



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

Financial Statements

March 31, 2023 and 2022



National Association of Watch and Clock Collectors, Inc.

Table of Contents

March 31, 2023 and 2022

	Page
INDEPENDENT AUDITOR'S REPORT	1 and 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4 and 5
Statement of Functional Expenses - by Natural Classification	6 and 7
Statement of Changes in Net Assets	8
Statement of Cash Flows	9
Notes to Financial Statements	10 to 31

Independent Auditor's Report

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

Opinion

We have audited the financial statements of National Association of Watch and Clock Collectors, Inc. (the NAWCC), which comprise the statement of financial position as of March 31, 2023 and 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the NAWCC as of March 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the NAWCC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the NAWCC's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 NAWCC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the NAWCC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RKL LLP

July 13, 2023
York, Pennsylvania

National Association of Watch and Clock Collectors, Inc.

Statement of Financial Position

	March 31,	
	2023	2022
Assets		
Current Assets		
Cash	\$ 375,256	\$ 320,960
Accounts receivable	30,444	41,266
Promises to give	26,500	24,700
Store inventory	70,012	75,963
Prepaid expenses	105,050	109,004
Total Current Assets	607,262	571,893
Property and Equipment, Net	3,729,670	3,956,021
Other Assets		
Investments	3,473,598	3,763,861
Promises to give, net	89,386	110,898
Right-of-use asset - operating leases	25,362	-
Total Other Assets	3,588,346	3,874,759
Total Assets	\$ 7,925,278	\$ 8,402,673
Liabilities and Net Assets		
Current Liabilities		
Current portion of charitable gift annuity obligation	\$ 15,800	\$ 16,290
Current portion of obligation under operating leases	13,405	-
Accounts payable	67,598	42,093
Accrued payroll and vacation	23,056	22,188
Payroll liabilities	98	1,911
Deferred revenue	140,547	116,303
Total Current Liabilities	260,504	198,785
Other Liabilities		
Charitable gift annuity obligation, net	122,632	133,181
Obligation under operating leases	11,957	-
Total Other Liabilities	134,589	133,181
Total Liabilities	395,093	331,966
Net Assets		
Without donor restrictions	5,580,348	6,150,380
With donor restrictions	1,949,837	1,920,327
Total Net Assets	7,530,185	8,070,707
Total Liabilities and Net Assets	\$ 7,925,278	\$ 8,402,673

See accompanying notes.

National Association of Watch and Clock Collectors, Inc.

Statement of Activities

	Year Ended March 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Totals
Support and Revenue			
Membership dues	\$ 820,149	\$ -	\$ 820,149
Contributions	275,282	60,263	335,545
National events	172,207	-	172,207
Advertising income	101,868	-	101,868
Investment income, net of fees	70,834	-	70,834
In-kind contributions	55,249	10,410	65,659
Store sales	49,285	-	49,285
Tuition and registration fees	46,191	-	46,191
Magazine income	43,261	-	43,261
Museum admissions	40,664	-	40,664
Rental income	13,984	-	13,984
Miscellaneous income	11,153	-	11,153
Net assets released from restrictions	41,163	(41,163)	-
Grants	-	-	-
Loss on sale of investments	(250,257)	-	(250,257)
Total Support and Revenue	1,491,033	29,510	1,520,543
Expenses			
Program and related services	1,360,571	-	1,360,571
Supporting services			
Management and general	570,579	-	570,579
Fundraising	86,571	-	86,571
Total Supporting Services	657,150	-	657,150
Total Expenses	2,017,721	-	2,017,721
Excess (Deficiency) of Support and Revenue over Expenses	(526,688)	29,510	(497,178)
Change in Net Assets Related to Collection Items Not Capitalized			
Museum collection items purchased, not capitalized	(740)	-	(740)
Forgiveness of Notes Payable	-	-	-
Change in Value of Charitable Gift Annuities	(5,128)	-	(5,128)
Unrealized Holding Losses on Investments	(37,476)	-	(37,476)
Changes in Net Assets	\$ (570,032)	\$ 29,510	\$ (540,522)

See accompanying notes.

National Association of Watch and Clock Collectors, Inc.

Statement of Activities (continued)

	Year Ended March 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Totals
Support and Revenue			
Membership dues	\$ 852,768	\$ -	\$ 852,768
Contributions	336,590	132,331	468,921
National events	181,028	-	181,028
Advertising income	137,634	-	137,634
Investment income, net of fees	118,599	-	118,599
In-kind contributions	20,711	-	20,711
Store sales	45,145	-	45,145
Tuition and registration fees	22,822	-	22,822
Magazine income	47,064	-	47,064
Museum admissions	40,382	-	40,382
Rental income	12,000	-	12,000
Miscellaneous income	4,225	-	4,225
Net assets released from restrictions	257,554	(257,554)	-
Grants	23,570	-	23,570
Gain on sale of investments	6,501	-	6,501
Total Support and Revenue	2,106,593	(125,223)	1,981,370
Expenses			
Program and related services	1,393,684	-	1,393,684
Supporting services			
Management and general	576,709	-	576,709
Fundraising	107,775	-	107,775
Total Supporting Services	684,484	-	684,484
Total Expenses	2,078,168	-	2,078,168
Excess (Deficiency) of Support and Revenue over Expenses	28,425	(125,223)	(96,798)
Change in Net Assets Related to Collection Items Not Capitalized			
Museum collection items purchased, not capitalized	(449)	-	(449)
Forgiveness of Notes Payable	150,000	-	150,000
Change in Value of Charitable Gift Annuities	(11,407)	-	(11,407)
Unrealized Holding Losses on Investments	(37,152)	-	(37,152)
Changes in Net Assets	\$ 129,417	\$ (125,223)	\$ 4,194

See accompanying notes.

National Association of Watch and Clock Collectors, Inc.

Statement of Functional Expenses - by Natural Classification

	Year Ended March 31, 2023			
	Program and Related Services	Supporting Services		Totals
		Management and General	Fundraising	
Salaries and wages	\$ 325,066	\$ 200,457	\$ 61,642	\$ 587,165
Depreciation	306,318	3,978	-	310,296
Professional fees	37,072	174,473	2,377	213,922
Utilities and telephone	95,283	28,954	1,445	125,682
Committees and conferences	116,305	-	-	116,305
Employee benefits and payroll taxes	72,778	27,773	10,785	111,336
Bulletin printing	86,489	-	-	86,489
Repairs and maintenance	51,234	14,460	806	66,500
Insurance	9,419	32,591	-	42,010
Website costs	127	41,736	-	41,863
MART printing	38,149	-	-	38,149
Publishing expense	37,113	-	-	37,113
Cost of sales	32,355	-	-	32,355
Travel and meals	17,549	14,703	82	32,334
Supplies	26,901	5,078	107	32,086
Bank fees	23,386	8,098	-	31,484
Donated books	24,494	-	-	24,494
Other printing and postage	21,269	1,116	675	23,060
Equipment rental and maintenance	15,339	2,045	366	17,750
Exhibits and advertising	8,278	890	7,325	16,493
Dues and subscriptions	3,410	10,177	825	14,412
Miscellaneous expense	6,567	3,967	136	10,670
Donated clocks	5,670	-	-	5,670
Administrative fees	-	83	-	83
	<u>\$ 1,360,571</u>	<u>\$ 570,579</u>	<u>\$ 86,571</u>	<u>\$ 2,017,721</u>

National Association of Watch and Clock Collectors, Inc.

Statement of Functional Expenses - by Natural Classification (continued)

	Year Ended March 31, 2022			
		Supporting Services		
	Program and Related Services	Management and General	Fundraising	Totals
Salaries and wages	\$ 345,216	\$ 148,486	\$ 26,286	\$ 519,988
Depreciation	325,120	4,221	-	329,341
Professional fees	21,032	258,781	68,732	348,545
Utilities and telephone	84,220	26,626	1,288	112,134
Committees and conferences	123,539	-	-	123,539
Employee benefits and payroll taxes	90,149	22,592	7,025	119,766
Bulletin printing	74,793	-	-	74,793
Repairs and maintenance	71,972	21,635	1,196	94,803
Insurance	6,828	17,788	-	24,616
Website costs	42	33,201	-	33,243
MART printing	45,470	-	-	45,470
Publishing expense	37,846	-	-	37,846
Cost of sales	20,274	-	-	20,274
Travel and meals	6,182	6,200	-	12,382
Supplies	20,789	4,630	177	25,596
Bank fees	23,923	5,926	-	29,849
Donated books	-	-	-	-
Other printing and postage	22,737	3,828	1,163	27,728
Equipment rental and maintenance	13,637	2,791	124	16,552
Exhibits and advertising	26,418	1,441	275	28,134
Dues and subscriptions	4,906	11,251	1,509	17,666
Miscellaneous expense	5,645	7,018	-	12,663
Donated clocks	22,870	-	-	22,870
Administrative fees	76	294	-	370
	<u>\$ 1,393,684</u>	<u>\$ 576,709</u>	<u>\$ 107,775</u>	<u>\$ 2,078,168</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>
Net Assets at March 31, 2021	\$ 6,020,963	\$ 2,045,550	\$ 8,066,513
Changes in net assets	<u>129,417</u>	<u>(125,223)</u>	<u>4,194</u>
Net Assets at March 31, 2022	6,150,380	1,920,327	8,070,707
Changes in net assets	<u>(570,032)</u>	<u>29,510</u>	<u>(540,522)</u>
Net Assets at March 31, 2023	<u>\$ 5,580,348</u>	<u>\$ 1,949,837</u>	<u>\$ 7,530,185</u>

National Association of Watch and Clock Collectors, Inc.

Statement of Cash Flows

	Years Ended March 31,	
	2023	2022
Cash Flows from Operating Activities		
Changes in net assets	\$ (540,522)	\$ 4,194
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	310,296	329,341
Restricted contributions - endowment	(41,359)	(21,420)
Restricted contributions - capital	(780)	(1,095)
Forgiveness of notes payable	-	(150,000)
In-kind contributions - donated securities	(21,115)	-
(Gain) loss on sale of investments	250,257	(6,501)
Unrealized holding losses on investments	37,476	37,152
Change in unamortized discount	(4,147)	1,914
Purchase of collection items	740	449
Proceeds from donated securities - operating	31,254	-
Amortization of right-of-use asset - operating leases included in equipment rental and maintenance	12,904	-
(Increase) decrease in assets		
Accounts receivable	10,822	(9,344)
Promises to give	12,700	(1,550)
Store inventory	5,951	(5,121)
Prepaid expenses	3,954	(30,236)
Increase (decrease) in liabilities		
Accounts payable	10,655	16,595
Accrued payroll and vacation	868	(7,793)
Payroll liabilities	(1,813)	(2,771)
Deferred revenue	24,244	25,902
Charitable gift annuity obligation	(11,039)	(4,883)
Obligation under operating leases	(12,904)	-
Net Cash Provided by Operating Activities	78,442	174,833
Cash Flows from Investing Activities		
Capital expenditures	(69,095)	(114,205)
Purchase of collection items	(740)	(449)
Purchase of investments	(134,499)	(227,244)
Proceeds from sale of investments	137,029	106,905
Net Cash Used in Investing Activities	(67,305)	(234,993)
Cash Flows from Financing Activities		
Restricted contributions - endowment	42,379	72,820
Restricted contributions - capital	780	1,095
Net Cash Provided by Financing Activities	43,159	73,915
Net Increase in Cash	54,296	13,755
Cash at Beginning of Year	320,960	307,205
Cash at End of Year	\$ 375,256	\$ 320,960

Supplementary Schedule of Noncash Investing and Financing Activities

In 2023

Investments of \$10,139 were received as payments on promises to give.

Accounts payable includes \$14,850 of capital expenditures.

A right-of-use asset - operating leases and operating lease liability of \$38,266 was recorded in conjunction with the adoption of Accounting Standards Codification (ASC) Topic 842, *Leases*.

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2023 and 2022

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, 2023 and 2022, 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 (U.S. GAAP) 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 2023 or 2022.

Note 2 - Summary of Significant Accounting Policies (continued)

Right-of-Use Assets and Lease Liabilities

The NAWCC records leases in accordance with Topic 842, *Leases*, as of April 1, 2022, which recognizes most leases on the statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis.

The NAWCC elected the "package of practical expedients" under the transition guidance within Topic 842, in which the NAWCC does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases.

The NAWCC determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the NAWCC obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The NAWCC also considers whether its service arrangements include the right to control the use of an asset.

The NAWCC made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of twelve months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or April 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the NAWCC made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the NAWCC's operating leases of \$38,266 at April 1, 2022. The adoption of the new lease standard did not materially impact change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Collections

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

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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.

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies (continued)

Donated or Contributed Investments, Services, or Materials

Donated or contributed investments, services, or materials meeting the criteria for recognition, are reflected in the financial statements as in-kind contributions at their estimated value on the date of receipt. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of goods and services received for special event auctions are valued at the realized sales price. Contributions of other tangible assets are recognized at the fair value when received.

Advertising Costs

The NAWCC expenses advertising and marketing costs as incurred. For the years ended March 31, 2023 and 2022, advertising expenses amounted to \$16,493 and \$28,134, respectively.

Change in Accounting Principles

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure to key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. The new standards are effective for fiscal years beginning after December 15, 2021. During the year ended March 31, 2023, the NAWCC implemented the provisions of the relevant standards (refer to Note 18).

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires 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 requires 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. During the year ended March 31, 2023, the NAWCC implemented the provisions of this standard (refer to Note 6).

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.

Note 3 - Tax Exempt Status (continued)

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 2020.

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 tables 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, 2023 and 2022

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, 2023			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 288,230	\$ 288,230	\$ -	\$ -
Equities				
Exchange traded funds	1,565,614	1,565,614	-	-
Mutual funds - international	487,150	487,150	-	-
Mutual funds - domestic	104,467	104,467	-	-
	<u>2,157,231</u>	<u>2,157,231</u>	<u>-</u>	<u>-</u>
Fixed Income				
Mutual funds	948,040	948,040	-	-
Exchange traded funds	80,097	80,097	-	-
	<u>1,028,137</u>	<u>1,028,137</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,473,598</u>	<u>\$ 3,473,598</u>	<u>\$ -</u>	<u>\$ -</u>
	Fair Value Measurements at March 31, 2022			
Cash and Cash Equivalents	\$ 321,234	\$ 321,234	\$ -	\$ -
Equities				
Exchange traded funds	1,198,631	1,198,631	-	-
Mutual funds - international	480,690	480,690	-	-
Mutual funds - domestic	715,526	715,526	-	-
	<u>2,394,847</u>	<u>2,394,847</u>	<u>-</u>	<u>-</u>
Fixed Income				
Mutual funds	896,610	896,610	-	-
Exchange traded funds	151,170	151,170	-	-
	<u>1,047,780</u>	<u>1,047,780</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,763,861</u>	<u>\$ 3,763,861</u>	<u>\$ -</u>	<u>\$ -</u>

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2023 and 2022

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.

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, 2023 and 2022, 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>2023</u>	<u>2022</u>
Financial Assets		
Cash	\$ 375,256	\$ 320,960
Accounts receivable	30,444	41,266
Promises to give, net - current portion	26,500	24,700
Investments	3,473,598	3,763,861
Estimated endowment spending-rate distributions and appropriations	96,400	100,000
Total Financial Assets	<u>4,002,198</u>	<u>4,250,787</u>
Amounts Not Available to be Used for General Expenditures Within One Year		
Cash and investments subject to donor restrictions	(1,833,951)	(1,784,729)
Promises to give subject to donor restrictions, current portion	(1,000)	(1,000)
Board-designated investments for Endowment	(932,825)	(1,087,246)
Heritage fund	-	(9,791)
Total Amounts Not Available to be Used for General Expenditures Within One Year	<u>(2,767,776)</u>	<u>(2,882,766)</u>
Financial Assets Available to be Used for General Expenditures Within One Year	<u>\$ 1,234,422</u>	<u>\$ 1,368,021</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.

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2023 and 2022

Note 5 - Liquidity and Availability (continued)

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

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

	<u>2023</u>	<u>2022</u>
Donated books	\$ 24,494	\$ -
Investments - donated securities	21,115	-
Travel	10,758	2,245
Donated clocks	5,670	-
Supplies	3,622	3,282
Advertising	-	13,500
Professional fees	-	1,040
Utilities	-	644
	<u>\$ 65,659</u>	<u>\$ 20,711</u>

Donated books and supplies are goods and services donated to the NAWCC for general program use. This support is valued at the estimated fair value in the financial statements based on current costs for similar services and products.

Investment securities are valued at market value on the date contributed. Fair value was based on quoted market prices for the identical securities. It is the NAWCC's policy to sell contributed securities immediately upon receipt. If there are any associated donor restrictions, the proceeds from the sale of the securities are included with net assets with donor restrictions until spent. Of the donated securities, \$16,410 was received with donor restrictions, of which \$10,410 remains unspent as of March 31, 2023.

Travel includes costs donated that are associated with board member travel expenses for NAWCC business. This support is valued at actual cost of expense.

Donated clocks include various clocks and watches that are donated to the NAWCC for use in programs. They are valued at the estimated fair value in the financial statements based on current costs for similar products or based on appraisals obtained by the donor.

Contributed advertising includes three donated billboards for program and organization awareness. This support is reported at the estimated fair value in the financial statements based on current rates for similar services.

Contributed professional fees includes accounting services for administrative operations of the NAWCC. Contributed utilities includes services provided for trash. Contributed accounting services and utilities are reported at the estimated fair value in the financial statements based on current rates for similar services.

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2023 and 2022

Note 6 - In-Kind Contributions (continued)

There are no associated donor restrictions related to in-kind contributions received during the years ended March 31, 2023 and 2022, except as noted above for investments - donated securities.

During the years ended March 31, 2023 and 2022, 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.

Note 7 - Concentration of Cash Risk

At times during the years ended March 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Insurance	\$ 44,771	\$ 54,940
Website costs	24,271	29,308
National convention	14,100	4,501
Repairs and maintenance	6,972	-
Printing, publications not yet issued	5,117	3,362
Dues and subscriptions	3,515	-
Other	2,613	3,784
Equipment rental and maintenance	2,354	6,489
Symposium event	1,000	6,620
Professional fees	337	-
	<u>\$ 105,050</u>	<u>\$ 109,004</u>

Note 9 - Promises to Give

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

Promises to give - operating represent funds raised to support operations of the NAWCC. Promises to give - operating received during the years ended March 31, 2023 and prior that are expected to be collected in more than one year are discounted to present value using risk-adjusted rates of return ranging from 3% to 4.71%.

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2023 and 2022

Note 9 - Promises to Give (continued)

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

	<u>2023</u>	<u>2022</u>
Operating	\$ 122,859	\$ 145,698
For All Time - endowment	<u>2,980</u>	<u>4,000</u>
	125,839	149,698
Unamortized discount	<u>(9,953)</u>	<u>(14,100)</u>
	<u>\$ 115,886</u>	<u>\$ 135,598</u>
Current portion	\$ 26,500	\$ 24,700
Noncurrent portion	<u>89,386</u>	<u>110,898</u>
	<u>\$ 115,886</u>	<u>\$ 135,598</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:

2024	\$ 26,500
2025	26,500
2026	26,480
2027	14,998
2028	13,500
Thereafter	<u>17,861</u>
	<u>\$ 125,839</u>

Note 10 - Store Inventory

Store inventory consists of the following as of March 31:

	<u>2023</u>	<u>2022</u>
Books	\$ 35,424	\$ 39,054
Clothing	14,309	12,336
Giftware	6,056	6,287
Stationary	4,824	5,361
Clocks and watches	3,572	4,372
Tools	3,458	4,412
Toys	1,644	2,969
Jewelry	720	1,075
Food	<u>5</u>	<u>97</u>
	<u>\$ 70,012</u>	<u>\$ 75,963</u>

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2023 and 2022

Note 11 - Investments

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

	2023			
	Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Cash and Cash Equivalents	\$ 288,230	\$ -	\$ -	\$ 288,230
Equities				
Exchange traded funds	1,299,993	265,677	(56)	1,565,614
Mutual funds - international	467,319	29,123	(9,292)	487,150
Mutual funds - domestic	107,894	893	(4,320)	104,467
Total Equities	1,875,206	295,693	(13,668)	2,157,231
Fixed Income				
Mutual funds	970,771	12,669	(35,400)	948,040
Exchange traded funds	79,938	159	-	80,097
Total Fixed Income	1,050,709	12,828	(35,400)	1,028,137
Total Investments	\$ 3,214,145	\$ 308,521	\$ (49,068)	\$ 3,473,598
	2022			
Cash and Cash Equivalents	\$ 321,234	\$ -	\$ -	\$ 321,234
Equities				
Exchange traded funds	812,928	385,703	-	1,198,631
Mutual funds - international	424,096	57,035	(441)	480,690
Mutual funds - domestic	531,123	186,009	(1,606)	715,526
Total Equities	1,768,147	628,747	(2,047)	2,394,847
Fixed Income				
Mutual funds	957,140	560	(61,090)	896,610
Exchange traded funds	156,128	-	(4,958)	151,170
Total Fixed Income	1,113,268	560	(66,048)	1,047,780
Total Investments	\$ 3,202,649	\$ 629,307	\$ (68,095)	\$ 3,763,861

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2023 and 2022

Note 11 - Investments (continued)

Investments held as of March 31, 2023 and 2022 are comprised of investments in cash and cash equivalents, and debt and equity securities. As of March 31, 2023 and 2022, the NAWCC has recorded unrealized holding losses on eighteen and twenty-five 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:

	2023					
	Less than Twelve Months		Twelve Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equities, Temporarily Impaired						
Exchange traded funds	\$ 8,202	\$ (56)	\$ -	\$ -	\$ 8,202	\$ (56)
Mutual funds - international	148,904	(6,889)	24,884	(2,403)	173,788	(9,292)
Mutual funds - domestic	82,543	(4,320)	-	-	82,543	(4,320)
Total Equities, Temporarily Impaired	239,649	(11,265)	24,884	(2,403)	264,533	(13,668)
Fixed Income, Temporarily Impaired						
Mutual funds	150,324	(1,477)	402,846	(33,923)	553,170	(35,400)
Total Investments, Temporarily Impaired	\$ 389,973	\$ (12,742)	\$ 427,730	\$ (36,326)	\$ 817,703	\$ (49,068)
	2022					
Equities, Temporarily Impaired						
Mutual funds - international	\$ 33,304	\$ (441)	\$ -	\$ -	\$ 33,304	\$ (441)
Mutual funds - domestic	-	-	8,394	(1,606)	8,394	(1,606)
Total Equities, Temporarily Impaired	33,304	(441)	8,394	(1,606)	41,698	(2,047)
Fixed Income, Temporarily Impaired						
Mutual funds	549,545	(23,197)	301,268	(37,893)	850,813	(61,090)
Exchange traded funds	151,170	(4,958)	-	-	151,170	(4,958)
Total Fixed Income, Temporarily Impaired	700,715	(28,155)	301,268	(37,893)	1,001,983	(66,048)
Total Investments, Temporarily Impaired	\$ 734,019	\$ (28,596)	\$ 309,662	\$ (39,499)	\$ 1,043,681	\$ (68,095)

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2023 and 2022

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 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:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 932,825	\$ -	\$ 932,825
Donor-restricted endowment funds	-	1,457,082	1,457,082
	<u>\$ 932,825</u>	<u>\$ 1,457,082</u>	<u>\$ 2,389,907</u>

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2023 and 2022

Note 12 - Endowment (continued)

Interpretation of Relevant Law (continued)

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,087,246	\$ -	\$ 1,087,246
Donor-restricted endowment funds	-	1,416,643	1,416,643
	<u>\$ 1,087,246</u>	<u>\$ 1,416,643</u>	<u>\$ 2,503,889</u>

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets at Beginning of Year	\$ 1,087,246	\$ 1,416,643	\$ 2,503,889
Investment return			
Interest and dividends	63,145	-	63,145
Net losses (realized and unrealized)	(203,213)	-	(203,213)
Contributions	3,736	41,359	45,095
Change in value of promises to give	-	(920)	(920)
Disbursements	(6,139)	-	(6,139)
Fees	(11,950)	-	(11,950)
Endowment Net Assets at End of Year	<u>\$ 932,825</u>	<u>\$ 1,457,082</u>	<u>\$ 2,389,907</u>

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets at Beginning of Year	\$ 1,086,568	\$ 1,391,718	\$ 2,478,286
Investment return			
Interest and dividends	96,379	-	96,379
Net losses (realized and unrealized)	(27,587)	-	(27,587)
Contributions	19,223	21,420	40,643
Change in value of promises to give	-	3,505	3,505
Disbursements	(77,135)	-	(77,135)
Fees	(10,202)	-	(10,202)
Endowment Net Assets at End of Year	<u>\$ 1,087,246</u>	<u>\$ 1,416,643</u>	<u>\$ 2,503,889</u>

Note 12 - Endowment (continued)

Funds with Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the relevant state law requires NAWCC to retain as a fund of perpetual duration. The relevant state law has no requirement to restore donor-restricted fund deficiencies and accounting standards provide that the generally accepted rule of reporting such deficiencies as net assets without donor restrictions should be applied only in the absence 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, 2023 and 2022.

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, 2023 and 2022

Note 14 - Property and Equipment

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

	<u>2023</u>	<u>2022</u>
Building and improvements	\$ 9,965,878	\$ 9,912,783
Museum equipment	732,121	732,121
Office furniture and equipment	526,583	538,361
School equipment	293,453	293,453
* Land	53,800	53,800
* Construction in progress	29,700	3,650
	<u>11,601,535</u>	<u>11,534,168</u>
Accumulated depreciation	<u>(7,871,865)</u>	<u>(7,578,147)</u>
	<u>\$ 3,729,670</u>	<u>\$ 3,956,021</u>

* Not depreciated

Depreciation expense amounted to \$310,296 and \$329,341 for the years ended March 31, 2023 and 2022, 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, 2023 and 2022. 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 a 3% matching contribution. For the years ended March 31, 2023 and 2022, retirement expense amounted to \$2,779 and \$5,061, respectively.

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 expired December 31, 2022. Effective January 1, 2023, the NAWCC posted a surety bond in the amount of \$1,900, which expires December 31, 2026.

Note 18 - Leases

The NAWCC adopted Topic 842 on April 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the NAWCC has applied Topic 842 to reporting periods beginning on April 1, 2022, while prior periods continue to be reported and disclosed in accordance with the NAWCC's historical accounting treatment under ASC Topic 840, *Leases*.

The NAWCC leases office equipment under multiple operating lease agreements with initial terms ranging from 60 to 63 months. The options to extend or terminate a lease are included in the lease terms only if applicable and when it is reasonably certain that the NAWCC will exercise that option. The NAWCC's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. The NAWCC does not have any finance leases.

The total operating lease cost for the NAWCC for the year ended March 31, 2023 was \$14,094.

Total rent expense for the year ended March 31, 2022 was \$11,928.

Weighted-Average Remaining Lease Term

Operating leases

2.09 Years

Weighted-Average Discount Rate

Operating leases

2.61%

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2023 and 2022

Note 18 - Leases (continued)

Future undiscounted cash flows for each of the remaining two years and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows as of March 31, 2023:

	<u>Operating Leases</u>
2024	\$ 14,094
2025	<u>11,745</u>
Total Lease Payments	25,839
Imputed interest	<u>(477)</u>
Total Present Value of Lease Liabilities	<u>\$ 25,362</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>2023</u>	<u>2022</u>
Undesignated	\$ 4,647,523	\$ 5,053,343
Board-designated for		
Endowment		
Museum and library endowment	540,805	584,426
Museum endowment	217,639	259,884
Library endowment	74,084	87,110
Education	63,806	86,361
General	36,491	69,465
Heritage fund	-	<u>9,791</u>
	<u>\$ 5,580,348</u>	<u>\$ 6,150,380</u>

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2023 and 2022

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>2023</u>	<u>2022</u>
Subject to the Passage of Time		
Promises to give - operating	\$ 113,019	\$ 131,811
Subject to Expenditure for Specific Purpose		
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
Horological Workbook J L Gropengiesser	1,519	1,519
Anthony Montefusco Memorial Scholarship	675	675
Midwest Regional Scholarship	629	629
Education General	-	3,167
Watch and Clock Museum		
Dutton Strategic Transition Fund	100,660	106,260
Museum acquisitions	18,976	18,976
Strike and Chiming Clock Mechanisms Course	10,410	-
Museum and library fund	9,769	9,769
Ansonia clock rebuild	7,606	7,306
Museum education program	3,118	3,118
Carriage Clock Chapter Exhibit	2,000	-
Wristwatch acquisitions	1,800	1,800
Museum education outreach	1,734	1,734
Museum public programs	1,669	1,669
Time Explorer's workshop	1,449	1,449
Engle clock restoration	1,250	1,250
James Bond exhibit	1,043	1,043
iMIS customization for convention	993	2,344
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

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2023 and 2022

Note 20 - Net Assets With Donor Restrictions (continued)

	2023	2022
Subject to Expenditure for Specific Purpose (continued)		
National		
Public Time Initiative	\$ 50,301	\$ 50,301
Symposium committee	23,858	23,858
Webinars education committee	9,102	9,102
Traveling workshop	8,428	8,428
Facilities projects	6,500	6,500
Buckeye Chapter 23 education	4,000	4,000
Crystal fund - unidentified use	3,858	6,407
Regional computer system	3,481	3,481
Small building improvements	2,091	2,091
Zspace project	2,037	2,037
Regional registration program	1,000	1,000
Pocket Watch webinar	1,000	1,000
Collect Fond Memories	580	580
Estate horological collection	375	375
Capital projects	260	792
National convention - youth programs	193	193
LED light project	-	819
Free Student Memberships	-	600
Library and Research Center		
Hamilton Film scan project	9,771	-
Acquisition of horological art items	7,115	7,115
Seth Thomas collection book rebinding	2,423	2,423
Hamilton Watch Company records	2,277	2,277
French horology journal	2,200	2,200
Binding	813	813
Keystone microfilm	384	384
Library acquisitions	173	173
Publications Department		
Special publications	4,841	4,841
Perpetual in Nature		
NAWCC endowment	541,931	513,222
Museum endowment, including promises to give of \$2,867 and \$3,787, respectively	471,590	466,640
Education endowment	306,014	301,884
Library and research center endowment	137,547	134,897
	<u>\$ 1,949,837</u>	<u>\$ 1,920,327</u>

National Association of Watch and Clock Collectors, Inc.

Notes to Financial Statements

March 31, 2023 and 2022

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>2023</u>	<u>2022</u>
Promises to give	<u>\$ 31,500</u>	<u>\$ 29,000</u>

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

	<u>2023</u>	<u>2022</u>
Revenue		
Contributions	\$ 13,697	\$ 82,881
Expenses		
Travel	9,951	5,068
Other	2,696	2,600
Inventory purchases	1,425	4,248
Convention	190	1,236
Professional fees	-	22,500

Note 22 - Reclassification

Certain information in the 2022 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2023 financial statements. There was no change to total changes in net assets or total net assets.

Note 23 - Subsequent Events

The NAWCC has evaluated subsequent events through July 13, 2023. This date is the date the financial statements were available to be issued. No material events subsequent to March 31, 2023 were noted.