

**National Association of Watch and
Clock Collectors, Inc.**

**Financial Statements and
Supplementary Information**

March 31, 2019 and 2018



National Association of Watch and Clock Collectors, Inc.

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March 31, 2019 and 2018

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of National Association of Watch and Clock Collectors, Inc., which comprise the statement of financial position as of March 31, 2019, and the related statements of activities, functional expenses - by natural classification, changes in net assets, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from 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, 2019, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Matter - Prior Year Audited by Other Auditors

The financial statements of National Association of Watch and Clock Collectors, Inc. as of and for the year ended March 31, 2018, were audited by other auditors, whose report, dated June 27, 2018, expressed an unmodified opinion on those statements.

RKL LLP

November 14, 2019
York, Pennsylvania

National Association of Watch and Clock Collectors, Inc.

Statement of Financial Position

	March 31,	
	2019	2018
Assets		
Current Assets		
Cash	\$ 104,092	\$ 212,276
Accounts receivable	28,046	36,065
Promises to give	47,052	49,545
Store inventory	53,144	44,177
Prepaid expenses	76,070	68,348
Total Current Assets	308,404	410,411
Property and Equipment, Net	4,211,472	4,380,654
Other Assets		
Investments	2,931,103	2,954,207
Promises to give, net	244,328	307,109
Total Other Assets	3,175,431	3,261,316
Total Assets	\$ 7,695,307	\$ 8,052,381
Liabilities and Net Assets		
Current Liabilities		
Current portion of charitable gift annuity obligation	\$ 16,290	\$ 16,290
Accounts payable	69,131	55,042
Accrued payroll and vacation	80,453	73,004
Payroll taxes withheld and accrued	6,091	5,448
Other accrued expenses	268	139
Chapter deposits	3,465	3,465
Deferred revenue	155,025	140,049
Total Current Liabilities	330,723	293,437
Charitable Gift Annuity Obligation, Net	159,897	157,931
Total Liabilities	490,620	451,368
Net Assets		
Without donor restrictions	5,604,506	5,850,289
With donor restrictions	1,600,181	1,750,724
Total Net Assets	7,204,687	7,601,013
Total Liabilities and Net Assets	\$ 7,695,307	\$ 8,052,381

See accompanying notes.

National Association of Watch and Clock Collectors, Inc.

Statement of Activities

	Year Ended March 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Totals
Support and Revenue			
Membership dues	\$ 943,823	\$ -	\$ 943,823
Donations	206,672	102,779	309,451
National events	251,962	-	251,962
Advertising income - Mart Journal	111,393	-	111,393
Investment income, net of fees	111,181	-	111,181
Store sales	80,959	-	80,959
In-kind contributions	79,710	-	79,710
Museum admissions	49,984	-	49,984
Tuition and registration fees	47,394	-	47,394
Miscellaneous income	28,060	-	28,060
Grants	17,090	-	17,090
Advertising income - other	13,972	-	13,972
Rental income	9,455	-	9,455
Special events sponsorship	7,485	-	7,485
Silent auction income	5,995	-	5,995
Traveling workshop income	3,229	-	3,229
Net assets released from restrictions	253,322	(253,322)	-
Special events, net of expenses of \$9,394	(1,923)	-	(1,923)
Loss on sale of investments	(43,071)	-	(43,071)
Total Support and Revenue	2,176,692	(150,543)	2,026,149
Expenses			
Program and related services	1,532,320	-	1,532,320
Supporting services			
Management and general	723,601	-	723,601
Fundraising	154,092	-	154,092
Total Supporting Services	877,693	-	877,693
Total Expenses	2,410,013	-	2,410,013
Deficiency of Support and Revenue over Expenses	(233,321)	(150,543)	(383,864)
Change in Net Assets Related to Collection Items Not Capitalized			
Museum collection items purchased, not capitalized	(28,128)	-	(28,128)
Change in Value of Charitable Gift Annuities	(18,256)	-	(18,256)
Unrealized Holding Gains on Investments	33,922	-	33,922
Changes in Net Assets	\$ (245,783)	\$ (150,543)	\$ (396,326)

See accompanying notes.

National Association of Watch and Clock Collectors, Inc.

Statement of Activities (continued)

	Year Ended March 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Totals
Support and Revenue			
Membership dues	\$ 988,372	\$ -	\$ 988,372
Donations	221,700	465,069	686,769
National events	199,551	-	199,551
Advertising income - Mart Journal	109,970	-	109,970
Investment income, net of fees	102,689	-	102,689
Store sales	73,519	-	73,519
In-kind contributions	9,253	-	9,253
Museum admissions	47,175	-	47,175
Tuition and registration fees	73,695	-	73,695
Miscellaneous income	23,102	-	23,102
Grants	12,695	-	12,695
Advertising income - other	9,563	-	9,563
Rental income	9,175	-	9,175
Special events sponsorship	5,270	-	5,270
Silent auction income	2,883	-	2,883
Traveling workshop income	11,793	-	11,793
Net assets released from restrictions	124,989	(124,989)	-
Special events, net of expenses of \$5,291	4,997	-	4,997
Gain on sale of investments	14,188	-	14,188
Total Support and Revenue	2,044,579	340,080	2,384,659
Expenses			
Program and related services	1,437,225	-	1,437,225
Supporting services			
Management and general	751,545	-	751,545
Fundraising	78,898	-	78,898
Total Supporting Services	830,443	-	830,443
Total Expenses	2,267,668	-	2,267,668
Excess (Deficiency) of Support and Revenue over Expenses	(223,089)	340,080	116,991
Change in Net Assets Related to Collection Items Not Capitalized			
Museum collection items purchased, not capitalized	(19,627)	-	(19,627)
Change in Value of Charitable Gift Annuities	-	-	-
Unrealized Holding Gains on Investments	113,115	3,629	116,744
Changes in Net Assets	\$ (129,601)	\$ 343,709	\$ 214,108

See accompanying notes.

National Association of Watch and Clock Collectors, Inc.

Statement of Functional Expenses - by Natural Classification

	Year Ended March 31, 2019			
	Program and Related Services	Supporting Services		Totals
		Management and General	Fundraising	
Salaries and wages	\$ 437,389	\$ 330,030	\$ 92,976	\$ 860,395
Depreciation	279,703	3,623	-	283,326
Employee benefits and payroll taxes	118,300	68,377	18,306	204,983
Committees and conferences	163,083	1,764	-	164,847
Professional fees	44,972	80,975	7,595	133,542
Bulletin printing	131,082	-	-	131,082
Utilities and telephone	72,619	15,811	1,100	89,530
Equipment rental	54,844	30,987	530	86,361
Supplies	49,773	9,504	2,015	61,292
Travel and meals	5,179	45,475	2,342	52,996
Cost of sales	48,492	-	-	48,492
Event expenses	218	31,497	8,697	40,412
Building rental	33,949	4,976	392	39,317
Other printing and postage	9,917	23,495	5,528	38,940
Administrative fees	16,846	15,827	2,743	35,416
Miscellaneous expense	4,234	21,839	5,768	31,841
Insurance	5,804	23,419	-	29,223
MART printing	26,210	-	-	26,210
Exhibits and advertising	20,240	1,123	-	21,363
Website costs	-	11,625	-	11,625
Dues and subscriptions	7,016	3,254	300	10,570
Bad debt expense	-	-	5,800	5,800
Traveling workshop	2,450	-	-	2,450
	<u>\$ 1,532,320</u>	<u>\$ 723,601</u>	<u>\$ 154,092</u>	<u>\$ 2,410,013</u>

National Association of Watch and Clock Collectors, Inc.

Statement of Functional Expenses - by Natural Classification (continued)

	Year Ended March 31, 2018			
	Supporting Services			Totals
	Program and Related Services	Management and General	Fundraising	
Salaries and wages	\$ 406,023	\$ 391,989	\$ 43,520	\$ 841,532
Depreciation	266,516	21,666	-	288,182
Employee benefits and payroll taxes	100,910	84,349	9,734	194,993
Committees and conferences	181,414	-	-	181,414
Professional fees	51,366	84,040	6,495	141,901
Bulletin printing	123,650	-	-	123,650
Utilities and telephone	86,155	6,782	-	92,937
Equipment rental	38,141	19,963	-	58,104
Supplies	12,769	9,510	1,066	23,345
Travel and meals	4,794	37,505	6,125	48,424
Cost of sales	44,934	-	-	44,934
Event expenses	7,370	-	-	7,370
Building rental	29,951	350	-	30,301
Other printing and postage	5,276	26,237	4,025	35,538
Administrative fees	16,379	10,233	3,556	30,168
Miscellaneous expense	3,065	16,334	4,377	23,776
Insurance	5,824	23,211	-	29,035
MART printing	27,663	-	-	27,663
Exhibits and advertising	12,651	4,890	-	17,541
Website costs	-	12,285	-	12,285
Dues and subscriptions	5,214	2,201	-	7,415
Bad debt expense	-	-	-	-
Traveling workshop	7,160	-	-	7,160
	<u>\$ 1,437,225</u>	<u>\$ 751,545</u>	<u>\$ 78,898</u>	<u>\$ 2,267,668</u>

See accompanying notes.

National Association of Watch and Clock Collectors, Inc.

Statement of Changes in Net Assets

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Net Assets at March 31, 2017	\$ 5,979,890	\$ 1,407,015	\$ 7,386,905
Changes in net assets	<u>(129,601)</u>	<u>343,709</u>	<u>214,108</u>
Net Assets at March 31, 2018	5,850,289	1,750,724	7,601,013
Changes in net assets	<u>(245,783)</u>	<u>(150,543)</u>	<u>(396,326)</u>
Net Assets at March 31, 2019	<u>\$ 5,604,506</u>	<u>\$ 1,600,181</u>	<u>\$ 7,204,687</u>

National Association of Watch and Clock Collectors, Inc.

Statement of Cash Flows

	Years Ended March 31,	
	2019	2018
Cash Flows from Operating Activities		
Changes in net assets	\$ (396,326)	\$ 214,108
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	283,326	288,182
Bad debt expense	5,800	-
Restricted contributions - endowment	(50,360)	(98,800)
Restricted contributions - capital	(16,573)	(34,486)
(Gain) loss on sale of investments	43,071	(14,188)
Unrealized holding gains on investments	(33,922)	(116,744)
Change in unamortized discount	(8,110)	19,832
Purchase of collection items	28,128	19,627
(Increase) decrease in assets		
Accounts receivable	8,019	(10,986)
Promises to give	50,193	(155,094)
Store inventory	(8,967)	4,026
Prepaid expenses	(7,722)	4,613
Increase (decrease) in liabilities		
Accounts payable	14,089	(8,447)
Accrued payroll and vacation	7,449	(5,198)
Payroll taxes withheld and accrued	643	(502)
Other accrued expenses	129	52
Deferred revenue	14,976	4,466
Charitable gift annuity obligation	1,966	(16,289)
Net Cash Provided by (Used in) Operating Activities	(64,191)	94,172
Cash Flows from Investing Activities		
Capital expenditures	(114,144)	(37,174)
Purchase of collection items	(28,128)	(19,627)
Purchase of investments	(239,898)	(906,795)
Proceeds from sale of investments	253,853	596,254
Net Cash Used in Investing Activities	(128,317)	(367,342)
Cash Flows from Financing Activities		
Restricted contributions - endowment	67,160	160,001
Proceeds from sale of donated securities - endowment	-	9,241
Restricted contributions - capital	17,164	25,486
Net Cash Provided by Financing Activities	84,324	194,728
Net Decrease in Cash	(108,184)	(78,442)
Cash at Beginning of Year	212,276	290,718
Cash at End of Year	\$ 104,092	\$ 212,276

See accompanying notes.

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2019 and 2018

Note 1 - Nature of Operations

The National Association of Watch and Clock Collectors, Inc. (NAWCC) is the world's largest museum, research library, educational institution, and international community dedicated to clocks, watches, time, and timekeeping. The NAWCC focuses on being the premier educator and advocate for horology and everyone interested in the story of time. The NAWCC accomplishes this by providing informative, entertaining, social, and educational programs, services, publications, exhibits, and events for members, the general public, and horologists around the globe.

As of March 31, 2019 and 2018, the NAWCC has over one hundred 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 NAWCC. Each chapter operates as a separate entity; however, the NAWCC reserves the right to revoke the charter of any chapter for unethical conduct or inactivity after due hearing before the Board of Directors.

The NAWCC's primary sources of revenue are membership dues, donations, admissions, and investment income.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are stated at outstanding balances. The NAWCC considers these receivables to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established or the accounts will be charged to operations when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received. During the course of its operations, the NAWCC extends credit to various members, agencies, and organizations.

Note 2 - Summary of Significant Accounting Policies (continued)

Promises to Give

Promises to give are stated at outstanding balances. The NAWCC considers promises to give to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established or the amounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms will be considered past due. Recoveries of previously charged off accounts are recorded when received. Promises to give due in more than one year are discounted to present value using a risk-adjusted rate, if considered material. Amortization of this discount is included in contribution revenue.

Store Inventory

Store inventory is determined by physical count and is stated at the lower of cost or net realizable value; cost is determined using the weighted average cost method.

Property and Equipment

Property and equipment are carried at cost or, if contributed, at estimated market value, less accumulated depreciation. The NAWCC believes that straight-line depreciation provides for a better matching of costs and revenue over the lives of the assets. Depreciation is computed over the estimated average useful lives of the assets as follows: buildings and improvements, 5 to 39.5 years and furniture and equipment, 3 to 10 years.

The cost and related accumulated depreciation of property and equipment sold, retired, or otherwise disposed of, except for equipment traded, are removed from the appropriate accounts and any resulting gains or losses are reflected in operations.

The NAWCC's policy is to capitalize property and equipment expenditures of \$1,000 or more.

Investments

Investments in debt and equity securities with readily determinable fair values are reported at fair value. Unrealized gains and losses are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation. Realized gains and losses, if any, on the sale or disposal of investments are computed on a specific identification basis and are also included as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows and discount rates reflecting varying degrees of perceived risk. Management has concluded that no impairment adjustments were required during 2019 or 2018.

Note 2 - Summary of Significant Accounting Policies (continued)

Collections

Assets of historical value are not recorded in the financial statements (refer to Note 13).

Chapter Deposits

The amount reported under chapter deposits represents various chapters' and members' excess funds transferred to the NAWCC for safekeeping. The NAWCC is required to return these funds upon request; however, any interest earned on these funds belongs to the NAWCC to use at its discretion.

Sales Taxes

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

Net Assets

Net assets of the NAWCC and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that are restricted for a specified purpose or passage of time or are restricted in perpetuity.

Revenue Recognition

All contributions are considered to be available for operations 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 support with donor restrictions that increases that net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the NAWCC reports the support as without donor restrictions.

Certain grant and other revenue is deemed to be in respect of exchange transactions classified as revenue without donor restrictions or deferred revenue, as appropriate, when received or receivable. Such revenue is not deemed to be a contribution since the proceeds thereof are used to pursue objectives of the grantor.

Grant revenue deemed to be a contribution is classified as with donor restrictions when received or receivable. Such grant revenue is not deemed to be in respect of exchange transactions since the proceeds thereof are non-reciprocal, unconditional, and voluntary.

The NAWCC recognizes deferred revenue as income in the year the revenue is earned or the event is held.

Note 2 - Summary of Significant Accounting Policies (continued)

Functional Expense Classification

The cost of providing the various programs and other activities are summarized on a functional basis in the statement of activities and the statement of functional expenses - by natural classification. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Supporting services consist of management and general expenses and fundraising expenses. Expenses require allocation on a reasonable basis that is consistently applied. Expenses are generally allocated on the basis of estimates of time and effort and on square footage.

Advertising Costs

The NAWCC expenses advertising and marketing costs as incurred. For the years ended March 31, 2019 and 2018, advertising expenses amounted to \$21,363 and \$17,541, respectively.

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the value of investments in the near term would materially affect the amounts reported in the statement of financial position and the statement of activities.

Change in Accounting Principles

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. This guidance is effective for annual periods beginning after December 15, 2017. The NAWCC adopted this ASU effective April 1, 2018. The adoption did not have a material effect on its financial statements.

Recent Account Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance. This guidance is effective for annual reporting periods beginning after December 15, 2018.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions. The update provides a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance. For contributions received, this guidance is effective for annual periods beginning after December 15, 2018, or annual periods beginning after June 15, 2018 for public business entities. For contributions made, this guidance is effective for annual periods beginning after December 15, 2019, or annual periods beginning after December 15, 2018 for public business entities.

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Account Pronouncements (continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The guidance is effective for fiscal years beginning after December 15, 2020.

The NAWCC is currently evaluating the impact of the pending adoption of the new standards on the financial statements.

Note 3 - Tax Exempt Status

The NAWCC is a not-for-profit entity described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from income taxes on related activities pursuant to Section 509(a) of the Code. In addition, the NAWCC was organized under the Pennsylvania Nonprofit Corporation Law and is exempt from state income taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the NAWCC, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the NAWCC has taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the NAWCC is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before 2016.

Note 4 - Fair Value of Financial Instruments

The fair value hierarchy prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2 - Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2019 and 2018

Note 4 - Fair Value of Financial Instruments (continued)

The following valuation techniques were used to measure fair value of assets in the table below on a recurring basis:

Investments in cash and cash equivalents - The carrying amounts approximate fair value because of the short-term nature of those investments.

Mutual funds and exchange traded funds - Fair value of mutual funds and exchange traded funds was based on quoted market prices for the identical securities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the NAWCC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used are as follows:

	Fair Value Measurements at March 31, 2019			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 152,550	\$ 152,550	\$ -	\$ -
Equities				
Mutual funds - domestic	823,572	823,572	-	-
Exchange traded funds	647,914	647,914	-	-
Mutual funds - international	408,005	408,005	-	-
	<u>1,879,491</u>	<u>1,879,491</u>	<u>-</u>	<u>-</u>
Fixed Income				
Mutual funds	675,468	675,468	-	-
Exchange traded funds	223,594	223,594	-	-
	<u>899,062</u>	<u>899,062</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,931,103</u>	<u>\$ 2,931,103</u>	<u>\$ -</u>	<u>\$ -</u>

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2019 and 2018

Note 4 - Fair Value of Financial Instruments (continued)

	Fair Value Measurements at March 31, 2018			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 159,215	\$ 159,215	\$ -	\$ -
Equities				
Mutual funds - domestic	975,340	975,340	-	-
Exchange traded funds	555,443	555,443	-	-
Mutual funds - international	407,331	407,331	-	-
	<u>1,938,114</u>	<u>1,938,114</u>	<u>-</u>	<u>-</u>
Fixed Income				
Mutual funds	637,015	637,015	-	-
Exchange traded funds	219,863	219,863	-	-
	<u>856,878</u>	<u>856,878</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,954,207</u>	<u>\$ 2,954,207</u>	<u>\$ -</u>	<u>\$ -</u>

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended March 31, 2019 and 2018, there were no transfers in or out of Level 3.

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2019 and 2018

Note 5 - Liquidity and Availability

Financial assets available for general expenditures, that is, without donor restrictions or other designations limiting their use, within one year of the statement of financial position, comprise the following as of March 31:

	<u>2019</u>	<u>2018</u>
Financial Assets		
Cash	\$ 104,092	\$ 212,276
Accounts receivable	28,046	36,065
Promises to give, net - current portion	47,052	49,545
Investments	2,931,103	2,954,207
Estimated endowment spending-rate distributions and appropriations	83,600	84,500
Total Financial Assets	<u>3,193,893</u>	<u>3,336,593</u>
Amounts Not Available to be Used for General Expenditures Within One Year		
Cash and investments subject to donor restrictions	(1,308,801)	(1,394,070)
Promises to give subject to donor restrictions, current portion	(19,400)	(11,100)
Board-designated investments for		
Endowment	(1,020,852)	(1,109,136)
Heritage fund	(28,022)	(27,060)
Total Amounts Not Available to be Used for General Expenditures Within One Year	<u>(2,377,075)</u>	<u>(2,541,366)</u>
Financial Assets Available to be Used for General Expenditures Within One Year	<u>\$ 816,818</u>	<u>\$ 795,227</u>

As part of the NAWCC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Endowment funds consist of donor-restricted endowments and board-designated endowments. The NAWCC's endowment funds are subject to a spending policy as described in Note 12. Donor-restricted endowment funds are not available for general expenditures. The board-designated endowment is subject to an annual spending rate as discussed in Note 12. Although the NAWCC does not intend to spend from this board-designated endowment beyond the amounts appropriated per the annual spending policy, these amounts could be made available if necessary with the approval of the Board of Directors.

Note 6 - In-Kind Contributions

Contributed assets, including contributed equipment and materials, are reported in the accompanying financial statements at their fair market value as of the date the assets were received.

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2019 and 2018

Note 6 - In-Kind Contributions (continued)

During the years ended March 31, 2019 and 2018, a substantial number of individual volunteers and businesses have donated significant amounts of time to the NAWCC's programs and administrative functions. These services do not meet the criteria for recognition as contributed services, and are not reflected in the accompanying financial statements.

In-kind contributions consist of the following for the years ended March 31:

	<u>2019</u>	<u>2018</u>
Supplies	<u>\$ 79,710</u>	<u>\$ 9,253</u>

Note 7 - Concentration of Cash Risk

At times during the years ended March 31, 2019 and 2018, the NAWCC's cash balances may have exceeded the federally insured limit of \$250,000.

Note 8 - Prepaid Expenses

Prepaid expenses consist of the following for the years ended March 31:

	<u>2019</u>	<u>2018</u>
Insurance	\$ 40,316	\$ 26,994
Other	13,694	5,002
Technology	7,125	2,951
National convention	6,586	3,910
Symposium	5,004	9,000
Printing, publications not yet issued	3,345	3,141
Professional fees	-	17,350
	<u>\$ 76,070</u>	<u>\$ 68,348</u>

Note 9 - Promises to Give

Promises to give - For All Time represent funds raised during the "For All Time" 75th Anniversary Campaign for endowment and capital improvements. Promises to give - For All Time Campaign received during the years ended March 31, 2018 and prior that are expected to be collected in more than one year are discounted to present value using risk-adjusted rate of return of 3%. There were no new promises to give - For All Time during the year ended March 31, 2019.

Promises to give - operating represent funds raised to support operations of the NAWCC. Promises to give - operating received during the years ended March 31, 2018 and prior that are expected to be collected in more than one year are discounted to present value using risk-adjusted rate of return of 3%. There were no new promises to give - operating during the year ended March 31, 2019.

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2019 and 2018

Note 9 - Promises to Give (continued)

Promises to give consist of the following as of March 31:

	<u>2019</u>	<u>2018</u>
For All Time - endowment	\$ 91,350	\$ 108,150
For All Time - capital	8,409	9,000
Operating	<u>223,502</u>	<u>279,495</u>
	323,261	396,645
Unamortized discount	<u>(31,881)</u>	<u>(39,991)</u>
	<u>\$ 291,380</u>	<u>\$ 356,654</u>
Current portion	\$ 47,052	\$ 49,545
Noncurrent portion	<u>244,328</u>	<u>307,109</u>
	<u>\$ 291,380</u>	<u>\$ 356,654</u>

Due dates of promises to give, assuming no changes in current terms, consist of the following for the five years ending March 31 and thereafter:

2020	\$ 47,052
2021	48,600
2022	42,650
2023	42,200
2024	42,000
Thereafter	<u>100,759</u>
	<u>\$ 323,261</u>

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2019 and 2018

Note 10 - Store Inventory

Store inventory consists of the following as of March 31:

	<u>2019</u>	<u>2018</u>
Books	\$ 22,543	\$ 19,900
Clothing	9,031	5,248
Clocks and watches	5,736	5,233
Tools	4,955	4,911
Giftware	4,078	3,286
Stationary	2,653	2,366
Jewelry	1,903	1,053
Toys	1,790	2,017
Food	455	163
	<u>\$ 53,144</u>	<u>\$ 44,177</u>

Note 11 - Investments

The cost, gross unrealized gains and losses, and fair value of investments consist of the following as of March 31:

	<u>2019</u>			<u>Fair Value</u>
	<u>Cost</u>	<u>Gross Unrealized</u>		
		<u>Gains</u>	<u>Losses</u>	
Cash and Cash Equivalents	<u>\$ 152,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,550</u>
Equities				
Mutual funds - domestic	721,197	107,106	(4,731)	823,572
Exchange traded funds	543,975	103,939	-	647,914
Mutual funds - international	400,389	14,168	(6,552)	408,005
Total Equities	<u>1,665,561</u>	<u>225,213</u>	<u>(11,283)</u>	<u>1,879,491</u>
Fixed Income				
Mutual funds	676,573	1,996	(3,101)	675,468
Exchange traded funds	224,436	-	(842)	223,594
Total Fixed Income	<u>901,009</u>	<u>1,996</u>	<u>(3,943)</u>	<u>899,062</u>
Total Investments	<u>\$ 2,719,120</u>	<u>\$ 227,209</u>	<u>\$ (15,226)</u>	<u>\$ 2,931,103</u>

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2019 and 2018

Note 11 - Investments (continued)

	2018			
	Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Cash and Cash Equivalents	\$ 159,215	\$ -	\$ -	\$ 159,215
Equities				
Mutual funds - domestic	841,686	137,192	(3,538)	975,340
Exchange traded funds	440,418	115,025	-	555,443
Mutual funds - international	354,283	53,484	(436)	407,331
Total Equities	1,636,387	305,701	(3,974)	1,938,114
Fixed Income				
Mutual funds	634,872	8,245	(6,102)	637,015
Exchange traded funds	224,436	-	(4,573)	219,863
Total Fixed Income	859,308	8,245	(10,675)	856,878
Total Investments	\$ 2,654,910	\$ 313,946	\$ (14,649)	\$ 2,954,207

Investments held as of March 31, 2019 and 2018 are comprised of investments in cash and cash equivalents, and debt and equity securities. As of March 31, 2019 and 2018, the NAWCC has recorded unrealized holding losses on eighteen and twelve of these securities, respectively. Management believes that holding losses recorded on these investments are not a permanent impairment, but rather a temporary market decline. The following tables show the investments, gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of March 31:

	2019					
	Less than Twelve Months		Twelve Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equities, Temporarily Impaired						
Mutual funds - domestic	\$ 74,048	\$ (3,939)	\$ 9,600	\$ (792)	\$ 83,648	\$ (4,731)
Mutual funds - international	23,013	(856)	186,496	(5,696)	209,509	(6,552)
Total Equities, Temporarily Impaired	97,061	(4,795)	196,096	(6,488)	293,157	(11,283)

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2019 and 2018

Note 11 - Investments (continued)

	2019					
	Less than Twelve Months		Twelve Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed Income, Temporarily Impaired						
Mutual funds	\$ 168,096	\$ (2,340)	\$ 56,878	\$ (761)	\$ 224,974	\$ (3,101)
Exchange traded funds	-	-	223,594	(842)	223,594	(842)
Total Fixed Income, Temporarily Impaired	168,096	(2,340)	280,472	(1,603)	448,568	(3,943)
Total Investments, Temporarily Impaired	\$ 265,157	\$ (7,135)	\$ 476,568	\$ (8,091)	\$ 741,725	\$ (15,226)
	2018					
Equities, Temporarily Impaired						
Mutual funds - domestic	\$ 14,950	\$ (803)	\$ 52,185	\$ (2,735)	\$ 67,135	\$ (3,538)
Mutual funds - international	-	-	67,564	(436)	67,564	(436)
Total Equities, Temporarily Impaired	14,950	(803)	119,749	(3,171)	134,699	(3,974)
Fixed Income, Temporarily Impaired						
Mutual funds	11,346	(216)	300,967	(5,886)	312,313	(6,102)
Exchange traded funds	-	-	219,863	(4,573)	219,863	(4,573)
Total Fixed Income, Temporarily Impaired	11,346	(216)	520,830	(10,459)	532,176	(10,675)
Total Investments, Temporarily Impaired	\$ 26,296	\$ (1,019)	\$ 640,579	\$ (13,630)	\$ 666,875	\$ (14,649)

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2019 and 2018

Note 12 - Endowment

The NAWCC's endowments consist of several funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. As required by accounting principles generally accepted in the United States of America (U.S. GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the NAWCC has interpreted Pennsylvania Act 141 to allow the NAWCC to select a principal and income or 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 NAWCC's operations. As a result of this interpretation, the NAWCC classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Unless specifically defined by donor stipulation, it is NAWCC's policy to account for the change in the underlying investments' fair value in the board designated portion of the endowment.

Unless specifically defined by a donor-restricted endowment fund required by donor stipulation, the NAWCC considers the following factors in making a determination to accumulate or appropriate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

The following schedules represent the endowment net asset composition by type of endowment fund as of March 31:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,020,852	\$ -	\$ 1,020,852
Donor-restricted endowment funds	-	1,153,289	1,153,289
	<u>\$ 1,020,852</u>	<u>\$ 1,153,289</u>	<u>\$ 2,174,141</u>

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2019 and 2018

Note 12 - Endowment (continued)

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,109,136	\$ -	\$ 1,109,136
Donor-restricted endowment funds	-	1,100,987	1,100,987
	<u>\$ 1,109,136</u>	<u>\$ 1,100,987</u>	<u>\$ 2,210,123</u>

The following schedules represent the changes in endowment net assets for the years ended March 31:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets at Beginning of Year	\$ 1,109,136	\$ 1,100,987	\$ 2,210,123
Investment return			
Interest and dividends	88,043	-	88,043
Net losses (realized and unrealized)	(3,979)	-	(3,979)
Contributions	19,807	50,360	70,167
Change in value of promises to give	-	1,942	1,942
Disbursements	(181,861)	-	(181,861)
Fees	(10,294)	-	(10,294)
Endowment Net Asset at End of Year	<u>\$ 1,020,852</u>	<u>\$ 1,153,289</u>	<u>\$ 2,174,141</u>

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets at Beginning of Year	\$ 980,093	\$ 1,001,697	\$ 1,981,790
Investment return			
Interest and dividends	84,478	-	84,478
Net gains (realized and unrealized)	91,519	-	91,519
Contributions	4,472	98,800	103,272
Change in value of promises to give	-	490	490
Disbursements	(41,722)	-	(41,722)
Fees	(9,704)	-	(9,704)
Endowment Net Assets at End of Year	<u>\$ 1,109,136</u>	<u>\$ 1,100,987</u>	<u>\$ 2,210,123</u>

Note 12 - Endowment (continued)

Funds with Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the relevant state law requires NAWCC to retain as a fund of perpetual duration. The relevant state law has no requirement to restore donor-restricted fund deficiencies and accounting standards provide that the generally accepted rule of reporting such deficiencies as net assets without donor restrictions should be applied only in the absences of donor stipulations or laws to the contrary. In accordance with the NAWCC's investment policy, endowment funds with donor restrictions are reported at the original value of initial and subsequent gifts (see Interpretation of Relevant Law). As a result, there were no deficiencies reported as of March 31, 2019 and 2018.

Return Objectives and Risk Parameters

The NAWCC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the NAWCC must hold in perpetuity or for a donor-specified period(s), as well as Board-designated funds. The policy underlines the need for diversification, preservation of capital and risk awareness with the goal of providing endowment growth and income in perpetuity.

Strategies Employed for Achieving Objectives

The investment strategy of the NAWCC is to emphasize total return; that is, the aggregate return from capital appreciation (realized and unrealized) and dividend and interest income. The NAWCC targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Endowment Spending Policy and How the Investment Objectives Relate to the Spending Policy

The general spending policy of the endowment funds is based on a total return policy in which capital gains, interest, and dividends are reinvested in the endowment. The spending rate shall be based upon the portfolio value and will be equal to 4% of that value set by the investment committee.

Note 13 - Collections

The NAWCC'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.

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2019 and 2018

Note 14 - Property and Equipment

Property and equipment consist of the following as of March 31:

	<u>2019</u>	<u>2018</u>
Building and improvements	\$ 9,424,058	\$ 9,370,580
Office furniture and equipment	476,329	476,329
Museum equipment	720,543	655,812
School equipment	318,850	322,915
* Land	53,800	53,800
	<u>10,993,580</u>	10,879,436
Accumulated depreciation	<u>(6,782,108)</u>	<u>(6,498,782)</u>
	<u>\$ 4,211,472</u>	<u>\$ 4,380,654</u>

* Not depreciated

Depreciation expense amounted to \$283,326 and \$288,182 for the years ended March 31, 2019 and 2018, respectively.

Note 15 - Charitable Gift Annuity Obligation

The NAWCC is the beneficiary of various charitable gift annuities that provide for the payment of distributions to the annuitants for the remainder of their lives. After this time period, the remaining assets are available for the NAWCC's use. The value of the gift annuities received over the calculated liability is recognized as contribution revenue without donor restrictions, unless restricted by donor stipulation. The annuities are reflected as a liability on NAWCC's statement of financial position at their present value discounted over the expected lives of the annuitants using a discount rate of 3%. There were no new gift annuities during the years ended March 31, 2019 and 2018. The NAWCC will calculate the present value of the estimated future payments to the annuitants on an annual basis. The current portion of the liability consists of all payment distributions due within one year

Note 16 - Retirement Plan

The NAWCC maintains a qualified defined contribution 401(k) plan (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 NAWCC is 5% at March 31, 2019 and 2018. As of March 31, 2019 and 2018, retirement expense amounted to \$31,214 and \$31,883, respectively.

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2019 and 2018

Note 17 - Unemployment Compensation Fund

The NAWCC reimburses the Pennsylvania Unemployment Compensation Fund for actual unemployment compensation claims paid (self-insured). When employees receive unemployment compensation benefits, the Pennsylvania Unemployment Compensation Fund is reimbursed for the amount of the payment by the NAWCC. The NAWCC posted a surety bond in the amount of \$3,000 to insure any unpaid bills by the NAWCC, which expires December 31, 2022.

Note 18 - Commitments

The NAWCC leases office equipment under various operating leases. Total lease expense for the years ended March 31, 2019 and 2018 amounted to \$18,279 and \$18,051, respectively.

Future minimum lease payments, assuming no change in current terms, consist of the following for the remaining four years ending March 31:

2020	\$	17,979
2021		17,979
2022		8,681
2023		1,137
		<u>1,137</u>
	\$	<u>45,776</u>

Note 19 - Net Assets Without Donor Restrictions

The NAWCC's net assets without donor restrictions is comprised of undesignated and Board designated amounts for the following purposes as of March 31:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 4,555,632	\$ 4,714,093
Board designated for		
Endowment		
Museum and library endowment	760,730	805,084
Museum endowment	174,137	204,701
Library endowment	57,129	65,425
Education endowment	27,313	28,778
NAWCC general endowment	1,543	5,148
Heritage fund	28,022	27,060
	<u>\$ 5,604,506</u>	<u>\$ 5,850,289</u>

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2019 and 2018

Note 20 - Net Assets With Donor Restrictions

The NAWCC's net assets with donor restrictions are restricted for the following purposes or periods as of March 31:

	<u>2019</u>	<u>2018</u>
Subject to the Passage of Time		
Promises to give - operating	\$ 200,188	\$ 250,040
Promises to give - capital	7,456	8,020
Subject to Expenditure for Specific Purpose		
Education		
Wilbur Pritchard Fund for Awards of Excellence in Watch Repair or Restoration	57,872	55,737
Midwest Regional Scholarship	5,979	24,651
Purchase of books for school	1,842	1,842
Horological Workbook J L Gropengiesser	1,519	1,519
Anthony Montefusco Memorial Scholarship	675	1,025
Zuercher Scholarship Fund	-	600
Watch and Clock Museum		
Museum acquisitions	24,315	36,878
Ansonia clock rebuild	7,056	14,956
McClintock clock 514 Poplar Street	5,875	7,500
McClintock clock in Boulder, CO	4,867	4,867
Museum education program	3,118	3,118
Wristwatch acquisitions	1,800	1,800
Digital camera	1,736	1,736
Museum education outreach	1,734	1,734
Museum public programs	1,669	2,169
Time Explorer's workshop	1,449	1,449
Arthur clock	1,300	-
Engle clock restoration	1,264	1,714
Tower and Street clock exhibit	1,141	1,141
James Bond exhibit	1,043	1,043
Orrery pedestal/security	750	750
Hamilton video project	573	573
Museum DVD project	500	500
Theater upgrade A/V	500	500
50 Year membership plaque	375	375
Clock and watch restoration	337	337
Eberman tower clock stand	123	123
Clock garden	100	100
General exhibits	25	4,205
Museum Carriage clock exhibit	-	938
National		
Symposium committee	19,080	18,769
Webinars education committee	9,415	10,000
Traveling workshop	8,428	8,428
Small building improvements	7,872	5,075
Facilities projects	6,500	5,944
Crystal fund - unidentified use	6,407	100,000
Buckeye Chapter 23 education	4,000	4,000

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2019 and 2018

Note 20 - Restrictions on Assets (continued)

	2019	2018
Subject to Expenditure for Specific Purpose (continued)		
National (continued)		
Regional computer system	\$ 3,481	\$ 3,481
Public Time Initiative	3,308	3,308
Zspace project	2,037	9,470
Museum free library admission program and education classroom	1,876	-
Capital projects	1,591	557
Regional registration program	1,000	1,000
Pocket Watch webinar	1,000	1,000
LED light project	819	880
Collect Fond Memories	580	580
Estate horological collection	375	375
Human Faces in Time	200	200
National convention - youth programs	193	193
Waterproof Depollier lab test fee	75	75
MB:Forum 400-Day, Atoms and Other Torsion	50	50
Library shelving	-	399
Library and Research Center		
Library acquisitions	7,203	8,099
Keystone microfilm	5,278	5,278
Seth Thomas collection book rebinding	2,423	2,423
Hamilton Watch Company records	2,277	2,277
Hamilton ledger digitization	2,208	2,478
French horology journal	2,200	2,200
Binding	813	813
Acquisition of horological art items	805	705
Priestley book	-	7,399
Library conversion	-	564
Durfee book	-	500
Library storage supplies	-	235
Publications Department		
Special publications	7,064	5,569
Special publication on pocket watches	1,144	2,764
Mailing costs for Tower Talk Chapter 134 newsletter	9	9
Southern Horology supplement	-	2,700
Perpetual in Nature		
Museum endowment, including promises to give of \$22,550 and \$22,952, respectively	407,608	385,069
Library and research center endowment, including promises to give of \$16,133 and \$16,814, respectively	115,110	101,820
Education endowment, including promises to give of \$16,133 and \$16,814, respectively	267,055	264,611
NAWCC endowment, including promises to give of \$28,920 and \$42,014, respectively	363,516	349,487
	<u>\$ 1,600,181</u>	<u>\$ 1,750,724</u>

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2019 and 2018

Note 21 - Contingencies

The NAWCC is involved in legal proceedings arising from activities in the ordinary course of business. The NAWCC is vigorously defending the claims. According to management, it is not possible to comment on the potential outcome of these matters; however, management believes the claims do not have merit. There has been no provision for the potential loss recorded.

Note 22 - Reclassification

Certain information in the 2018 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2019 financial statements. There was no change to total changes in net assets or total net assets.

Note 23 - Subsequent Events

The NAWCC has evaluated subsequent events through November 14, 2019. This date is the date the financial statements were available to be issued. No material events subsequent to March 31, 2019 were noted.

National Association of Watch and Clock Collectors, Inc.

Schedule of Program Activities

	Year Ended March 31, 2019		
	Membership and Operations	Museum Library and Education	Totals
Support and Revenue			
Membership dues	\$ 943,823	\$ -	\$ 943,823
Donations	206,736	102,715	309,451
National events	251,962	-	251,962
Advertising income - Mart Journal	111,393	-	111,393
Investment income, net of fees	36,226	74,955	111,181
Store sales	-	80,959	80,959
In-kind contributions	32,119	47,591	79,710
Museum admissions	-	49,984	49,984
Tuition and registration fees	-	47,394	47,394
Miscellaneous income	26,956	1,104	28,060
Grants	-	17,090	17,090
Advertising income - other	13,972	-	13,972
Rental income	9,455	-	9,455
Special events sponsorship	4,385	3,100	7,485
Silent auction income	-	5,995	5,995
Traveling workshop income	2,750	479	3,229
Special events, net of expenses of \$9,394	-	(1,923)	(1,923)
Loss on sale of investments	(43,071)	-	(43,071)
Total Support and Revenue	1,596,706	429,443	2,026,149
Expenses			
Salaries and wages	645,810	214,585	860,395
Depreciation	3,623	279,703	283,326
Employee benefits and payroll taxes	139,388	65,595	204,983
Professional fees	104,886	28,656	133,542
Bulletin printing	131,082	-	131,082
Utilities and telephone	16,911	72,619	89,530
Equipment rental	31,517	54,844	86,361
Supplies	13,063	48,229	61,292
Committees and conferences	164,847	-	164,847
Travel and meals	48,797	4,199	52,996
Cost of sales	-	48,492	48,492
Event expenses	40,194	218	40,412
Building rental	14,105	25,212	39,317
Other printing and postage	32,391	6,549	38,940
Administrative fees	20,956	14,460	35,416
Miscellaneous expense	29,107	2,734	31,841
Insurance	23,419	5,804	29,223
MART printing	26,210	-	26,210
Exhibits and advertising	1,123	20,240	21,363
Website costs	11,625	-	11,625
Dues and subscriptions	7,223	3,347	10,570
Bad debt expense	5,800	-	5,800
Traveling workshop	2,450	-	2,450
Total Expenses	1,514,527	895,486	2,410,013
Excess (Deficiency) of Support and Revenue over Expenses	82,179	(466,043)	(383,864)
Change in Net Assets Related to Collection Items			
Not Capitalized			
Museum collection items purchased, not capitalized	-	(28,128)	(28,128)
Change in Value of Charitable Gift Annuities	(18,256)	-	(18,256)
Unrealized Holding Gains on Investments	33,922	-	33,922
Changes in Net Assets	\$ 97,845	\$ (494,171)	\$ (396,326)

National Association of Watch and Clock Collectors, Inc.

Schedule of Program Activities (continued)

	Year Ended March 31, 2018		
	Membership and Operations	Museum Library and Education	Totals
Support and Revenue			
Membership dues	\$ 988,372	\$ -	\$ 988,372
Donations	497,437	189,332	686,769
National events	199,551	-	199,551
MART receipts	109,970	-	109,970
Investment income, net of fees	26,395	76,294	102,689
Store sales	-	73,519	73,519
In-kind contributions	4,883	4,370	9,253
Museum admissions	-	47,175	47,175
Tuition and registration fees	-	73,695	73,695
Miscellaneous income	22,111	991	23,102
Grants	-	12,695	12,695
Advertising income	9,563	-	9,563
Rental income	9,175	-	9,175
Special events sponsorship	-	5,270	5,270
Silent auction income	-	2,883	2,883
Traveling workshop income	10,475	1,318	11,793
Life member receipts, net	-	-	-
Special events, net of expenses of \$5,291	-	4,997	4,997
Gain on sale of investments	14,188	-	14,188
Total Support and Revenue	1,892,120	492,539	2,384,659
Expenses			
Salaries and wages	612,263	229,269	841,532
Depreciation	21,666	266,516	288,182
Employee benefits and payroll taxes	132,456	62,537	194,993
Professional fees	106,663	35,238	141,901
Bulletin printing	123,650	-	123,650
Utilities and telephone	86,941	5,996	92,937
Equipment rental	47,555	10,549	58,104
Exhibits and advertising	4,890	12,651	17,541
Supplies	13,968	9,377	23,345
Committees and conferences	181,414	-	181,414
Travel and meals	45,875	2,549	48,424
Cost of sales	-	44,934	44,934
Event expenses	-	7,370	7,370
Building rental	29,791	510	30,301
Other printing and postage	30,735	4,803	35,538
Administrative fees	15,558	14,610	30,168
Miscellaneous expense	21,494	2,282	23,776
Insurance	23,211	5,824	29,035
Accession purchases	-	-	-
MART printing	27,663	-	27,663
Website costs	12,285	-	12,285
Dues and subscriptions	4,020	3,395	7,415
Bad debt expense	-	-	-
Traveling workshop	7,160	-	7,160
Total Expenses	1,549,258	718,410	2,267,668
Excess (Deficiency) of Support and Revenue over Expenses	342,862	(225,871)	116,991
Change in Net Assets Related to Collection Items			
Not Capitalized			
Museum collection items purchased, not capitalized	-	(19,627)	(19,627)
Change in Value of Charitable Gift Annuities	-	-	-
Unrealized Holding Gains (Losses) on Investments	(10,559)	127,303	116,744
Changes in Net Assets	\$ 332,303	\$ (118,195)	\$ 214,108