedestal/security	761	750
Museum DVD project	507	500
Antique European pocket watches	(100)	(100)
Wristwatch acquisitions	1,826	1,800
50 Year membership plaque	380	375
Classroom table and chairs	-	(261)
Enlisting Time website	4,057	-
Theater upgrade A/V	507	500
Display lighting on exhibit displays	1,014	-
Digital camera	2,535	-
Special mugs/shirts - museum	406	400
Hamilton video project	581	573
Eberman tower clock stand	1,775	-
Museum guidebook	-	1,000

NOTES TO FINANCIAL STATEMENTS

NOTE 10: RESTRICTIONS ON ASSETS (Continued)

	<u>2014</u>	<u>2013</u>
Restrictions relating to the occurrence of an event (continued):		
National:		
Human Faces in Time	\$ 203	\$ 200
Public Time Initiative	3,354	3,307
Field suitcase workshop	8,169	7,005
FSW scholarship	304	-
Regional registration program	1,014	1,000
Marketing to attract younger members	214	211
NAWCC education	85	519
Regional computer system	3,530	3,481
NAWCC message board	517	510
Symposium committee	25,940	5,401
Recognition program	4,057	4,000
National convention - youth programs	196	193
Development campaign	(191,245)	(31,613)
Crystal fund-building	-	30,248
Video equipment for events	-	1,200
HVAC study	-	(5,714)
HVAC controls	124,764	-
Communications	254	200
MB:Forum 400-Day, Atoms and Other Torision	51	50
Vehicle sign project	670	853
Computer server	16	-
Pocket watch webinar	1,014	-
Buckeye chapter 23 education	4,970	-
Scholar lab programs	11,623	-
Publications Department:		
Scanner	127	125
Southern Horology supplement	2,738	2,700
Special publications	8,384	8,426
Library and Research Center:		
Library acquisitions (silent auction proceeds)	3,644	6,900
Plustek Opti Book 4600 scanner	-	(193)
Children's library	-	(4)
Library conversion	1,014	-
Library archival boxes	(71)	-
Acquisition of horological art items	512	505
Seth Thomas collection book rebinding	2,457	2,423
Keystone microfilm	4,085	3,353
Binding	1,985	506
Hamilton ledger digitization	2,513	2,478
Hamilton Watch Company records	2,309	2,277
Library storage supplies	1,116	-
	<u>\$ 163,563</u>	<u>\$ 213,938</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10: RESTRICTIONS ON ASSETS (Continued)

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

	<u>2014</u>	<u>2013</u>
Museum endowment	\$ 226,120	\$ 224,484
School of Horology endowment	222,619	174,659
Library and research center endowment	62,884	57,498
NAWCC fund	<u>185,470</u>	<u>2,490</u>
	<u>\$ 697,093</u>	<u>\$ 459,131</u>

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

NOTE 11: 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, 2014:

2015	4,938
2016	4,938
2017	4,228
2018	<u>1,550</u>
	<u>\$ 15,654</u>

Total lease expense under these agreements for the years ended March 31, 2014 and 2013 amounted to \$15,949 and \$15,299, respectively, and is included in equipment rental and maintenance on the statements of activities.

NOTE 12: 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. The contribution rate for the Corporation was raised from 4% to 5%, effective as of April 1, 2013. As of March 31, 2014 and 2013, this amount was determined to be \$35,964 and \$36,592, respectively.

NOTES TO FINANCIAL STATEMENTS

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, 2014, the insurance coverage in effect for items in the collection amounted to \$9,000,000.

NOTE 14: PLEDGE RECEIVABLES

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

	<u>2014</u>	<u>2013</u>
Receivables - less than one year	\$ 44,035	\$ -
Receivables - one to five years	145,600	-
Receivables - more than five years	<u>-</u>	<u>-</u>
Total pledge receivables	189,635	-
Less discount to net present value	<u>(6,010)</u>	<u>-</u>
Net pledge receivables at March 31	<u>\$ 183,625</u>	<u>\$ -</u>

The amount of pledges due long-term have been discounted to their estimated present value using a discount rate of 2.20% for the year ended March 31, 2014.

NOTE 15: 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, respectively. Deposits and investments in excess of these limits at March 31, 2014 and 2013 are \$2,069,817 and \$2,034,932, 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 those 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 16: 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. There is one unemployment claim outstanding at March 31, 2014.



ROSS BUEHLER FALK & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of National Association of Watch and Collectors, Inc. as of and for the years ended March 31, 2014 and 2013, and our report thereon dated June 2, 2014 which expressed an unmodified opinion on those financial statements, appears on page one. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying information, appearing in Exhibit "E", 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 auditing procedures applied in the audit of the 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 or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the accompanying information, appearing in Exhibit "E", is fairly stated in all material respects in relation to the financial statements as a whole.

June 2, 2014


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American Institute of Certified Public Accountants • Pennsylvania Institute of Certified Public Accountants • Private Companies Practice Section, AICPA

SCHEDULE OF PROGRAM ACTIVITIES

YEAR ENDED MARCH 31, 2014

	Membership & Operations	School of Horology	Museum & Library Research Center	Total Combined
UNRESTRICTED NET ASSETS				
Support and revenue:				
Membership dues	\$ 1,141,666	\$ -	\$ 100	\$ 1,141,766
Life member receipts (dues transfers), net	-	-	-	-
MART receipts	140,262	-	-	140,262
Donations	100,710	53	32,636	133,399
Investment income	30,188	5,382	32,999	68,569
Tuition and registration fees	6,189	-	98,924	105,113
Field suitcase workshop income	45,725	-	-	45,725
Net proceeds from national convention	61,722	-	-	61,722
Miscellaneous income	64,363	-	22,569	86,932
Gift shop and school sales	-	-	70,630	70,630
Cost of sales	-	(12)	(40,078)	(40,090)
Museum admissions	-	-	54,885	54,885
	1,590,825	5,423	272,665	1,868,913
Net assets released from restrictions	200,587	28,452	54,352	283,391
Total Support and Revenue	1,791,412	33,875	327,017	2,152,304
Expenses:				
Program services:				
Salaries and wages	189,208	-	260,488	449,696
Employee benefits and payroll taxes	42,463	-	67,478	109,941
Bulletin printing	96,689	-	-	96,689
MART printing	27,873	-	-	27,873
Other printing and postage	922	-	22,937	23,859
Distribution of publications	73,891	-	273	74,164
Director and staff travel	1,169	-	3,226	4,395
Committees and conferences	33,831	-	-	33,831
Field suitcase workshop	37,979	-	-	37,979
Supplies	6,712	-	10,922	17,634
Utilities and telephone	88,178	5,087	-	93,265
Equipment rental and maintenance	33,011	1,566	5,415	39,992
Insurance	-	-	9,000	9,000
Depreciation	-	20,947	218,821	239,768
Exhibits and advertising	140	-	15,586	15,726
Accession purchases	-	-	47,318	47,318
Professional services	-	-	65,204	65,204
Miscellaneous	28,923	1,600	23,221	53,744
Total Program Services	\$ 660,989	\$ 29,200	\$ 749,889	\$ 1,440,078

Subject to the independent auditors' report on supplementary information.

SCHEDULE OF PROGRAM ACTIVITIES

YEAR ENDED MARCH 31, 2014

	Membership & Operations	School of Horology	Museum & Library Research Center	Total Combined
UNRESTRICTED NET ASSETS (continued)				
Expenses (continued):				
Supporting services:				
General and administrative:				
Salaries and wages	\$ 343,804	\$ -	\$ -	\$ 343,804
Employee benefits and payroll taxes	107,700	-	-	107,700
Director and staff travel	36,001	-	-	36,001
Committees	5,422	-	-	5,422
Supplies	10,433	-	-	10,433
Utilities and telephone	1,389	-	-	1,389
Equipment rental and maintenance	14,791	-	248	15,039
Building rental and maintenance	31,159	564	-	31,723
Insurance	19,068	-	-	19,068
Printing and postage	26,738	-	-	26,738
Depreciation	17,650	-	-	17,650
Professional services	198,003	-	-	198,003
Telemarketing	11,267	-	-	11,267
Website hosting	10,474	-	-	10,474
Interest expense	499	-	-	499
Miscellaneous	30,008	-	-	30,008
	<u>864,406</u>	<u>564</u>	<u>248</u>	<u>865,218</u>
Fundraising:				
Salaries and wages	21,404	-	-	21,404
Employee benefits and payroll taxes	8,678	-	-	8,678
Director and staff travel	847	-	-	847
Printing and postage	4,090	-	-	4,090
Professional services	6,245	-	-	6,245
Miscellaneous	2,932	-	-	2,932
	<u>44,196</u>	<u>-</u>	<u>-</u>	<u>44,196</u>
Total Supporting Services	<u>908,602</u>	<u>564</u>	<u>248</u>	<u>909,414</u>
Total Expenses	<u>1,569,591</u>	<u>29,764</u>	<u>750,137</u>	<u>2,349,492</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS				
	221,821	4,111	(423,120)	(197,188)
CAPITAL TRANSACTIONS				
Net unrealized and realized gain on investments	19,616	-	-	19,616
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS				
	<u>\$ 241,437</u>	<u>\$ 4,111</u>	<u>\$ (423,120)</u>	<u>\$ (177,572)</u>

Subject to the independent auditors' report on supplementary information.

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
SCHEDULE OF PROGRAM ACTIVITIES
YEAR ENDED MARCH 31, 2014

	<u>Membership & Operations</u>	<u>School of Horology</u>	<u>Museum & Library Research Center</u>	<u>Total Combined</u>
TEMPORARILY RESTRICTED NET ASSETS				
Donations	\$ 186,101	\$ -	\$ 35,879	\$ 221,980
Investment income	-	-	-	-
Silent auction income	-	-	5,318	5,318
Book sales	964	-	-	964
Net unrealized and realized gain on investments	4,754	-	-	4,754
Restrictions satisfied by payments	<u>(200,587)</u>	<u>(28,452)</u>	<u>(54,352)</u>	<u>(283,391)</u>
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(8,768)	(28,452)	(13,155)	(50,375)
PERMANENTLY RESTRICTED NET ASSETS				
Donations	<u>179,463</u>	<u>-</u>	<u>58,499</u>	<u>237,962</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 412,132</u>	<u>\$ (24,341)</u>	<u>\$ (377,776)</u>	<u>\$ 10,015</u>

Subject to the independent auditors' report on supplementary
information.

SCHEDULE OF PROGRAM ACTIVITIES

YEAR ENDED MARCH 31, 2013

	Membership & Operations	School of Horology	Museum & Library Research Center	Total Combined
UNRESTRICTED NET ASSETS				
Support and revenue:				
Membership dues	\$ 1,174,052	\$ -	\$ 100	\$ 1,174,152
Life member receipts (dues transfers), net	(18,522)	-	-	(18,522)
MART receipts	140,629	-	-	140,629
Donations	242,725	210	37,745	280,680
Investment income	36,016	6,792	40,914	83,722
Tuition and registration fees	4,880	48,463	59,780	113,123
Field suitcase workshop income	54,355	-	-	54,355
Net proceeds from national convention	40,228	-	-	40,228
Miscellaneous income	50,474	5	12,915	63,394
Gift shop and school sales	1,111	11,190	74,417	86,718
Cost of sales	-	(13,202)	(44,942)	(58,144)
Museum admissions	7,104	-	52,321	59,425
	1,733,052	53,458	233,250	2,019,760
Net assets released from restrictions	121,827	1,069	31,258	154,154
Total Support and Revenue	1,854,879	54,527	264,508	2,173,914
Expenses:				
Program services:				
Salaries and wages	186,218	42,368	233,844	462,430
Employee benefits and payroll taxes	47,397	11,583	59,399	118,379
Bulletin printing	107,767	-	-	107,767
MART printing	29,838	-	-	29,838
Other printing and postage	6	-	5,624	5,630
Distribution of publications	76,728	-	132	76,860
Director and staff travel	557	-	1,419	1,976
Committees and conferences	8,320	-	-	8,320
Field suitcase workshop	24,291	-	-	24,291
Supplies	8,863	73	9,154	18,090
Utilities and telephone	91,014	5,782	-	96,796
Equipment rental and maintenance	21,623	1,726	4,046	27,395
Insurance	-	225	5,818	6,043
Depreciation	-	24,721	220,462	245,183
Exhibits and advertising	300	900	18,760	19,960
Accession purchases	-	-	13,802	13,802
Professional services	18,800	-	38,527	57,327
Miscellaneous	12,291	1,524	20,512	34,327
Total Program Services	\$ 634,013	\$ 88,902	\$ 631,499	\$ 1,354,414

Subject to the independent auditors' report on supplementary
information.

SCHEDULE OF PROGRAM ACTIVITIES

YEAR ENDED MARCH 31, 2013

	Membership & Operations	School of Horology	Museum & Library Research Center	Total Combined
UNRESTRICTED NET ASSETS (continued)				
Expenses (continued):				
Supporting services:				
General and administrative:				
Salaries and wages	\$ 337,182	\$ -	\$ -	\$ 337,182
Employee benefits and payroll taxes	99,763	-	-	99,763
Director and staff travel	42,877	-	-	42,877
Committees	7,944	-	-	7,944
Supplies	9,030	-	-	9,030
Utilities and telephone	1,610	-	-	1,610
Equipment rental and maintenance	14,218	-	-	14,218
Building rental and maintenance	28,500	941	-	29,441
Insurance	20,938	-	-	20,938
Printing and postage	32,062	-	-	32,062
Depreciation	24,097	-	-	24,097
Professional services	129,115	300	-	129,415
Telemarketing	14,484	-	-	14,484
Website hosting	10,152	-	-	10,152
Interest expense	348	-	-	348
Miscellaneous	27,385	-	-	27,385
	<u>799,705</u>	<u>1,241</u>	<u>-</u>	<u>800,946</u>
Fundraising:				
Salaries and wages	20,510	-	-	20,510
Employee benefits and payroll taxes	8,017	-	-	8,017
Director and staff travel	1,506	-	-	1,506
Printing and postage	3,757	-	-	3,757
Professional services	6,195	-	-	6,195
Miscellaneous	2,883	-	-	2,883
	<u>42,868</u>	<u>-</u>	<u>-</u>	<u>42,868</u>
Total Supporting Services	<u>842,573</u>	<u>1,241</u>	<u>-</u>	<u>843,814</u>
Total Expenses	<u>1,476,586</u>	<u>90,143</u>	<u>631,499</u>	<u>2,198,228</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS				
	378,293	(35,616)	(366,991)	(24,314)
CAPITAL TRANSACTIONS				
Net unrealized and realized gain on investments	<u>156,775</u>	<u>-</u>	<u>-</u>	<u>156,775</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS				
	<u>\$ 535,068</u>	<u>\$ (35,616)</u>	<u>\$ (366,991)</u>	<u>\$ 132,461</u>

Subject to the independent auditors' report on supplementary information.

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
SCHEDULE OF PROGRAM ACTIVITIES
YEAR ENDED MARCH 31, 2013

	<u>Membership & Operations</u>	<u>School of Horology</u>	<u>Museum & Library Research Center</u>	<u>Total Combined</u>
TEMPORARILY RESTRICTED NET ASSETS				
Donations	\$ 43,708	\$ -	\$ 16,098	\$ 59,806
Investment income	-	-	-	-
Silent auction income	-	-	6,128	6,128
Book sales	6,526	-	-	6,526
Net unrealized and realized gain on investments	8,654	-	-	8,654
Restrictions satisfied by payments	<u>(121,827)</u>	<u>(1,069)</u>	<u>(31,258)</u>	<u>(154,154)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(62,939)	(1,069)	(9,032)	(73,040)
PERMANENTLY RESTRICTED NET ASSETS				
Donations	<u>-</u>	<u>-</u>	<u>6,043</u>	<u>6,043</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 472,129</u>	<u>\$ (36,685)</u>	<u>\$ (369,980)</u>	<u>\$ 65,464</u>

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