

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

Financial Statements

Years Ended March 31, 2015 And 2014

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 financial statements of National Association of Watch and Clock Collectors, Inc., (a nonprofit organization), which comprise the statements of financial position as of March 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Association of Watch and Clock Collectors, Inc. as of March 31, 2015 and 2014, 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.

May 28, 2015

ROSS BUEHLER FALK & COMPANY, LLP

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
<u>CURRENT</u>		
Cash and cash equivalents	\$ 371,362	\$ 784,267
Gift shop inventory	7,051	13,041
Receivables - other	16,740	16,702
Pledge receivables	54,300	44,035
Prepaid and deferred expenses	63,158	82,875
	<u>512,611</u>	<u>940,920</u>
 <u>OTHER ASSETS</u>		
Cash and cash equivalents held for endowment	15,998	104,471
Cash and cash equivalents restricted for other long-term purposes	50,920	52,848
Scholarship fund investments	26,477	36,186
Investments held for endowment	576,527	432,350
Other investments	1,625,605	1,391,269
Pledge receivables, net current portion	123,836	139,590
Gift shop inventory, net current portion	39,808	35,939
	<u>2,459,171</u>	<u>2,192,653</u>
 <u>PROPERTY AND EQUIPMENT</u>		
Land	53,800	53,800
Building and improvements	9,262,150	9,163,965
Office furniture and equipment	445,134	433,647
Museum equipment	642,896	637,646
School equipment	326,900	309,498
	<u>10,730,880</u>	<u>10,598,556</u>
Less: accumulated depreciation	<u>(5,713,113)</u>	<u>(5,486,713)</u>
	<u>5,017,767</u>	<u>5,111,843</u>
 Total Assets	 <u>\$ 7,989,549</u>	 <u>\$ 8,245,416</u>

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

	<u>2015</u>	<u>2014</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT		
Unearned revenue	\$ 46,614	\$ 61,377
Accounts payable	57,863	75,997
Annuity payable, current portion	11,190	11,190
Accrued expenses	129,677	123,095
Temporary chapter savings deposits	<u>6,541</u>	<u>6,541</u>
Total Current Liabilities	<u>251,885</u>	<u>278,200</u>
 LONG-TERM LIABILITIES		
Annuity payable	<u>140,266</u>	<u>151,456</u>
Total Long-term Liabilities	<u>140,266</u>	<u>151,456</u>
Total Liabilities	<u>392,151</u>	<u>429,656</u>
 NET ASSETS		
Unrestricted		
General	5,732,693	5,994,754
Board designated	774,518	960,350
Temporarily restricted	358,269	163,563
Permanently restricted	<u>731,918</u>	<u>697,093</u>
Total Net Assets	<u>7,597,398</u>	<u>7,815,760</u>
Total Liabilities and Net Assets	<u><u>\$ 7,989,549</u></u>	<u><u>\$ 8,245,416</u></u>

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

Exhibit "B"
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	2015	2014
UNRESTRICTED NET ASSETS		
Support and revenue:		
Membership dues	\$ 1,127,087	\$ 1,141,766
MART receipts	123,625	140,262
Donations	128,803	133,399
Investment income	59,563	68,569
Tuition and registration fees	92,708	105,113
Field suitcase workshop income	27,450	45,725
Net proceeds from national convention	36,136	61,722
Miscellaneous income	72,184	86,932
Gift shop and school sales (net of cost of sales of \$35,342 and \$40,090)	24,100	30,540
Museum admissions	68,750	54,885
	1,760,406	1,868,913
Net assets released from restrictions	302,688	283,391
	2,063,094	2,152,304
Expenses:		
Program services:		
Salaries and wages	438,560	449,696
Employee benefits and payroll taxes	106,015	109,941
Bulletin printing	92,986	96,689
MART printing	25,938	27,873
Other printing and postage	5,969	23,859
Distribution of publications	71,080	74,164
Director and staff travel	8,205	4,395
Committees and conferences	7,882	33,831
Field suitcase workshop	23,992	37,979
Supplies	20,352	17,634
Utilities and telephone	96,499	93,265
Equipment rental and maintenance	36,319	39,992
Insurance	5,874	9,000
Depreciation	245,768	239,768
Exhibits and advertising	78,667	15,726
Accession purchases	19,561	47,318
Professional services	64,907	65,204
Miscellaneous	52,762	53,744
	\$ 1,401,336	\$ 1,440,078

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, 2015 AND 2014

Exhibit "B"
Page 2 of 3

	2015	2014
UNRESTRICTED NET ASSETS (continued)		
Expenses (continued):		
Supporting services:		
General and administrative:		
Salaries and wages	\$ 351,785	\$ 343,804
Employee benefits and payroll taxes	99,703	107,700
Director and staff travel	38,307	36,001
Committees	13,371	5,422
Supplies	9,286	10,433
Utilities and telephone	1,403	1,389
Equipment rental and maintenance	16,336	15,039
Building rental and maintenance	31,214	31,723
Insurance	22,526	19,068
Printing and postage	27,821	26,738
Depreciation	14,597	17,650
Professional services	116,090	198,003
Telemarketing	9,497	11,267
Website hosting	10,012	10,474
Interest expense	-	499
Miscellaneous	35,852	30,008
	797,800	865,218
Fundraising:		
Salaries and wages	21,082	21,404
Employee benefits and payroll taxes	8,295	8,678
Director and staff travel	1,153	847
Printing and postage	5,957	4,090
Professional services	6,095	6,245
Miscellaneous	2,785	2,932
	45,367	44,196
Total Supporting Services	843,167	909,414
Total Expenses	2,244,503	2,349,492
DECREASE IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS AND TRANSFERS	(181,409)	(197,188)
CAPITAL TRANSACTIONS		
Net unrealized and realized gain (loss) on investments	(7,015)	19,616
TRANSFERS		
Transfer from unrestricted - board designated to temporarily restricted	(259,469)	-
DECREASE IN UNRESTRICTED NET ASSETS	\$ (447,893)	\$ (177,572)

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

	2015	2014
TEMPORARILY RESTRICTED NET ASSETS		
Donations	\$ 234,277	\$ 221,980
Silent auction income	4,163	5,318
Book sales	576	964
Transfer from board designated	259,469	-
Net unrealized and realized gain (loss) on investments	(1,091)	4,754
Restrictions satisfied by payments	(302,688)	(283,391)
 INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	 194,706	 (50,375)
PERMANENTLY RESTRICTED NET ASSETS		
Donations	34,825	237,962
(DECREASE) INCREASE IN NET ASSETS	(218,362)	10,015
NET ASSETS		
Beginning of year	7,815,760	7,805,745
End of year	\$ 7,597,398	\$ 7,815,760

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (218,362)	\$ 10,015
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	260,365	257,417
Donations and other income restricted for endowment and other long-term purposes	(86,035)	(89,920)
Net unrealized and realized gain on investments	8,106	(24,370)
Noncash donations and expenses	2,315	(202)
(Increase) decrease in:		
Inventory	2,121	(1,566)
Receivables	5,451	(197,820)
Prepaid and deferred expenses	19,718	(9,057)
Increase (decrease) in:		
Unearned income	(14,763)	(12,450)
Accounts payable, accrued expenses, and temporary chapter savings deposits	(11,552)	(23,640)
Split-interest agreement	(11,190)	(11,190)
NET CASH USED BY OPERATING ACTIVITIES	<u>(43,826)</u>	<u>(102,783)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets restricted for endowment and other long-term purposes	-	930
Purchase of assets restricted for endowment and other long-term purposes	(86,035)	(89,920)
Purchase of property and equipment	(166,551)	(26,584)
Proceeds from sale of investment securities	990,778	3,519,369
Purchase of investment securities	(1,332,700)	(3,299,191)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(594,508)</u>	<u>104,604</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES:		
Donations restricted for endowment	195,098	237,962
Donations and other income restricted for other long-term purposes	30,331	12,130
Payments on capital lease	-	(1,855)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>225,429</u>	<u>248,237</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(412,905)</u>	<u>250,058</u>
CASH AND CASH EQUIVALENTS:		
Beginning	<u>784,267</u>	<u>534,209</u>
Ending	<u>\$ 371,362</u>	<u>\$ 784,267</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 workshops for the repair of clocks and watches in the museum and school building. 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 May 28, 2015, 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.

Inventories

The Corporation values its inventories at the lower of cost or market. For the years ended March 31, 2015 and 2014, 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.

NOTE 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, 2015 and 2014 are \$78,667 and \$15,726, 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, 2014 balances to conform to the March 31, 2015 presentation. The reclassifications were made to move the individual educational classes out of the School of Horology classification due to the closing of the school. 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>2015</u>	<u>2014</u>
Prepaid insurance	\$ 25,737	\$ 7,429
Printing, publications not yet issued	5,223	6,492
Prepaid workshop supplies	-	20,724
Prepaid national convention	7,000	-
Other prepaid expenses	25,198	48,230
	<u>\$ 63,158</u>	<u>\$ 82,875</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>2015</u>	
				<u>Current Market Value</u>	<u>Cost</u>
Mutual funds	-	-	-	\$ 388,869	\$ 357,223
Equity securities	49,285	N/A	N/A	1,890,660	1,801,760
				<u>\$ 2,279,529</u>	<u>\$ 2,158,983</u>
	<u>Par/Shares</u>	<u>Rate</u>	<u>Due</u>	<u>2014</u>	
				<u>Current Market Value</u>	<u>Cost</u>
Mutual funds	-	-	-	\$ 446,362	\$ 402,980
Equity securities	28,098	N/A	N/A	1,466,291	1,371,533
				<u>\$ 1,912,653</u>	<u>\$ 1,774,513</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4: INVESTMENTS (Continued)

The net unrealized gain (loss) for the years ended March 31, 2015 and 2014 was \$(8,106) and \$24,370, 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, 2015 and 2014. 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.

The asset or liability's fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies at March 31, 2015 and 2014.

Equity Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by NAWCC, Inc. include both open-end and closed-end funds. The mutual funds held by NAWCC, Inc. are deemed to be actively traded.

	March 31, 2015			
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 293,122	\$ 95,747	\$ -	\$ 388,869
Common Stocks	1,890,660	-	-	1,890,660
Total Investments	\$ 2,183,782	\$ 95,747	\$ -	\$ 2,279,529

	March 31, 2014			
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 206,455	\$ 239,908	\$ -	\$ 446,363
Common Stocks	1,466,290	-	-	1,466,290
Total Investments	\$ 1,672,745	\$ 239,908	\$ -	\$ 1,912,653

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 four funds, the earnings of which are restricted for use at the School, 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.

The following summarizes the changes in endowment net assets for the fiscal year ended March 31, 2015 and presents the endowment net assets as of March 31, 2015:

	Board- Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 139,861	\$ -	\$ 697,093	\$ 836,954
Investment Return:				
Investment income	20,982	-	-	20,982
Net depreciation	-	-	-	-
Total Investment Return	20,982	-	-	20,982
Contributions	412	-	34,825	35,237
Appropriation of endowment assets for expenditure	(33,796)	-	-	(33,796)
Other charges to create board-designated endowment funds	-	-	-	-
Endowment net assets, end of year	<u>\$ 127,459</u>	<u>\$ -</u>	<u>\$ 731,918</u>	<u>\$ 859,377</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6: CHAPTERS

As of March 31, 2015, 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 \$6,541, shown as a current liability on the statements of financial position for the years ended March 31, 2015 and 2014, 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.

NOTE 8: 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 (1.80% at March 31, 2015).

NOTE 9: 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>2015</u>	<u>2014</u>
Museum endowment	\$ 102,578	\$ 107,698
Library endowment	36,201	38,085
School of Horology endowment	(11,100)	(6,392)
Museum and library investment fund	647,058	673,943
Heritage fund	-	146,545
NAWCC fund	(219)	471
	<u>\$ 774,518</u>	<u>\$ 960,350</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9: RESTRICTIONS ON ASSETS (Continued)

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

	<u>2015</u>	<u>2014</u>
Restrictions related to the passage of time:		
Pledges receivable	\$ 8,500	\$ 15,262
Restrictions relating to the occurrence of an event:		
School of Horology:		
Midwest Regional Scholarship	9,244	10,489
Wilbur Pritchard Fund for Awards of Excellence in Watch Repair or Restoration	45,979	45,921
Zuercher Scholarship Fund	598	609
School equipment	870	885
Purchase of books for school	1,836	1,868
Anthony Montefusco Memorial Scholarship	1,022	1,040
Watch and Clock Museum:		
Museum acquisitions	23,507	22,253
Time in Office exhibit	856	1,149
Museum public programs	1,061	1,125
Museum security system	(137)	(137)
Museum education outreach	12	12
Museum education program	4,941	5,017
Tower and street clock exhibit	1,137	1,157
Time Explorer's workshop	1,444	1,470
Time and Explorations exhibit	-	695
General exhibits	6,916	7,970
James Bond exhibit	1,086	1,408
Clock and watch restoration	498	507
Clock garden	100	101
Orrery pedestal/security	748	761
Museum DVD project	498	507
Antique European pocket watches	(100)	(100)
Wristwatch acquisitions	1,794	1,826
50 Year membership plaque	374	380
Enlisting Time website	3,988	4,057
Theater upgrade A/V	498	507
Display lighting on exhibit displays	-	1,014
Digital camera	2,353	2,535
Special mugs/shirts - museum	205	406
Hamilton video project	571	581
Eberman tower clock stand	174	1,775
Asonia Clock Rebuild	7,201	-

NOTES TO FINANCIAL STATEMENTS

NOTE 9: RESTRICTIONS ON ASSETS (Continued)

	<u>2015</u>	<u>2014</u>
Restrictions relating to the occurrence of an event (continued):		
National:		
Human Faces in Time	\$ 199	\$ 203
Public Time Initiative	3,297	3,354
Field suitcase workshop	7,355	8,169
FSW scholarship	-	304
Regional registration program	997	1,014
Marketing to attract younger members	-	214
NAWCC education	-	85
Regional computer system	3,470	3,530
NAWCC message board	508	517
Symposium committee	19,938	25,940
Recognition program	-	4,057
National convention - youth programs	192	196
Development campaign	-	(191,245)
HVAC Controls Phase I	7,114	124,764
HVAC Controls Phase II	149,534	-
Communications	-	254
MB:Forum 400-Day, Atoms and Other Torision	50	51
Vehicle sign project	-	670
Computer server	-	16
Pocket watch webinar	997	1,014
Buckeye chapter 23 education	4,885	4,970
Scholar lab programs	672	11,623
Publications Department:		
Scanner	125	127
Southern Horology supplement	2,692	2,738
Mailing Costs for Tower Talk Ch 134 Newsletter	349	-
Special Pub on Pocket Watches	2,755	-
Special publications	8,493	8,384
Library and Research Center:		
Library acquisitions (silent auction proceeds)	2,592	3,644
Library conversion	997	1,014
Library archival boxes	(71)	(71)
Library Intern	498	-
Acquisition of horological art items	503	512
Seth Thomas collection book rebinding	2,415	2,457
Keystone microfilm	4,614	4,085
Binding	279	1,985
Hamilton ledger digitization	2,470	2,513
Hamilton Watch Company records	2,270	2,309
Library storage supplies	306	1,116
	<u>\$ 358,269</u>	<u>\$ 163,563</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9: RESTRICTIONS ON ASSETS (Continued)

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

	<u>2015</u>	<u>2014</u>
Museum endowment	\$ 232,755	\$ 226,120
School of Horology endowment	224,132	222,619
Library and research center endowment	75,431	62,884
NAWCC fund	<u>199,600</u>	<u>185,470</u>
	<u>\$ 731,918</u>	<u>\$ 697,093</u>

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

NOTE 10: 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, 2015:

2016	13,307
2017	15,386
2018	12,708
2019	11,158
2020	<u>11,158</u>
	<u>\$ 63,717</u>

Total lease expense under these agreements for the years ended March 31, 2015 and 2014 amounted to \$15,794 and \$15,949, respectively, and is included in equipment rental and maintenance on the statements of activities.

NOTE 11: 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. The contribution rate for the Corporation is 5%, at March 31, 2015 and 2014. As of March 31, 2015 and 2014, this amount was determined to be \$33,442 and \$35,964, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 12: 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, 2015, the insurance coverage in effect for items in the collection amounted to \$9,000,000.

NOTE 13: PLEDGE RECEIVABLES

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

	<u>2015</u>	<u>2014</u>
Receivables - less than one year	\$ 54,300	\$ 44,035
Receivables - one to five years	127,400	145,600
Receivables - more than five years	<u>-</u>	<u>-</u>
Total pledge receivables	181,700	189,635
Less discount to net present value	<u>(3,564)</u>	<u>(6,010)</u>
Net pledge receivables at March 31	<u>\$ 178,136</u>	<u>\$ 183,625</u>

The amount of pledges due long-term have been discounted to their estimated present value using a discount rate of 1.80% for the year ended March 31, 2015.

NOTE 14: 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, 2015 and 2014 are \$2,029,527 and \$2,069,817, 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 those 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 15: 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 are no unemployment claims outstanding at March 31, 2015.



ROSS BUEHLER FALK & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of National Association of Watch and Collectors, Inc. as of and for the years ended March 31, 2015 and 2014, and our report thereon dated May 28, 2015, which expressed an unmodified opinion on those financial statements, appears on page one. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying information, appearing in Exhibit "E", is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the accompanying information, appearing in Exhibit "E", is fairly stated in all material respects in relation to the financial statements as a whole.

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

May 28, 2015

ROSS BUEHLER FALK & COMPANY, LLP

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
SCHEDULE OF PROGRAM ACTIVITIES
YEAR ENDED MARCH 31, 2015

Exhibit "E"
Page 1 of 6

	<u>Membership & Operations</u>	<u>School of Horology</u>	<u>Museum Library, & Education</u>	<u>Total Combined</u>
UNRESTRICTED NET ASSETS				
Support and revenue:				
Membership dues	\$ 1,127,087	\$ -	\$ -	\$ 1,127,087
MART receipts	123,625	-	-	123,625
Donations	94,635	-	34,168	128,803
Investment income	19,786	-	39,777	59,563
Tuition and registration fees	4,228	-	88,480	92,708
Field suitcase workshop income	27,450	-	-	27,450
Net proceeds from national events	36,136	-	-	36,136
Miscellaneous income	42,114	-	30,070	72,184
Gift shop and school sales	-	-	59,442	59,442
Cost of sales	-	-	(35,342)	(35,342)
Museum admissions	10,894	-	57,856	68,750
	<u>1,485,955</u>	<u>-</u>	<u>274,451</u>	<u>1,760,406</u>
Net assets released from restrictions	<u>271,525</u>	<u>3,244</u>	<u>27,919</u>	<u>302,688</u>
	<u>1,757,480</u>	<u>3,244</u>	<u>302,370</u>	<u>2,063,094</u>
Expenses:				
Program services:				
Salaries and wages	187,498	-	251,062	438,560
Employee benefits and payroll taxes	44,798	-	61,217	106,015
Bulletin printing	92,986	-	-	92,986
MART printing	25,938	-	-	25,938
Other printing and postage	711	-	5,258	5,969
Distribution of publications	70,850	-	230	71,080
Director and staff travel	3,410	-	4,795	8,205
Committees and conferences	7,882	-	-	7,882
Field suitcase workshop	23,992	-	-	23,992
Supplies	8,080	-	12,272	20,352
Utilities and telephone	91,452	-	5,047	96,499
Equipment rental and maintenance	29,550	-	6,769	36,319
Insurance	-	-	5,874	5,874
Depreciation	-	-	245,768	245,768
Exhibits and advertising	66,963	-	11,704	78,667
Accession purchases	-	-	19,561	19,561
Professional services	-	-	64,907	64,907
Miscellaneous	24,568	-	28,194	52,762
	<u>\$ 678,678</u>	<u>\$ -</u>	<u>\$ 722,658</u>	<u>\$ 1,401,336</u>

Subject to the independent auditors' report on supplementary
information.

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
SCHEDULE OF PROGRAM ACTIVITIES
YEAR ENDED MARCH 31, 2015

	Membership & Operations	School of Horology	Museum Library & Education	Total Combined
UNRESTRICTED NET ASSETS (continued)				
Expenses (continued):				
Supporting services:				
General and administrative:				
Salaries and wages	\$ 351,785	\$ -	\$ -	\$ 351,785
Employee benefits and payroll taxes	99,703	-	-	99,703
Director and staff travel	38,307	-	-	38,307
Committees	13,371	-	-	13,371
Supplies	9,286	-	-	9,286
Utilities and telephone	1,403	-	-	1,403
Equipment rental and maintenance	16,336	-	-	16,336
Building rental and maintenance	31,214	-	-	31,214
Insurance	22,526	-	-	22,526
Printing and postage	27,821	-	-	27,821
Depreciation	14,597	-	-	14,597
Professional services	116,090	-	-	116,090
Telemarketing	9,497	-	-	9,497
Website hosting	10,012	-	-	10,012
Miscellaneous	35,852	-	-	35,852
	797,800	-	-	797,800
Fundraising:				
Salaries and wages	21,082	-	-	21,082
Employee benefits and payroll taxes	8,295	-	-	8,295
Director and staff travel	1,153	-	-	1,153
Printing and postage	5,957	-	-	5,957
Professional services	6,095	-	-	6,095
Miscellaneous	2,785	-	-	2,785
	45,367	-	-	45,367
Total Supporting Services	843,167	-	-	843,167
Total Expenses	\$ 1,521,845	\$ -	\$ 722,658	\$ 2,244,503

Subject to the independent auditors' report on supplementary
information.

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
SCHEDULE OF PROGRAM ACTIVITIES
YEAR ENDED MARCH 31, 2015

Exhibit "E"
Page 3 of 6

	<u>Membership & Operations</u>	<u>School of Horology</u>	<u>Museum Library & Education</u>	<u>Total Combined</u>
DECREASE IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS AND TRANSFERS	\$ 235,635	\$ 3,244	\$ (420,288)	\$ (181,409)
CAPITAL TRANSACTIONS				
Net unrealized and realized loss on investments	(7,015)	-	-	(7,015)
TRANSFERS				
Transfer from unrestricted - board designated to temporarily restricted	(259,469)	-	-	(259,469)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ (30,849)</u>	<u>\$ 3,244</u>	<u>\$ (420,288)</u>	<u>\$ (447,893)</u>
TEMPORARILY RESTRICTED NET ASSETS				
Donations	\$ 211,026	\$ -	\$ 23,251	\$ 234,277
Investment income	-	-	-	-
Silent auction income	-	-	4,163	4,163
Book sales	576	-	-	576
Transfer from board designated	259,469	-	-	259,469
Net unrealized and realized loss on investments	(1,091)	-	-	(1,091)
Restrictions satisfied by payments	(271,525)	(3,244)	(27,919)	(302,688)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	198,455	(3,244)	(505)	194,706
PERMANENTLY RESTRICTED NET ASSETS				
Donations	16,446	-	18,379	34,825
INCREASE (DECREASE) IN NET ASSETS	<u><u>\$ 184,052</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (402,414)</u></u>	<u><u>\$ (218,362)</u></u>

Subject to the independent auditors' report on supplementary
information.

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
SCHEDULE OF PROGRAM ACTIVITIES
YEAR ENDED MARCH 31, 2014

Exhibit "E"
Page 4 of 6

	<u>Membership & Operations</u>	<u>School of Horology</u>	<u>Museum Library & Education</u>	<u>Total Combined</u>
UNRESTRICTED NET ASSETS				
Support and revenue:				
Membership dues	\$ 1,141,666	\$ -	\$ 100	\$ 1,141,766
MART receipts	140,262	-	-	140,262
Donations	100,656	53	32,690	133,399
Investment income	30,188	5,382	32,999	68,569
Tuition and registration fees	6,189	-	98,924	105,113
Field suitcase workshop income	45,725	-	-	45,725
Net proceeds from national events	61,722	-	-	61,722
Miscellaneous income	64,363	-	22,569	86,932
Gift shop and school sales	-	-	70,630	70,630
Cost of sales	-	(12)	(40,078)	(40,090)
Museum admissions	-	-	54,885	54,885
	<u>1,590,771</u>	<u>5,423</u>	<u>272,719</u>	<u>1,868,913</u>
Net assets released from restrictions	<u>200,587</u>	<u>28,452</u>	<u>54,352</u>	<u>283,391</u>
Total Support and Revenue	<u>1,791,358</u>	<u>33,875</u>	<u>327,071</u>	<u>2,152,304</u>
Expenses:				
Program services:				
Salaries and wages	189,208	-	260,488	449,696
Employee benefits and payroll taxes	42,463	-	67,478	109,941
Bulletin printing	96,689	-	-	96,689
MART printing	27,873	-	-	27,873
Other printing and postage	922	-	22,937	23,859
Distribution of publications	73,891	-	273	74,164
Director and staff travel	1,169	-	3,226	4,395
Committees and conferences	33,831	-	-	33,831
Field suitcase workshop	37,979	-	-	37,979
Supplies	6,712	-	10,922	17,634
Utilities and telephone	88,178	5,087	-	93,265
Equipment rental and maintenance	33,011	1,566	5,415	39,992
Insurance	-	-	9,000	9,000
Depreciation	-	20,947	218,821	239,768
Exhibits and advertising	140	-	15,586	15,726
Accession purchases	-	-	47,318	47,318
Professional services	-	-	65,204	65,204
Miscellaneous	28,923	1,600	23,221	53,744
Total Program Services	<u>\$ 660,989</u>	<u>\$ 29,200</u>	<u>\$ 749,889</u>	<u>\$ 1,440,078</u>

Subject to the independent auditors' report on supplementary
information.

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
SCHEDULE OF PROGRAM ACTIVITIES
YEAR ENDED MARCH 31, 2014

Exhibit "E"
Page 5 of 6

	<u>Membership & Operations</u>	<u>School of Horology</u>	<u>Museum Library & Education</u>	<u>Total Combined</u>
UNRESTRICTED NET ASSETS (continued)				
Expenses (continued):				
Supporting services:				
General and administrative:				
Salaries and wages	\$ 343,804	\$ -	\$ -	\$ 343,804
Employee benefits and payroll taxes	107,700	-	-	107,700
Director and staff travel	36,001	-	-	36,001
Committees	5,422	-	-	5,422
Supplies	10,433	-	-	10,433
Utilities and telephone	1,389	-	-	1,389
Equipment rental and maintenance	14,791	-	248	15,039
Building rental and maintenance	31,159	564	-	31,723
Insurance	19,068	-	-	19,068
Printing and postage	26,738	-	-	26,738
Depreciation	17,650	-	-	17,650
Professional services	198,003	-	-	198,003
Telemarketing	11,267	-	-	11,267
Website hosting	10,474	-	-	10,474
Interest expense	499	-	-	499
Miscellaneous	30,008	-	-	30,008
	<u>864,406</u>	<u>564</u>	<u>248</u>	<u>865,218</u>
Fundraising:				
Salaries and wages	21,404	-	-	21,404
Employee benefits and payroll taxes	8,678	-	-	8,678
Director and staff travel	847	-	-	847
Printing and postage	4,090	-	-	4,090
Professional services	6,245	-	-	6,245
Miscellaneous	2,932	-	-	2,932
	<u>44,196</u>	<u>-</u>	<u>-</u>	<u>44,196</u>
Total Supporting Services	<u>908,602</u>	<u>564</u>	<u>248</u>	<u>909,414</u>
Total Expenses	<u>1,569,591</u>	<u>29,764</u>	<u>750,137</u>	<u>2,349,492</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS	221,767	4,111	(423,066)	(197,188)
CAPITAL TRANSACTIONS				
Net unrealized and realized gain on investments	19,616	-	-	19,616
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ 241,383</u>	<u>\$ 4,111</u>	<u>\$ (423,066)</u>	<u>\$ (177,572)</u>

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NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
SCHEDULE OF PROGRAM ACTIVITIES
YEAR ENDED MARCH 31, 2014

	<u>Membership & Operations</u>	<u>School of Horology</u>	<u>Museum Library & Education</u>	<u>Total Combined</u>
TEMPORARILY RESTRICTED NET ASSETS				
Donations	\$ 186,101	\$ -	\$ 35,879	\$ 221,980
Silent auction income	-	-	5,318	5,318
Book sales	964	-	-	964
Net unrealized and realized gain on investments	4,754	-	-	4,754
Restrictions satisfied by payments	<u>(200,587)</u>	<u>(28,452)</u>	<u>(54,352)</u>	<u>(283,391)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(8,768)	(28,452)	(13,155)	(50,375)
PERMANENTLY RESTRICTED NET ASSETS				
Donations	<u>179,463</u>	<u>-</u>	<u>58,499</u>	<u>237,962</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 412,078</u>	<u>\$ (24,341)</u>	<u>\$ (377,722)</u>	<u>\$ 10,015</u>

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