

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

Financial Statements

Years Ended March 31, 2018 and 2017

NATIONAL ASSOCIATION OF WATCH
AND CLOCK COLLECTORS, INC.

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ROSS BUEHLER FALK & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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, 2018 and 2017, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 audit to obtain reasonable assurance about whether the financial statements are free from 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, 2018 and 2017, 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.

June 27, 2018

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NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
<u>CURRENT</u>		
Cash and cash equivalents	\$ 320,486	\$ 290,718
Store inventory	19,549	12,558
Receivables - other	36,065	25,079
Pledge receivables	49,545	78,902
Prepaid and deferred expenses	68,348	72,961
	<u>493,993</u>	<u>480,218</u>
 <u>OTHER ASSETS</u>		
Cash and cash equivalents held for endowment	51,007	54,312
Cash and cash equivalents restricted for other long-term purposes	53,562	51,680
Scholarship fund investments	26,826	22,304
Investments held for endowment	951,387	788,081
Other investments	1,763,215	1,605,598
Pledge receivables, net current portion	307,109	194,691
Store inventory, net current portion	24,628	35,645
	<u>3,177,734</u>	<u>2,752,311</u>
 <u>PROPERTY AND EQUIPMENT</u>		
Land	53,800	53,800
Building and improvements	9,370,580	9,365,608
Office furniture and equipment	476,329	470,921
Museum equipment	655,812	642,896
School equipment	322,915	322,915
	<u>10,879,436</u>	<u>10,856,140</u>
Less: accumulated depreciation	<u>(6,498,782)</u>	<u>(6,224,478)</u>
	<u>4,380,654</u>	<u>4,631,662</u>
 Total Assets	 <u>\$ 8,052,381</u>	 <u>\$ 7,864,191</u>

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

	<u>2018</u>	<u>2017</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT		
Unearned revenue	\$ 71,090	\$ 64,896
Accounts payable	55,042	63,489
Annuity payable, current portion	16,290	16,290
Accrued expenses	147,550	154,926
Temporary chapter savings deposits	3,465	3,465
	<u>293,437</u>	<u>303,066</u>
LONG-TERM LIABILITIES		
Annuity payable	<u>157,931</u>	<u>174,220</u>
	<u>157,931</u>	<u>174,220</u>
	<u>451,368</u>	<u>477,286</u>
NET ASSETS		
Unrestricted		
General	4,954,383	5,129,239
Board designated	895,906	850,651
Temporarily restricted	649,737	405,318
Permanently restricted	<u>1,100,987</u>	<u>1,001,697</u>
	<u>7,601,013</u>	<u>7,386,905</u>
	<u>\$ 8,052,381</u>	<u>\$ 7,864,191</u>

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

Exhibit "B"
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	2018	2017
UNRESTRICTED NET ASSETS		
Support and revenue:		
Membership dues	\$ 985,672	\$ 1,053,799
Life member receipts (dues transfers), net	2,700	4,700
MART receipts	109,970	119,410
Donations	230,426	210,393
Investment income	110,351	95,280
Tuition and registration fees	73,695	127,471
Traveling workshop income	11,793	24,255
Proceeds from national events	72,023	77,795
Miscellaneous income	65,341	72,182
Store sales (net of cost of sales of \$44,934 and \$47,781)	35,785	27,577
Museum admissions	46,657	59,657
	1,744,413	1,872,519
Net assets released from restrictions	133,142	145,868
	1,877,555	2,018,387
Expenses:		
Program services:		
Salaries and wages	406,023	426,567
Employee benefits and payroll taxes	100,910	99,769
Bulletin printing	78,743	77,201
MART printing	25,915	23,884
Other printing and postage	5,195	3,444
Distribution of publications	48,610	58,881
Directors, officers and staff travel	3,400	4,859
Committees and conferences	53,353	45,349
Traveling workshop	7,160	19,737
Supplies	14,122	23,366
Utilities and telephone	91,057	93,327
Equipment rental and maintenance	38,651	49,204
Insurance	5,824	5,800
Depreciation	266,516	272,168
Exhibits and advertising	24,911	29,582
Accession purchases	19,627	15,992
Professional services	48,602	53,149
Miscellaneous	34,102	38,971
	1,272,721	1,341,250
Total Program Services		

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, 2018 AND 2017

	2018	2017
UNRESTRICTED NET ASSETS (continued)		
Expenses (continued):		
Supporting services:		
General and administrative:		
Salaries and wages	\$ 391,989	\$ 372,351
Employee benefits and payroll taxes	84,349	88,962
Directors, officers and staff travel	41,697	42,972
Committees	533	7,529
Supplies	8,157	8,792
Utilities and telephone	1,880	1,157
Equipment rental and maintenance	19,963	20,127
Building rental and maintenance	29,791	32,318
Insurance	23,211	22,520
Printing and postage	26,155	28,448
Depreciation	21,666	20,716
Professional services	77,427	71,001
Telemarketing	9,377	9,530
Website hosting	12,285	9,924
Miscellaneous	40,660	39,810
	789,140	776,157
Fundraising:		
Salaries and wages	43,520	41,831
Employee benefits and payroll taxes	9,734	9,467
Directors, officers and staff travel	3,117	1,188
Printing and postage	2,233	3,390
Professional services	6,495	7,595
Miscellaneous	7,499	7,579
	72,598	71,050
Total Supporting Services	861,738	847,207
Total Expenses	2,134,459	2,188,457
DECREASE IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS AND TRANSFERS	(256,904)	(170,070)
CAPITAL TRANSACTIONS		
Net unrealized and realized gain on investments	127,303	178,965
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(129,601)	8,895

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

Exhibit "B"
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	2018	2017
TEMPORARILY RESTRICTED NET ASSETS		
Donations	\$ 363,755	\$ 151,420
Silent auction income	2,883	7,326
Sale of deaccession items	-	415
Special events sponsorship	5,270	-
Book sales	2,024	-
Net unrealized gain on investments	3,629	5,454
Restrictions satisfied by payments	(133,142)	(145,868)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	244,419	18,747
PERMANENTLY RESTRICTED NET ASSETS		
Donations	99,290	183,164
INCREASE IN NET ASSETS	214,108	210,806
NET ASSETS		
Beginning of year	7,386,905	7,176,099
End of year	\$ 7,601,013	\$ 7,386,905

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 214,108	\$ 210,806
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	288,182	292,884
Loss on disposal of fixed assets	-	28,627
Donations and other income restricted for endowment and other long-term purposes	(99,290)	(33,333)
Net unrealized and realized gain on investments	(130,932)	(184,419)
Noncash donations and expenses	9,241	27,366
(Increase) decrease in:		
Inventory	4,026	524
Receivables	(94,047)	(181,721)
Prepaid and deferred expenses	4,613	(9,919)
Increase (decrease) in:		
Unearned income	6,194	(34,943)
Accounts payable, accrued expenses, and temporary chapter savings deposits	(15,823)	44,148
Split-interest agreement	(16,289)	50,244
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>169,983</u>	<u>210,264</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of assets restricted for endowment and other long-term purposes	(99,290)	(33,333)
Purchase of property and equipment	(37,173)	(79,003)
Proceeds from sale of investment securities	596,253	54,179
Purchase of investment securities	(699,295)	(376,716)
NET CASH USED BY INVESTING ACTIVITIES	<u>(239,505)</u>	<u>(434,873)</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES:		
Donations restricted for endowment	99,290	183,164
Donations and other income restricted for other long-term purposes	-	9,474
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>99,290</u>	<u>192,638</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	29,768	(31,971)
CASH AND CASH EQUIVALENTS:		
Beginning	<u>290,718</u>	<u>322,689</u>
Ending	<u>\$ 320,486</u>	<u>\$ 290,718</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. (the “NAWCC”) or (the “Corporation”) is the world’s largest museum, research library, educational institution, and international community dedicated to clocks, watches, time, and timekeeping. The NAWCC focuses on being the premier educator and advocate for horology and everyone interested in the story of time. The NAWCC accomplishes this by providing informative, entertaining, social, and educational programs, services, publications, exhibits, and events for members, the general public, and horologists around the globe. The NAWCC is funded by membership support, donations, grants, admissions, museum and library sales, and tuition.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESBasis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting 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.

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

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 27, 2018, 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, 2018 and 2017, 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 expense amounted to \$288,182 and \$292,884 for years ended March 31, 2018 and 2017, respectively. 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, 2018 and 2017 are \$24,911 and \$29,582, 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”.

NOTE 3: PREPAID AND DEFERRED EXPENSES

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

	<u>2018</u>	<u>2017</u>
Prepaid insurance	\$ 26,994	\$ 17,006
Printing, publications not yet issued	3,141	3,491
Prepaid national convention	3,910	15,500
Other prepaid expenses	<u>34,303</u>	<u>36,964</u>
	<u>\$ 68,348</u>	<u>\$ 72,961</u>

NOTES TO FINANCIAL STATEMENTS

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>2018</u>	
				<u>Current Market Value</u>	<u>Cost</u>
Mutual funds	-	-	-	\$ 2,019,684	\$ 1,830,146
Equity securities	5,386	N/A	N/A	775,306	664,625
				<u>\$ 2,794,990</u>	<u>\$ 2,494,771</u>
				<u>2017</u>	
	<u>Par/Shares</u>	<u>Rate</u>	<u>Due</u>	<u>Current Market Value</u>	<u>Cost</u>
Mutual funds	-	-	-	\$ 1,729,401	\$ 1,605,727
Equity securities	6,953	N/A	N/A	738,262	678,461
				<u>\$ 2,467,663</u>	<u>\$ 2,284,188</u>

The net unrealized gain for the years ended March 31, 2018 and 2017 was \$130,932 and \$184,419, respectively. The net unrealized gain 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, 2018 and 2017. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 4: INVESTMENTS (Continued)

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, 2018 and 2017.

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, 2018			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,019,684	\$ -	\$ -	\$ 2,019,684
Equity securities	775,306	-	-	775,306
Total Investments	\$ 2,794,990	\$ -	\$ -	\$ 2,794,990

	March 31, 2017			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 1,729,401	\$ -	\$ -	\$ 1,729,401
Equity securities	738,262	-	-	738,262
Total Investments	\$ 2,467,663	\$ -	\$ -	\$ 2,467,663

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 5: ENDOWMENTS (Continued)

The Corporation endowment assets consist of four funds, the earnings of which are restricted in use for the School of Horology Education Program, the National Watch and Clock Museum, the Library and Research Center, and the NAWCC. 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, 2018 and presents the endowment net assets as of March 31, 2018:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 147,697	\$ -	\$ 1,001,697	\$ 1,149,394
Investment income	51,267	-	-	51,267
Contributions	-	-	99,290	99,290
Appropriation of endowment assets for expenditure	(5,811)	-	-	(5,811)
Endowment net assets, end of year	<u>\$ 193,153</u>	<u>\$ -</u>	<u>\$ 1,100,987</u>	<u>\$ 1,294,140</u>

NOTE 6: CHAPTERS

As of March 31, 2018, the Corporation has one hundred forty two 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, shown as a current liability on the statements of financial position for the years ended March 31, 2018 and 2017, 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.

NOTES TO FINANCIAL STATEMENTS

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 (3.00% at March 31, 2018).

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>2018</u>	<u>2017</u>
Museum endowment	\$ 135,603	\$ 115,196
Library endowment	44,552	39,263
Education endowment	377	(9,381)
Museum and library investment fund	677,625	678,806
Heritage fund	25,128	24,148
NAWCC fund	12,621	2,619
	<u>\$ 895,906</u>	<u>\$ 850,651</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9: RESTRICTIONS ON ASSETS (Continued)

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

	2018	2017
Restrictions related to the passage of time:		
Pledges receivable	\$ 249,041	\$ 104,241
Restrictions relating to the occurrence of an event:		
Education:		
Midwest Regional Scholarship	24,651	22,648
Wilbur Pritchard Fund for Awards of Excellence in Watch Repair or Restoration	55,737	51,335
Zuercher Scholarship Fund	600	600
Purchase of books for school	1,842	1,842
Anthony Montefusco Memorial Scholarship	1,025	1,025
Horological Workbook J L Gropengiesser	1,519	1,269
Watch and Clock Museum:		
Engle clock restoration	1,714	1,777
McClintock clock 514 Poplar Street	7,500	-
McClintock clock in Boulder, CO	4,867	4,867
Museum acquisitions	36,989	37,675
Time in Office exhibit	(100)	(100)
Museum Carriage clock exhibit	938	-
Museum public programs	2,169	2,169
Museum education outreach	1,734	1,734
Museum education program	3,118	3,118
Tower and Street clock exhibit	1,141	1,141
Time Explorer's workshop	1,449	1,449
General exhibits	4,205	5,941
James Bond exhibit	1,043	1,043
Clock and watch restoration	337	337
Clock garden	100	100
Orrery pedestal/security	750	750
Museum DVD project	500	500
Wristwatch acquisitions	1,800	1,800
50 Year membership plaque	375	375
Theater upgrade A/V	500	500
Digital camera	1,736	1,736
Hamilton video project	573	573
Eberman tower clock stand	123	123
Ansonia clock rebuild	14,956	12,925

NOTES TO FINANCIAL STATEMENTS

NOTE 9: RESTRICTIONS ON ASSETS (Continued)

	<u>2018</u>	<u>2017</u>
Restrictions relating to the occurrence of an event (continued):		
National:		
Zspace project	\$ 9,470	\$ -
Human Faces in Time	200	200
Public Time Initiative	3,307	3,308
Traveling workshop	8,428	7,528
Regional registration program	1,000	1,000
Regional computer system	3,481	3,481
Symposium committee	18,769	33,658
National convention - youth programs	193	193
MB:Forum 400-Day, Atoms and Other Torsion	50	50
Pocket Watch webinar	1,000	1,000
Buckeye Chapter 23 education	4,000	4,900
Collect Fond Memories	580	580
Waterproof Depollier lab test fee	75	75
Tablet for curator	(10)	(10)
Estate horological collection	375	375
LED light project	880	2,113
Webinars education committee	10,000	10,000
Library shelving	399	25,000
Small building improvements	5,075	5,075
Facilities pledge	9,020	-
Crystal fund - unidentified use	100,000	-
Facilities projects	6,500	-
Social venture partners	-	2,397
Publications Department:		
Southern Horology supplement	2,700	2,700
Mailing costs for Tower Talk Chapter 134 newsletter	9	250
Special publication on pocket watches	2,764	2,764
Special publications	5,569	6,703
Library and Research Center:		
Library acquisitions (silent auction proceeds)	8,099	12,912
Library conversion	564	564
Durfee book	500	-
Fresch horology journal	2,200	-
Priestley book	7,399	1,000
Acquisition of horological art items	705	505
Seth Thomas collection book rebinding	2,423	2,423
Keystone microfilm	5,278	5,278
Binding	813	813
Hamilton ledger digitization	2,478	2,478
Hamilton Watch Company records	2,277	2,277
Library storage supplies	235	235
	<u>\$ 649,737</u>	<u>\$ 405,318</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>2018</u>	<u>2017</u>
Museum endowment	\$ 385,069	\$ 307,005
Library and research center endowment	101,820	85,474
Education endowment	264,611	236,413
NAWCC fund	<u>349,487</u>	<u>372,805</u>
	<u>\$ 1,100,987</u>	<u>\$ 1,001,697</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 two pieces of equipment under operating leases. Future payments by year and in aggregate, under these operating leases, consisted of the following at March 31, 2018:

2019	\$ 17,979
2020	17,979
2021	<u>9,611</u>
	<u>\$ 45,569</u>

Total lease expense under these agreements for the years ended March 31, 2018 and 2017 amounted to \$18,051 and \$18,540, 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, 2018 and 2017. As of March 31, 2018 and 2017, this amount was determined to be \$31,883 and \$32,273, 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, 2018, 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>2018</u>	<u>2017</u>
Receivables - less than one year	\$ 49,545	\$ 78,902
Receivables - one to five years	190,100	120,850
Receivables - more than five years	<u>157,000</u>	<u>94,000</u>
Total pledge receivables	396,645	293,752
Less: discount to net present value	<u>(39,991)</u>	<u>(20,159)</u>
Net pledge receivables at March 31	<u>\$ 356,654</u>	<u>\$ 273,593</u>

The amount of pledges due long-term have been discounted to their estimated present value using the Internal Revenue Service planned gift discount rate of 3.00% for the year ended March 31, 2018.

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, 2018 and 2017 are \$2,544,991 and \$2,217,663, 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, 2018.

NOTE 16: RECLASSIFICATIONS

Certain items in the 2017 financial statements have been reclassified to conform to the 2018 financial statement presentation. The reclassifications had no effect on the change in net assets.



ROSS BUEHLER FALK & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S 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 Clock Collectors, Inc. as of and for the years ended March 31, 2018 and 2017, and have issued our report thereon dated June 27, 2018, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The Schedule of Program Activities is presented for the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

June 27, 2018

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, 2018

Exhibit "E"
Page 1 of 6

	Membership & Operations	Museum Library & Education	Total Combined
UNRESTRICTED NET ASSETS			
Support and revenue:			
Membership dues	\$ 985,672	\$ -	\$ 985,672
Life member receipts (dues transfers), net	2,700	-	2,700
MART receipts	109,970	-	109,970
Donations	156,718	73,708	230,426
Investment income	37,035	73,316	110,351
Tuition and registration fees	-	73,695	73,695
Traveling workshop income	11,793	-	11,793
Proceeds from national events	72,023	-	72,023
Miscellaneous income	38,202	27,139	65,341
Store and school sales	7,200	73,519	80,719
Cost of sales	-	(44,934)	(44,934)
Museum admissions	-	46,657	46,657
	1,421,313	323,100	1,744,413
Net assets released from restrictions	100,133	33,009	133,142
Total Support and Revenue	1,521,446	356,109	1,877,555
Expenses:			
Program services:			
Salaries and wages	176,754	229,269	406,023
Employee benefits and payroll taxes	38,373	62,537	100,910
Bulletin printing	78,743	-	78,743
MART printing	25,915	-	25,915
Other printing and postage	155	5,040	5,195
Distribution of publications	48,447	163	48,610
Directors, officers and staff travel	1,019	2,381	3,400
Committees and conferences	53,353	-	53,353
Traveling workshop	7,160	-	7,160
Supplies	4,745	9,377	14,122
Utilities and telephone	85,061	5,996	91,057
Equipment rental and maintenance	27,808	10,843	38,651
Insurance	-	5,824	5,824
Depreciation	-	266,516	266,516
Exhibits and advertising	12,122	12,789	24,911
Accession purchases	-	19,627	19,627
Professional services	13,364	35,238	48,602
Miscellaneous	8,314	25,788	34,102
Total Program Services	581,333	691,388	1,272,721

Subject to the independent auditor's report on supplementary
information.

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
SCHEDULE OF PROGRAM ACTIVITIES
YEAR ENDED MARCH 31, 2018

	Membership & Operations	Museum Library & Education	Total Combined
UNRESTRICTED NET ASSETS (continued)			
Expenses (continued):			
Supporting services:			
General and administrative:			
Salaries and wages	\$ 391,989	\$ -	\$ 391,989
Employee benefits and payroll taxes	84,349	-	84,349
Directors, officers and staff travel	41,697	-	41,697
Committees	533	-	533
Supplies	8,157	-	8,157
Utilities and telephone	1,880	-	1,880
Equipment rental and maintenance	19,963	-	19,963
Building rental and maintenance	29,791	-	29,791
Insurance	23,211	-	23,211
Printing and postage	26,155	-	26,155
Depreciation	21,666	-	21,666
Professional services	77,427	-	77,427
Telemarketing	9,377	-	9,377
Website hosting	12,285	-	12,285
Miscellaneous	40,660	-	40,660
	789,140	-	789,140
Fundraising:			
Salaries and wages	43,520	-	43,520
Employee benefits and payroll taxes	9,734	-	9,734
Directors, officers and staff travel	3,117	-	3,117
Printing and postage	2,233	-	2,233
Professional services	6,495	-	6,495
Miscellaneous	7,499	-	7,499
	72,598	-	72,598
Total Supporting Services	861,738	-	861,738
Total Expenses	1,443,071	691,388	2,134,459

Subject to the independent auditor's report on supplementary
information.

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
SCHEDULE OF PROGRAM ACTIVITIES
YEAR ENDED MARCH 31, 2018

Exhibit "E"
Page 3 of 6

	<u>Membership & Operations</u>	<u>Museum Library & Education</u>	<u>Total Combined</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS AND TRANSFERS	\$ 78,375	\$ (335,279)	\$ (256,904)
CAPITAL TRANSACTIONS			
Net unrealized and realized gain on investments	<u>127,303</u>	<u>-</u>	<u>127,303</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>205,678</u>	<u>(335,279)</u>	<u>(129,601)</u>
TEMPORARILY RESTRICTED NET ASSETS			
Donations	312,782	50,973	363,755
Silent auction income	-	2,883	2,883
Special events sponsorship	5,270	-	5,270
Book sales	2,024	-	2,024
Net unrealized gain on investments	3,629	-	3,629
Restrictions satisfied by payments	<u>(100,133)</u>	<u>(33,009)</u>	<u>(133,142)</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	223,572	20,847	244,419
PERMANENTLY RESTRICTED NET ASSETS			
Donations	<u>9,029</u>	<u>90,261</u>	<u>99,290</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 438,279</u>	<u>\$ (224,171)</u>	<u>\$ 214,108</u>

Subject to the independent auditor's report on supplementary
information.

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
SCHEDULE OF PROGRAM ACTIVITIES
YEAR ENDED MARCH 31, 2017

	Membership & Operations	Museum Library & Education	Total Combined
UNRESTRICTED NET ASSETS			
Support and revenue:			
Membership dues	\$ 1,053,799	\$ -	\$ 1,053,799
Life member receipts (dues transfers), net	4,700	-	4,700
MART receipts	119,410	-	119,410
Donations	133,672	76,721	210,393
Investment income	56,442	38,838	95,280
Tuition and registration fees	-	127,471	127,471
Traveling workshop income	24,255	-	24,255
Proceeds from national events	77,795	-	77,795
Miscellaneous income	70,183	1,999	72,182
Store and school sales	-	75,358	75,358
Cost of sales	-	(47,781)	(47,781)
Museum admissions	-	59,657	59,657
	1,540,256	332,263	1,872,519
Net assets released from restrictions	116,140	29,728	145,868
Total Support and Revenue	1,656,396	361,991	2,018,387
Expenses:			
Program services:			
Salaries and wages	189,511	237,056	426,567
Employee benefits and payroll taxes	39,578	60,191	99,769
Bulletin printing	77,201	-	77,201
MART printing	23,884	-	23,884
Other printing and postage	(642)	4,086	3,444
Distribution of publications	58,200	681	58,881
Directors, officers and staff travel	1,648	3,211	4,859
Committees and conferences	45,349	-	45,349
Traveling workshop	19,737	-	19,737
Supplies	3,425	19,941	23,366
Utilities and telephone	87,110	6,217	93,327
Equipment rental and maintenance	29,400	19,804	49,204
Insurance	-	5,800	5,800
Depreciation	-	272,168	272,168
Exhibits and advertising	14,813	14,769	29,582
Accession purchases	-	15,992	15,992
Professional services	2,164	50,985	53,149
Miscellaneous	10,349	28,622	38,971
Total Program Services	601,727	739,523	1,341,250

Subject to the independent auditor's report on supplementary
information.

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
SCHEDULE OF PROGRAM ACTIVITIES
YEAR ENDED MARCH 31, 2017

	Membership & Operations	Museum Library & Education	Total Combined
UNRESTRICTED NET ASSETS (continued)			
Expenses (continued):			
Supporting services:			
General and administrative:			
Salaries and wages	\$ 372,351	\$ -	\$ 372,351
Employee benefits and payroll taxes	88,962	-	88,962
Directors, officers and staff travel	42,972	-	42,972
Committees	7,529	-	7,529
Supplies	8,792	-	8,792
Utilities and telephone	1,157	-	1,157
Equipment rental and maintenance	20,127	-	20,127
Building rental and maintenance	32,318	-	32,318
Insurance	22,520	-	22,520
Printing and postage	28,448	-	28,448
Depreciation	20,716	-	20,716
Professional services	71,001	-	71,001
Telemarketing	9,530	-	9,530
Website hosting	9,924	-	9,924
Miscellaneous	39,810	-	39,810
	776,157	-	776,157
Fundraising:			
Salaries and wages	41,831	-	41,831
Employee benefits and payroll taxes	9,467	-	9,467
Directors, officers and staff travel	1,188	-	1,188
Printing and postage	3,390	-	3,390
Professional services	7,595	-	7,595
Miscellaneous	7,579	-	7,579
	71,050	-	71,050
Total Supporting Services	847,207	-	847,207
Total Expenses	1,448,934	739,523	2,188,457

Subject to the independent auditor's report on supplementary
information.

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
SCHEDULE OF PROGRAM ACTIVITIES
YEAR ENDED MARCH 31, 2017

Exhibit "E"
Page 6 of 6

	<u>Membership & Operations</u>	<u>Museum Library & Education</u>	<u>Total Combined</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS	\$ 207,462	\$ (377,532)	\$ (170,070)
CAPITAL TRANSACTIONS			
Net unrealized and realized gain on investments	178,965	-	178,965
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	386,427	(377,532)	8,895
TEMPORARILY RESTRICTED NET ASSETS			
Donations	110,785	40,635	151,420
Silent auction income	-	7,326	7,326
Sale of deaccession items	415	-	415
Net unrealized gain on investments	5,454	-	5,454
Restrictions satisfied by payments	(116,140)	(29,728)	(145,868)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	514	18,233	18,747
PERMANENTLY RESTRICTED NET ASSETS			
Donations	27,054	156,110	183,164
INCREASE (DECREASE) IN NET ASSETS	\$ 413,995	\$ (203,189)	\$ 210,806

Subject to the independent auditor's report on supplementary
information.