

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

Financial Statements

Years Ended March 31, 2013 and 2012

NATIONAL ASSOCIATION OF WATCH
AND CLOCK COLLECTORS, INC.

CONTENTS

Independent Auditors' Report

Financial Statements:

Statements of Financial Position

Exhibit "A"

Statements of Activities

Exhibit "B"

Statements of Cash Flows

Exhibit "C"

Notes to Financial Statements

Exhibit "D"

Independent Auditors' Report on Supplementary Information

Schedule of Program Activities

Exhibit "E"



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, 2013 and 2012, 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, 2013 and 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

June 20, 2013


ROSS BUEHLER FALK & COMPANY, LLP

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2013 AND 2012

	2013	2012
<u>ASSETS</u>		
<u>CURRENT</u>		
Cash and cash equivalents	\$ 534,209	\$ 415,281
Gift shop inventory	15,099	10,910
Receivable - other	2,507	23,123
Pledge receivables	-	9,918
Prepaid and deferred expenses	73,818	46,062
Total Current Assets	625,633	505,294
<u>OTHER ASSETS</u>		
Cash and cash equivalents held for endowment	85,633	64,527
Cash and cash equivalents restricted for other long-term purposes	50,102	44,321
Scholarship fund investments	40,304	35,654
Investments held for endowment	373,398	388,461
Other investments	1,734,475	1,580,955
Gift shop inventory, net current portion	32,315	37,128
Total Other Assets	2,316,227	2,151,046
<u>PROPERTY AND EQUIPMENT</u>		
Land	53,800	53,800
Building and improvements	9,143,465	9,085,178
Office furniture and equipment	427,563	481,627
Museum equipment	637,646	648,265
School equipment	309,498	336,887
	10,571,972	10,605,757
Less: accumulated depreciation	(5,229,296)	(5,059,664)
	5,342,676	5,546,093
Total Assets	\$ 8,284,536	\$ 8,202,433

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

	<u>2013</u>	<u>2012</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT</u>		
Capital lease, current portion	\$ 1,855	\$ 5,303
Unearned revenue	73,827	114,275
Accounts payable	81,568	48,506
Annuity payable, current portion	11,190	11,190
Accrued expenses	144,240	103,722
Temporary chapter savings deposits	<u>3,465</u>	<u>3,465</u>
 Total Current Liabilities	 <u>316,145</u>	 <u>286,461</u>
 <u>LONG-TERM LIABILITIES</u>		
Capital lease obligation	-	1,855
Annuity payable	<u>162,646</u>	<u>173,836</u>
 Total Long-term Liabilities	 <u>162,646</u>	 <u>175,691</u>
 Total Liabilities	 <u>478,791</u>	 <u>462,152</u>
 <u>NET ASSETS</u>		
Unrestricted		
General	6,158,314	6,115,238
Board designated	974,362	886,156
Temporarily restricted	213,938	285,799
Permanently restricted	<u>459,131</u>	<u>453,088</u>
 Total Net Assets	 <u>7,805,745</u>	 <u>7,740,281</u>
 Total Liabilities and Net Assets	 <u>\$ 8,284,536</u>	 <u>\$ 8,202,433</u>

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

Exhibit "B"
Page 1 of 3

	2013	2012
UNRESTRICTED NET ASSETS		
Support and revenue:		
Membership dues	\$ 1,174,152	\$ 1,143,315
Life member dues transfers, net	(18,522)	(16,590)
MART receipts	140,629	142,643
Donations	280,680	185,978
Investment income	83,722	78,103
Tuition and registration fees	113,123	269,247
Field suitcase workshop income	54,355	47,525
Net proceeds from national convention	40,228	49,975
Miscellaneous income	63,394	79,824
Gift shop and school sales (net of cost of sales of \$58,144 and \$120,104)	28,574	36,157
Museum admissions	59,425	65,934
	2,019,760	2,082,111
Net assets released from restrictions	154,154	120,983
Total Support and Revenue	2,173,914	2,203,094
Expenses:		
Program services:		
Salaries and wages	462,430	639,717
Employee benefits and payroll taxes	118,379	157,332
Bulletin printing	107,767	106,833
MART printing	29,838	31,752
Other printing and postage	5,630	6,141
Distribution of publications	76,860	83,683
Director and staff travel	1,976	6,188
Committees and conferences	8,320	6,303
Field suitcase workshop	24,291	39,677
Supplies	18,090	42,154
Utilities and telephone	96,796	117,726
Equipment rental and maintenance	27,395	26,078
Insurance	6,043	6,724
Depreciation	245,183	238,760
Exhibits and advertising	19,960	37,701
Accession purchases	13,802	14,485
Professional services	57,327	13,720
Miscellaneous	34,327	54,528
	\$ 1,354,414	\$ 1,629,502
Total Program Services	\$ 1,354,414	\$ 1,629,502

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, 2013 AND 2012

Exhibit "B"
Page 2 of 3

	2013	2012
UNRESTRICTED NET ASSETS (Continued)		
Expenses (Continued)		
Supporting services:		
General and administrative:		
Salaries and wages	\$ 337,182	\$ 339,113
Employee benefits and payroll taxes	99,763	95,978
Director and staff travel	42,877	42,480
Committees	7,944	5,082
Supplies	9,030	12,706
Utilities and telephone	1,610	3,264
Equipment rental and maintenance	14,218	17,706
Building rental and maintenance	29,441	56,107
Insurance	20,938	24,451
Printing and postage	32,062	32,698
Depreciation	24,097	35,488
Professional services	129,415	83,008
Telemarketing	14,484	24,869
Website hosting	10,152	9,922
Interest expense	348	721
Miscellaneous	27,385	28,806
	800,946	812,399
Fundraising:		
Salaries and wages	20,510	20,111
Employee benefits and payroll taxes	8,017	7,711
Director and staff travel	1,506	1,734
Printing and postage	3,757	3,567
Professional services	6,195	6,479
Miscellaneous	2,883	1,138
	42,868	40,740
Total Supporting Services	843,814	853,139
Total Expenses	2,198,228	2,482,641
DECREASE IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS	(24,314)	(279,547)
CAPITAL TRANSACTIONS		
Net unrealized and realized gain on investments	156,775	84,132
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ 132,461	\$ (195,415)

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

Exhibit "B"
Page 3 of 3

	2013	2012
TEMPORARILY RESTRICTED NET ASSETS		
Donations	\$ 57,806	\$ 139,389
Investment income	-	2,782
Silent auction income	6,128	5,395
Book sales	6,526	-
Friends of the Collection income	2,000	-
Net unrealized and realized gain on investments	8,654	2,602
Restrictions satisfied by payments	(154,154)	(120,983)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(73,040)	29,185
PERMANENTLY RESTRICTED NET ASSETS		
Donations	6,043	37,978
INCREASE (DECREASE) IN NET ASSETS	65,464	(128,252)
NET ASSETS		
Beginning of year	7,740,281	7,868,533
End of year	\$ 7,805,745	\$ 7,740,281

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 65,464	\$ (128,252)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	269,280	274,248
Donations and other income restricted for endowment and other long-term purposes	(150,762)	(40,364)
Net unrealized and realized gain on investments	(165,429)	(86,734)
Noncash donations and expenses	(5,763)	(14,394)
(Increase) decrease in:		
Inventory	624	9,715
Receivables	30,534	63,233
Prepaid and deferred expenses	(27,755)	69,878
Increase (decrease) in:		
Unearned income	(40,448)	23,673
Accounts payable, accrued expenses, and temporary chapter savings deposits	73,579	(28,260)
Split-interest agreement	(11,190)	86,388
	<u>38,134</u>	<u>229,131</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets restricted for endowment and other long-term purposes	-	100
Purchase of assets restricted for endowment and other long-term purposes	(150,762)	(40,364)
Purchase of property and equipment	(66,929)	(98,739)
Proceeds from sale of investment securities	1,853,927	2,997,630
Purchase of investment securities	(1,700,901)	(3,632,268)
	<u>(64,665)</u>	<u>(773,641)</u>
NET CASH USED BY INVESTING ACTIVITIES		
NET CASH FLOWS FROM FINANCING ACTIVITIES:		
Donations restricted for endowment	6,043	37,978
Donations and other income restricted for other long-term purposes	144,719	2,386
Payments on capital lease	(5,303)	(4,930)
	<u>145,459</u>	<u>35,434</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	118,928	(509,076)
CASH AND CASH EQUIVALENTS:		
Beginning	<u>415,281</u>	<u>924,357</u>
Ending	<u>\$ 534,209</u>	<u>\$ 415,281</u>

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

NOTES TO FINANCIAL STATEMENTSNOTE 1: OPERATIONS

The National Association of Watch and Clock Collectors, Inc. (NAWCC, Inc.) provides to its world-wide members and the general public publications and programs, including a museum and library research center, in order to enhance the education of the historical and scientific importance of clocks and watches. NAWCC, Inc. also provides the availability to study the construction and repair of clocks and watches through the School of Horology. On June 1, 2012 the Corporation elected to discontinue their diploma program. 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Investments

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

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

Receivables

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

Subsequent Events

Management has evaluated all events and transactions occurring after the balance sheet date through June 20, 2013, 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, 2013 and 2012, 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, 2013 and 2012 are \$19,960 and \$37,701, 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, 2012 balances to conform to the March 31, 2013 presentation. Such reclassifications have had no effect on total net assets as previously reported.

NOTES TO FINANCIAL STATEMENTS

NOTE 3: PREPAID AND DEFERRED EXPENSES

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

	<u>2013</u>	<u>2012</u>
Prepaid insurance	\$ 13,045	\$ 8,625
Printing, publications not yet issued	3,535	2,954
Prepaid school supplies	22,630	20,065
Prepaid national convention	8,388	-
Other prepaid expenses	26,220	14,418
	<u>\$ 73,818</u>	<u>\$ 46,062</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>2013</u>	
				<u>Current Market Value</u>	<u>Cost</u>
Mutual funds	-	-	-	\$ 822,411	\$ 760,383
Equity securities	10,024	N/A	N/A	539,347	397,740
Corporate bonds	235,400	Variable %	1/31/14-1/29/37	836,521	845,745
				<u>\$ 2,198,279</u>	<u>\$ 2,003,868</u>
	<u>Par/Shares</u>	<u>Rate</u>	<u>Due</u>	<u>2012</u>	
				<u>Current Market Value</u>	<u>Cost</u>
Mutual funds	-	-	-	\$ 321,759	\$ 324,338
Equity securities	15,864	N/A	N/A	500,233	472,320
Corporate bonds	1,182,400	Variable %	1/31/14 - 1/29/37	1,227,399	1,238,125
				<u>\$ 2,049,391</u>	<u>\$ 2,034,783</u>

NOTE 4: INVESTMENTS (Continued)

The net unrealized gain for the years ended March 31, 2013 and 2012 was \$176,273 and \$86,734, 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, 2013 and 2012. 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.

	2013 Investments At Fair Value	2012 Investments At Fair Value
Level 1	\$ 2,021,024	\$ 821,992
Level 2	177,255	1,227,399
Level 3	-	-
	<u>\$ 2,198,279</u>	<u>\$ 2,049,391</u>

NOTE 5: ENDOWMENTS

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

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

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

NOTE 5: ENDOWMENTS (Continued)

The following summarizes the changes in endowment net assets for the fiscal year ended March 31, 2013 and presents the endowment net assets as of March 31, 2013:

	Board- Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 165,730	\$ -	\$ 453,088	\$ 618,818
Investment Return:				
Investment income	35,130	-	-	35,130
Net depreciation	(5,179)	-	-	(5,179)
Total Investment Return	29,951	-	-	29,951
Contributions	-	-	6,043	6,043
Appropriation of endowment assets for expenditure	(53,858)	-	-	(53,858)
Other charges to create board-designated endowment funds	-	-	-	-
Endowment net assets, end of year	<u>\$ 141,823</u>	<u>\$ -</u>	<u>\$ 459,131</u>	<u>\$ 600,954</u>

NOTE 6: CHAPTERS

As of March 31, 2013, NAWCC, Inc. has one hundred fifty eight active chapters located throughout the world. The chapters may adopt such bylaws and regulations as they may deem desirable, providing they do not conflict with the constitution and bylaws of NAWCC, Inc. Each chapter operates as a separate entity; however, NAWCC, Inc. reserves the right to revoke the charter of any chapter for unethical conduct or inactivity after due hearing before the Board of Directors.

NOTE 7: TEMPORARY CHAPTER SAVINGS DEPOSITS

The amount reported under temporary chapter savings deposits of \$3,465, shown as a current liability on the statements of financial position for the years ended March 31, 2013 and 2012, 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: CAPITAL LEASES

NAWCC, Inc. leases phone system equipment through a capital lease arrangement. Furniture, fixtures, and equipment include \$23,641 for phone equipment with accumulated depreciation of \$22,065. The following is a schedule of minimum future payments under the capital lease, together with the net present value of the minimum lease payments as of March 31, 2013:

2014	\$	1,883
Less: amounts representing interest		<u>(28)</u>
Present Value of Minimum Lease Payments	\$	<u>1,855</u>

NOTE 9: SPLIT-INTEREST AGREEMENTS

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

Assets received under split-interest agreements are recorded at the fair value on the date received. Beneficial interests to be received are recorded at the net present value of future expected cash flows. Liabilities to beneficiaries are recorded at the net present value of expected payments based upon the amount of the contribution, any contractual rate of return and the life expectancy of the beneficiary. Contribution revenue is recorded as either temporarily or permanently restricted based on the existence of any donor imposed conditions in the split-interest agreement. Interest payments on current gift annuities are made at a variable rate based on Internal Revenue Service actuarial tables (1.40% at March 31, 2013).

NOTE 10: RESTRICTIONS ON ASSETS

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

	<u>2013</u>	<u>2012</u>
Museum endowment	\$ 114,953	\$ 122,106
Library endowment	40,393	42,690
School of Horology endowment	(1,943)	934
Museum and library investment fund	687,813	720,426
Heritage fund	133,138	-
NAWCC fund	<u>8</u>	<u>-</u>
	<u>\$ 974,362</u>	<u>\$ 886,156</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10: RESTRICTIONS ON ASSETS (Continued)

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

	<u>2013</u>	<u>2012</u>
Restrictions related to the passage of time:		
Pledges receivable	\$ -	\$ 9,918
Restrictions relating to the occurrence of an event:		
School of Horology:		
Midwest Regional Scholarship	36,444	35,654
Wilbur Pritchard Fund for Awards of Excellence in Watch Repair or Restoration	45,303	44,321
Zuercher Scholarship Fund	600	600
Clock Program at School of Horology	-	546
School equipment	873	873
Purchase of books for school	1,842	1,842
School of Horology repair center	-	25
Anthony Montefusco Memorial Scholarship	1,025	1,025
Watch and Clock Museum:		
Museum acquisitions	51,492	47,723
Time in office exhibit	1,133	1,133
Museum public programs	109	-
Museum security system	99	99
Museum education outreach	112	112
Museum education program	5,527	8,272
Tower and street clock exhibit	1,141	1,141
Time Explorer's workshop	1,449	1,449
Friday night movies	(104)	(104)
Time and Explorations exhibit	685	685
Asian clocks exhibit	324	324
General exhibits	8,590	12,963
James Bond exhibit	1,388	1,388
Clockworks exhibit	(778)	(778)
Clock and watch restoration	500	500
Clock garden	100	100
Orrery pedestal/security	750	750
Museum DVD project	500	500
Antique European pocket watches	(100)	(100)
Wristwatch acquisitions	1,800	1,800
50 Year membership plaque	375	375
Classroom table and chairs	(261)	(261)
Guest curator	-	3,750
Theatre upgrade A/V	500	500
Special mugs/shirts - museum	400	400
Hamilton video project	573	600
Museum guidebook	1,000	1,000
PastPerfect software	-	270

NOTES TO FINANCIAL STATEMENTS

NOTE 10: RESTRICTIONS ON ASSETS (Continued)

	<u>2013</u>	<u>2012</u>
Restrictions relating to the occurrence of an event (continued):		
National:		
Human Faces in Time	\$ 200	\$ 200
Public Time Initiative	3,307	3,307
Field suitcase workshop	7,005	7,623
Regional registration program	1,000	1,000
Marketing to attract younger members	211	211
NAWCC education	519	519
Regional computer system	3,481	3,481
Craft contests	-	138
NAWCC message board	510	1,390
Symposium committee	5,401	3,231
Recognition program	4,000	4,000
National convention - youth programs	193	200
Webinars for members	-	133
Development campaign	(31,613)	106
Crystal fund-building	30,248	47,568
Video equipment for events	1,200	-
HVAC Study	(5,714)	-
Communications	200	-
MB:Forum 400-Day, Atoms and Other Torision	50	-
Vehicle sign project	853	-
Publications Department:		
Scanner	125	125
Southern Horology supplement	2,700	2,700
Publications department	-	364
Special publications	8,426	9,286
Library and Research Center:		
Library acquisitions (silent auction proceeds)	6,900	9,857
Plustek Opti Book 4600 scanner	(193)	(193)
Children's library	(4)	6
Acquisition of Horological art items	505	505
Seth Thomas collection book rebinding	2,423	2,423
Keystone microfilm	3,353	2,273
Binding	506	1,196
Hamilton ledger digitization	2,478	2,478
Hamilton Watch Company records	2,277	2,277
	<u>\$ 213,938</u>	<u>\$ 285,799</u>

NOTE 10: RESTRICTIONS ON ASSETS (Continued)

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

	<u>2013</u>	<u>2012</u>
Museum endowment	\$ 224,484	\$ 222,482
School of Horology endowment	174,659	174,659
Library and research center endowment	57,498	55,947
NAWCC fund	2,490	-
	<u>\$ 459,131</u>	<u>\$ 453,088</u>

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

NOTE 11: OPERATING LEASES

NAWCC, Inc. has three pieces of equipment under operating leases. Future payments by year and in aggregate, under these operating leases, consisted of the following at March 31, 2013:

2014	\$ 4,938
2015	4,938
2016	4,938
2017	4,228
2018	1,550
	<u>\$ 20,592</u>

Total lease expense under these agreements for the years ended March 31, 2013 and 2012 amounted to \$15,299 and \$13,999, respectively, and is included in equipment rental and maintenance on the statements of activities.

NOTE 12: DEFINED CONTRIBUTION RETIREMENT PLAN

The Corporation maintains a qualified 401(k) profit sharing plan (the "Plan") covering eligible employees. Full time employees who attain 21 years of age are eligible to participate in the Plan. A full time employee has to complete one year of service in order to become eligible to share in employer contributions. Participants are 100% vested in all employer contributions. Each year the employer shall contribute to the trust fund such amount as shall be determined by the employer acting through the members of its Board of Directors. On January 1, 2013 the contribution rate for the Corporation was decreased from 5.00% to 4.00%. As of March 31, 2013 and 2012, this amount was determined to be \$36,592 and \$48,712, respectively.

NOTE 13: COLLECTIONS

The Corporation's collections are made up of horological artifacts and research materials of historical significance that are held for educational, research and curatorial purposes. Each of the items is preserved and cared for and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for the collection or for conservation of items in the collection. As of March 31, 2013, the insurance coverage in effect for items in the collection amounted to \$9,000,000.

NOTE 14: PLEDGE RECEIVABLES

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

	<u>2013</u>	<u>2012</u>
Receivables - less than one year	\$ -	\$ 9,918
Receivables - one to five years	-	-
Receivables - more than five years	-	-
Total pledge receivables	-	9,918
Less discount to net present value	-	-
Net pledge receivables at March 31	<u>\$ -</u>	<u>\$ 9,918</u>

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

NOTE 15: CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Corporation to credit risk consist primarily of cash deposits and investments. The Corporation maintains its cash deposits with various financial institutions where the account balances may at times exceed FDIC and SIPC insured limits of \$250,000 and \$500,000, respectively. Deposits and investments in excess of these limits at March 31, 2013 and 2012 are \$2,034,932 and \$1,813,204, 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 16: RISK MANAGEMENT

As a not-for-profit entity, NAWCC, Inc. has elected as of January 1, 2007, to self insure for purposes of unemployment compensation. As such, there are no quarterly contributions made to the Commonwealth of Pennsylvania. There were no unemployment claims outstanding at March 31, 2013.



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, 2013 and 2012, and our report thereon dated June 20, 2013, 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.

June 20, 2013


ROSS BUEHLER FALK & COMPANY, LLP

NATIONAL ASSOCIATION OF WATCH AND CLOCK COLLECTORS, INC.
SCHEDULE OF PROGRAM ACTIVITIES
YEAR ENDED MARCH 31, 2013

Exhibit "E"
Page 1 of 6

	<u>Membership & Operations</u>	<u>School of Horology</u>	<u>Museum & Library Research Center</u>	<u>Total Combined</u>
UNRESTRICTED NET ASSETS				
Support and revenue:				
Membership dues	\$ 1,174,052	\$ -	\$ 100	\$ 1,174,152
Life member receipts (dues transfers), net	(18,522)	-	-	(18,522)
MART receipts	140,629	-	-	140,629
Donations	242,725	210	37,745	280,680
Investment income	36,016	6,792	40,914	83,722
Tuition and registration fees	4,880	48,463	59,780	113,123
Field suitcase workshop income	54,355	-	-	54,355
Net proceeds from national convention	40,228	-	-	40,228
Miscellaneous income	50,474	5	12,915	63,394
Gift shop and school sales	1,111	11,190	74,417	86,718
Cost of sales	-	(13,202)	(44,942)	(58,144)
Museum admissions	7,104	-	52,321	59,425
	<u>1,733,052</u>	<u>53,458</u>	<u>233,250</u>	<u>2,019,760</u>
Net assets released from restrictions	<u>121,827</u>	<u>1,069</u>	<u>31,258</u>	<u>154,154</u>
Total Support and Revenue	<u><u>1,854,879</u></u>	<u><u>54,527</u></u>	<u><u>264,508</u></u>	<u><u>2,173,914</u></u>
Expenses:				
Program services:				
Salaries and wages	186,218	42,368	233,844	462,430
Employee benefits and payroll taxes	47,397	11,583	59,399	118,379
Bulletin printing	107,767	-	-	107,767
MART printing	29,838	-	-	29,838
Other printing and postage	6	-	5,624	5,630
Distribution of publications	76,728	-	132	76,860
Director and staff travel	557	-	1,419	1,976
Committees and conferences	8,320	-	-	8,320
Field suitcase workshop	24,291	-	-	24,291
Supplies	8,863	73	9,154	18,090
Utilities and telephone	91,014	5,782	-	96,796
Equipment rental and maintenance	21,623	1,726	4,046	27,395
Insurance	-	225	5,818	6,043
Depreciation	-	24,721	220,462	245,183
Exhibits and advertising	300	900	18,760	19,960
Accession purchases	-	-	13,802	13,802
Professional services	18,800	-	38,527	57,327
Miscellaneous	12,291	1,524	20,512	34,327
Total Program Services	<u><u>\$ 634,013</u></u>	<u><u>\$ 88,902</u></u>	<u><u>\$ 631,499</u></u>	<u><u>\$ 1,354,414</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, 2013

Exhibit "E"
Page 2 of 6

UNRESTRICTED NET ASSETS (Continued)	Membership & Operations	School of Horology	Museum & Library Research Center	Total Combined
Expenses (Continued)				
Supporting services:				
General and administrative:				
Salaries and wages	\$ 337,182	\$ -	\$ -	\$ 337,182
Employee benefits and payroll taxes	99,763	-	-	99,763
Director and staff travel	42,877	-	-	42,877
Committees	7,944	-	-	7,944
Supplies	9,030	-	-	9,030
Utilities and telephone	1,610	-	-	1,610
Equipment rental and maintenance	14,218	-	-	14,218
Building rental and maintenance	28,500	941	-	29,441
Insurance	20,938	-	-	20,938
Printing and postage	32,062	-	-	32,062
Depreciation	24,097	-	-	24,097
Professional services	129,115	300	-	129,415
Telemarketing	14,484	-	-	14,484
Website hosting	10,152	-	-	10,152
Interest expense	348	-	-	348
Miscellaneous	27,385	-	-	27,385
	<u>799,705</u>	<u>1,241</u>	<u>-</u>	<u>800,946</u>
Fundraising:				
Salaries and wages	20,510	-	-	20,510
Employee benefits and payroll taxes	8,017	-	-	8,017
Director and staff travel	1,506	-	-	1,506
Printing and postage	3,757	-	-	3,757
Professional services	6,195	-	-	6,195
Miscellaneous	2,883	-	-	2,883
	<u>42,868</u>	<u>-</u>	<u>-</u>	<u>42,868</u>
Total Supporting Services	<u>842,573</u>	<u>1,241</u>	<u>-</u>	<u>843,814</u>
Total Expenses	<u>1,476,586</u>	<u>90,143</u>	<u>631,499</u>	<u>2,198,228</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS	378,293	(35,616)	(366,991)	(24,314)
CAPITAL TRANSACTIONS				
Net unrealized and realized gain on investments	<u>156,775</u>	<u>-</u>	<u>-</u>	<u>156,775</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ 535,068</u>	<u>\$ (35,616)</u>	<u>\$ (366,991)</u>	<u>\$ 132,461</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, 2013

Exhibit "E"
Page 3 of 6

	<u>Membership & Operations</u>	<u>School of Horology</u>	<u>Museum & Library Research Center</u>	<u>Total Combined</u>
TEMPORARILY RESTRICTED NET ASSETS				
Donations	\$ 43,708	\$ -	\$ 16,098	\$ 59,806
Investment income	-	-	-	-
Silent auction income	-	-	6,128	6,128
Book sales	6,526	-	-	6,526
Net unrealized and realized gain on investments	8,654	-	-	8,654
Restrictions satisfied by payments	<u>(121,827)</u>	<u>(1,069)</u>	<u>(31,258)</u>	<u>(154,154)</u>
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(62,939)	(1,069)	(9,032)	(73,040)
PERMANENTLY RESTRICTED NET ASSETS				
Donations	<u>-</u>	<u>-</u>	<u>6,043</u>	<u>6,043</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 472,129</u>	<u>\$ (36,685)</u>	<u>\$ (369,980)</u>	<u>\$ 65,464</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, 2012

Exhibit "E"
Page 4 of 6

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

Subject to the independent auditors' report on supplementary
information.

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

Exhibit "E"
Page 5 of 6

	<u>Membership & Operations</u>	<u>School of Horology</u>	<u>Museum & Library Research Center</u>	<u>Total Combined</u>
UNRESTRICTED NET ASSETS (Continued)				
Expenses (Continued)				
Supporting services:				
General and administrative:				
Salaries and wages	\$ 339,113	\$ -	\$ -	\$ 339,113
Employee benefits and payroll taxes	95,978	-	-	95,978
Director and staff travel	42,480	-	-	42,480
Committees	5,082	-	-	5,082
Supplies	12,706	-	-	12,706
Utilities and telephone	3,264	-	-	3,264
Equipment rental and maintenance	17,632	-	74	17,706
Building rental and maintenance	49,684	6,423	-	56,107
Insurance	24,451	-	-	24,451
Printing and postage	32,698	-	-	32,698
Depreciation	35,488	-	-	35,488
Professional services	81,808	1,200	-	83,008
Telemarketing	24,869	-	-	24,869
Website hosting	9,922	-	-	9,922
Interest expense	721	-	-	721
Miscellaneous	28,806	-	-	28,806
	<u>804,702</u>	<u>7,623</u>	<u>74</u>	<u>812,399</u>
Fundraising:				
Salaries and wages	20,111	-	-	20,111
Employee benefits and payroll taxes	7,711	-	-	7,711
Director and staff travel	1,734	-	-	1,734
Printing and postage	3,567	-	-	3,567
Professional services	6,479	-	-	6,479
Miscellaneous	1,138	-	-	1,138
	<u>40,740</u>	<u>-</u>	<u>-</u>	<u>40,740</u>
Total Supporting Services	<u>845,442</u>	<u>7,623</u>	<u>74</u>	<u>853,139</u>
Total Expenses	<u>1,484,057</u>	<u>392,830</u>	<u>605,754</u>	<u>2,482,641</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS	168,578	(112,171)	(335,954)	(279,547)
CAPITAL TRANSACTIONS				
Net unrealized and realized gain on investments	84,132	-	-	84,132
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ 252,710</u>	<u>\$ (112,171)</u>	<u>\$ (335,954)</u>	<u>\$ (195,415)</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, 2012

Exhibit "E"
Page 6 of 6

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

Subject to the independent auditors' report on supplementary
information.