



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

**Financial Statements and  
Supplementary Information**

March 31, 2021 and 2020



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

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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, 2021 and 2020, 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, 2021 and 2020, 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

February 11, 2022  
York, Pennsylvania

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

## Statement of Financial Position

	March 31,	
	2021	2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 307,205	\$ 94,701
Accounts receivable	31,922	28,220
Promises to give	51,600	144,694
Store inventory	70,842	54,095
Prepaid expenses	78,768	48,486
<b>Total Current Assets</b>	<b>540,337</b>	<b>370,196</b>
<b>Property and Equipment, Net</b>	<b>4,171,157</b>	<b>4,037,529</b>
<b>Other Assets</b>		
Investments	3,674,173	2,888,674
Promises to give, net	135,762	183,946
<b>Total Other Assets</b>	<b>3,809,935</b>	<b>3,072,620</b>
<b>Total Assets</b>	<b>\$ 8,521,429</b>	<b>\$ 7,480,345</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of charitable gift annuity obligation	\$ 16,290	\$ 16,290
Accounts payable	25,498	92,166
Accrued payroll and vacation	29,981	59,298
Payroll taxes withheld and accrued	4,682	7,955
Other accrued expenses	-	11
Chapter deposits	-	3,465
Deferred revenue	90,401	115,888
<b>Total Current Liabilities</b>	<b>166,852</b>	<b>295,073</b>
<b>Other Liabilities</b>		
Notes payable	150,000	-
Charitable gift annuity obligation, net	138,064	150,461
<b>Total Other Liabilities</b>	<b>288,064</b>	<b>150,461</b>
<b>Total Liabilities</b>	<b>454,916</b>	<b>445,534</b>
<b>Net Assets</b>		
Without donor restrictions	6,020,963	5,162,242
With donor restrictions	2,045,550	1,872,569
<b>Total Net Assets</b>	<b>8,066,513</b>	<b>7,034,811</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 8,521,429</b>	<b>\$ 7,480,345</b>

See accompanying notes.

# National Association of Watch and Clock Collectors, Inc.

## Statement of Activities

	Year Ended March 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Totals
<b>Support and Revenue</b>			
Membership dues	\$ 773,930	\$ -	\$ 773,930
Contributions	296,344	288,223	584,567
Gain on sale of investments	108,577	-	108,577
Advertising income - Mart Publication	89,410	-	89,410
Investment income, net of fees	75,263	-	75,263
In-kind contributions	59,458	-	59,458
Miscellaneous income	23,775	-	23,775
Store sales	23,430	-	23,430
Advertising income - other	18,037	-	18,037
Grants	11,059	-	11,059
Rental income	6,119	-	6,119
Museum admissions	5,330	-	5,330
Tuition and registration fees	1,930	-	1,930
Traveling workshop income	900	-	900
Net assets released from restrictions	115,242	(115,242)	-
National events	-	-	-
Special events, net of expenses of \$-0-	-	-	-
Special events sponsorship	-	-	-
Loss on disposal of property and equipment	(29)	-	(29)
Silent auction loss	(396)	-	(396)
<b>Total Support and Revenue</b>	<b>1,608,379</b>	<b>172,981</b>	<b>1,781,360</b>
<b>Expenses</b>			
Program and related services	1,087,294	-	1,087,294
Supporting services			
Management and general	514,916	-	514,916
Fundraising	38,645	-	38,645
<b>Total Supporting Services</b>	<b>553,561</b>	<b>-</b>	<b>553,561</b>
<b>Total Expenses</b>	<b>1,640,855</b>	<b>-</b>	<b>1,640,855</b>
<b>Excess (Deficiency) of Support and Revenue over Expenses</b>	<b>(32,476)</b>	<b>172,981</b>	<b>140,505</b>
<b>Change in Net Assets Related to Collection Items Not Capitalized</b>			
Museum collection items purchased, not capitalized	(5,108)	-	(5,108)
<b>Forgiveness of Notes Payable</b>	<b>209,928</b>	<b>-</b>	<b>209,928</b>
<b>Change in Value of Charitable Gift Annuities</b>	<b>(5,365)</b>	<b>-</b>	<b>(5,365)</b>
<b>Unrealized Holding Gains on Investments</b>	<b>691,742</b>	<b>-</b>	<b>691,742</b>
<b>Changes in Net Assets</b>	<b>\$ 858,721</b>	<b>\$ 172,981</b>	<b>\$ 1,031,702</b>

See accompanying notes.

# National Association of Watch and Clock Collectors, Inc.

Statement of Activities (continued)

	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
Gain on sale of investments	15,000	-	15,000
Advertising income - Mart Publication	99,880	-	99,880
Investment income, net of fees	93,895	-	93,895
In-kind contributions	38,446	-	38,446
Miscellaneous income	23,784	-	23,784
Store sales	47,216	-	47,216
Advertising income - other	18,484	-	18,484
Grants	11,294	-	11,294
Rental income	12,730	-	12,730
Museum admissions	46,426	-	46,426
Tuition and registration fees	32,815	-	32,815
Traveling workshop income	5,942	-	5,942
Net assets released from restrictions	95,164	(95,164)	-
National events	272,444	-	272,444
Special events, net of expenses of \$6,692	5,243	-	5,243
Special events sponsorship	1,000	-	1,000
Loss on disposal of property and equipment	-	-	-
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>Forgiveness of Notes Payable</b>	-	-	-
<b>Change in Value of Charitable Gift Annuities</b>	(6,854)	-	(6,854)
<b>Unrealized Holding Losses on Investments</b>	(299,696)	-	(299,696)
<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 Functional Expenses - by Natural Classification

	Year Ended March 31, 2021			
	Program and Related Services	Supporting Services		Totals
		Management and General	Fundraising	
Salaries and wages	\$ 301,693	\$ 199,911	\$ 26,403	\$ 528,007
Depreciation	309,162	4,014	-	313,176
Professional fees	24,119	102,354	1,633	128,106
Employee benefits and payroll taxes	68,124	47,789	7,818	123,731
Utilities and telephone	59,187	23,470	976	83,633
Bulletin printing	75,192	-	-	75,192
Equipment rental and maintenance	41,853	10,739	382	52,974
Donated clocks	51,000	-	-	51,000
Insurance	6,314	42,122	-	48,436
MART printing	47,078	-	-	47,078
Supplies	20,004	17,895	89	37,988
Administrative fees	10,880	25,387	-	36,267
Repairs and maintenance	22,476	9,720	393	32,589
Other printing and postage	21,647	920	951	23,518
Travel and meals	1,299	10,021	-	11,320
Miscellaneous expense	6,219	4,672	-	10,891
Dues and subscriptions	5,989	4,482	-	10,471
Website costs	-	10,444	-	10,444
Exhibits and advertising	9,567	-	-	9,567
Cost of sales	3,428	-	-	3,428
Bank fees	898	976	-	1,874
Event expenses	665	-	-	665
Traveling workshop	500	-	-	500
Committees and conferences	-	-	-	-
Bad debt expense	-	-	-	-
	<u>\$ 1,087,294</u>	<u>\$ 514,916</u>	<u>\$ 38,645</u>	<u>\$ 1,640,855</u>



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

Statement of Functional Expenses - by Natural Classification (continued)

	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
Professional fees	37,466	83,329	9,883	130,678
Employee benefits and payroll taxes	88,978	53,785	14,089	156,852
Utilities and telephone	66,389	14,790	984	82,163
Bulletin printing	98,228	-	-	98,228
Equipment rental and maintenance	35,129	20,136	474	55,739
Donated clocks	8,039	-	-	8,039
Insurance	7,965	30,433	-	38,398
MART printing	26,613	-	-	26,613
Supplies	47,187	9,555	390	57,132
Administrative fees	14,488	17,726	760	32,974
Repairs and maintenance	32,853	3,875	306	37,034
Other printing and postage	12,812	30,066	2,341	45,219
Travel and meals	9,174	27,307	227	36,708
Miscellaneous expense	1,007	14,551	5,418	20,976
Dues and subscriptions	9,009	8,489	356	17,854
Website costs	-	11,262	-	11,262
Exhibits and advertising	15,791	-	-	15,791
Cost of sales	22,390	-	-	22,390
Bank fees	-	-	-	-
Event expenses	704	-	-	704
Traveling workshop	1,000	-	-	1,000
Committees and conferences	198,682	26	-	198,708
Bad debt expense	-	-	8,923	8,923
	<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 Changes in Net Assets

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</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>	5,162,242	1,872,569	7,034,811
Changes in net assets	<u>858,721</u>	<u>172,981</u>	<u>1,031,702</u>
<b>Net Assets at March 31, 2021</b>	<u>\$ 6,020,963</u>	<u>\$ 2,045,550</u>	<u>\$ 8,066,513</u>

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

## Statement of Cash Flows

	Years Ended March 31,	
	2021	2020
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 1,031,702	\$ (169,876)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	313,176	282,681
Bad debt expense	-	8,923
Restricted contributions - endowment	(21,846)	(236,609)
Restricted contributions - capital	(53,831)	(78,803)
Forgiveness of notes payable	(209,928)	-
Gain on sale of investments	(108,577)	(15,000)
Loss on disposal of property and equipment	29	-
Unrealized holding (gains) losses on investments	(691,742)	299,696
Change in unamortized discount	(8,216)	(11,479)
Change in value of promises to give	23,922	-
Purchase of collection items	5,108	16,220
(Increase) decrease in assets		
Accounts receivable	(3,702)	(174)
Promises to give	35,201	42,903
Store inventory	(16,747)	(951)
Prepaid expenses	(30,282)	27,584
Increase (decrease) in liabilities		
Accounts payable	(30,103)	(13,530)
Accrued payroll and vacation	(29,317)	(21,155)
Payroll taxes withheld and accrued	(3,273)	1,864
Other accrued expenses	(11)	(257)
Chapter deposits	(3,465)	-
Deferred revenue	(25,487)	(39,137)
Charitable gift annuity obligation	(12,397)	(9,436)
<b>Net Cash Provided by Operating Activities</b>	<b>160,214</b>	<b>83,464</b>
<b>Cash Flows from Investing Activities</b>		
Capital expenditures	(483,398)	(72,173)
Purchase of collection items	(5,108)	(16,220)
Purchase of investments	(477,348)	(507,510)
Proceeds from sale of investments	492,168	265,243
<b>Net Cash Used in Investing Activities</b>	<b>(473,686)</b>	<b>(330,660)</b>
<b>Cash Flows from Financing Activities</b>		
Restricted contributions - endowment	112,217	158,266
Restricted contributions - capital	53,831	79,539
Proceeds from notes payable	359,928	-
<b>Net Cash Provided by Financing Activities</b>	<b>525,976</b>	<b>237,805</b>
<b>Net Increase (Decrease) in Cash</b>	<b>212,504</b>	<b>(9,391)</b>
<b>Cash at Beginning of Year</b>	<b>94,701</b>	<b>104,092</b>
<b>Cash at End of Year</b>	<b>\$ 307,205</b>	<b>\$ 94,701</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, 2021 and 2020

#### **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, 2021 and 2020, 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 2021 or 2020.

**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, 2021 and 2020, advertising expenses amounted to \$9,567 and \$15,791, respectively.

**Recent Accounting Pronouncements**

In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, and subsequently amended in ASU 2019-10 and 2020-05. The guidance in these ASUs supersede 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 standards require 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 standards will be effective for fiscal years beginning after December 15, 2021.

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

**Recent Accounting Pronouncements (continued)**

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which will require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Also, this ASU will require disclosure of a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets as well as additional information around valuation and usage of the contributed nonfinancial assets. The amendments in this standard should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022.

The NAWCC is currently evaluating the impact of the new standards on its 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 2018.

**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).



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

### Notes to Financial Statements

March 31, 2021 and 2020

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

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.

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, 2021			
	Total	Level 1	Level 2	Level 3
<b>Cash and Cash Equivalents</b>	\$ 373,607	\$ 373,607	\$ -	\$ -
<b>Equities</b>				
Exchange traded funds	1,037,184	1,037,184	-	-
Mutual funds - domestic	657,468	657,468	-	-
Mutual funds - international	578,840	578,840	-	-
	<u>2,273,492</u>	<u>2,273,492</u>	-	-
<b>Fixed Income</b>				
Mutual funds	868,583	868,583	-	-
Exchange traded funds	158,491	158,491	-	-
	<u>1,027,074</u>	<u>1,027,074</u>	-	-
	<u>\$ 3,674,173</u>	<u>\$ 3,674,173</u>	<u>\$ -</u>	<u>\$ -</u>

# National Association of Watch and Clock Collectors, Inc.

## Notes to Financial Statements

March 31, 2021 and 2020

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

	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>				
Exchange traded funds	514,034	514,034	-	-
Mutual funds - domestic	710,398	710,398	-	-
Mutual funds - international	313,695	313,695	-	-
	1,538,127	1,538,127	-	-
<b>Fixed Income</b>				
Mutual funds	705,984	705,984	-	-
Exchange traded funds	191,468	191,468	-	-
	897,452	897,452	-	-
	\$ 2,888,674	\$ 2,888,674	\$ -	\$ -

### 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.

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, 2021 and 2020, 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:

	2021	2020
<b>Financial Assets</b>		
Cash	\$ 307,205	\$ 94,701
Accounts receivable	31,922	28,220
Promises to give, net - current portion	51,600	144,694
Investments	3,674,173	2,888,674
Estimated endowment spending-rate distributions and appropriations	96,400	83,700
<b>Total Financial Assets</b>	<b>4,161,300</b>	<b>3,239,989</b>

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

### Notes to Financial Statements

March 31, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>
<b>Amounts Not Available to be Used for General Expenditures Within One Year</b>		
Cash and investments subject to donor restrictions	\$ (1,858,188)	\$ (1,543,929)
Promises to give subject to donor restrictions, current portion	(11,400)	(114,494)
Board-designated investments for		
Endowment	(1,086,568)	(762,868)
Roof replacement	-	(101,750)
Heritage fund	-	(26,156)
Management transition	-	(31,215)
	<u>(2,956,156)</u>	<u>(2,580,412)</u>
<b>Financial Assets Available to be Used for General Expenditures Within One Year</b>		
	<u>\$ 1,205,144</u>	<u>\$ 659,577</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.

During the years ended March 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Donated clocks	\$ 51,000	\$ 8,039
Travel	3,535	611
Professional fees	3,376	3,460
Supplies	1,547	26,336
	<u>\$ 59,458</u>	<u>\$ 38,446</u>

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

### Notes to Financial Statements

March 31, 2021 and 2020

#### Note 7 - Concentration of Cash Risk

At times during the years ended March 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Insurance	\$ 31,862	\$ 20,288
Equipment rental	23,138	3,217
Printing, publications not yet issued	8,869	6,050
Other	6,102	5,003
Professional fees	3,693	359
National convention	2,675	7,190
Dues and subscriptions	1,535	1,137
Supplies	894	2,162
Advertising	-	3,080
	<u>\$ 78,768</u>	<u>\$ 48,486</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. There were no new promises to give - For All Time: Phase 2 during the year ended March 31, 2021.

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.

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

### Notes to Financial Statements

March 31, 2021 and 2020

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

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

	<u>2021</u>	<u>2020</u>
Operating	\$ 144,148	\$ 179,349
For All Time - endowment	55,400	71,699
For All Time: Phase 2 - endowment	-	97,994
	<u>199,548</u>	349,042
Unamortized discount	<u>(12,186)</u>	<u>(20,402)</u>
	<u>\$ 187,362</u>	<u>\$ 328,640</u>
Current portion	\$ 51,600	\$ 144,694
Noncurrent portion	<u>135,762</u>	<u>183,946</u>
	<u>\$ 187,362</u>	<u>\$ 328,640</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:

2022	\$ 51,600
2023	41,100
2024	41,000
2025	36,350
2026	21,000
Thereafter	<u>8,498</u>
	<u>\$ 199,548</u>

#### Note 10 - Store Inventory

Store inventory consists of the following as of March 31:

	<u>2021</u>	<u>2020</u>
Books	\$ 35,377	\$ 28,765
Clothing	11,763	11,341
Giftware	7,532	2,452
Stationary	6,114	2,271
Tools	3,914	3,131
Clocks and watches	2,969	4,209
Toys	2,101	831
Jewelry	981	981
Food	<u>91</u>	<u>114</u>
	<u>\$ 70,842</u>	<u>\$ 54,095</u>

# National Association of Watch and Clock Collectors, Inc.

## Notes to Financial Statements

March 31, 2021 and 2020

### Note 11 - Investments

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

	2021			
	Cost	Gross Unrealized		Fair Value
		Gains	Losses	
<b>Cash and Cash Equivalents</b>	\$ 373,607	\$ -	\$ -	\$ 373,607
<b>Equities</b>				
Exchange traded funds	732,250	304,934	-	1,037,184
Mutual funds - domestic	477,727	179,889	(148)	657,468
Mutual funds - international	466,183	112,725	(68)	578,840
<b>Total Equities</b>	<b>1,676,160</b>	<b>597,548</b>	<b>(216)</b>	<b>2,273,492</b>
<b>Fixed Income</b>				
Mutual funds	863,811	15,553	(10,781)	868,583
Exchange traded funds	156,128	2,363	-	158,491
<b>Total Fixed Income</b>	<b>1,019,939</b>	<b>17,916</b>	<b>(10,781)</b>	<b>1,027,074</b>
<b>Total Investments</b>	<b>\$ 3,069,706</b>	<b>\$ 615,464</b>	<b>\$ (10,997)</b>	<b>\$ 3,674,173</b>
	2020			
<b>Cash and Cash Equivalents</b>	\$ 453,095	\$ -	\$ -	\$ 453,095
<b>Equities</b>				
Exchange traded funds	524,390	53,652	(64,008)	514,034
Mutual funds - domestic	779,659	21,900	(91,161)	710,398
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	716,391	14,456	(24,863)	705,984
Exchange traded funds	178,157	13,311	-	191,468
<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>

# National Association of Watch and Clock Collectors, Inc.

## Notes to Financial Statements

March 31, 2021 and 2020

### Note 11 - Investments (continued)

Investments held as of March 31, 2021 and 2020 are comprised of investments in cash and cash equivalents, and debt and equity securities. As of March 31, 2021 and 2020, the NAWCC has recorded unrealized holding losses on thirteen and fifty-seven 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:

	2021					
	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	\$ 9,852	\$ (148)	\$ -	\$ -	\$ 9,852	\$ (148)
Mutual funds - international	-	-	11,874	(68)	11,874	(68)
<b>Total Equities, Temporarily Impaired</b>	<b>9,852</b>	<b>(148)</b>	<b>11,874</b>	<b>(68)</b>	<b>21,726</b>	<b>(216)</b>
<b>Fixed Income, Temporarily Impaired</b>						
Mutual funds	193,763	(4,215)	284,189	(6,566)	477,952	(10,781)
<b>Total Investments, Temporarily Impaired</b>	<b>\$ 203,615</b>	<b>\$ (4,363)</b>	<b>\$ 296,063</b>	<b>\$ (6,634)</b>	<b>\$ 499,678</b>	<b>\$ (10,997)</b>
	2020					
<b>Equities, Temporarily Impaired</b>						
Exchange traded funds	\$ 246,849	\$ (64,008)	\$ -	\$ -	\$ 246,849	\$ (64,008)
Mutual funds - domestic	490,245	(75,572)	48,372	(15,589)	538,617	(91,161)
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>

# National Association of Watch and Clock Collectors, Inc.

## Notes to Financial Statements

March 31, 2021 and 2020

### 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:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,086,568	\$ -	\$ 1,086,568
Donor-restricted endowment funds	-	1,391,718	1,391,718
	<u>\$ 1,086,568</u>	<u>\$ 1,391,718</u>	<u>\$ 2,478,286</u>



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

Notes to Financial Statements

March 31, 2021 and 2020

**Note 12 - Endowment (continued)**

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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>

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

	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment Net Assets at Beginning of Year</b>	<b>\$ 762,868</b>	<b>\$ 1,392,134</b>	<b>\$ 2,155,002</b>
Investment return			
Interest and dividends	68,509	-	68,509
Net gains (realized and unrealized)	517,514	-	517,514
Contributions	-	21,846	21,846
Change in value of promises to give	-	(22,262)	(22,262)
Disbursements	(251,388)	-	(251,388)
Fees	(10,935)	-	(10,935)
<b>Endowment Net Asset at End of Year</b>	<b><u>\$ 1,086,568</u></b>	<b><u>\$ 1,391,718</u></b>	<b><u>\$ 2,478,286</u></b>

	<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><u>\$ 762,868</u></b>	<b><u>\$ 1,392,134</u></b>	<b><u>\$ 2,155,002</u></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, 2021 and 2020.

**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, 2021 and 2020

#### Note 14 - Property and Equipment

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

	<u>2021</u>	<u>2020</u>
Building and improvements	\$ 9,785,809	\$ 9,436,733
Museum equipment	732,121	730,446
Office furniture and equipment	528,291	518,206
School equipment	293,453	318,850
* Land	53,800	53,800
* Construction in progress	26,489	36,834
	<u>11,419,963</u>	<u>11,094,869</u>
Accumulated depreciation	<u>(7,248,806)</u>	<u>(7,057,340)</u>
	<u>\$ 4,171,157</u>	<u>\$ 4,037,529</u>

\* Not depreciated

Depreciation expense amounted to \$313,176 and \$282,681 for the years ended March 31, 2021 and 2020, 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, 2021 and 2020. 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 - Notes Payable

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 (refer to Note 23). 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 was forgivable if the NAWCC met certain criteria as established under the Program. The loan was unsecured and did not require personal guarantees.

**Note 16 - Notes Payable (continued)**

The interest rate on the loan was at 1.00%. Based on the original terms of the loan agreement, the loan was to accrue interest for the first six months following the date of the loan and thereafter would convert to monthly payments of principal and interest beginning December 3, 2020. The Paycheck Protection Program Flexibility Act of 2020 extended the deferral period for borrower payments of principal, interest, and fees on the loan to the date that the Small Business Administration (SBA) remits the loan forgiveness amount, or if loan forgiveness was not requested, ten months after the end of the loan forgiveness covered period, which generally begins on the date the loan proceeds were received. Monthly payments of principal and interest would thereafter be recalculated by the lender to fully amortize any outstanding amounts remaining after forgiveness over the remaining term of the loan. The loan had a maturity date of May 3, 2022. During the year ended March 31, 2021, the NAWCC received full forgiveness of the loan.

On January 6, 2021, the SBA and the U.S. Department of the Treasury released interim final rules related to the expansion and extension of the Program that was enacted on March 27, 2020 by the CARES Act. The NAWCC applied for a second loan under this Program and received a loan in the amount of \$150,000 on February 1, 2021. The NAWCC will seek loan forgiveness in accordance with the Program. No payments are due on this loan until ten months after the end of the covered period of up to twenty-four weeks after loan disbursement. At the end of the deferment period, the NAWCC will be required to make monthly principal and interest payments. Any of the loan amount not forgiven under the Program is expected to be due February 1, 2026. The loan bears interest at a fixed rate of 1.00%. The loan is unsecured and does not require personal guarantees. On September 16, 2021, the NAWCC was notified that the full amount of the loan was forgiven.

**Note 17 - 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, 2021 and 2020, retirement expense amounted to \$7,603 and \$17,676, respectively.

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

### Notes to Financial Statements

March 31, 2021 and 2020

#### Note 18 - 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 19 - Commitments

The NAWCC leases office equipment under various operating leases. Total lease expense for the years ended March 31, 2021 and 2020 amounted to \$21,341 and \$15,500, respectively.

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

2022	\$	14,056
2023		14,056
2024		14,056
2025		11,713
		<hr/>
	\$	53,881
		<hr/> <hr/>

#### Note 20 - 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>2021</u>	<u>2020</u>
Undesignated	\$ 4,934,395	\$ 4,240,253
Board-designated for		
Endowment		
Museum and library endowment	626,844	630,035
Museum endowment	243,496	95,055
Library endowment	82,090	37,778
Education	77,546	-
General	56,592	-
Roof replacement	-	101,750
Heritage fund	-	26,156
Technology upgrades	-	31,215
	<hr/>	<hr/>
	\$ 6,020,963	\$ 5,162,242
	<hr/> <hr/>	<hr/> <hr/>

# National Association of Watch and Clock Collectors, Inc.

## Notes to Financial Statements

March 31, 2021 and 2020

### Note 21 - 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>2021</u>	<u>2020</u>
<b>Subject to the Passage of Time</b>		
Promises to give - operating	\$ 135,680	\$ 164,325
<b>Subject to Expenditure for Specific Purpose</b>		
Education		
Wilbur Pritchard Fund for Awards of Excellence in Watch Repair or Restoration	53,875	53,875
Dutton-Lindow Education Program	10,000	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	629
Watch and Clock Museum		
Dutton Strategic Transition Fund	206,599	-
Museum acquisitions	18,976	19,176
Computer upgrades	13,678	11,489
Museum and library fund	9,769	-
Ansonia clock rebuild	7,306	7,306
Museum education program	3,118	3,118
Four sided clock	3,000	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	1,250	1,264
McClintock clock 514 Poplar Street	1,146	1,146
James Bond exhibit	1,043	1,043
Research	802	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
Roof replacement	-	65,000
McClintock clock in Boulder, CO	-	4,867
Tower and Street clock exhibit	-	1,141
Clock and watch restoration	-	337
Eberman tower clock stand	-	123
Clock garden	-	100
General exhibits	-	25

# National Association of Watch and Clock Collectors, Inc.

## Notes to Financial Statements

March 31, 2021 and 2020

### Note 21 - Net Assets With Donor Restrictions (continued)

	2021	2020
<b>Subject to Expenditure for Specific Purpose (continued)</b>		
National		
Public Time Initiative	\$ 49,801	\$ 16,861
Capital projects	23,218	2,327
Symposium committee	22,658	21,533
Webinars education committee	9,102	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
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	500
Estate horological collection	375	375
National convention - youth programs	193	193
Waterproof Depollier lab test fee	75	75
MB:Forum 400-Day, ATMOS and Other Torsion	50	50
Human Faces in Time	-	200
Library and Research Center		
Acquisition of horological art items	7,115	805
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
Keystone microfilm	384	5,278
Library acquisitions	173	173
Publications Department		
Special publications	4,841	5,408
Mailing costs for Tower Talk Chapter 134 newsletter	9	9
<b>Perpetual in Nature</b>		
NAWCC endowment, including promises to give of \$11,754 and \$79,878, respectively	504,176	509,734
Museum endowment, including promises to give of \$16,420 and \$33,860, respectively	456,573	440,893
Education endowment, including promises to give of \$11,754 and \$28,729, respectively	297,388	309,282
Library and research center endowment, including promises to give of \$11,754 and \$21,848, respectively	133,581	132,225
	<b>\$ 2,045,550</b>	<b>\$ 1,872,569</b>

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

### Notes to Financial Statements

March 31, 2021 and 2020

#### Note 22 - 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>2021</u>	<u>2020</u>
Promises to give	<u>\$ 90,000</u>	<u>\$ 217,994</u>

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

	<u>2021</u>	<u>2020</u>
Contributions	\$ 286,401	\$ 257,775
Travel	7,572	28,864

#### Note 23 - 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.

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.

#### Note 24 - Reclassification

Certain information in the 2020 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2021 financial statements. There was no change to total changes in net assets or total net assets.

#### Note 25 - Subsequent Events

The NAWCC has evaluated subsequent events through February 11, 2022. This date is the date the financial statements were available to be issued. Except as disclosed in Note 16, no material events subsequent to March 31, 2021 were noted.



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

## Schedule of Program Activities

	Year Ended March 31, 2021		
	Membership and Operations	Museum, Library and Education	Totals
<b>Support and Revenue</b>			
Membership dues	\$ 773,930	\$ -	\$ 773,930
Contributions	201,716	382,851	584,567
Gain on sale of investments	108,577	-	108,577
Advertising income - Mart Publication	89,410	-	89,410
Investment income, net of fees	22,656	52,607	75,263
In-kind contributions	-	59,458	59,458
Miscellaneous income	22,260	1,515	23,775
Store sales	-	23,430	23,430
Advertising income - other	18,037	-	18,037
Grants	-	11,059	11,059
Rental income	6,119	-	6,119
Museum admissions	-	5,330	5,330
Tuition and registration fees	-	1,930	1,930
Traveling workshop income	900	-	900
National events	-	-	-
Special events, net of expenses of \$-0-	-	-	-
Special events sponsorship	-	-	-
Loss on disposal of property and equipment	(29)	-	(29)
Silent auction loss	-	(396)	(396)
	<u>1,243,576</u>	<u>537,784</u>	<u>1,781,360</u>
<b>Total Support and Revenue</b>			
	<u>1,243,576</u>	<u>537,784</u>	<u>1,781,360</u>
<b>Expenses</b>			
Salaries and wages	404,380	123,627	528,007
Depreciation	4,014	309,162	313,176
Professional fees	124,780	3,326	128,106
Employee benefits and payroll taxes	81,608	42,123	123,731
Supplies	20,919	17,069	37,988
Utilities and telephone	76,903	6,730	83,633
Bulletin printing	75,192	-	75,192
Equipment rental and maintenance	50,347	2,627	52,974
Donated clocks	-	51,000	51,000
Insurance	42,122	6,314	48,436
MART printing	47,078	-	47,078
Administrative fees	35,908	359	36,267
Repairs and maintenance	31,929	660	32,589
Other printing and postage	22,861	657	23,518
Travel and meals	7,554	3,766	11,320
Miscellaneous expense	10,891	-	10,891
Dues and subscriptions	6,952	3,519	10,471
Website costs	10,444	-	10,444
Exhibits and advertising	-	9,567	9,567
Cost of sales	-	3,428	3,428
Bank fees	976	898	1,874
Event expenses	-	665	665
Traveling workshop	500	-	500
Committees and conferences	-	-	-
Bad debt expense	-	-	-
	<u>1,055,358</u>	<u>585,497</u>	<u>1,640,855</u>
<b>Total Expenses</b>			
	<u>1,055,358</u>	<u>585,497</u>	<u>1,640,855</u>
<b>Excess (Deficiency) of Support and Revenue over Expenses</b>	188,218	(47,713)	140,505
<b>Change in Net Assets Related to Collection Items Not Capitalized</b>			
Museum collection items purchased, not capitalized	-	(5,108)	(5,108)
<b>Forgiveness of Notes Payable</b>	209,928	-	209,928
<b>Change in Value of Charitable Gift Annuities</b>	(5,365)	-	(5,365)
<b>Unrealized Holding Gains on Investments</b>	235,718	456,024	691,742
<b>Changes in Net Assets</b>	<u>\$ 628,499</u>	<u>\$ 403,203</u>	<u>\$ 1,031,702</u>

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

Schedule of Program Activities (continued)

	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
Gain on sale of investments	15,000	-	15,000
Advertising income - Mart Publication	99,880	-	99,880
Investment income, net of fees	(7,195)	101,090	93,895
In-kind contributions	-	38,446	38,446
Miscellaneous income	23,387	397	23,784
Store sales	-	47,216	47,216
Advertising income - other	18,484	-	18,484
Grants	-	11,294	11,294
Rental income	12,730	-	12,730
Museum admissions	-	46,426	46,426
Tuition and registration fees	-	32,815	32,815
Traveling workshop income	5,650	292	5,942
National events	272,444	-	272,444
Special events, net of expenses of \$6,692	1,077	4,166	5,243
Special events sponsorship	-	1,000	1,000
Loss on disposal of property and equipment	-	-	-
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
Professional fees	109,194	21,484	130,678
Employee benefits and payroll taxes	116,281	40,571	156,852
Supplies	14,803	42,329	57,132
Donated clocks	-	8,039	8,039
Utilities and telephone	78,178	3,985	82,163
Bulletin printing	98,228	-	98,228
Equipment rental and maintenance	50,305	5,434	55,739
Insurance	30,433	7,965	38,398
MART printing	26,613	-	26,613
Administrative fees	20,088	12,886	32,974
Repairs and maintenance	36,494	540	37,034
Other printing and postage	37,730	7,489	45,219
Travel and meals	34,285	2,423	36,708
Miscellaneous expense	20,007	969	20,976
Dues and subscriptions	11,600	6,254	17,854
Website costs	11,262	-	11,262
Exhibits and advertising	-	15,791	15,791
Cost of sales	-	22,390	22,390
Bank fees	-	-	-
Event expenses	-	704	704
Traveling workshop	1,000	-	1,000
Committees and conferences	198,708	-	198,708
Bad debt expense	8,923	-	8,923
<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>Forgiveness of Notes Payable</b>	-	-	-
<b>Change in Value of Charitable Gift Annuities</b>	(6,854)	-	(6,854)
<b>Unrealized Holding Losses on Investments</b>	(299,696)	-	(299,696)
<b>Changes in Net Assets</b>	<b>\$ 59,950</b>	<b>\$ (229,826)</b>	<b>\$ (169,876)</b>