

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

**Financial Statements and  
Supplementary Information**

**March 31, 2020 and 2019**



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

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March 31, 2020 and 2019

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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, 2020 and 2019, and the related statements of activities, functional expenses - by natural classification, changes in net assets, 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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, 2020 and 2019, 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.

## **Other Matter - Supplementary Information**

Our audits were 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.

RKL LLP

September 18, 2020  
York, Pennsylvania

# National Association of Watch and Clock Collectors, Inc.

## Statement of Financial Position

	March 31,	
	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 94,701	\$ 104,092
Accounts receivable	28,220	28,046
Promises to give	144,694	47,052
Store inventory	54,095	53,144
Prepaid expenses	48,486	76,070
<b>Total Current Assets</b>	<b>370,196</b>	<b>308,404</b>
<b>Property and Equipment, Net</b>	<b>4,037,529</b>	<b>4,211,472</b>
<b>Other Assets</b>		
Investments	2,888,674	2,931,103
Promises to give, net	183,946	244,328
<b>Total Other Assets</b>	<b>3,072,620</b>	<b>3,175,431</b>
<b>Total Assets</b>	<b>\$ 7,480,345</b>	<b>\$ 7,695,307</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of charitable gift annuity obligation	\$ 16,290	\$ 16,290
Accounts payable	92,166	69,131
Accrued payroll and vacation	59,298	80,453
Payroll taxes withheld and accrued	7,955	6,091
Other accrued expenses	11	268
Chapter deposits	3,465	3,465
Deferred revenue	115,888	155,025
<b>Total Current Liabilities</b>	<b>295,073</b>	<b>330,723</b>
<b>Charitable Gift Annuity Obligation, Net</b>	<b>150,461</b>	<b>159,897</b>
<b>Total Liabilities</b>	<b>445,534</b>	<b>490,620</b>
<b>Net Assets</b>		
Without donor restrictions	5,162,242	5,604,506
With donor restrictions	1,872,569	1,600,181
<b>Total Net Assets</b>	<b>7,034,811</b>	<b>7,204,687</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,480,345</b>	<b>\$ 7,695,307</b>

# National Association of Watch and Clock Collectors, Inc.

## Statement of Activities

	Year Ended March 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Totals
<b>Support and Revenue</b>			
Membership dues	\$ 888,381	\$ -	\$ 888,381
Contributions	343,706	367,552	711,258
National events	272,444	-	272,444
Advertising income - Mart Publication	99,880	-	99,880
Investment income, net of fees	93,895	-	93,895
Store sales	47,216	-	47,216
Museum admissions	46,426	-	46,426
In-kind contributions	38,446	-	38,446
Tuition and registration fees	32,815	-	32,815
Miscellaneous income	23,784	-	23,784
Advertising income - other	18,484	-	18,484
Gain on sale of investments	15,000	-	15,000
Rental income	12,730	-	12,730
Grants	11,294	-	11,294
Traveling workshop income	5,942	-	5,942
Special events, net of expenses of \$6,692	5,243	-	5,243
Special events sponsorship	1,000	-	1,000
Net assets released from restrictions	95,164	(95,164)	-
Silent auction loss	(2,987)	-	(2,987)
<b>Total Support and Revenue</b>	<b>2,048,863</b>	<b>272,388</b>	<b>2,321,251</b>
<b>Expenses</b>			
Program and related services	1,439,092	-	1,439,092
Supporting services			
Management and general	620,850	-	620,850
Fundraising	108,415	-	108,415
<b>Total Supporting Services</b>	<b>729,265</b>	<b>-</b>	<b>729,265</b>
<b>Total Expenses</b>	<b>2,168,357</b>	<b>-</b>	<b>2,168,357</b>
<b>Excess (Deficiency) of Support and Revenue over Expenses</b>	<b>(119,494)</b>	<b>272,388</b>	<b>152,894</b>
<b>Change in Net Assets Related to Collection Items Not Capitalized</b>			
Museum collection items purchased, not capitalized	(16,220)	-	(16,220)
<b>Change in Value of Charitable Gift Annuities</b>	<b>(6,854)</b>	<b>-</b>	<b>(6,854)</b>
<b>Unrealized Holding Losses on Investments</b>	<b>(299,696)</b>	<b>-</b>	<b>(299,696)</b>
<b>Changes in Net Assets</b>	<b>\$ (442,264)</b>	<b>\$ 272,388</b>	<b>\$ (169,876)</b>

See accompanying notes.

# National Association of Watch and Clock Collectors, Inc.

Statement of Activities (continued)

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

See accompanying notes.

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

## Statement of Functional Expenses - by Natural Classification

	Year Ended March 31, 2020			
	Program and Related Services	Supporting Services		Totals
		Management and General	Fundraising	
Salaries and wages	\$ 426,130	\$ 291,897	\$ 64,264	\$ 782,291
Depreciation	279,058	3,623	-	282,681
Committees and conferences	198,682	26	-	198,708
Employee benefits and payroll taxes	88,978	53,785	14,089	156,852
Professional fees	37,466	83,329	9,883	130,678
Bulletin printing	98,228	-	-	98,228
Utilities and telephone	66,389	14,790	984	82,163
Supplies	55,226	9,555	390	65,171
Equipment rental and maintenance	35,129	20,136	474	55,739
Other printing and postage	12,812	30,066	2,341	45,219
Insurance	7,965	30,433	-	38,398
Repairs and maintenance	32,853	3,875	306	37,034
Travel and meals	9,174	27,307	227	36,708
Administrative fees	14,488	17,726	760	32,974
MART printing	26,613	-	-	26,613
Cost of sales	22,390	-	-	22,390
Miscellaneous expense	1,007	14,551	5,418	20,976
Dues and subscriptions	9,009	8,489	356	17,854
Exhibits and advertising	15,791	-	-	15,791
Website costs	-	11,262	-	11,262
Bad debt expense	-	-	8,923	8,923
Traveling workshop	1,000	-	-	1,000
Event expenses	704	-	-	704
	<u>\$ 1,439,092</u>	<u>\$ 620,850</u>	<u>\$ 108,415</u>	<u>\$ 2,168,357</u>



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

Statement of Functional Expenses - by Natural Classification (continued)

	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
Committees and conferences	163,083	1,764	-	164,847
Employee benefits and payroll taxes	118,300	68,377	18,306	204,983
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
Supplies	49,773	9,504	2,015	61,292
Equipment rental and maintenance	54,844	30,987	530	86,361
Other printing and postage	9,917	23,495	5,528	38,940
Insurance	5,804	23,419	-	29,223
Repairs and maintenance	33,949	4,976	392	39,317
Travel and meals	5,179	45,475	2,342	52,996
Administrative fees	16,846	15,827	2,743	35,416
MART printing	26,210	-	-	26,210
Cost of sales	48,492	-	-	48,492
Miscellaneous expense	4,234	21,839	5,768	31,841
Dues and subscriptions	7,016	3,254	300	10,570
Exhibits and advertising	20,240	1,123	-	21,363
Website costs	-	11,625	-	11,625
Bad debt expense	-	-	5,800	5,800
Traveling workshop	2,450	-	-	2,450
Event expenses	218	31,497	8,697	40,412
	<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 Changes in Net Assets

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
<b>Net Assets at March 31, 2018</b>	\$ 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>
<b>Net Assets at March 31, 2019</b>	5,604,506	1,600,181	7,204,687
Changes in net assets	<u>(442,264)</u>	<u>272,388</u>	<u>(169,876)</u>
<b>Net Assets at March 31, 2020</b>	<u>\$ 5,162,242</u>	<u>\$ 1,872,569</u>	<u>\$ 7,034,811</u>

# National Association of Watch and Clock Collectors, Inc.

## Statement of Cash Flows

	Years Ended March 31,	
	2020	2019
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ (169,876)	\$ (396,326)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	282,681	283,326
Bad debt expense	8,923	5,800
Restricted contributions - endowment	(236,609)	(50,360)
Restricted contributions - capital	(78,803)	(16,573)
(Gain) loss on sale of investments	(15,000)	43,071
Unrealized holding (gains) losses on investments	299,696	(33,922)
Change in unamortized discount	(11,479)	(8,110)
Purchase of collection items	16,220	28,128
(Increase) decrease in assets		
Accounts receivable	(174)	8,019
Promises to give	42,903	50,193
Store inventory	(951)	(8,967)
Prepaid expenses	27,584	(7,722)
Increase (decrease) in liabilities		
Accounts payable	(13,530)	14,089
Accrued payroll and vacation	(21,155)	7,449
Payroll taxes withheld and accrued	1,864	643
Other accrued expenses	(257)	129
Deferred revenue	(39,137)	14,976
Charitable gift annuity obligation	(9,436)	1,966
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>83,464</b>	<b>(64,191)</b>
<b>Cash Flows from Investing Activities</b>		
Capital expenditures	(72,173)	(114,144)
Purchase of collection items	(16,220)	(28,128)
Purchase of investments	(507,510)	(239,898)
Proceeds from sale of investments	265,243	253,853
<b>Net Cash Used in Investing Activities</b>	<b>(330,660)</b>	<b>(128,317)</b>
<b>Cash Flows from Financing Activities</b>		
Restricted contributions - endowment	158,266	67,160
Restricted contributions - capital	79,539	17,164
<b>Net Cash Provided by Financing Activities</b>	<b>237,805</b>	<b>84,324</b>
<b>Net Decrease in Cash</b>	<b>(9,391)</b>	<b>(108,184)</b>
<b>Cash at Beginning of Year</b>	<b>104,092</b>	<b>212,276</b>
<b>Cash at End of Year</b>	<b>\$ 94,701</b>	<b>\$ 104,092</b>

### Supplementary Schedule of Noncash Investing and Financing Activities

#### In 2020

The NAWCC included \$36,565 of property and equipment in accounts payable.

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

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### Notes to Financial Statements

March 31, 2020 and 2019

#### **Note 1 - Nature of Operations**

The National Association of Watch and Clock Collectors, Inc. (the 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, 2020 and 2019, 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, contributions, 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 2020 or 2019.

**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**

**Contributions**

The NAWCC recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

All contributions are considered to be available for operations unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or 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.

**Membership Dues**

Membership dues are recognized as revenue at the time of renewal on an annual basis. The NAWCC offers members discounted advertising and classes; however, there are no significant performance obligations remaining at the time of renewal.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Revenue Recognition (continued)**

**National Events**

Income from national events include fees for the annual convention and symposium events. Event income is recognized at the time the event is held. Any amounts collected but unearned would be classified as deferred revenue and recognized as income in the applicable period.

**Advertising Income**

Advertising income is related to the publication of newsletters. The income is recognized at the time the service is provided. Any amounts collected but unearned would be classified as deferred revenue and recognized as income in the applicable period.

**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, 2020 and 2019, advertising expenses amounted to \$15,791 and \$21,363, respectively.

**Change in Accounting Principles**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 supersedes or replaces nearly all U.S. GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The NAWCC implemented this standard during the year ended March 31, 2020. The NAWCC has determined that the adoption of ASU 2014-09 did not result in an adjustment to net assets as of April 1, 2019 and did not have a material effect on the 2020 financial statements.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (A Consensus of the FASB Emerging Issues Task Force)*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the consolidated statement of cash flows. The NAWCC has determined that the adoption of ASU 2016-18 had no effect on the 2020 financial statements.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Change in Accounting Principles (continued)**

In June 2018, 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 the annual period beginning after December 15, 2019, or annual periods beginning after December 15, 2018 for public business entities. During the year ended March 31, 2020, the NAWCC implemented the provisions of ASU 2018-08 applicable to contributions received under a modified perspective basis. Accordingly, there is no effect on net assets in connection with the NAWCC's implementation of this standard.

**Recent Account Pronouncement**

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, and subsequently amended in ASU 2019-10. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases, based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The new standard will be effective for fiscal years beginning after December 15, 2021. 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 2017.



**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.

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.

# National Association of Watch and Clock Collectors, Inc.

## Notes to Financial Statements

March 31, 2020 and 2019

### Note 4 - Fair Value of Financial Instruments (continued)

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, 2020			
	Total	Level 1	Level 2	Level 3
<b>Cash and Cash Equivalents</b>	\$ 453,095	\$ 453,095	\$ -	\$ -
<b>Equities</b>				
Mutual funds - domestic	710,398	710,398	-	-
Exchange traded funds	514,034	514,034	-	-
Mutual funds - international	313,695	313,695	-	-
	<u>1,538,127</u>	<u>1,538,127</u>	<u>-</u>	<u>-</u>
<b>Fixed Income</b>				
Mutual funds	715,216	715,216	-	-
Exchange traded funds	182,236	182,236	-	-
	<u>897,452</u>	<u>897,452</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,888,674</u>	<u>\$ 2,888,674</u>	<u>\$ -</u>	<u>\$ -</u>

	Fair Value Measurements at March 31, 2019			
	Total	Level 1	Level 2	Level 3
<b>Cash and Cash Equivalents</b>	\$ 152,550	\$ 152,550	\$ -	\$ -
<b>Equities</b>				
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>
<b>Fixed Income</b>				
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, 2020 and 2019

### Note 4 - Fair Value of Financial Instruments (continued)

#### 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, 2020 and 2019, there were no transfers in or out of Level 3.

### 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>2020</u>	<u>2019</u>
<b>Financial Assets</b>		
Cash	\$ 94,701	\$ 104,092
Accounts receivable	28,220	28,046
Promises to give, net - current portion	144,694	47,052
Investments	2,888,674	2,931,103
Estimated endowment spending-rate distributions and appropriations	<u>83,700</u>	<u>83,600</u>
<b>Total Financial Assets</b>	<u>3,239,989</u>	<u>3,193,893</u>
<b>Amounts Not Available to be Used for General Expenditures Within One Year</b>		
Cash and investments subject to donor restrictions	(1,543,929)	(1,308,801)
Promises to give subject to donor restrictions, current portion	(114,494)	(19,400)
Board-designated investments for Endowment	(762,868)	(1,020,852)
Roof replacement	(101,750)	-
Heritage fund	(26,156)	(28,022)
Management transition	<u>(31,215)</u>	<u>-</u>
<b>Total Amounts Not Available to be Used for General Expenditures Within One Year</b>	<u>(2,580,412)</u>	<u>(2,377,075)</u>
<b>Financial Assets Available to be Used for General Expenditures Within One Year</b>	<u>\$ 659,577</u>	<u>\$ 816,818</u>

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

### Notes to Financial Statements

March 31, 2020 and 2019

#### Note 5 - Liquidity and Availability (continued)

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.

During the years ended March 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
Supplies	\$ 34,375	\$ 79,710
Professional fees	3,460	-
Travel	611	-
	<u>\$ 38,446</u>	<u>\$ 79,710</u>

#### Note 7 - Concentration of Cash Risk

At times during the years ended March 31, 2020 and 2019, the NAWCC's cash balances may have exceeded the federally insured limit of \$250,000.

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

### Notes to Financial Statements

March 31, 2020 and 2019

#### Note 8 - Prepaid Expenses

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

	<u>2020</u>	<u>2019</u>
Insurance	\$ 20,288	\$ 40,316
National convention	7,190	6,586
Printing, publications not yet issued	6,050	3,345
Other	5,003	13,694
Equipment rental	3,217	-
Advertising	3,080	-
Supplies	2,162	-
Dues and subscriptions	1,137	-
Professional fees	359	-
Technology	-	7,125
Symposium	-	5,004
	<u>\$ 48,486</u>	<u>\$ 76,070</u>

#### Note 9 - Promises to Give

Promises to give - For All Time represent funds raised during the "For All Time" 75<sup>th</sup> 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 since March 31, 2018.

Promises to give - For All Time: Phase 2 represent funds raised for the endowment through a matching challenge of up to \$250,000 in gifts. Promises to give - For All Time: Phase 2 are all current as of March 31, 2020.

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 since March 31, 2018.

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

	<u>2020</u>	<u>2019</u>
For All Time: Phase 2 - endowment	\$ 97,994	\$ -
Operating	179,348	223,502
For All Time - endowment	71,700	91,350
For All Time - capital	-	8,409
	<u>349,042</u>	<u>323,261</u>
Unamortized discount	<u>(20,402)</u>	<u>(31,881)</u>
	<u>\$ 328,640</u>	<u>\$ 291,380</u>

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

## Notes to Financial Statements

March 31, 2020 and 2019

**Note 9 - Promises to Give (continued)**

	<u>2020</u>	<u>2019</u>
Current portion	\$ 144,694	\$ 47,052
Noncurrent portion	<u>183,946</u>	<u>244,328</u>
	<u>\$ 328,640</u>	<u>\$ 291,380</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:

2021	\$ 144,694
2022	41,400
2023	41,100
2024	41,000
2025	36,350
Thereafter	<u>44,498</u>
	<u>\$ 349,042</u>

**Note 10 - Store Inventory**

Store inventory consists of the following as of March 31:

	<u>2020</u>	<u>2019</u>
Books	\$ 28,765	\$ 22,543
Clothing	11,341	9,031
Clocks and watches	4,209	5,736
Tools	3,131	4,955
Giftware	2,452	4,078
Stationary	2,271	2,653
Jewelry	981	1,903
Toys	831	1,790
Food	114	455
	<u>\$ 54,095</u>	<u>\$ 53,144</u>

# National Association of Watch and Clock Collectors, Inc.

## Notes to Financial Statements

March 31, 2020 and 2019

### Note 11 - Investments

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

	2020			
	Cost	Gross Unrealized		Fair Value
		Gains	Losses	
<b>Cash and Cash Equivalents</b>	\$ 453,095	\$ -	\$ -	\$ 453,095
<b>Equities</b>				
Mutual funds - domestic	779,659	21,900	(91,161)	710,398
Exchange traded funds	524,390	53,652	(64,008)	514,034
Mutual funds - international	365,340	-	(51,645)	313,695
<b>Total Equities</b>	<b>1,669,389</b>	<b>75,552</b>	<b>(206,814)</b>	<b>1,538,127</b>
<b>Fixed Income</b>				
Mutual funds	724,839	15,240	(24,863)	715,216
Exchange traded funds	169,709	12,527	-	182,236
<b>Total Fixed Income</b>	<b>894,548</b>	<b>27,767</b>	<b>(24,863)</b>	<b>897,452</b>
<b>Total Investments</b>	<b>\$ 3,017,032</b>	<b>\$ 103,319</b>	<b>\$ (231,677)</b>	<b>\$ 2,888,674</b>
	2019			
<b>Cash and Cash Equivalents</b>	\$ 152,550	\$ -	\$ -	\$ 152,550
<b>Equities</b>				
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
<b>Total Equities</b>	<b>1,665,561</b>	<b>225,213</b>	<b>(11,283)</b>	<b>1,879,491</b>
<b>Fixed Income</b>				
Mutual funds	676,573	1,996	(3,101)	675,468
Exchange traded funds	224,436	-	(842)	223,594
<b>Total Fixed Income</b>	<b>901,009</b>	<b>1,996</b>	<b>(3,943)</b>	<b>899,062</b>
<b>Total Investments</b>	<b>\$ 2,719,120</b>	<b>\$ 227,209</b>	<b>\$ (15,226)</b>	<b>\$ 2,931,103</b>

# National Association of Watch and Clock Collectors, Inc.

## Notes to Financial Statements

March 31, 2020 and 2019

### Note 11 - Investments (continued)

Investments held as of March 31, 2020 and 2019 are comprised of investments in cash and cash equivalents, and debt and equity securities. As of March 31, 2020 and 2019, the NAWCC has recorded unrealized holding losses on fifty-seven and eighteen 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:

	2020					
	Less than Twelve Months		Twelve Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>Equities, Temporarily Impaired</b>						
Mutual funds - domestic	\$ 490,245	\$ (75,572)	\$ 48,372	\$ (15,589)	\$ 538,617	\$ (91,161)
Exchange traded funds	246,849	(64,008)	-	-	246,849	(64,008)
Mutual funds - international	235,300	(38,688)	78,395	(12,957)	313,695	(51,645)
<b>Total Equities, Temporarily Impaired</b>	<b>972,394</b>	<b>(178,268)</b>	<b>126,767</b>	<b>(28,546)</b>	<b>1,099,161</b>	<b>(206,814)</b>
<b>Fixed Income, Temporarily Impaired</b>						
Mutual funds	282,300	(22,988)	9,432	(1,875)	291,732	(24,863)
<b>Total Investments, Temporarily Impaired</b>	<b>\$ 1,254,694</b>	<b>\$ (201,256)</b>	<b>\$ 136,199</b>	<b>\$ (30,421)</b>	<b>\$ 1,390,893</b>	<b>\$ (231,677)</b>
	<b>2019</b>					
<b>Equities, Temporarily Impaired</b>						
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)
<b>Total Equities, Temporarily Impaired</b>	<b>97,061</b>	<b>(4,795)</b>	<b>196,096</b>	<b>(6,488)</b>	<b>293,157</b>	<b>(11,283)</b>



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

### Notes to Financial Statements

March 31, 2020 and 2019

#### 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
<b>Fixed Income, Temporarily Impaired</b>						
Mutual funds	\$ 168,096	\$ (2,340)	\$ 56,878	\$ (761)	\$ 224,974	\$ (3,101)
Exchange traded funds	-	-	223,594	(842)	223,594	(842)
<b>Total Fixed Income, Temporarily Impaired</b>	<u>168,096</u>	<u>(2,340)</u>	<u>280,472</u>	<u>(1,603)</u>	<u>448,568</u>	<u>(3,943)</u>
<b>Total Investments, Temporarily Impaired</b>	<u>\$ 265,157</u>	<u>\$ (7,135)</u>	<u>\$ 476,568</u>	<u>\$ (8,091)</u>	<u>\$ 741,725</u>	<u>\$ (15,226)</u>

#### 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.

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

### Notes to Financial Statements

March 31, 2020 and 2019

#### Note 12 - Endowment (continued)

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:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 762,868	\$ -	\$ 762,868
Donor-restricted endowment funds	-	1,392,134	1,392,134
	<u>\$ 762,868</u>	<u>\$ 1,392,134</u>	<u>\$ 2,155,002</u>
	2019		
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, 2020 and 2019

**Note 12 - Endowment (continued)**

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

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment Net Assets at Beginning of Year</b>	<b>\$ 1,020,852</b>	<b>\$ 1,153,289</b>	<b>\$ 2,174,141</b>
Investment return			
Interest and dividends	66,715	-	66,715
Net losses (realized and unrealized)	(143,658)	-	(143,658)
Contributions	33,345	236,609	269,954
Change in value of promises to give	-	2,236	2,236
Disbursements	(203,853)	-	(203,853)
Fees	(10,533)	-	(10,533)
<b>Endowment Net Asset at End of Year</b>	<b>\$ 762,868</b>	<b>\$ 1,392,134</b>	<b>\$ 2,155,002</b>
	<b>2019</b>		
<b>Endowment Net Assets at Beginning of Year</b>	<b>\$ 1,109,136</b>	<b>\$ 1,100,987</b>	<b>\$ 2,210,123</b>
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)
<b>Endowment Net Asset at End of Year</b>	<b>\$ 1,020,852</b>	<b>\$ 1,153,289</b>	<b>\$ 2,174,141</b>

**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, 2020 and 2019.

**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, 2020 and 2019

#### Note 14 - Property and Equipment

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

	<u>2020</u>	<u>2019</u>
Building and improvements	\$ 9,436,733	\$ 9,424,058
Office furniture and equipment	518,206	476,329
Museum equipment	730,446	720,543
School equipment	318,850	318,850
* Construction in progress	36,834	-
* Land	53,800	53,800
	<u>11,094,869</u>	<u>10,993,580</u>
Accumulated depreciation	<u>(7,057,340)</u>	<u>(6,782,108)</u>
	<u>\$ 4,037,529</u>	<u>\$ 4,211,472</u>

\* Not depreciated

Depreciation expense amounted to \$282,681 and \$283,326 for the years ended March 31, 2020 and 2019, 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, 2020 and 2019. 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 was 5% at March 31, 2019. Beginning October 1, 2019, the contribution rate was decreased to a 3% matching contribution. For the years ended March 31, 2020 and 2019, retirement expense amounted to \$17,676 and \$31,214, respectively.

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

### Notes to Financial Statements

March 31, 2020 and 2019

#### 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, 2020 and 2019 amounted to \$15,500 and \$18,279, respectively.

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

2021	\$	14,056
2022		14,056
2023		10,144
		<hr/>
	\$	<u>38,256</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>2020</u>	<u>2019</u>
Undesignated	\$ 4,240,253	\$ 4,555,632
Board-designated for		
Endowment		
Museum and library endowment	630,035	760,730
Museum endowment	95,055	174,137
Library endowment	37,778	57,129
Education endowment	-	27,313
NAWCC general endowment	-	1,543
Roof replacement	101,750	-
Heritage fund	26,156	28,022
Technology upgrades	31,215	-
	<hr/>	<hr/>
	\$ 5,162,242	\$ 5,604,506

# National Association of Watch and Clock Collectors, Inc.

## Notes to Financial Statements

March 31, 2020 and 2019

### 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>2020</u>	<u>2019</u>
<b>Subject to the Passage of Time</b>		
Promises to give - operating	\$ 164,325	\$ 200,188
Promises to give - capital	-	7,456
<b>Subject to Expenditure for Specific Purpose</b>		
Education		
Wilbur Pritchard Fund for Awards of Excellence in Watch Repair or Restoration	53,875	57,872
Dutton-Lindow Education Program	10,000	-
Purchase of books for school	1,842	1,842
Horological Workbook J L Gropengiesser	1,519	1,519
Anthony Montefusco Memorial Scholarship	675	675
Midwest Regional Scholarship	629	5,979
Watch and Clock Museum		
Roof replacement	65,000	-
Museum acquisitions	19,176	24,315
Computer upgrades	11,489	-
Ansonia clock rebuild	7,306	7,056
McClintock clock in Boulder, CO	4,867	4,867
Museum education program	3,118	3,118
Four sided clock	3,000	-
Wristwatch acquisitions	1,800	1,800
Digital camera	1,736	1,736
Museum education outreach	1,734	1,734
Museum public programs	1,669	1,669
Time Explorer's workshop	1,449	1,449
Arthur clock	1,300	1,300
Engle clock restoration	1,264	1,264
McClintock clock 514 Poplar Street	1,146	5,875
Tower and Street clock exhibit	1,141	1,141
James Bond exhibit	1,043	1,043
Research	802	-
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	25

# National Association of Watch and Clock Collectors, Inc.

## Notes to Financial Statements

March 31, 2020 and 2019

### Note 20 - Restrictions on Assets (continued)

	2020	2019
<b>Subject to Expenditure for Specific Purpose (continued)</b>		
National		
Symposium committee	\$ 21,533	\$ 19,080
Public Time Initiative	16,861	3,308
Webinars education committee	9,415	9,415
Traveling workshop	8,428	8,428
Small building improvements	7,872	7,872
Facilities projects	6,500	6,500
Crystal fund - unidentified use	6,407	6,407
Buckeye Chapter 23 education	4,000	4,000
Regional computer system	3,481	3,481
Capital projects	2,327	1,591
Zspace project	2,037	2,037
Regional registration program	1,000	1,000
Pocket Watch webinar	1,000	1,000
LED light project	819	819
Collect Fond Memories	580	580
Director search	500	-
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, ATMOS and Other Torsion	50	50
Museum free library admission program and education classroom	-	1,876
Library and Research Center		
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	2,208
French horology journal	2,200	2,200
Binding	813	813
Acquisition of horological art items	805	805
Library acquisitions	173	7,203
Publications Department		
Special publications	5,408	7,064
Mailing costs for Tower Talk Chapter 134 newsletter	9	9
Special publication on pocket watches	-	1,144
<b>Perpetual in Nature</b>		
NAWCC endowment, including promises to give of \$79,878 and \$28,920, respectively	509,734	363,516
Museum endowment, including promises to give of \$33,860 and \$22,550, respectively	440,893	407,608
Education endowment, including promises to give of \$28,729 and \$16,133, respectively	309,282	267,055
Library and research center endowment, including promises to give of \$21,848 and \$16,133, respectively	132,225	115,110
	<b>\$ 1,872,569</b>	<b>\$ 1,600,181</b>



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

### Notes to Financial Statements

March 31, 2020 and 2019

#### Note 21 - Related Parties

The NAWCC has related party transactions and balances with members of its Board of Directors and management.

The NAWCC had the following balances with the Board of Directors and management as of March 31:

	<u>2020</u>	<u>2019</u>
Promises to give	<u>\$ 122,000</u>	<u>\$ 78,409</u>

The NAWCC had the following transactions with the Board of Directors and management during the years ended March 31:

	<u>2020</u>	<u>2019</u>
Contributions	<u>\$ 257,775</u>	<u>\$ 15,108</u>

#### Note 22 - 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.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economy, financial markets, public support, and the geographical area in which the NAWCC operates. It is unknown how long these conditions will last and what the complete financial effect will be to the NAWCC.

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which established the Paycheck Protection Program (the Program). The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis. The NAWCC applied for a loan under the Program and received from its bank a loan in the amount of \$209,928 on May 3, 2020. The loan is forgivable if the NAWCC meets certain criteria as established under the Program. The NAWCC will apply for loan forgiveness in fiscal year 2021. The NAWCC anticipates there may be further guidance issued by the Small Business Administration (SBA), the U.S. Department of Treasury, the bank, and other regulators related to the Program which could impact the loan and loan forgiveness. Any of the loan amount not forgiven under the Program is expected to be due in May 2022 with interest at 1.0%. Payments are deferred for six months; however, interest shall continue to accrue over this period. The loan is unsecured and does not require personal guarantees.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

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

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Notes to Financial Statements

March 31, 2020 and 2019

### **Note 23 - Reclassification**

Certain information in the 2019 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2020 financial statements. There was no change to total changes in net assets or total net assets.

### **Note 24 - Subsequent Events**

The NAWCC has evaluated subsequent events through September 18, 2020. This date is the date the financial statements were available to be issued. No material events subsequent to March 31, 2020 were noted, except as disclosed in Note 22.

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

## Schedule of Program Activities

	Year Ended March 31, 2020		
	Membership and Operations	Museum, Library and Education	Totals
<b>Support and Revenue</b>			
Membership dues	\$ 888,381	\$ -	\$ 888,381
Contributions	531,105	180,153	711,258
National events	272,444	-	272,444
Advertising income - Mart Publication	99,880	-	99,880
Investment income, net of fees	(7,195)	101,090	93,895
Store sales	-	47,216	47,216
Museum admissions	-	46,426	46,426
In-kind contributions	-	38,446	38,446
Tuition and registration fees	-	32,815	32,815
Miscellaneous income	23,387	397	23,784
Advertising income - other	18,484	-	18,484
Gain on sale of investments	15,000	-	15,000
Rental income	12,730	-	12,730
Grants	-	11,294	11,294
Traveling workshop income	5,650	292	5,942
Special events, net of expenses of \$6,692	1,077	4,166	5,243
Special events sponsorship	-	1,000	1,000
Silent auction loss	-	(2,987)	(2,987)
<b>Total Support and Revenue</b>	<b>1,860,943</b>	<b>460,308</b>	<b>2,321,251</b>
<b>Expenses</b>			
Salaries and wages	586,688	195,603	782,291
Depreciation	3,623	279,058	282,681
Committees and conferences	198,708	-	198,708
Employee benefits and payroll taxes	116,281	40,571	156,852
Professional fees	109,194	21,484	130,678
Bulletin printing	98,228	-	98,228
Utilities and telephone	78,178	3,985	82,163
Supplies	14,803	50,368	65,171
Equipment rental and maintenance	50,305	5,434	55,739
Other printing and postage	37,730	7,489	45,219
Insurance	30,433	7,965	38,398
Repairs and maintenance	36,494	540	37,034
Travel and meals	34,285	2,423	36,708
Administrative fees	20,088	12,886	32,974
MART printing	26,613	-	26,613
Cost of sales	-	22,390	22,390
Miscellaneous expense	20,007	969	20,976
Dues and subscriptions	11,600	6,254	17,854
Exhibits and advertising	-	15,791	15,791
Website costs	11,262	-	11,262
Bad debt expense	8,923	-	8,923
Traveling workshop	1,000	-	1,000
Event expenses	-	704	704
<b>Total Expenses</b>	<b>1,494,443</b>	<b>673,914</b>	<b>2,168,357</b>
<b>Excess (Deficiency) of Support and Revenue over Expenses</b>	<b>366,500</b>	<b>(213,606)</b>	<b>152,894</b>
<b>Change in Net Assets Related to Collection Items Not Capitalized</b>			
Museum collection items purchased, not capitalized	-	(16,220)	(16,220)
<b>Change in Value of Charitable Gift Annuities</b>	<b>(6,854)</b>	<b>-</b>	<b>(6,854)</b>
<b>Unrealized Holding Losses on Investments</b>	<b>(299,696)</b>	<b>-</b>	<b>(299,696)</b>
<b>Changes in Net Assets</b>	<b>\$ 59,950</b>	<b>\$ (229,826)</b>	<b>\$ (169,876)</b>

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

Schedule of Program Activities (continued)

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