

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

Financial Statements

Years Ended March 31, 2012 and 2011

NATIONAL ASSOCIATION OF WATCH
AND CLOCK COLLECTORS, INC.

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ROSS BUEHLER FALK & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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, 2012 and 2011, 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 provide a reasonable basis for our opinion.

In our opinion, the 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, 2012 and 2011, 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.

A handwritten signature in cursive script that reads "Ross Buehler Falk & Company, LLP".

ROSS BUEHLER FALK & COMPANY, LLP

June 6, 2012

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
<u>CURRENT</u>		
Cash and cash equivalents	\$ 415,281	\$ 924,357
Gift shop inventory	10,910	21,541
Accrued interest receivable	-	1,386
Receivable - other	23,123	73,413
Pledge receivables	9,918	11,516
Prepaid and deferred expenses	46,062	115,940
	<u>505,294</u>	<u>1,148,153</u>
<u>OTHER ASSETS</u>		
Cash and cash equivalents held for endowment	64,527	230,515
Cash and cash equivalents restricted for other long-term purposes	44,321	44,111
Scholarship fund investments	35,654	31,471
Investments held for endowment	388,461	184,596
Other investments	1,580,955	837,561
Pledge receivables, net current portion	-	9,959
Gift shop inventory, net current portion	37,128	36,212
	<u>2,151,046</u>	<u>1,374,425</u>
<u>PROPERTY AND EQUIPMENT</u>		
Land	53,800	53,800
Building and improvements	9,085,178	9,024,186
Office furniture and equipment	481,627	536,471
Museum equipment	648,265	631,120
School equipment	336,887	351,954
	<u>10,605,757</u>	<u>10,597,531</u>
Less: accumulated depreciation	<u>(5,059,664)</u>	<u>(4,866,295)</u>
	<u>5,546,093</u>	<u>5,731,236</u>
	<u>\$ 8,202,433</u>	<u>\$ 8,253,814</u>

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

	<u>2012</u>	<u>2011</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT		
Capital lease, current portion	\$ 5,303	\$ 4,930
Unearned revenue	114,275	90,602
Accounts payable	48,506	93,119
Annuity payable, current portion	11,190	5,400
Accrued expenses	103,722	88,334
Temporary chapter savings deposits	3,465	2,500
	<u>286,461</u>	<u>284,885</u>
LONG-TERM LIABILITIES		
Capital lease obligation	1,855	7,158
Annuity payable	173,836	93,238
	<u>175,691</u>	<u>100,396</u>
Total Liabilities	<u>462,152</u>	<u>385,281</u>
NET ASSETS		
Unrestricted		
General	6,115,238	6,083,392
Board designated	886,156	1,113,417
Temporarily restricted	285,799	256,614
Permanently restricted	453,088	415,110
	<u>7,740,281</u>	<u>7,868,533</u>
Total Liabilities and Net Assets	<u>\$ 8,202,433</u>	<u>\$ 8,253,814</u>

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2012 AND 2011

Exhibit "B"
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	2012	2011
UNRESTRICTED NET ASSETS		
Support and revenue:		
Membership dues	\$ 1,143,315	\$ 1,204,101
Life member receipts (dues transfers), net	(16,590)	(14,870)
MART receipts	142,643	136,708
Donations	185,978	96,918
Investment income	78,103	50,042
Tuition and registration fees	269,247	352,885
Field suitcase workshop income	47,525	69,220
Net proceeds from national convention	49,975	108,467
Miscellaneous income	79,824	67,775
Gift shop and school sales (net of cost of sales of \$120,104 and \$98,057)	36,157	46,698
Museum admissions	65,934	49,684
	2,082,111	2,167,628
Net assets released from restrictions	120,983	87,072
	2,203,094	2,254,700
Expenses:		
Program services:		
Salaries and wages	639,717	725,978
Employee benefits and payroll taxes	157,332	185,229
Bulletin printing	106,833	124,071
MART printing	31,752	29,526
Other printing and postage	6,141	6,540
Distribution of publications	83,683	91,676
Director and staff travel	6,188	4,954
Committees and conferences	6,303	932
Field suitcase workshop	39,677	59,764
Scholarships	-	550
Supplies	42,154	20,286
Utilities and telephone	117,726	115,865
Equipment rental and maintenance	26,078	25,652
Insurance	6,724	6,721
Depreciation	238,760	246,854
Exhibits and advertising	37,701	52,621
Accession purchases	14,485	22,798
Professional services	13,720	14,650
Miscellaneous	54,528	40,984
	\$ 1,629,502	\$ 1,775,651

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

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2012 AND 2011

	2012	2011
UNRESTRICTED NET ASSETS (Continued)		
Expenses (Continued):		
Supporting services:		
General and administrative:		
Salaries and wages	\$ 339,113	\$ 272,289
Employee benefits and payroll taxes	95,978	99,724
Director and staff travel	42,480	33,145
Committees	5,082	6,759
Supplies	12,706	17,503
Utilities and telephone	3,264	3,239
Equipment rental and maintenance	17,706	18,064
Building rental and maintenance	56,107	46,972
Insurance	24,451	28,507
Printing and postage	32,698	28,485
Depreciation	35,488	46,795
Professional services	83,008	81,177
Telemarketing	24,869	14,038
Website hosting	9,922	9,772
Interest expense	721	1,068
Miscellaneous	28,806	24,897
	812,399	732,434
Fundraising:		
Salaries and wages	20,111	44,540
Employee benefits and payroll taxes	7,711	7,824
Director and staff travel	1,734	1,376
Printing and postage	3,567	2,787
Professional services	6,479	5,750
Miscellaneous	1,138	1,778
	40,740	64,055
Total Supporting Services	853,139	796,489
Total Expenses	2,482,641	2,572,140
DECREASE IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS	(279,547)	(317,440)
CAPITAL TRANSACTIONS		
Net unrealized and realized gain on investments	84,132	125,623
DECREASE IN UNRESTRICTED NET ASSETS	\$ (195,415)	\$ (191,817)

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2012 AND 2011

	2012	2011
TEMPORARILY RESTRICTED NET ASSETS		
Donations	\$ 139,389	\$ 63,394
Investment income	2,782	204
Silent auction income	5,395	6,125
Book sales	-	6,907
Sale of deaccession items	-	52,575
Net unrealized and realized gain on investments	2,602	3,829
Restrictions satisfied by payments	(120,983)	(87,072)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	29,185	45,962
PERMANENTLY RESTRICTED NET ASSETS		
Donations	37,978	9,999
DECREASE IN NET ASSETS	(128,252)	(135,856)
NET ASSETS		
Beginning of year	7,868,533	8,004,389
End of year	\$ 7,740,281	\$ 7,868,533

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (128,252)	\$ (135,856)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	274,248	293,650
Donations and other income restricted for endowment and other long-term purposes	(40,364)	(10,039)
Net unrealized and realized gain on investments	(86,734)	(129,452)
Noncash donations and expenses	(14,394)	(6,367)
(Increase) decrease in:		
Inventory	9,715	19,679
Receivables	63,233	(23,547)
Prepaid and deferred expenses	69,878	12,132
Increase (decrease) in:		
Unearned income	23,673	27,888
Accounts payable, accrued expenses, and temporary chapter savings deposits	(28,260)	(31,174)
Split-interest agreement	86,388	98,638
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>229,131</u>	<u>115,552</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets restricted for endowment and other long-term purposes	100	2,493
Purchase of assets restricted for endowment and other long-term purposes	(40,364)	(10,039)
Purchase of property and equipment	(98,739)	(20,704)
Proceeds from sale of investment securities	2,997,630	1,009,265
Purchase of investment securities	<u>(3,632,268)</u>	<u>(292,674)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(773,641)</u>	<u>688,341</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES:		
Donations restricted for endowment	37,978	9,999
Donations and other income restricted for other long-term purposes	2,386	40
Payments on capital lease	<u>(4,930)</u>	<u>(4,584)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>35,434</u>	<u>5,455</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(509,076)	809,348
CASH AND CASH EQUIVALENTS:		
Beginning	<u>924,357</u>	<u>115,009</u>
Ending	<u>\$ 415,281</u>	<u>\$ 924,357</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 6, 2012, 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.

As of June 1, 2012, the Corporation has elected to discontinue their diploma program at the NAWCC School of Horology.

Inventories

The Corporation values its inventories at the lower of cost or market. For the years ended March 31, 2012 and 2011, 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, 2012 and 2011 are \$37,701 and \$52,621, 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.

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".

Reclassifications

Certain reclassifications have been made to the March 31, 2011 balances to conform to the March 31, 2012 presentation. Such reclassifications have had no effect on total net assets as previously reported.

NOTES TO FINANCIAL STATEMENTS

NOTE 3: PREPAID AND DEFERRED EXPENSES

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

	<u>2012</u>	<u>2011</u>
Prepaid insurance	\$ 8,625	\$ 14,714
Printing, publications not yet issued	2,954	44,493
Prepaid school supplies	20,065	31,404
Other prepaid expenses	14,418	25,329
	<u>\$ 46,062</u>	<u>\$ 115,940</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>2012</u>	
				<u>Current Market Value</u>	<u>Cost</u>
Mutual funds	-	-	-	\$ 321,759	\$ 324,338
Equity Securities	15,864	N/A	N/A	500,233	472,320
Corporate Bonds	1,182,400	Variable %	1/31/14 - 1/29/37	1,227,399	1,238,125
				<u>\$ 2,049,391</u>	<u>\$ 2,034,783</u>
	<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>

NOTES TO FINANCIAL STATEMENTS

NOTE 4: INVESTMENTS (Continued)

The net unrealized gain for the years ended March 31, 2012 and 2011 was \$86,734 and \$129,452 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, 2012 and 2011. 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.

	2012 Investments <u>At Fair Value</u>	2011 Investments <u>At Fair Value</u>
Level 1	\$ 821,992	\$ 421,116
Level 2	1,227,399	632,512
Level 3	<u>-</u>	<u>-</u>
	<u>\$ 2,049,391</u>	<u>\$ 1,053,628</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 maintains the purchasing power of the Investment and Endowment Funds. 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, 2012 and presents the endowment net assets as of March 31, 2012:

	Board- Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 207,045	\$ -	\$ 415,110	\$ 622,155
Investment Return:				
Investment income	15,006	-	-	15,006
Net depreciation	(31,825)	-	-	(31,825)
Total Investment Return	(16,819)	-	-	(16,819)
Contributions	-	-	37,978	37,978
Appropriation of endowment assets for expenditure	(24,496)	-	-	(24,496)
Other charges to create board- designated endowment funds	-	-	-	-
Endowment net assets, end of year	<u>\$ 165,730</u>	<u>\$ -</u>	<u>\$ 453,088</u>	<u>\$ 618,818</u>

NOTE 6: CHAPTERS

As of March 31, 2012, NAWCC, Inc. has one hundred fifty eight 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 \$3,465 and \$2,500, shown as a current liability on the statements of financial position for the years ended March 31, 2012 and 2011, respectively, 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 \$17,337. 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, 2012:

	2013	5,651
	2014	1,884
Less: amounts representing interest		<u>(377)</u>
Present Value of Minimum Lease Payments		<u>\$ 7,158</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 (1.40% at March 31, 2012).

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>2012</u>	<u>2011</u>
Museum endowment	\$ 122,106	\$ 149,916
Library endowment	42,690	52,025
School of Horology endowment	934	5,103
Museum and library investment fund	<u>720,426</u>	<u>906,373</u>
	<u>\$ 886,156</u>	<u>\$ 1,113,417</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10: RESTRICTIONS ON ASSETS (Continued)

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

	<u>2012</u>	<u>2011</u>
Restrictions related to the passage of time:		
Pledges receivable	\$ 9,918	\$ 21,475
Restrictions relating to the occurrence of an event:		
School of Horology:		
Midwest Regional Scholarship	35,654	32,850
Wilbur Pritchard Fund for Awards of Excellence in Watch Repair or Restoration	44,321	44,111
Zuercher Scholarship Fund	600	600
Clock Program at School of Horology	546	625
School equipment	873	800
Purchase of books for school	1,842	1,842
School of Horology repair center	25	25
Anthony Montefusco memorial scholarship	1,025	-
Watch and Clock Museum:		
Museum acquisitions	47,723	47,448
Time in office exhibit	1,133	1,133
Museum security system	99	(1,290)
Museum education outreach	112	112
Museum education program	8,272	7,997
Tower and street clock exhibit	1,141	1,141
Time Explorer's workshop	1,449	2,394
Friday night movies	(104)	(104)
Time and Explorations exhibit	685	685
Asian clocks exhibit	324	324
General exhibits	12,963	5,157
James Bond exhibit	1,388	2,270
Clockworks exhibit	(778)	1,233
Clock and watch restoration	500	500
Clock garden	100	100
Orrery pedestal/security	750	750
Museum collection data	-	(48)
Museum DVD project	500	500
Antique European pocket watches	(100)	3,300
Wristwatch acquisitions	1,800	1,800
50 Year membership plaque	375	375
Classroom table and chairs	(261)	350
Museum classroom construction	-	18,136
Lancaster chamber mixer	-	100
Guest curator	3,750	-
Theatre upgrade A/V	500	-
Special mugs/shirts - museum	400	-
Hamilton video project	600	-
Museum guidebook	1,000	-
PastPerfect software	270	-

NOTES TO FINANCIAL STATEMENTS

NOTE 10: RESTRICTIONS ON ASSETS (Continued)

	<u>2012</u>	<u>2011</u>
Restrictions relating to the occurrence of an event (continued):		
National:		
Human Faces in Time	\$ 200	\$ 200
Public Time Initiative	3,307	3,307
Field Suitcase workshop	7,623	7,583
Regional registration program	1,000	1,000
Marketing to attract younger members	211	211
NAWCC education	519	615
Regional computer system	3,481	3,884
Communications director full-time	-	3,487
Craft contests	138	100
NAWCC message board	1,390	1,085
NAWCC auction website	-	(154)
Communications - chapter newsletter	-	150
Symposium committee	3,231	650
Recognition Program	4,000	-
National convention - youth programs	200	-
Webinars for members	133	-
Development campaign	106	-
Crystal fund-building	47,568	-
Publications Department:		
Scanner	125	125
Southern Horology supplement	2,700	2,700
Publications department	364	364
Tick Tock Talk book	-	(6)
Special publications	9,286	9,441
Library and Research Center:		
Library acquisitions (silent auction proceeds)	9,857	6,013
Plustek Opti Book 4600 scanner	(193)	400
Children's library	6	6
Acquisition of Horological art items	505	505
Seth Thomas collection book rebinding	2,423	1,830
Keystone microfilm	2,273	3,992
Binding	1,196	1,066
Hamilton ledger digitization	2,478	3,063
Hamilton Watch Company records	2,277	2,277
Library storage supplies	-	1,032
Seth Thomas Tower Clock ledger digitization	-	4,997
	<u>\$ 285,799</u>	<u>\$ 256,614</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10: RESTRICTIONS ON ASSETS (Continued)

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

	<u>2012</u>	<u>2011</u>
Museum endowment	\$ 222,482	\$ 188,855
School of Horology endowment	174,659	173,909
Library and research center endowment	<u>55,947</u>	<u>52,346</u>
	<u>\$ 453,088</u>	<u>\$ 415,110</u>

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

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, 2012:

2013	14,202
2014	14,202
2015	14,202
2016	2,206
2017	<u>508</u>
	<u>\$ 45,320</u>

Total lease expense under these agreements for the years ended March 31, 2012 and 2011 amounted to \$13,999 and \$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, 2012 and 2011, this amount was determined to be 5.00% of the employees' compensation or \$48,712 and \$49,843, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 13: 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, 2012, the insurance coverage in effect for items in the collection amounted to \$9,000,000.

NOTE 14: 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>2012</u>	<u>2011</u>
Receivables - less than one year	\$ 9,918	\$ 11,899
Receivables - one to five years	-	9,959
Receivables - more than five years	-	-
Total pledge receivables	9,918	21,858
Less discount to net present value	-	(383)
Net pledge receivables at March 31	<u>\$ 9,918</u>	<u>\$ 21,475</u>

The amount of pledges due long-term have been discounted to their estimated present value using a discount rate of 0.00% and 3.00% for the years ended March 31, 2012 and 2011, respectively.

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, 2012 and 2011 are \$1,813,204 and \$1,559,917, 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, 2012.



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 2012 and 2011 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 6, 2012

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

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
SCHEDULE OF PROGRAM ACTIVITIES
YEAR ENDED MARCH 31, 2012

Exhibit "E"
Page 1 of 6

	<u>Membership & Operations</u>	<u>School of Horology</u>	<u>Museum & Library Research Center</u>	<u>Total Combined</u>
UNRESTRICTED NET ASSETS				
Support and revenue:				
Membership dues	\$ 1,143,090	\$ -	\$ 225	\$ 1,143,315
Life member receipts (dues transfers), net	(16,590)	-	-	(16,590)
MART receipts	142,643	-	-	142,643
Donations	149,336	22,871	13,771	185,978
Investment income	27,513	6,875	43,715	78,103
Tuition and registration fees	-	243,313	25,934	269,247
Field suitcase workshop income	47,525	-	-	47,525
Net proceeds from national convention	49,975	-	-	49,975
Miscellaneous income	61,457	472	17,895	79,824
Gift shop and school sales	-	89,210	67,051	156,261
Cost of sales	-	(84,484)	(35,620)	(120,104)
Museum admissions	5,225	-	60,709	65,934
	<u>1,610,174</u>	<u>278,257</u>	<u>193,680</u>	<u>2,082,111</u>
Net assets released from restrictions	<u>42,461</u>	<u>2,402</u>	<u>76,120</u>	<u>120,983</u>
Total Support and Revenue	<u><u>1,652,635</u></u>	<u><u>280,659</u></u>	<u><u>269,800</u></u>	<u><u>2,203,094</u></u>
Expenses:				
Program services:				
Salaries and wages	182,794	221,015	235,908	639,717
Employee benefits and payroll taxes	49,038	51,121	57,173	157,332
Bulletin printing	106,833	-	-	106,833
MART printing	31,752	-	-	31,752
Other printing and postage	46	3,953	2,142	6,141
Distribution of publications	83,516	-	167	83,683
Director and staff travel	1,328	2,204	2,656	6,188
Committees and conferences	6,303	-	-	6,303
Field suitcase workshop	39,677	-	-	39,677
Scholarships	-	-	-	-
Supplies	6,536	19,830	15,788	42,154
Utilities and telephone	106,443	11,283	-	117,726
Equipment rental and maintenance	20,400	2,278	3,400	26,078
Insurance	-	900	5,824	6,724
Depreciation	-	25,115	213,645	238,760
Exhibits and advertising	440	17,218	20,043	37,701
Accession purchases	-	-	14,485	14,485
Professional services	703	-	13,017	13,720
Miscellaneous	2,806	30,290	21,432	54,528
	<u>638,615</u>	<u>385,207</u>	<u>605,680</u>	<u>1,629,502</u>
Total Program Services	<u><u>\$ 638,615</u></u>	<u><u>\$ 385,207</u></u>	<u><u>\$ 605,680</u></u>	<u><u>\$ 1,629,502</u></u>

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

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
SCHEDULE OF PROGRAM ACTIVITIES
YEAR ENDED MARCH 31, 2012

Exhibit "E"
Page 2 of 6

	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	\$ 339,113	\$ -	\$ -	\$ 339,113
Employee benefits and payroll taxes	95,978	-	-	95,978
Director and staff travel	42,480	-	-	42,480
Committees	5,082	-	-	5,082
Supplies	12,706	-	-	12,706
Utilities and telephone	3,264	-	-	3,264
Equipment rental and maintenance	17,632	-	74	17,706
Building rental and maintenance	49,684	6,423	-	56,107
Insurance	24,451	-	-	24,451
Printing and postage	32,698	-	-	32,698
Depreciation	35,488	-	-	35,488
Professional services	81,808	1,200	-	83,008
Telemarketing	24,869	-	-	24,869
Website hosting	9,922	-	-	9,922
Interest expense	721	-	-	721
Miscellaneous	28,806	-	-	28,806
	804,702	7,623	74	812,399
Fundraising:				
Salaries and wages	20,111	-	-	20,111
Employee benefits and payroll taxes	7,711	-	-	7,711
Director and staff travel	1,734	-	-	1,734
Printing and postage	3,567	-	-	3,567
Professional services	6,479	-	-	6,479
Miscellaneous	1,138	-	-	1,138
	40,740	-	-	40,740
Total Supporting Services	845,442	7,623	74	853,139
Total Expenses	1,484,057	392,830	605,754	2,482,641
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS	168,578	(112,171)	(335,954)	(279,547)
CAPITAL TRANSACTIONS				
Net unrealized and realized gain on investments	84,132	-	-	84,132
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ 252,710	\$ (112,171)	\$ (335,954)	\$ (195,415)

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

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
SCHEDULE OF PROGRAM ACTIVITIES
YEAR ENDED MARCH 31, 2012

Exhibit "E"
Page 3 of 6

	<u>Membership & Operations</u>	<u>School of Horology</u>	<u>Museum & Library Research Center</u>	<u>Total Combined</u>
TEMPORARILY RESTRICTED NET ASSETS				
Donations	\$ 100,759	\$ 2,155	\$ 36,475	\$ 139,389
Investment income	-	-	2,782	2,782
Silent auction income	-	-	5,395	5,395
Book sales	-	-	-	-
Sale of deaccession items	-	-	-	-
Net unrealized and realized gain on investments	2,602	-	-	2,602
Restrictions satisfied by payments	<u>(42,461)</u>	<u>(2,402)</u>	<u>(76,120)</u>	<u>(120,983)</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	60,900	(247)	(31,468)	29,185
PERMANENTLY RESTRICTED NET ASSETS				
Donations	<u>-</u>	<u>801</u>	<u>37,177</u>	<u>37,978</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 313,610</u>	<u>\$ (111,617)</u>	<u>\$ (330,245)</u>	<u>\$ (128,252)</u>

Subject to the independent auditors' report on
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NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
SCHEDULE OF PROGRAM ACTIVITIES
YEAR ENDED MARCH 31, 2011

Exhibit "E"
Page 4 of 6

	<u>Membership & Operations</u>	<u>School of Horology</u>	<u>Museum & Library Research Center</u>	<u>Total Combined</u>
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	78,602	2,410	15,906	96,918
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)	(52,160)	(98,057)
Museum admissions	-	-	49,684	49,684
	<u>1,644,299</u>	<u>337,431</u>	<u>185,898</u>	<u>2,167,628</u>
Net assets released from restrictions	<u>39,904</u>	<u>670</u>	<u>46,498</u>	<u>87,072</u>
Total Support and Revenue	<u><u>1,684,203</u></u>	<u><u>338,101</u></u>	<u><u>232,396</u></u>	<u><u>2,254,700</u></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	103,694	12,171	-	115,865
Equipment rental and maintenance	19,044	2,414	4,194	25,652
Insurance	-	921	5,800	6,721
Depreciation	-	29,969	216,885	246,854
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
Total Program Services	<u><u>\$ 698,769</u></u>	<u><u>\$ 452,104</u></u>	<u><u>\$ 624,778</u></u>	<u><u>\$ 1,775,651</u></u>

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

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
SCHEDULE OF PROGRAM ACTIVITIES
YEAR ENDED MARCH 31, 2011

Exhibit "E"
Page 5 of 6

	<u>Membership & Operations</u>	<u>School of Horology</u>	<u>Museum & Library Research Center</u>	<u>Total Combined</u>
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	33,145	-	-	33,145
Committees	6,759	-	-	6,759
Supplies	17,503	-	-	17,503
Utilities and telephone	3,239	-	-	3,239
Equipment rental and maintenance	18,064	-	-	18,064
Building rental and maintenance	43,199	3,773	-	46,972
Insurance	28,507	-	-	28,507
Printing and postage	28,485	-	-	28,485
Depreciation	46,795	-	-	46,795
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>727,377</u>	<u>5,057</u>	<u>-</u>	<u>732,434</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>791,432</u>	<u>5,057</u>	<u>-</u>	<u>796,489</u>
Total Expenses	<u>1,490,201</u>	<u>457,161</u>	<u>624,778</u>	<u>2,572,140</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS	194,002	(119,060)	(392,382)	(317,440)
CAPITAL TRANSACTIONS				
Net unrealized and realized gain on investments	125,623	-	-	125,623
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ 319,625</u>	<u>\$ (119,060)</u>	<u>\$ (392,382)</u>	<u>\$ (191,817)</u>

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

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
SCHEDULE OF PROGRAM ACTIVITIES
YEAR ENDED MARCH 31, 2011

Exhibit "E"
Page 6 of 6

	<u>Membership & Operations</u>	<u>School of Horology</u>	<u>Museum & Library Research Center</u>	<u>Total Combined</u>
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 on investments	3,829	-	-	3,829
Restrictions satisfied by payments	<u>(39,904)</u>	<u>(670)</u>	<u>(46,498)</u>	<u>(87,072)</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	19,313	205	26,444	45,962
PERMANENTLY RESTRICTED NET ASSETS				
Donations	<u>200</u>	<u>100</u>	<u>9,699</u>	<u>9,999</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 339,138</u>	<u>\$ (118,755)</u>	<u>\$ (356,239)</u>	<u>\$ (135,856)</u>

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