

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

**Financial Statements**

**Years Ended March 31, 2016 and 2015**

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, 2016 and 2015, 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, 2016 and 2015, 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.

July 11, 2016

ROSS BUEHLER FALK & COMPANY, LLP

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NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.  
STATEMENTS OF FINANCIAL POSITION  
MARCH 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
<u>CURRENT</u>		
Cash and cash equivalents	\$ 322,689	\$ 371,362
Gift shop inventory	9,933	7,051
Receivables - other	13,855	16,740
Pledge receivables	26,249	54,300
Prepaid and deferred expenses	63,042	63,158
	<u>435,768</u>	<u>512,611</u>
<u>OTHER ASSETS</u>		
Cash and cash equivalents held for endowment	(2,740)	15,998
Cash and cash equivalents restricted for other long-term purposes	52,121	50,920
Scholarship fund investments	17,675	26,477
Investments held for endowment	747,505	576,527
Other investments	1,353,795	1,625,605
Pledge receivables, net current portion	76,847	123,836
Gift shop inventory, net current portion	38,794	39,808
Construction in progress	10,900	-
	<u>2,294,897</u>	<u>2,459,171</u>
<u>PROPERTY AND EQUIPMENT</u>		
Land	53,800	53,800
Building and improvements	9,338,838	9,262,150
Office furniture and equipment	456,053	445,134
Museum equipment	642,896	642,896
School equipment	322,915	326,900
	<u>10,814,502</u>	<u>10,730,880</u>
Less: accumulated depreciation	<u>(5,951,231)</u>	<u>(5,713,113)</u>
	<u>4,863,271</u>	<u>5,017,767</u>
Total Assets	<u>\$ 7,593,936</u>	<u>\$ 7,989,549</u>

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

	<u>2016</u>	<u>2015</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT		
Unearned revenue	\$ 99,839	\$ 46,614
Accounts payable	47,015	57,863
Annuity payable, current portion	11,190	11,190
Accrued expenses	127,252	129,677
Temporary chapter savings deposits	3,465	6,541
	<u>288,761</u>	<u>251,885</u>
LONG-TERM LIABILITIES		
Annuity payable	<u>129,076</u>	<u>140,266</u>
	<u>129,076</u>	<u>140,266</u>
	<u>417,837</u>	<u>392,151</u>
NET ASSETS		
Unrestricted		
General	5,271,241	5,732,693
Board designated	807,570	774,518
Temporarily restricted	278,755	358,269
Permanently restricted	818,533	731,918
	<u>7,176,099</u>	<u>7,597,398</u>
	<u>\$ 7,593,936</u>	<u>\$ 7,989,549</u>

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

Exhibit "B"  
Page 1 of 3

	<u>2016</u>	<u>2015</u>
<b>UNRESTRICTED NET ASSETS</b>		
Support and revenue:		
Membership dues	\$ 1,084,795	\$ 1,127,087
MART receipts	130,979	123,625
Donations	138,362	128,803
Investment income	83,559	59,563
Tuition and registration fees	76,628	92,708
Field suitcase workshop income	15,100	27,450
Net proceeds from national convention	60,920	36,136
Miscellaneous income	89,374	72,184
Gift shop and school sales (net of cost of sales of \$40,233 and \$35,342)	35,285	24,100
Museum admissions	65,812	68,750
	<u>1,780,814</u>	<u>1,760,406</u>
Net assets released from restrictions	<u>217,360</u>	<u>302,688</u>
Total Support and Revenue	<u>1,998,174</u>	<u>2,063,094</u>
<b>Expenses:</b>		
Program services:		
Salaries and wages	418,523	438,560
Employee benefits and payroll taxes	105,005	106,015
Bulletin printing	90,607	92,986
MART printing	24,624	25,938
Other printing and postage	2,663	5,969
Distribution of publications	65,572	71,080
Director and staff travel	5,648	8,205
Committees and conferences	7,236	7,882
Field suitcase workshop	10,199	23,992
Supplies	15,025	20,352
Utilities and telephone	96,033	96,499
Equipment rental and maintenance	50,665	36,319
Insurance	5,800	5,874
Depreciation	272,514	245,768
Exhibits and advertising	25,622	78,667
Accession purchases	25,225	19,561
Professional services	50,428	64,907
Miscellaneous	53,959	52,762
Total Program Services	<u>\$ 1,325,348</u>	<u>\$ 1,401,336</u>

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

Exhibit "B"  
Page 2 of 3

	2016	2015
UNRESTRICTED NET ASSETS (continued)		
Expenses (continued):		
Supporting services:		
General and administrative:		
Salaries and wages	\$ 357,225	\$ 351,785
Employee benefits and payroll taxes	103,709	99,703
Director and staff travel	37,183	38,307
Committees	693	13,371
Supplies	8,663	9,286
Utilities and telephone	1,247	1,403
Equipment rental and maintenance	17,722	16,336
Building rental and maintenance	35,235	31,214
Insurance	22,297	22,526
Printing and postage	27,331	27,821
Depreciation	19,695	14,597
Professional services	76,380	116,090
Telemarketing	10,441	9,497
Website hosting	11,004	10,012
Miscellaneous	39,226	35,852
	768,051	797,800
Fundraising:		
Salaries and wages	21,134	21,082
Employee benefits and payroll taxes	8,538	8,295
Director and staff travel	1,954	1,153
Printing and postage	3,539	5,957
Professional services	6,095	6,095
Miscellaneous	3,284	2,785
	44,544	45,367
Total Supporting Services	812,595	843,167
Total Expenses	2,137,943	2,244,503
DECREASE IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS AND TRANSFERS	(139,769)	(181,409)
CAPITAL TRANSACTIONS		
Net unrealized and realized loss on investments	(288,631)	(7,015)
TRANSFERS		
Transfer from unrestricted - board designated to temporarily restricted	-	(259,469)
DECREASE IN UNRESTRICTED NET ASSETS	\$ (428,400)	\$ (447,893)

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
TEMPORARILY RESTRICTED NET ASSETS		
Donations	\$ 124,884	\$ 234,277
Silent auction income	6,360	4,163
Sale of deaccession items	11,590	-
Book sales	3,612	576
Friends of the Collection income	148	-
Transfer from board designated	-	259,469
Net unrealized and realized loss on investments	(8,748)	(1,091)
Restrictions satisfied by payments	<u>(217,360)</u>	<u>(302,688)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(79,514)	194,706
PERMANENTLY RESTRICTED NET ASSETS		
Donations	<u>86,615</u>	<u>34,825</u>
DECREASE IN NET ASSETS	(421,299)	(218,362)
NET ASSETS		
Beginning of year	<u>7,597,398</u>	<u>7,815,760</u>
End of year	<u>\$ 7,176,099</u>	<u>\$ 7,597,398</u>



NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

Exhibit "C"

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Decrease in net assets	\$ (421,299)	\$ (218,362)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation	292,209	260,365
Donations and other income restricted for endowment and other long-term purposes	(173,780)	(86,035)
Net unrealized and realized loss on investments	297,379	8,106
Noncash donations and expenses	209	2,315
(Increase) decrease in:		
Inventory	(1,868)	2,121
Receivables	77,925	5,451
Prepaid and deferred expenses	113	19,718
Increase (decrease) in:		
Unearned income	53,225	(14,763)
Accounts payable, accrued expenses, and temporary chapter savings deposits	(16,349)	(11,552)
Split-interest agreement	(11,190)	(11,190)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>96,574</b>	<b>(43,826)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of assets	9,862	-
Purchase of assets restricted for endowment and other long-term purposes	(173,780)	(86,035)
Purchase of property and equipment	(147,577)	(166,551)
Proceeds from sale of investment securities	463,736	990,778
Purchase of investment securities	(543,116)	(1,332,700)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(390,875)</b>	<b>(594,508)</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Donations restricted for endowment	224,088	195,098
Donations and other income restricted for other long-term purposes	21,540	30,331
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>245,628</b>	<b>225,429</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(48,673)</b>	<b>(412,905)</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning	371,362	784,267
Ending	<b>\$ 322,689</b>	<b>\$ 371,362</b>

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. (the "Corporation") 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. The Corporation 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 July 11, 2016, 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, 2016 and 2015, 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 STATEMENTS

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, 2016 and 2015 are \$25,622 and \$78,667, 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

The Corporation 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.

The Corporation 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>2016</u>	<u>2015</u>
Prepaid insurance	\$ 20,112	\$ 25,737
Printing, publications not yet issued	7,475	5,223
Prepaid national convention	10,000	7,000
Other prepaid expenses	25,455	25,198
	<u>\$ 63,042</u>	<u>\$ 63,158</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>2016</u>	
				<u>Current Market Value</u>	<u>Cost</u>
Mutual funds	-	-	-	\$ 747,139	\$ 743,576
Equity securities	6,239	N/A	N/A	1,423,957	1,412,391
				<u>\$ 2,171,096</u>	<u>\$ 2,155,967</u>
	<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>

## NOTES TO FINANCIAL STATEMENTS

NOTE 4: INVESTMENTS (Continued)

The net unrealized loss for the years ended March 31, 2016 and 2015 was \$(297,379) and \$(8,106), 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, 2016 and 2015. 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, 2016 and 2015.

*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 the Corporation include both opened-end and closed-end funds. The mutual funds held by the Corporation are deemed to be actively traded.

	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 747,139	\$ -	\$ -	\$ 747,139
Common stocks	1,423,957	-	-	1,423,957
Total Investments	<u>\$ 2,171,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,171,096</u>
	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	<u>\$ 2,183,782</u>	<u>\$ 95,747</u>	<u>\$ -</u>	<u>\$ 2,279,529</u>

## NOTES TO FINANCIAL STATEMENTS

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, 2016 and presents the endowment net assets as of March 31, 2016:

	Board- Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 127,459	\$ -	\$ 731,918	\$ 859,377
Investment return:				
Investment income	31,180	-	-	31,180
Net depreciation	-	-	-	-
Total Investment Return	31,180	-	-	31,180
Contributions	-	-	86,615	86,615
Appropriation of endowment assets for expenditure	(28,842)	-	-	(28,842)
Other charges to create board- designated endowment funds	-	-	-	-
Endowment net assets, end of year	<u>\$ 129,797</u>	<u>\$ -</u>	<u>\$ 818,533</u>	<u>\$ 948,330</u>

## NOTES TO FINANCIAL STATEMENTS

NOTE 6: CHAPTERS

As of March 31, 2016, the Corporation has one hundred fifty-one active chapters located throughout the world. The chapters may adopt such bylaws and regulations as they may deem desirable, providing they do not conflict with the constitution and bylaws of the Corporation. Each chapter operates as a separate entity; however, the Corporation 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 \$6,541, shown as a current liability on the statements of financial position for the years ended March 31, 2016 and 2015, respectively, represents various chapters' and members' excess funds transferred to the Corporation for safekeeping. The Corporation is required to return these funds upon request; however, any interest earned on these funds belongs to the Corporation 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, 2016).

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>2016</u>	<u>2015</u>
Museum endowment	\$ 105,951	\$ 102,578
Library endowment	36,759	36,201
School of Horology endowment	(14,151)	(11,100)
Museum and library investment fund	663,127	647,058
Heritage fund	14,645	-
NAWCC fund	1,239	(219)
	<u>\$ 807,570</u>	<u>\$ 774,518</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>2016</u>	<u>2015</u>
Restrictions related to the passage of time:		
Pledges receivable	\$ 8,350	\$ 8,500
Restrictions relating to the occurrence of an event:		
School of Horology:		
Midwest Regional Scholarship	8,886	9,244
Wilbur Pritchard Fund for Awards of Excellence in		
Watch Repair or Restoration	45,634	45,979
Zuercher Scholarship Fund	579	598
School equipment	843	870
Purchase of books for school	1,778	1,836
Anthony Montefusco Memorial Scholarship	990	1,022
Watch and Clock Museum:		
Museum acquisitions	36,259	23,507
Time in Office exhibit	(223)	856
Museum public programs	2,365	1,061
Museum security system	-	(137)
Museum education outreach	1,949	12
Museum education program	3,297	4,941
Tower and street clock exhibit	1,101	1,137
Time Explorer's workshop	1,399	1,444
General exhibits	8,658	6,916
James Bond exhibit	1,007	1,086
Clock and watch restoration	324	498
Clock garden	97	100
Orrery pedestal/security	725	748
Museum DVD project	482	498
Antique European pocket watches	(97)	(100)
Wristwatch acquisitions	1,738	1,794
50 Year membership plaque	362	374
Enlisting Time website	(12)	3,988
Theater upgrade A/V	482	498
Digital camera	1,746	2,353
Special mugs/shirts - museum	199	205
Hamilton video project	553	571
Eberman tower clock stand	169	174
Ansonia clock rebuild	3,198	7,201

## NOTES TO FINANCIAL STATEMENTS

NOTE 9: RESTRICTIONS ON ASSETS (Continued)

	<u>2016</u>	<u>2015</u>
Restrictions relating to the occurrence of an event (continued):		
National:		
Human Faces in Time	\$ 193	\$ 199
Public Time Initiative	3,194	3,297
Field suitcase workshop	7,463	7,355
Regional registration program	966	997
Regional computer system	3,361	3,470
NAWCC message board	531	508
Symposium committee	25,512	19,938
National convention - youth programs	186	192
HVAC Controls Phase I	(21)	7,114
HVAC Controls Phase II	58,911	149,534
MB:Forum 400-Day, Atoms and Other Torsion	48	50
Pocket watch webinar	966	997
Buckeye Chapter 23 education	4,732	4,885
Scholar lab programs	(2)	672
Collect fond memories	562	-
Hiring interns	1,751	-
Waterproof Depollier lab test fee	73	-
Tablet for curator	(10)	-
Estate horological collection	363	-
LED light project	(1,580)	-
Webinars education committee	9,687	-
Publications Department:		
Scanner	-	125
Southern Horology supplement	2,608	2,692
Mailing costs for Tower Talk Chapter 134 newsletter	241	349
Special publication on pocket watches	2,669	2,755
Special publications	6,820	8,493
Library and Research Center:		
Library acquisitions (silent auction proceeds)	2,271	2,592
Library conversion	966	997
Library archival boxes	-	(71)
Library intern	(2)	498
Acquisition of horological art items	487	503
Seth Thomas collection book rebinding	2,339	2,415
Keystone microfilm	4,954	4,614
Binding	858	279
Hamilton ledger digitization	2,393	2,470
Hamilton Watch Company records	2,199	2,270
Library storage supplies	228	306
	<u>\$ 278,755</u>	<u>\$ 358,269</u>

NOTES TO FINANCIAL STATEMENTSNOTE 9: RESTRICTIONS ON ASSETS (Continued)

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

	<u>2016</u>	<u>2015</u>
Museum endowment	\$ 289,102	\$ 232,755
School of Horology endowment	78,199	75,431
Library and research center endowment	225,482	224,132
NAWCC fund	<u>225,750</u>	<u>199,600</u>
	<u>\$ 818,533</u>	<u>\$ 731,918</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

The Corporation 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, 2016:

2017	\$ 17,979
2018	17,979
2019	17,979
2020	17,979
2021	<u>9,611</u>
	<u>\$ 81,527</u>

Total lease expense under these agreements for the years ended March 31, 2016 and 2015 amounted to \$16,215 and \$15,794, 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, 2016 and 2015. As of March 31, 2016 and 2015, this amount was determined to be \$32,132 and \$33,442, 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, 2016, 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>2016</u>	<u>2015</u>
Receivables - less than one year	\$ 26,249	\$ 54,300
Receivables - one to five years	78,500	127,400
Receivables - more than five years	<u>-</u>	<u>-</u>
Total pledge receivables	104,749	181,700
Less discount to net present value	<u>(1,653)</u>	<u>(3,564)</u>
Net pledge receivables at March 31	<u>\$ 103,096</u>	<u>\$ 178,136</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, 2016.

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, 2016 and 2015 are \$1,920,597 and \$2,029,527, 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, the Corporation 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, 2016.



# 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, 2016 and 2015, and our report thereon dated July 11, 2016, 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.

July 11, 2016

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

## SCHEDULE OF PROGRAM ACTIVITIES

YEAR ENDED MARCH 31, 2016

	Membership & Operations	School of Horology	Museum Library & Education	Total Combined
<b>UNRESTRICTED NET ASSETS</b>				
Support and revenue:				
Membership dues	\$ 1,084,795	\$ -	\$ -	\$ 1,084,795
MART receipts	130,979	-	-	130,979
Donations	116,744	-	21,618	138,362
Investment income	31,507	-	52,052	83,559
Tuition and registration fees	5,073	-	71,555	76,628
Field suitcase workshop income	15,100	-	-	15,100
Net proceeds from national events	60,920	-	-	60,920
Miscellaneous income	60,608	-	28,766	89,374
Gift shop and school sales	10,374	-	65,144	75,518
Cost of sales	-	-	(40,233)	(40,233)
Museum admissions	10,745	-	55,067	65,812
	1,526,845	-	253,969	1,780,814
Net assets released from restrictions	172,931	-	44,429	217,360
	1,699,776	-	298,398	1,998,174
Expenses:				
Program services:				
Salaries and wages	189,496	-	229,027	418,523
Employee benefits and payroll taxes	45,206	-	59,799	105,005
Bulletin printing	90,607	-	-	90,607
MART printing	24,624	-	-	24,624
Other printing and postage	510	-	2,153	2,663
Distribution of publications	64,991	-	581	65,572
Director and staff travel	2,444	-	3,204	5,648
Committees and conferences	7,236	-	-	7,236
Field suitcase workshop	10,199	-	-	10,199
Supplies	5,721	-	9,304	15,025
Utilities and telephone	91,055	-	4,978	96,033
Equipment rental and maintenance	25,212	-	25,453	50,665
Insurance	-	-	5,800	5,800
Depreciation	-	-	272,514	272,514
Exhibits and advertising	15,002	-	10,620	25,622
Accession purchases	-	-	25,225	25,225
Professional services	-	-	50,428	50,428
Miscellaneous	25,208	-	28,751	53,959
	\$ 597,511	\$ -	\$ 727,837	\$ 1,325,348

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, 2016

	Membership & Operations	School of Horology	Museum Library & Education	Total Combined
UNRESTRICTED NET ASSETS (continued)				
Expenses (continued):				
Supporting services:				
General and administrative:				
Salaries and wages	\$ 357,225	\$ -	\$ -	\$ 357,225
Employee benefits and payroll taxes	103,709	-	-	103,709
Director and staff travel	37,183	-	-	37,183
Committees	693	-	-	693
Supplies	8,663	-	-	8,663
Utilities and telephone	1,247	-	-	1,247
Equipment rental and maintenance	17,722	-	-	17,722
Building rental and maintenance	35,235	-	-	35,235
Insurance	22,297	-	-	22,297
Printing and postage	27,331	-	-	27,331
Depreciation	19,695	-	-	19,695
Professional services	76,380	-	-	76,380
Telemarketing	10,441	-	-	10,441
Website hosting	11,004	-	-	11,004
Miscellaneous	39,226	-	-	39,226
	768,051	-	-	768,051
Fundraising:				
Salaries and wages	21,134	-	-	21,134
Employee benefits and payroll taxes	8,538	-	-	8,538
Director and staff travel	1,954	-	-	1,954
Printing and postage	3,539	-	-	3,539
Professional services	6,095	-	-	6,095
Miscellaneous	3,284	-	-	3,284
	44,544	-	-	44,544
Total Supporting Services	812,595	-	-	812,595
Total Expenses	\$ 1,410,106	\$ -	\$ 727,837	\$ 2,137,943

Subject to the independent auditors' report on supplementary  
information.

SCHEDULE OF PROGRAM ACTIVITIES

YEAR ENDED MARCH 31, 2016

	Membership & Operations	School of Horology	Museum Library & Education	Total Combined
DECREASE IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS AND TRANSFERS	\$ 289,670	\$ -	\$ (429,439)	\$ (139,769)
CAPITAL TRANSACTIONS				
Net unrealized and realized loss on investments	(288,631)	-	-	(288,631)
TRANSFERS				
Transfer from unrestricted - board designated to temporarily restricted	-	-	-	-
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ 1,039	\$ -	\$ (429,439)	\$ (428,400)
TEMPORARILY RESTRICTED NET ASSETS				
Donations	\$ 75,295	\$ -	\$ 49,589	\$ 124,884
Silent auction income	-	-	6,360	6,360
Sale of deaccession items	11,590	-	-	11,590
Book sales	3,612	-	-	3,612
Friends of the Collection income	148	-	-	148
Transfer from board designated	-	-	-	-
Net unrealized and realized loss on investments	(8,748)	-	-	(8,748)
Restrictions satisfied by payments	(172,931)	-	(44,429)	(217,360)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(91,034)	-	11,520	(79,514)
PERMANENTLY RESTRICTED NET ASSETS				
Donations	12,215	-	74,400	86,615
DECREASE IN NET ASSETS	\$ (77,780)	\$ -	\$ (343,519)	\$ (421,299)

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 4 of 6

	<u>Membership &amp; Operations</u>	<u>School of Horology</u>	<u>Museum Library &amp; Education</u>	<u>Total Combined</u>
<b>UNRESTRICTED NET ASSETS</b>				
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	271,525	3,244	27,919	302,688
	<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>
Total Program Services	\$ 678,678	\$ -	\$ 722,658	\$ 1,401,336

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

	Membership & Operations	School of Horology	Museum Library & Education	Total Combined
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS	\$ 235,635	\$ 3,244	\$ (420,288)	\$ (181,409)
CAPITAL TRANSACTIONS				
Net unrealized and realized gain 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	\$ (30,849)	\$ 3,244	\$ (420,288)	\$ (447,893)
TEMPORARILY RESTRICTED NET ASSETS				
Donations	\$ 211,026	\$ -	\$ 23,251	\$ 234,277
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	\$ 184,052	\$ -	\$ (402,414)	\$ (218,362)

Subject to the independent auditors' report on supplementary  
information.