

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

Financial Statements

Years Ended March 31, 2011 and 2010

NATIONAL ASSOCIATION OF WATCH
AND CLOCK COLLECTORS, INC.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of the NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC. (a non-profit corporation) as of March 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the March 31, 2011 and 2010 financial statements referred to above present fairly, in all material respects, the financial position of the National Association of Watch and Clock Collectors, Inc., as of March 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

June 1, 2011


ROSS BUEHLER FALK & COMPANY, LLP

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
<u>CURRENT</u>		
Cash and cash equivalents	\$ 924,357	\$ 115,009
Gift shop inventory	21,541	34,213
Accrued interest receivable	1,386	1,615
Receivable - other	73,413	42,369
Pledge receivables	11,516	9,742
Prepaid and deferred expenses	115,940	128,072
	<u>1,148,153</u>	<u>331,020</u>
Total Current Assets		
<u>OTHER ASSETS</u>		
Cash and cash equivalents held for endowment	230,515	69,610
Cash and cash equivalents restricted for other long-term purposes	44,111	2,891
Scholarship fund investments	31,471	29,037
Investments held for endowment	184,596	335,501
Other investments	837,561	1,464,441
Pledge receivables, net current portion	9,959	19,001
Gift shop inventory, net current portion	36,212	43,219
	<u>1,374,425</u>	<u>1,963,700</u>
Total Other Assets		
<u>PROPERTY AND EQUIPMENT</u>		
Land	53,800	53,800
Building and improvements	9,024,186	9,018,186
Office furniture and equipment	536,471	543,663
Museum equipment	631,120	635,841
School equipment	351,954	351,111
	<u>10,597,531</u>	<u>10,602,601</u>
Less: accumulated depreciation	<u>(4,866,295)</u>	<u>(4,598,419)</u>
	<u>5,731,236</u>	<u>6,004,182</u>
Total Assets	<u>\$ 8,253,814</u>	<u>\$ 8,298,902</u>

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

	<u>2011</u>	<u>2010</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT		
Capital lease, current portion	\$ 4,930	\$ 4,584
Unearned revenue	90,602	62,714
Accounts payable	93,119	122,542
Annuity payable, current portion	5,400	-
Accrued expenses	88,334	90,085
Temporary chapter savings deposits	2,500	2,500
	<u>284,885</u>	<u>282,425</u>
LONG-TERM LIABILITIES		
Capital lease obligation	7,158	12,088
Annuity payable	93,238	-
	<u>100,396</u>	<u>12,088</u>
Total Liabilities	<u>385,281</u>	<u>294,513</u>
NET ASSETS		
Unrestricted		
General	6,083,392	6,530,779
Board designated	1,113,417	857,847
Temporarily restricted	256,614	210,652
Permanently restricted	415,110	405,111
	<u>7,868,533</u>	<u>8,004,389</u>
Total Liabilities and Net Assets	<u>\$ 8,253,814</u>	<u>\$ 8,298,902</u>

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED MARCH 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
UNRESTRICTED NET ASSETS		
Support and revenue:		
Membership dues	\$ 1,204,101	\$ 1,264,424
Life member receipts (dues transfers), net	(14,870)	(16,940)
MART receipts	136,708	159,005
Donations	96,708	131,042
Investment income	50,042	35,003
Tuition and registration fees	352,885	419,232
Field suitcase workshop income	69,220	65,875
Net proceeds from national convention	108,467	34,544
Miscellaneous income	67,775	81,825
Gift shop and school sales (net of cost of sales of \$97,847 and \$95,865)	46,908	24,331
Museum admissions	49,684	47,432
	<u>2,167,628</u>	<u>2,245,773</u>
Net assets released from restrictions	87,072	78,141
	<u>2,254,700</u>	<u>2,323,914</u>
Expenses:		
Program services:		
Salaries and wages	725,978	720,176
Employee benefits and payroll taxes	185,229	175,099
Bulletin printing	124,071	121,556
MART printing	29,526	32,177
Other printing and postage	6,540	7,952
Distribution of publications	91,676	103,606
Director and staff travel	4,954	11,183
Committees and conferences	932	521
Field suitcase workshop	59,764	59,254
Scholarships	550	850
Supplies	20,286	29,408
Utilities and telephone	111,336	110,153
Equipment rental and maintenance	25,652	40,782
Insurance	6,721	6,809
Depreciation	216,197	227,422
Exhibits and advertising	52,621	35,445
Accession purchases	22,798	29,067
Professional services	14,650	20,795
Miscellaneous	40,984	37,002
	<u>\$ 1,740,465</u>	<u>\$ 1,769,257</u>

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

STATEMENTS OF ACTIVITIES

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FOR THE YEARS ENDED MARCH 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
UNRESTRICTED NET ASSETS (Continued)		
Expenses (Continued):		
Supporting services:		
General and administrative:		
Salaries and wages	\$ 272,289	\$ 255,342
Employee benefits and payroll taxes	99,724	95,177
Director and staff travel	35,758	39,387
Committees	6,759	5,607
Supplies	17,503	9,390
Utilities and telephone	7,768	8,042
Equipment rental and maintenance	18,064	19,630
Building rental and maintenance	46,972	43,936
Insurance	25,894	21,296
Printing and postage	28,485	30,255
Depreciation	77,452	121,597
Professional services	81,177	57,467
Telemarketing	14,038	16,803
Website hosting	9,772	22,312
Interest expense	1,068	1,390
Miscellaneous	24,897	23,709
	<u>767,620</u>	<u>771,340</u>
Fundraising:		
Salaries and wages	44,540	49,195
Employee benefits and payroll taxes	7,824	2,725
Director and staff travel	1,376	-
Printing and postage	2,787	2,742
Professional services	5,750	5,500
Miscellaneous	1,778	2,575
	<u>64,055</u>	<u>62,737</u>
Total Supporting Services	<u>831,675</u>	<u>834,077</u>
Total Expenses	<u>2,572,140</u>	<u>2,603,334</u>
DECREASE IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS	(317,440)	(279,420)
CAPITAL TRANSACTIONS		
Net unrealized and realized gain on investments	<u>125,623</u>	<u>440,671</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ (191,817)</u>	<u>\$ 161,251</u>

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED MARCH 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
TEMPORARILY RESTRICTED NET ASSETS		
Donations	\$ 63,394	\$ 52,384
Investment income	204	1,227
Silent auction income	6,125	6,328
Book sales	6,907	20,169
Sale of deaccession items	52,575	-
Net unrealized and realized loss on investments	3,829	12,318
Restrictions satisfied by payments	<u>(87,072)</u>	<u>(78,141)</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	45,962	14,285
PERMANENTLY RESTRICTED NET ASSETS		
Donations	<u>9,999</u>	<u>21,669</u>
INCREASE (DECREASE) IN NET ASSETS	(135,856)	197,205
NET ASSETS		
Beginning of year	<u>8,004,389</u>	<u>7,807,184</u>
End of year	<u>\$ 7,868,533</u>	<u>\$ 8,004,389</u>

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	\$ (135,856)	\$ 197,205
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	293,650	349,019
Donations and other income restricted for endowment and other long-term purposes	(10,039)	(23,482)
Net unrealized and realized gain on investments	(129,452)	(452,989)
Noncash donations and expenses	(6,367)	(11,017)
(Increase) decrease in:		
Inventory	19,679	(20,917)
Receivables	(23,547)	(14,618)
Prepaid and deferred expenses	12,132	(10,137)
Increase (decrease) in:		
Unearned income	27,888	(25,018)
Accounts payable, accrued expenses, and temporary chapter savings deposits	(31,174)	6,863
Split-interest agreement	98,638	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>115,552</u>	<u>(5,091)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets restricted for endowment and other long-term purposes	2,493	4,085
Purchase of assets restricted for endowment and other long-term purposes	(10,039)	(23,482)
Purchase of property and equipment	(20,704)	(50,793)
Proceeds from sale of investment securities	1,009,265	72,534
Purchase of investment securities	(292,674)	(53,813)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>688,341</u>	<u>(51,469)</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES:		
Donations restricted for endowment	9,999	21,669
Donations and other income restricted for other long-term purposes	40	1,813
Payments on capital lease	(4,584)	(4,261)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>5,455</u>	<u>19,221</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	809,348	(37,339)
CASH AND CASH EQUIVALENTS:		
Beginning	<u>115,009</u>	<u>152,348</u>
Ending	<u>\$ 924,357</u>	<u>\$ 115,009</u>

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

NOTES TO FINANCIAL STATEMENTSNOTE 1: OPERATIONS

The National Association of Watch and Clock Collectors, Inc. (NAWCC, Inc.) provides to its world-wide members and the general public publications and programs, including a museum and library research center, in order to enhance the education of the historical and scientific importance of clocks and watches. NAWCC, Inc. also provides the availability to study the construction and repair of clocks and watches through the School of Horology. The Corporation is funded by membership support, donations, grants, admissions sales, and tuition fees.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles, the more significant of which are described below.

Donor Restrictions

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

Donated or Contributed, Investments, Services and Materials

Donated services, investments and materials, if significant in amount and clearly measurable, are reflected as contributions in the accompanying statements at their fair market value at the date of donation. Donated or contributed services vary in range from limited to active participation.

Cash and Cash Equivalents

The Corporation considers all highly liquid debt instruments and certificates of deposit purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains, expenses and losses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Corporation is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related activities pursuant of Section 509(a) of the Code. The Corporation is also organized under the State of Pennsylvania Non-Profit Corporation Law of 1972 and is exempt from state taxes.

NOTES TO FINANCIAL STATEMENTSNOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Investments

The Corporation carries investments at fair value. Fair value of the investments is determined using quoted market prices of a national securities exchange. Contributed investments are initially valued at the quoted fair value on the date received, which is then treated as cost.

Investment income (including realized and unrealized gains and losses on investments, interest, and dividends) is included in total support and revenue in the statements of activities.

Receivables

The Corporation records bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Subsequent Events

Management has evaluated all events and transactions occurring after the balance sheet date through June 1, 2011, the date through which the financial statements were available to be issued. Management feels that no events or transactions occurred subsequent to the balance sheet date requiring an adjustment to the financial statements or disclosure in the footnotes.

Inventories

The Corporation values its inventories at the lower of cost or market. For the years ended March 31, 2011 and 2010, the weighted average cost method is used to value the inventory.

Property and Equipment

The Corporation currently capitalizes assets with a useful life in excess of one year at their cost or market value, if donated, when such amounts exceed \$1,000 per item. Depreciation is calculated using the straight-line method of depreciation over their estimated useful lives as follows:

Building	19 - 39 ½ Years
Building improvements	5 - 39 Years
Office furniture and equipment	3 - 10 Years
Museum equipment	3 - 10 Years
School equipment	3 - 10 Years

The Corporation does not imply time restrictions with respect to donated fixed assets.

NOTES TO FINANCIAL STATEMENTSNOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Sales Taxes

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

Advertising

The Corporation expenses advertising and marketing costs as they are incurred. The advertising/marketing costs for the years ended March 31, 2011 and 2010 are \$52,621 and \$33,947, respectively.

Fair Value of Financial Instruments

Financial instruments include cash, pledge receivables and lease obligations.

The fair value of cash is materially the same as their carrying value because of the short-term maturity of those instruments. The carrying value of pledge receivables and lease obligations approximates fair value.

Revenue Recognition

NAWCC, Inc. recognizes membership dues as revenue when the cash is actually received.

The Corporation receives grant funding from the Pennsylvania Historical and Museum Commission. The grant proceeds are recognized in earnings in the period in which the related expenditures are incurred. Amounts received or receivable from the grantor are subject to audit and adjustment by the grantor. Any disallowed claims, including amounts already collected, may constitute a liability of the Corporation. The amount, if any, cannot be determined at this time, although the Corporation expects such amounts, if any, to be immaterial.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions. Restricted donations whose restrictions are met in the same reporting period are accounted for as temporarily restricted support and as net assets released from restrictions.

NAWCC, Inc. receives a significant amount of services donated by volunteers in carrying out its exempt purpose. No amounts have been reflected in the financial statements for those services as they do not meet the criteria for recognition under ASC 958-605-25, "Accounting for Contributions Received and Contributions Made".

NOTES TO FINANCIAL STATEMENTS

NOTE 3: PREPAID AND DEFERRED EXPENSES

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

	<u>2011</u>	<u>2010</u>
Prepaid insurance	\$ 14,714	\$ 30,205
Printing, publications not yet issued	44,493	42,308
Prepaid school supplies	31,404	38,016
Other prepaid expenses	25,329	17,543
	<u>\$ 115,940</u>	<u>\$ 128,072</u>

NOTE 4: INVESTMENTS

A summary of the investments as of March 31 is as follows:

	<u>Par/Shares</u>	<u>Rate</u>	<u>Due</u>	<u>2011</u>	
				<u>Current Market Value</u>	<u>Cost</u>
Mutual funds	-	-	-	\$ 394,622	\$ 388,505
Equity Securities	5,850	N/A	N/A	26,494	22,981
Corporate Bonds	598,400	Variable %	1/10/11 - 1/31/14	632,512	682,209
				<u>\$ 1,053,628</u>	<u>\$ 1,093,695</u>
				<u>2010</u>	
	<u>Par/Shares</u>	<u>Rate</u>	<u>Due</u>	<u>Current Market Value</u>	<u>Cost</u>
Mutual funds	-	-	-	\$ 257,420	\$ 289,489
Certificates of Deposit	735,540	0.95% - 1.78%	8/2/10 - 2/5/11	743,574	735,540
Equity Securities	5,810	N/A	N/A	25,919	21,916
Preferred Stock	3,900	FLT%	N/A	69,693	97,500
Corporate Bonds	850,000	FLT%	11/10/04 - 1/31/14	732,336	852,991
				<u>\$ 1,828,942</u>	<u>\$ 1,997,436</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4: INVESTMENTS (Continued)

The net unrealized gain for the years ended March 31, 2011 and 2010 was \$129,452 and \$452,989, respectively. The net unrealized loss on investments is shown under capital transactions on the combined statements of activities due to the long-term nature of the investments. The amount shown as current market value does not include interest earned but not yet paid.

In accordance with ASC 820-10-05, the various inputs that may be used to determine the value of the Corporation’s investments are summarized in three broad levels as of March 31, 2011 and 2010. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

- Level 1 Quoted prices in active markets for identical securities
- Level 2 Other significant observable inputs, including quoted prices for similar securities; and
- Level 3 Significant unobservable techniques supported by little or no market activity inputs.

	2011	2010
	Investments	Investments
	<u>At Fair Value</u>	<u>At Fair Value</u>
Level 1	\$ 421,116	\$ 353,032
Level 2	632,512	1,475,910
Level 3	-	-
	<u>\$ 1,053,628</u>	<u>\$ 1,828,942</u>

NOTE 5: ENDOWMENTS

The Corporation has adopted ASC 958-30-20, “Endowments of Not-for-Profit Organizations”. The Corporation has interpreted Pennsylvania Act 141 to allow for the Corporation to select a principal and income or a total return policy in the absence of specific donor stipulations. Act 141 seeks to preserve the value of the original gift as of the gift date of the donor restricted endowment funds and provides a framework for the prudent use of endowment earnings to support the Corporation’s operations. The Corporation elects the principal and income policy. As a result of this interpretation, the Corporation classifies the original value of the gift and all subsequent gifts as permanently restricted net assets. Income derived from the endowments is approved by the Board to be used to support operations and are classified as unrestricted income.

The Board has approved an investment policy for the Corporation’s endowments that assigns responsibilities to an investment manager and establishes investment principles to achieve prudent investment strategies. The policy underlines the need for diversification, preservation of capital, and risk awareness with the goal of providing endowment growth and income in perpetuity.

The Corporation endowment assets consist of three funds, the earnings of which are restricted for use at the School of Horology, the Watch and Clock Museum, and the Library and Research Center. The endowment funds are composed of assets permanently restricted by donor designation as well as board designated assets. It is the Corporation’s policy to account for the change in the underlying investments fair value in the board designated portion of the endowments.

NOTES TO FINANCIAL STATEMENTS

NOTE 5: ENDOWMENTS (Continued)

The following summarizes the changes in endowment net assets for the fiscal year ended March 31, 2011 and presents the endowment net assets as of March 31, 2011:

	Board- Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 145,972	\$ -	\$ 405,111	\$ 551,083
Investment Return:				
Investment income	8,973	-	-	8,973
Net appreciation	54,659	-	-	54,659
Total Investment Return	63,632	-	-	63,632
Contributions	20	-	9,999	10,019
Appropriation of endowment assets for expenditure	(2,579)	-	-	(2,579)
Other charges to create board- designated endowment funds	-	-	-	-
Endowment net assets, end of year	<u>\$ 207,045</u>	<u>\$ -</u>	<u>\$ 415,110</u>	<u>\$ 622,155</u>

NOTE 6: CHAPTERS

As of March 31, 2011, NAWCC, Inc. has one hundred sixty 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 NAWCC, Inc. Each chapter operates as a separate entity; however, NAWCC, Inc. reserves the right to revoke the charter of any chapter for unethical conduct or inactivity after due hearing before the Board of Directors.

NOTE 7: TEMPORARY CHAPTER SAVINGS DEPOSITS

The amount reported under temporary chapter savings deposits of \$2,500, shown as a current liability on the statements of financial position for the years ended March 31, 2011 and 2010, represents various Chapters' and members' excess funds transferred to NAWCC, Inc. for safekeeping. The Corporation is required to return these funds upon request; however, any interest earned on these funds belongs to NAWCC, Inc. to use at its discretion.

NOTES TO FINANCIAL STATEMENTS

NOTE 8: CAPITAL LEASES

NAWCC, Inc. leases phone system equipment through a capital lease arrangement. Furniture, fixtures, and equipment include \$23,641 for phone equipment with accumulated depreciation of \$12,609. The following is a schedule of minimum future payments under the capital lease, together with the net present value of the minimum lease payments as of March 31, 2011:

2012	\$	5,651
2013		5,651
2014		1,884
Less: amounts representing interest		<u>(1,098)</u>
Present Value of Minimum Lease Payments	\$	<u><u>12,088</u></u>

NOTE 9: SPLIT-INTEREST AGREEMENTS

The Corporation is a party to a split-interest agreement with a donor. The split-interest agreement is a charitable gift annuity. Under split-interest agreements, a donor makes an initial gift, in which the Corporation has a beneficial interest, to a trust or directly to the Corporation. Donated assets are maintained by a trust or the Corporation and distributions are made to a beneficiary or beneficiaries during the term of the agreement. At the end of the agreement's term, any remaining assets covered by the agreement are distributed to the remainder beneficiary or beneficiaries.

Assets received under split-interest agreements are recorded at the fair value on the date received. Beneficial interests to be received are recorded at the net present value of future expected cash flows. Liabilities to beneficiaries are recorded at the net present value of expected payments based upon the amount of the contribution, any contractual rate of return, and the life expectancy of the beneficiary. Contribution revenue is recorded as either temporarily or permanently restricted based on the existence of any donor imposed conditions in the split-interest agreement. Interest payments on current gift annuities are made at a variable rate based on Internal Revenue Service actuarial tables (2.94% at March 31, 2011).

NOTE 10: RESTRICTIONS ON ASSETS

Board designated net assets are unrestricted net assets for which the board has indicated a specific use. These amounts are as follows for the years ended March 31:

	<u>2011</u>	<u>2010</u>
Museum endowment	\$ 149,916	\$ 105,519
Library endowment	52,025	37,916
School of Horology endowment	5,103	2,536
Museum and library investment fund	<u>906,373</u>	<u>711,876</u>
	<u><u>\$ 1,113,417</u></u>	<u><u>\$ 857,847</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10: RESTRICTIONS ON ASSETS (Continued)

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

	2011	2010
Restrictions related to the passage of time:		
Pledges receivable	\$ 21,475	\$ 28,743
Restrictions relating to the occurrence of an event:		
School of Horology:		
Midwest Regional Scholarship	32,850	29,157
Wilbur Pritchard Fund for Awards of Excellence in Watch Repair or Restoration	44,111	43,819
Zuercher Scholarship Fund	600	600
Clock Program at School of Horology	625	425
School equipment	800	150
Purchase of books for school	1,842	1,962
School of Horology repair center	25	-
Watch and Clock Museum:		
Museum acquisitions	47,448	3,798
Time in office exhibit	1,133	1,133
Museum security system	(1,290)	-
Museum education outreach	112	112
Museum education program	7,997	7,067
Tower and street clock exhibit	1,141	1,141
Time Explorer's workshop	2,394	2,394
Friday night movies	(104)	(104)
Time and Explorations exhibit	685	685
Asian clocks exhibit	324	324
General exhibits	5,157	5,372
James Bond exhibit	2,270	9,526
Grand Complications exhibit	-	4,265
Clockworks exhibit	1,233	-
Clock and watch restoration	500	500
Clock garden	100	100
Orrery pedestal/security	750	750
Museum collection data	(48)	500
Museum DVD project	500	500
Antique European pocket watches	3,300	3,800
Wristwatch acquisitions	1,800	-
50 Year membership plaque	375	-
Classroom table and chairs	350	-
Museum classroom construction	18,136	-
Lancaster chamber mixer	100	-
National:		
Human Faces in Time	200	200
Public Time Initiative	3,307	3,307
Field Suitcase workshop	7,583	7,483
Regional registration program	1,000	1,000
Marketing to attract younger members	211	211
Imis corrections - membership	-	1,800
Bulletin online project	-	2,400
NAWCC education	615	615
Regional computer system	3,884	-

NOTES TO FINANCIAL STATEMENTS

NOTE 10: RESTRICTIONS ON ASSETS (Continued)

	<u>2011</u>	<u>2010</u>
Restrictions relating to the occurrence of an event (continued):		
Communications director full-time	\$ 3,487	\$ -
Craft contests	100	100
NAWCC message board	1,085	1,035
NAWCC auction website	(154)	(154)
Communications - chapter newsletter	150	-
Symposium committee	650	-
Publications Department:		
Scanner	125	125
Southern Horology supplement	2,700	2,700
Publications department	364	613
Tick Tock Talk book	(6)	4,600
Special publications	9,441	9,441
Library and Research Center:		
Library acquisitions (silent auction proceeds)	6,013	6,694
Plustek Opti Book 4600 scanner	400	-
Children's library	6	6
Acquisition of Horological art items	505	505
Seth Thomas collection book rebinding	1,830	1,830
Keystone microfilm	3,992	1,627
Binding	1,066	1,878
Hamilton ledger digitization	3,063	3,063
Hamilton Watch Company records	2,277	2,277
Library storage supplies	1,032	1,782
E. Howard Tower Clock records digitization	-	7,795
Seth Thomas Tower Clock ledger digitization	4,997	1,000
	<u>\$ 256,614</u>	<u>\$ 210,652</u>

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

	<u>2011</u>	<u>2010</u>
Museum endowment	\$ 188,855	\$ 181,705
School of Horology endowment	173,909	173,409
Library and research center endowment	<u>52,346</u>	<u>49,997</u>
	<u>\$ 415,110</u>	<u>\$ 405,111</u>

All restricted assets as noted above are shown separately in the net assets section of the combined statement of financial position.

NOTES TO FINANCIAL STATEMENTS

NOTE 11: OPERATING LEASES

NAWCC, Inc. has three pieces of equipment under operating leases. Future payments by year and in aggregate, under these operating leases, consisted of the following at March 31, 2011:

2012	\$	14,920
2013		10,704
2014		10,704
2015		10,704
2016		892
		<u> </u>
	\$	<u>47,924</u>

Total lease expense under these agreements for the years ended March 31, 2011 and 2010 amounted to \$10,152, respectively, and is included in equipment rental and maintenance on the statements of activities.

NOTE 12: DEFINED CONTRIBUTION RETIREMENT PLAN

The Corporation maintains a qualified 401(k) profit sharing plan (the "Plan") covering eligible employees. Full time employees who attain 21 years of age are eligible to participate in the Plan. A full time employee has to complete one year of service in order to become eligible to share in employer contributions. Participants are 100% vested in all employer contributions. Each year the employer shall contribute to the trust fund such amount as shall be determined by the employer acting through the members of its Board of Directors. As of March 31, 2011 and 2010, this amount was determined to be 5.00% of the employees' compensation or \$49,843 and \$41,796, respectively.

NOTE 13: PLEDGE RECEIVABLES

The Corporation has received pledges for various projects related to its exempt purpose. Pledge receivables consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Receivables - less than one year	\$ 11,899	\$ 9,742
Receivables - one to five years	9,959	19,918
Receivables - more than five years	<u>-</u>	<u>-</u>
Total pledge receivables	21,858	29,660
Less discount to net present value	<u>(383)</u>	<u>(917)</u>
Net pledge receivables at March 31	<u>\$ 21,475</u>	<u>\$ 28,743</u>

The amount of pledges due long-term have been discounted to their estimated present value using a discount rate of 3.00% and 3.20% for the years ended March 31, 2011 and 2010, respectively.

NOTES TO FINANCIAL STATEMENTSNOTE 14: COLLECTIONS

The Corporation's collections are made up of horological artifacts and research materials of historical significance that are held for educational, research, and curatorial purposes. Each of the items is preserved and cared for and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for the collection or for conservation of items in the collection. As of March 31, 2011, the insurance coverage in effect for items in the collection amounted to \$9,000,000.

NOTE 15: CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Corporation to credit risk consist primarily of cash deposits and investments. The Corporation maintains its cash deposits with various financial institutions where the account balances may at times exceed FDIC and SIPC insured limits of \$250,000 and \$500,000, respectively. Deposits and investments in excess of these limits at March 31, 2011 and 2010 are \$1,559,917 and \$768,754, respectively.

The Corporation's investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect amounts reported in the statements of financial position.

NOTE 16: RISK MANAGEMENT

As a not-for-profit entity, NAWCC, Inc. has elected as of January 1, 2007, to self insure for purposes of unemployment compensation. As such, there are no quarterly contributions made to the Commonwealth of Pennsylvania. There were no unemployment claims outstanding at March 31, 2011.



ROSS BUEHLER FALK & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON INFORMATION
ACCOMPANYING THE BASIC FINANCIAL STATEMENTS

The Board of Directors
National Association of Watch and Collectors, Inc.
Columbia, Pennsylvania

Our report on the audits of the basic financial statements for 2011 and 2010 appears previously. Those audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information on Exhibit "E" is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

June 1, 2011

Ross Buehler Falk & Company, LLP
ROSS BUEHLER FALK & COMPANY, LLP

SCHEDULE OF PROGRAM ACTIVITIES

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YEAR ENDED MARCH 31, 2011

	Membership & Operations	School of Horology	Museum & Library Research Center	Total Combined
UNRESTRICTED NET ASSETS				
Support and revenue:				
Membership dues	\$ 1,203,151	\$ -	\$ 950	\$ 1,204,101
Life member receipts (dues transfers), net	(14,870)	-	-	(14,870)
MART receipts	136,708	-	-	136,708
Donations	78,417	2,410	15,881	96,708
Investment income	21,609	1,754	26,679	50,042
Tuition and registration fees	-	319,658	33,227	352,885
Field suitcase workshop income	69,220	-	-	69,220
Net proceeds from national convention	108,467	-	-	108,467
Miscellaneous income	41,412	749	25,614	67,775
Gift shop and school sales	-	58,757	85,998	144,755
Cost of sales	-	(45,897)	(51,950)	(97,847)
Museum admissions	-	-	49,684	49,684
	<u>1,644,114</u>	<u>337,431</u>	<u>186,083</u>	<u>2,167,628</u>
Net assets released from restrictions	39,904	670	46,498	87,072
	<u>1,684,018</u>	<u>338,101</u>	<u>232,581</u>	<u>2,254,700</u>
Expenses:				
Program services:				
Salaries and wages	201,278	282,134	242,566	725,978
Employee benefits and payroll taxes	55,625	63,463	66,141	185,229
Bulletin printing	124,071	-	-	124,071
MART printing	29,526	-	-	29,526
Other printing and postage	1,578	2,342	2,620	6,540
Distribution of publications	91,385	-	291	91,676
Director and staff travel	885	2,230	1,839	4,954
Committees and conferences	932	-	-	932
Field suitcase workshop	59,764	-	-	59,764
Scholarships	275	275	-	550
Supplies	4,822	6,085	9,379	20,286
Utilities and telephone	99,165	12,171	-	111,336
Equipment rental and maintenance	19,044	2,414	4,194	25,652
Insurance	-	5,800	921	6,721
Depreciation	-	29,969	186,228	216,197
Exhibits and advertising	1,353	29,696	21,572	52,621
Accession purchases	-	-	22,798	22,798
Professional services	1,116	-	13,534	14,650
Miscellaneous	3,421	20,404	17,159	40,984
	<u>\$ 694,240</u>	<u>\$ 456,983</u>	<u>\$ 589,242</u>	<u>\$ 1,740,465</u>

Subject to the independent auditors' report on
information accompanying the basic financial statements.

SCHEDULE OF PROGRAM ACTIVITIES

YEAR ENDED MARCH 31, 2011

	Membership & Operations	School of Horology	Museum & Library Research Center	Total Combined
UNRESTRICTED NET ASSETS (Continued)				
Expenses (Continued):				
Supporting services:				
General and administrative:				
Salaries and wages	\$ 272,289	\$ -	\$ -	\$ 272,289
Employee benefits and payroll taxes	99,724	-	-	99,724
Director and staff travel	35,758	-	-	35,758
Committees	6,759	-	-	6,759
Supplies	17,503	-	-	17,503
Utilities and telephone	7,768	-	-	7,768
Equipment rental and maintenance	18,064	-	-	18,064
Building rental and maintenance	43,199	3,773	-	46,972
Insurance	25,894	-	-	25,894
Printing and postage	28,485	-	-	28,485
Depreciation	77,452	-	-	77,452
Professional services	79,893	1,284	-	81,177
Telemarketing	14,038	-	-	14,038
Website hosting	9,772	-	-	9,772
Interest expense	1,068	-	-	1,068
Miscellaneous	24,897	-	-	24,897
	<u>762,563</u>	<u>5,057</u>	<u>-</u>	<u>767,620</u>
Fundraising:				
Salaries and wages	44,540	-	-	44,540
Employee benefits and payroll taxes	7,824	-	-	7,824
Director and staff travel	1,376	-	-	1,376
Printing and postage	2,787	-	-	2,787
Professional services	5,750	-	-	5,750
Miscellaneous	1,778	-	-	1,778
	<u>64,055</u>	<u>-</u>	<u>-</u>	<u>64,055</u>
Total Supporting Services	<u>826,618</u>	<u>5,057</u>	<u>-</u>	<u>831,675</u>
Total Expenses	<u>1,520,858</u>	<u>462,040</u>	<u>589,242</u>	<u>2,572,140</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS	163,160	(123,939)	(356,661)	(317,440)
CAPITAL TRANSACTIONS				
Net unrealized and realized gain on investments	<u>125,623</u>	<u>-</u>	<u>-</u>	<u>125,623</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ 288,783</u>	<u>\$ (123,939)</u>	<u>\$ (356,661)</u>	<u>\$ (191,817)</u>

Subject to the independent auditors' report on
information accompanying the basic financial statements.

SCHEDULE OF PROGRAM ACTIVITIES

YEAR ENDED MARCH 31, 2011

	Membership & Operations	School of Horology	Museum & Library Research Center	Total Combined
TEMPORARILY RESTRICTED NET ASSETS				
Donations	\$ 48,481	\$ 875	\$ 14,038	\$ 63,394
Investment income	-	-	204	204
Silent auction income	-	-	6,125	6,125
Book sales	6,907	-	-	6,907
Sale of deaccession items	-	-	52,575	52,575
Net unrealized and realized gain (loss) on investments	3,829	-	-	3,829
Restrictions satisfied by payments	(39,904)	(670)	(46,498)	(87,072)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	19,313	205	26,444	45,962
PERMANENTLY RESTRICTED NET ASSETS				
Donations	200	100	9,699	9,999
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 308,296</u>	<u>\$ (123,634)</u>	<u>\$ (320,518)</u>	<u>\$ (135,856)</u>

Subject to the independent auditors' report on
information accompanying the basic financial statements.

SCHEDULE OF PROGRAM ACTIVITIES

YEAR ENDED MARCH 31, 2010

	Membership & Operations	School of Horology	Museum & Library Research Center	Total Combined
UNRESTRICTED NET ASSETS				
Support and revenue:				
Membership dues	\$ 1,264,309	\$ 115	\$ -	\$ 1,264,424
Life member receipts (dues transfers), net	(16,940)	-	-	(16,940)
MART receipts	159,005	-	-	159,005
Donations	94,476	5,536	31,030	131,042
Investment income	16,226	2,046	16,731	35,003
Tuition and registration fees	-	419,232	-	419,232
Field suitcase workshop income	65,875	-	-	65,875
Net proceeds from national convention	34,544	-	-	34,544
Miscellaneous income	45,583	205	36,037	81,825
Gift shop and school sales	-	23,910	96,286	120,196
Cost of sales	-	(22,344)	(73,521)	(95,865)
Museum admissions	-	-	47,432	47,432
	<u>1,663,078</u>	<u>428,700</u>	<u>153,995</u>	<u>2,245,773</u>
Net assets released from restrictions	<u>33,081</u>	<u>850</u>	<u>44,210</u>	<u>78,141</u>
Total Support and Revenue	<u>1,696,159</u>	<u>429,550</u>	<u>198,205</u>	<u>2,323,914</u>
Expenses:				
Program services:				
Salaries and wages	195,813	293,996	230,367	720,176
Employee benefits and payroll taxes	52,538	56,256	66,305	175,099
Bulletin printing	121,556	-	-	121,556
MART printing	32,177	-	-	32,177
Other printing and postage	4,823	1,180	1,949	7,952
Distribution of publications	103,190	-	416	103,606
Director and staff travel	928	5,961	4,294	11,183
Committees and conferences	-	300	221	521
Field suitcase workshop	59,254	-	-	59,254
Scholarships	550	300	-	850
Supplies	4,719	13,206	11,483	29,408
Utilities and telephone	97,700	12,453	-	110,153
Equipment rental and maintenance	34,574	4,799	1,409	40,782
Insurance	-	1,009	5,800	6,809
Depreciation	-	33,057	194,365	227,422
Exhibits and advertising	1,498	12,511	21,436	35,445
Accession purchases	-	-	29,067	29,067
Professional services	5,925	12,669	2,201	20,795
Miscellaneous	5,123	17,906	13,973	37,002
Total Program Services	<u>\$ 720,368</u>	<u>\$ 465,603</u>	<u>\$ 583,286</u>	<u>\$ 1,769,257</u>

Subject to the independent auditors' report on
information accompanying the basic financial statements.

SCHEDULE OF PROGRAM ACTIVITIES

YEAR ENDED MARCH 31, 2010

	Membership & Operations	School of Horology	Museum & Library Research Center	Total Combined
UNRESTRICTED NET ASSETS (Continued)				
Expenses (Continued):				
Supporting services:				
General and administrative:				
Salaries and wages	\$ 255,342	\$ -	\$ -	\$ 255,342
Employee benefits and payroll taxes	95,177	-	-	95,177
Director and staff travel	39,387	-	-	39,387
Committees	5,607	-	-	5,607
Supplies	9,390	-	-	9,390
Utilities and telephone	8,042	-	-	8,042
Equipment rental and maintenance	19,630	-	-	19,630
Building rental and maintenance	38,922	5,014	-	43,936
Insurance	21,296	-	-	21,296
Printing and postage	30,255	-	-	30,255
Depreciation	121,597	-	-	121,597
Professional services	54,767	2,700	-	57,467
Advertising	16,803	-	-	16,803
Telemarketing	22,312	-	-	22,312
Website hosting	1,390	-	-	1,390
Interest expense	23,709	-	-	23,709
	<u>763,626</u>	<u>7,714</u>	<u>-</u>	<u>771,340</u>
Fundraising:				
Salaries and wages	49,195	-	-	49,195
Employee benefits and payroll taxes	2,725	-	-	2,725
Printing and postage	2,742	-	-	2,742
Professional services	5,500	-	-	5,500
Miscellaneous	2,575	-	-	2,575
	<u>62,737</u>	<u>-</u>	<u>-</u>	<u>62,737</u>
Total Supporting Services	<u>826,363</u>	<u>7,714</u>	<u>-</u>	<u>834,077</u>
Total Expenses	<u>1,546,731</u>	<u>473,317</u>	<u>583,286</u>	<u>2,603,334</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS	149,428	(43,767)	(385,081)	(279,420)
CAPITAL TRANSACTIONS				
Net unrealized and realized gain on investments	<u>440,671</u>	<u>-</u>	<u>-</u>	<u>440,671</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ 590,099</u>	<u>\$ (43,767)</u>	<u>\$ (385,081)</u>	<u>\$ 161,251</u>

Subject to the independent auditors' report on
information accompanying the basic financial statements.

SCHEDULE OF PROGRAM ACTIVITIES

YEAR ENDED MARCH 31, 2010

	Membership & Operations	School of Horology	Museum & Library Research Center	Total Combined
TEMPORARILY RESTRICTED NET ASSETS				
Donations	\$ 18,522	\$ 350	\$ 33,512	\$ 52,384
Investment income	659	568	-	1,227
Silent auction income	-	-	6,328	6,328
Book sales	20,169	-	-	20,169
Net unrealized and realized gain on investments	-	9,668	2,650	12,318
Restrictions satisfied by payments	(33,081)	(850)	(44,210)	(78,141)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	6,269	9,736	(1,720)	14,285
PERMANENTLY RESTRICTED NET ASSETS				
Donations	-	17,501	4,168	21,669
INCREASE (DECREASE) IN NET ASSETS	\$ 596,368	\$ (16,530)	\$ (382,633)	\$ 197,205

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