

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

Financial Statements

Years Ended March 31, 2017 and 2016

NATIONAL ASSOCIATION OF WATCH
AND CLOCK COLLECTORS, INC.

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INDEPENDENT AUDITORS' REPORT

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, 2017 and 2016, 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, 2017 and 2016, 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 20, 2017

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
<u>CURRENT</u>		
Cash and cash equivalents	\$ 290,718	\$ 322,689
Store inventory	12,558	9,933
Receivables - other	25,079	13,855
Pledge receivables	78,902	26,249
Prepaid and deferred expenses	72,961	63,042
	<u>480,218</u>	<u>435,768</u>
 <u>OTHER ASSETS</u>		
Cash and cash equivalents held for endowment	54,312	(2,740)
Cash and cash equivalents restricted for other long-term purposes	51,680	52,121
Scholarship fund investments	22,304	17,675
Investments held for endowment	788,081	747,505
Other investments	1,605,598	1,353,795
Pledge receivables, net current portion	194,691	76,847
Store inventory, net current portion	35,645	38,794
Construction in progress	-	10,900
	<u>2,752,311</u>	<u>2,294,897</u>
 <u>PROPERTY AND EQUIPMENT</u>		
Land	53,800	53,800
Building and improvements	9,365,608	9,338,838
Office furniture and equipment	470,921	456,053
Museum equipment	642,896	642,896
School equipment	322,915	322,915
	<u>10,856,140</u>	<u>10,814,502</u>
Less: accumulated depreciation	<u>(6,224,478)</u>	<u>(5,951,231)</u>
	<u>4,631,662</u>	<u>4,863,271</u>
 Total Assets	 <u>\$ 7,864,191</u>	 <u>\$ 7,593,936</u>

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

	<u>2017</u>	<u>2016</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT</u>		
Unearned revenue	\$ 64,896	\$ 99,839
Accounts payable	63,489	47,015
Annuity payable, current portion	16,290	11,190
Accrued expenses	154,926	127,252
Temporary chapter savings deposits	<u>3,465</u>	<u>3,465</u>
Total Current Liabilities	<u>303,066</u>	<u>288,761</u>
 <u>LONG-TERM LIABILITIES</u>		
Annuity payable	<u>174,220</u>	<u>129,076</u>
Total Long-term Liabilities	<u>174,220</u>	<u>129,076</u>
Total Liabilities	<u>477,286</u>	<u>417,837</u>
 <u>NET ASSETS</u>		
Unrestricted		
General	5,237,055	5,271,241
Board designated	850,651	807,570
Temporarily restricted	297,502	278,755
Permanently restricted	<u>1,001,697</u>	<u>818,533</u>
Total Net Assets	<u>7,386,905</u>	<u>7,176,099</u>
Total Liabilities and Net Assets	<u>\$ 7,864,191</u>	<u>\$ 7,593,936</u>

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

Exhibit "B"
Page 1 of 3

	2017	2016
UNRESTRICTED NET ASSETS		
Support and revenue:		
Membership dues	\$ 1,053,799	\$ 1,084,795
Life member receipts (dues transfers), net	4,700	-
MART receipts	119,410	130,979
Donations	210,393	138,362
Investment income	95,280	83,559
Tuition and registration fees	127,471	80,018
Traveling workshop income	24,255	15,100
Proceeds from national events	77,795	71,665
Miscellaneous income	72,182	86,440
Store sales (net of cost of sales of \$47,781 and \$40,233)	27,577	34,829
Museum admissions	59,657	55,067
	1,872,519	1,780,814
Net assets released from restrictions	145,868	217,360
Total Support and Revenue	2,018,387	1,998,174
Expenses:		
Program services:		
Salaries and wages	426,567	418,523
Employee benefits and payroll taxes	99,769	105,005
Bulletin printing	77,201	90,607
MART printing	23,884	24,624
Other printing and postage	3,444	3,271
Distribution of publications	58,881	64,964
Directors, officers and staff travel	4,859	5,648
Committees and conferences	45,349	7,236
Traveling workshop	19,737	10,199
Supplies	23,366	15,025
Utilities and telephone	93,327	96,033
Equipment rental and maintenance	49,204	50,665
Insurance	5,800	5,800
Depreciation	272,168	272,514
Exhibits and advertising	29,582	25,622
Accession purchases	15,992	25,225
Professional services	53,149	50,428
Miscellaneous	38,971	53,959
Total Program Services	1,341,250	1,325,348

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

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

Exhibit "B"
Page 2 of 3

	2017	2016
UNRESTRICTED NET ASSETS (continued)		
Expenses (continued):		
Supporting services:		
General and administrative:		
Salaries and wages	\$ 372,351	\$ 357,225
Employee benefits and payroll taxes	88,962	103,709
Directors, officers and staff travel	42,972	37,183
Committees	7,529	693
Supplies	8,792	8,663
Utilities and telephone	1,157	1,247
Equipment rental and maintenance	20,127	17,722
Building rental and maintenance	32,318	35,235
Insurance	22,520	22,297
Printing and postage	28,448	27,331
Depreciation	20,716	19,695
Professional services	71,001	76,380
Telemarketing	9,530	10,441
Website hosting	9,924	11,004
Miscellaneous	39,810	39,226
	776,157	768,051
Fundraising:		
Salaries and wages	41,831	21,134
Employee benefits and payroll taxes	9,467	8,538
Directors, officers and staff travel	1,188	1,954
Printing and postage	3,390	3,539
Professional services	7,595	6,095
Miscellaneous	7,579	3,284
	71,050	44,544
Total Supporting Services	847,207	812,595
Total Expenses	2,188,457	2,137,943
DECREASE IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS AND TRANSFERS	(170,070)	(139,769)
CAPITAL TRANSACTIONS		
Net unrealized and realized gain (loss) on investments	178,965	(288,631)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	8,895	(428,400)

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

	2017	2016
TEMPORARILY RESTRICTED NET ASSETS		
Donations	\$ 151,420	\$ 124,884
Silent auction income	7,326	6,360
Sale of deaccession items	415	11,590
Book sales	-	3,612
Friends of the Collection income	-	148
Net unrealized and realized gain (loss) on investments	5,454	(8,748)
Restrictions satisfied by payments	(145,868)	(217,360)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	18,747	(79,514)
PERMANENTLY RESTRICTED NET ASSETS		
Donations	183,164	86,615
INCREASE (DECREASE) IN NET ASSETS	210,806	(421,299)
NET ASSETS		
Beginning of year	7,176,099	7,597,398
End of year	\$ 7,386,905	\$ 7,176,099

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 210,806	\$ (421,299)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	292,884	292,209
Loss on disposal of fixed assets	28,627	-
Donations and other income restricted for endowment and other long-term purposes	(33,333)	(173,780)
Net unrealized and realized (gain)/loss on investments	(184,419)	297,379
Noncash donations and expenses	27,366	209
(Increase) decrease in:		
Inventory	524	(1,868)
Receivables	(181,721)	77,925
Prepaid and deferred expenses	(9,919)	113
Increase (decrease) in:		
Unearned income	(34,943)	53,225
Accounts payable, accrued expenses, and temporary chapter savings deposits	44,148	(16,349)
Split-interest agreement	50,244	(11,190)
	<u>210,264</u>	<u>96,574</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets	-	9,862
Purchase of assets restricted for endowment and other long-term purposes	(33,333)	(173,780)
Purchase of property and equipment	(79,003)	(147,577)
Proceeds from sale of investment securities	54,179	463,736
Purchase of investment securities	(376,716)	(543,116)
	<u>(434,873)</u>	<u>(390,875)</u>
NET CASH USED BY INVESTING ACTIVITIES		
NET CASH FLOWS FROM FINANCING ACTIVITIES:		
Donations restricted for endowment	183,164	224,088
Donations and other income restricted for other long-term purposes	9,474	21,540
	<u>192,638</u>	<u>245,628</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		
DECREASE IN CASH AND CASH EQUIVALENTS	(31,971)	(48,673)
CASH AND CASH EQUIVALENTS:		
Beginning	<u>322,689</u>	<u>371,362</u>
Ending	<u>\$ 290,718</u>	<u>\$ 322,689</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. (the "Corporation") 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. The Corporation 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 20, 2017, 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, 2017 and 2016, 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, 2017 and 2016 are \$29,582 and \$25,622, 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

The Corporation 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.

The Corporation 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”.

NOTE 3: PREPAID AND DEFERRED EXPENSES

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

	<u>2017</u>	<u>2016</u>
Prepaid insurance	\$ 17,006	\$ 20,112
Printing, publications not yet issued	3,491	7,475
Prepaid national convention	15,500	10,000
Other prepaid expenses	<u>36,964</u>	<u>25,455</u>
	<u>\$ 72,961</u>	<u>\$ 63,042</u>

NOTES TO FINANCIAL STATEMENTS

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>2017</u>	
				<u>Current Market Value</u>	<u>Cost</u>
Mutual funds	-	-	-	\$ 1,729,401	\$ 1,605,727
Equity securities	6,953	N/A	N/A	738,262	678,461
				<u>\$ 2,467,663</u>	<u>\$ 2,284,188</u>
	<u>Par/Shares</u>	<u>Rate</u>	<u>Due</u>	<u>2016</u>	
				<u>Current Market Value</u>	<u>Cost</u>
Mutual funds	-	-	-	\$ 747,139	\$ 743,576
Equity securities	6,239	N/A	N/A	1,423,957	1,412,391
				<u>\$ 2,171,096</u>	<u>\$ 2,155,967</u>

The net unrealized gain (loss) for the years ended March 31, 2017 and 2016 was \$184,419 and \$(297,379), 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, 2017 and 2016. 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.

The asset or liability's fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of unobservable inputs.

NOTES TO FINANCIAL STATEMENTS

NOTE 4: INVESTMENTS (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies at March 31, 2017 and 2016.

Equity Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Corporation include both opened-end and closed-end funds. The mutual funds held by the Corporation are deemed to be actively traded.

	March 31, 2017			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 1,729,401	\$ -	\$ -	\$ 1,729,401
Common stocks	738,262	-	-	738,262
Total Investments	<u>\$ 2,467,663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,467,663</u>

	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 747,139	\$ -	\$ -	\$ 747,139
Common stocks	1,423,957	-	-	1,423,957
Total Investments	<u>\$ 2,171,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,171,096</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 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 5: ENDOWMENTS (Continued)

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.

The following summarizes the changes in endowment net assets for the fiscal year ended March 31, 2017 and presents the endowment net assets as of March 31, 2017:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 129,797	\$ -	\$ 818,533	\$ 948,330
Investment return:				
Investment income	23,640	-	-	23,640
Net depreciation	-	-	-	-
Total Investment Return	23,640	-	-	23,640
Contributions	365	-	183,164	183,529
Appropriation of endowment assets for expenditure	(6,105)	-	-	(6,105)
Other charges to create board designated endowment funds	-	-	-	-
Endowment net assets, end of year	<u>\$ 147,697</u>	<u>\$ -</u>	<u>\$ 1,001,697</u>	<u>\$ 1,149,394</u>

NOTE 6: CHAPTERS

As of March 31, 2017, the Corporation has one hundred fifty 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 the Corporation. Each chapter operates as a separate entity; however, the Corporation 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 \$3,465, shown as a current liability on the statements of financial position for the years ended March 31, 2017 and 2016, represents various chapters' and members' excess funds transferred to the Corporation for safekeeping. The Corporation is required to return these funds upon request; however, any interest earned on these funds belongs to the Corporation to use at its discretion.

NOTES TO FINANCIAL STATEMENTS

NOTE 8: 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. Changes in the liabilities, related to the change in discount rate of the net present value, are shown in investment income on the statement of activities and amounted to \$36,806 and \$0- at March 31, 2017 and 2016, respectively. 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 (2.40% at March 31, 2017).

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>2017</u>	<u>2016</u>
Museum endowment	\$ 115,196	\$ 105,951
Library endowment	39,263	36,759
Education endowment	(9,381)	(14,151)
Museum and library investment fund	678,806	663,127
Heritage fund	24,148	14,645
NAWCC fund	2,619	1,239
	<u>\$ 850,651</u>	<u>\$ 807,570</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9: RESTRICTIONS ON ASSETS (Continued)

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

	2017	2016
Restrictions related to the passage of time:		
Pledges receivable	\$ 8,500	\$ 8,350
Restrictions relating to the occurrence of an event:		
Education:		
Midwest Regional Scholarship	11,354	8,886
Wilbur Pritchard Fund for Awards of Excellence in		
Watch Repair or Restoration	50,554	45,634
Zuercher Scholarship Fund	600	579
School equipment	-	843
Purchase of books for school	1,842	1,778
Anthony Montefusco Memorial Scholarship	1,025	990
Horological Workbook J L Gropengiesser	1,269	-
Watch and Clock Museum:		
Engle Clock Restoration	1,777	-
McClintock Clock in Boulder, CO	4,867	-
Museum acquisitions	37,675	36,259
Time in Office exhibit	-	(223)
Museum public programs	2,169	2,365
Museum education outreach	1,734	1,949
Museum education program	3,118	3,297
Tower and Street Clock exhibit	1,141	1,101
Time Explorer's workshop	1,449	1,399
General exhibits	5,941	8,658
James Bond exhibit	1,043	1,007
Clock and watch restoration	337	324
Clock garden	100	97
Orrery pedestal/security	750	725
Museum DVD project	500	482
Antique European pocket watches	(100)	(97)
Wristwatch acquisitions	1,800	1,738
50 Year membership plaque	375	362
Enlisting Time website	-	(12)
Theater upgrade A/V	500	482
Digital camera	1,736	1,746
Special mugs/shirts - museum	-	199
Hamilton video project	573	553
Eberman tower clock stand	123	169
Ansonia clock rebuild	12,925	3,198

NOTES TO FINANCIAL STATEMENTS

NOTE 9: RESTRICTIONS ON ASSETS (Continued)

	<u>2017</u>	<u>2016</u>
Restrictions relating to the occurrence of an event (continued):		
National:		
Human Faces in Time	\$ 200	\$ 193
Public Time Initiative	3,308	3,194
Traveling workshop	7,528	7,463
Regional registration program	1,000	966
Regional computer system	3,481	3,361
NAWCC message board	-	531
Symposium committee	33,658	25,512
National convention - youth programs	193	186
HVAC Controls Phase I	-	(21)
HVAC Controls Phase II	-	58,911
MB:Forum 400-Day, Atoms and Other Torsion	50	48
Pocket Watch webinar	1,000	966
Buckeye Chapter 23 education	4,900	4,732
Scholar lab programs	-	(2)
Collect Fond Memories	580	562
Hiring interns	-	1,751
Waterproof Depollier lab test fee	75	73
Tablet for curator	(10)	(10)
Estate horological collection	375	363
LED light project	2,113	(1,580)
Webinars education committee	10,000	9,687
Library shelving	25,000	-
Small building improvements	5,075	-
Social Venture Partners	2,397	-
Publications Department:		
Southern Horology supplement	2,700	2,608
Mailing costs for Tower Talk Chapter 134 newsletter	250	241
Special publication on pocket watches	2,764	2,669
Special publications	6,703	6,820
Library and Research Center:		
Library acquisitions (silent auction proceeds)	12,912	2,271
Library conversion	564	966
Library intern	-	(2)
Priestley Book	1,000	-
Acquisition of horological art items	505	487
Seth Thomas collection book rebinding	2,423	2,339
Keystone microfilm	5,278	4,954
Binding	813	858
Hamilton ledger digitization	2,478	2,393
Hamilton Watch Company records	2,277	2,199
Library storage supplies	235	228
	<u>\$ 297,502</u>	<u>\$ 278,755</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9: RESTRICTIONS ON ASSETS (Continued)

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

	<u>2017</u>	<u>2016</u>
Museum endowment	\$ 307,005	\$ 289,102
Library and research center endowment	85,474	78,199
Education endowment	236,413	225,482
NAWCC fund	<u>372,805</u>	<u>225,750</u>
	<u>\$ 1,001,697</u>	<u>\$ 818,533</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

The Corporation 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, 2017:

2018	\$ 17,979
2019	17,979
2020	17,979
2021	<u>9,611</u>
	<u>\$ 63,548</u>

Total lease expense under these agreements for the years ended March 31, 2017 and 2016 amounted to \$18,540 and \$16,215, 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. The contribution rate for the Corporation is 5%, at March 31, 2017 and 2016. As of March 31, 2017 and 2016, this amount was determined to be \$32,273 and \$32,132, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 12: 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, 2017, the insurance coverage in effect for items in the collection amounted to \$9,000,000.

NOTE 13: 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>2017</u>	<u>2016</u>
Receivables - less than one year	\$ 78,902	\$ 26,249
Receivables - one to five years	120,850	78,500
Receivables - more than five years	<u>94,000</u>	<u>-</u>
Total pledge receivables	293,752	104,749
Less: discount to net present value	<u>(20,159)</u>	<u>(1,653)</u>
Net pledge receivables at March 31	<u>\$ 273,593</u>	<u>\$ 103,096</u>

The amount of pledges due long-term have been discounted to their estimated present value using a discount rate of 2.40% for the year ended March 31, 2017.

NOTE 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, respectively. Deposits and investments in excess of these limits at March 31, 2017 and 2016 are \$2,217,663 and \$1,920,597, 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 15: RISK MANAGEMENT

As a not-for-profit entity, the Corporation 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 are no unemployment claims outstanding at March 31, 2017.



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, 2017 and 2016, and our report thereon dated June 20, 2017, 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 20, 2017


ROSS BUEHLER FALK & COMPANY, LLP

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
SCHEDULE OF PROGRAM ACTIVITIES
YEAR ENDED MARCH 31, 2017

Exhibit "E"
Page 1 of 6

	<u>Membership & Operations</u>	<u>Museum Library & Education</u>	<u>Total Combined</u>
UNRESTRICTED NET ASSETS			
Support and revenue:			
Membership dues	\$ 1,053,799	\$ -	\$ 1,053,799
Life member receipts (dues transfers), net	4,700	-	4,700
MART receipts	119,410	-	119,410
Donations	133,672	76,721	210,393
Investment income	56,442	38,838	95,280
Tuition and registration fees	-	127,471	127,471
Traveling workshop income	24,255	-	24,255
Proceeds from national events	77,795	-	77,795
Miscellaneous income	70,183	1,999	72,182
Store and school sales	-	75,358	75,358
Cost of sales	-	(47,781)	(47,781)
Museum admissions	-	59,657	59,657
	1,540,256	332,263	1,872,519
Net assets released from restrictions	116,140	29,728	145,868
Total Support and Revenue	1,656,396	361,991	2,018,387
Expenses:			
Program services:			
Salaries and wages	189,511	237,056	426,567
Employee benefits and payroll taxes	39,578	60,191	99,769
Bulletin printing	77,201	-	77,201
MART printing	23,884	-	23,884
Other printing and postage	(642)	4,086	3,444
Distribution of publications	58,200	681	58,881
Directors, officers and staff travel	1,648	3,211	4,859
Committees and conferences	45,349	-	45,349
Traveling workshop	19,737	-	19,737
Supplies	3,425	19,941	23,366
Utilities and telephone	87,110	6,217	93,327
Equipment rental and maintenance	29,400	19,804	49,204
Insurance	-	5,800	5,800
Depreciation	-	272,168	272,168
Exhibits and advertising	14,813	14,769	29,582
Accession purchases	-	15,992	15,992
Professional services	2,164	50,985	53,149
Miscellaneous	10,349	28,622	38,971
Total Program Services	601,727	739,523	1,341,250

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, 2017

Exhibit "E"
Page 2 of 6

	Membership & Operations	Museum Library & Education	Total Combined
UNRESTRICTED NET ASSETS (continued)			
Expenses (continued):			
Supporting services:			
General and administrative:			
Salaries and wages	\$ 372,351	\$ -	\$ 372,351
Employee benefits and payroll taxes	88,962	-	88,962
Directors, officers and staff travel	42,972	-	42,972
Committees	7,529	-	7,529
Supplies	8,792	-	8,792
Utilities and telephone	1,157	-	1,157
Equipment rental and maintenance	20,127	-	20,127
Building rental and maintenance	32,318	-	32,318
Insurance	22,520	-	22,520
Printing and postage	28,448	-	28,448
Depreciation	20,716	-	20,716
Professional services	71,001	-	71,001
Telemarketing	9,530	-	9,530
Website hosting	9,924	-	9,924
Miscellaneous	39,810	-	39,810
	776,157	-	776,157
Fundraising:			
Salaries and wages	41,831	-	41,831
Employee benefits and payroll taxes	9,467	-	9,467
Directors, officers and staff travel	1,188	-	1,188
Printing and postage	3,390	-	3,390
Professional services	7,595	-	7,595
Miscellaneous	7,579	-	7,579
	71,050	-	71,050
Total Supporting Services	847,207	-	847,207
Total Expenses	1,448,934	739,523	2,188,457

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, 2017

Exhibit "E"
Page 3 of 6

	<u>Membership & Operations</u>	<u>Museum Library & Education</u>	<u>Total Combined</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS AND TRANSFERS	\$ 207,462	\$ (377,532)	\$ (170,070)
CAPITAL TRANSACTIONS			
Net unrealized and realized gain on investments	<u>178,965</u>	<u>-</u>	<u>178,965</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>386,427</u>	<u>(377,532)</u>	<u>8,895</u>
TEMPORARILY RESTRICTED NET ASSETS			
Donations	110,785	40,635	151,420
Silent auction income	-	7,326	7,326
Sale of deaccession items	415		415
Book sales	-	-	-
Friends of the Collection Income	-		-
Net unrealized and realized loss on investments	5,454	-	5,454
Restrictions satisfied by payments	<u>(116,140)</u>	<u>(29,728)</u>	<u>(145,868)</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	514	18,233	18,747
PERMANENTLY RESTRICTED NET ASSETS			
Donations	<u>27,054</u>	<u>156,110</u>	<u>183,164</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 413,995</u>	<u>\$ (203,189)</u>	<u>\$ 210,806</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, 2016

Exhibit "E"
Page 4 of 6

	Membership & Operations	Museum Library & Education	Total Combined
UNRESTRICTED NET ASSETS			
Support and revenue:			
Membership dues	\$ 1,084,795	\$ -	\$ 1,084,795
MART receipts	130,979	-	130,979
Donations	116,744	21,618	138,362
Investment income	31,507	52,052	83,559
Tuition and registration fees	-	80,018	80,018
Traveling workshop income	15,100	-	15,100
Proceeds from national events	71,665	-	71,665
Miscellaneous income	57,674	28,766	86,440
Store and school sales	10,374	64,688	75,062
Cost of sales	-	(40,233)	(40,233)
Museum admissions	-	55,067	55,067
	1,518,838	261,976	1,780,814
Net assets released from restrictions	172,931	44,429	217,360
Total Support and Revenue	1,691,769	306,405	1,998,174
Expenses:			
Program services:			
Salaries and wages	189,496	229,027	418,523
Employee benefits and payroll taxes	45,084	59,921	105,005
Bulletin printing	90,607	-	90,607
MART printing	24,624	-	24,624
Other printing and postage	154	3,117	3,271
Distribution of publications	64,383	581	64,964
Directors, officers and staff travel	2,444	3,204	5,648
Committees and conferences	7,236	-	7,236
Traveling workshop	10,199	-	10,199
Supplies	4,317	10,708	15,025
Utilities and telephone	91,055	4,978	96,033
Equipment rental and maintenance	36,716	13,949	50,665
Insurance	-	5,800	5,800
Depreciation	-	272,514	272,514
Exhibits and advertising	15,002	10,620	25,622
Accession purchases	-	25,225	25,225
Professional services	-	50,428	50,428
Miscellaneous	15,479	38,480	53,959
Total Program Services	596,796	728,552	1,325,348

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, 2016

Exhibit "E"
Page 5 of 6

	<u>Membership & Operations</u>	<u>Museum Library & Education</u>	<u>Total Combined</u>
UNRESTRICTED NET ASSETS (continued)			
Expenses (continued):			
Supporting services:			
General and administrative:			
Salaries and wages	\$ 357,225	\$ -	\$ 357,225
Employee benefits and payroll taxes	103,709	-	103,709
Directors, officers and staff travel	37,183	-	37,183
Committees	693	-	693
Supplies	8,663	-	8,663
Utilities and telephone	1,247	-	1,247
Equipment rental and maintenance	17,722	-	17,722
Building rental and maintenance	35,235	-	35,235
Insurance	22,297	-	22,297
Printing and postage	27,331	-	27,331
Depreciation	19,695	-	19,695
Professional services	76,380	-	76,380
Telemarketing	10,441	-	10,441
Website hosting	11,004	-	11,004
Miscellaneous	39,226	-	39,226
	768,051	-	768,051
Fundraising:			
Salaries and wages	21,134	-	21,134
Employee benefits and payroll taxes	8,538	-	8,538
Directors, officers and staff travel	1,954	-	1,954
Printing and postage	3,539	-	3,539
Professional services	6,095	-	6,095
Miscellaneous	3,284	-	3,284
	44,544	-	44,544
Total Supporting Services	812,595	-	812,595
Total Expenses	1,409,391	728,552	2,137,943

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, 2016

Exhibit "E"
Page 6 of 6

	<u>Membership & Operations</u>	<u>Museum Library & Education</u>	<u>Total Combined</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS	\$ 282,378	\$ (422,147)	\$ (139,769)
CAPITAL TRANSACTIONS			
Net unrealized and realized loss on investments	(288,631)	-	(288,631)
DECREASE IN UNRESTRICTED NET ASSETS	(6,253)	(422,147)	(428,400)
TEMPORARILY RESTRICTED NET ASSETS			
Donations	75,295	49,589	124,884
Silent auction income	-	6,360	6,360
Sale of deaccession items	11,590	-	11,590
Book sales	3,612	-	3,612
Friends of the Collection Income	148	-	148
Net unrealized and realized loss on investments	(8,748)	-	(8,748)
Restrictions satisfied by payments	(172,931)	(44,429)	(217,360)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(91,034)	11,520	(79,514)
PERMANENTLY RESTRICTED NET ASSETS			
Donations	12,215	74,400	86,615
DECREASE IN NET ASSETS	\$ (85,072)	\$ (336,227)	\$ (421,299)

Subject to the independent auditors' report on supplementary
information.