

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

YEARS ENDED MARCH 31, 2008 AND 2007

National Association of Watch and Clock Collectors, Inc.

Financial Statements with Supplementary Information

Years Ended March 31, 2008 and 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
**National Association of Watch and
Clock Collectors, Inc.**
Columbia, Pennsylvania

We have audited the accompanying statements of financial position of **National Association of Watch and Clock Collectors, Inc.** as of March 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **National Association of Watch and Clock Collectors, Inc.** as of March 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Our audit was performed for the purpose of forming an opinion on the financial statements of **National Association of Watch and Clock Collectors, Inc.** taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Trout Ebersole + Groff LLP

May 29, 2008
Lancaster, Pennsylvania

TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants



National Association of Watch and Clock Collectors, Inc.

STATEMENTS of FINANCIAL POSITION

March 31, 2008 and 2007

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 244,780	\$ 270,006
Gift Shop Inventory	38,211	54,064
Accrued Interest Receivable	9,462	9,203
Pledges Receivable	16,000	26,980
Receivables - Other	-0-	6,617
Prepaid and Deferred Expenses	122,054	78,297
	430,507	445,167
OTHER ASSETS		
Cash and Cash Equivalents Held for Endowment	32,522	158,844
Cash and Cash Equivalents Restricted for Other Long-Term Purposes	41,744	41,884
Scholarship Fund Investments (at Market)	29,386	37,617
Investments Held for Endowment (at Market)	191,702	-0-
Other Investments (at Market)	1,523,371	1,697,744
Pledges Receivable, net of Current Portion	36,055	47,077
Prepaid and Deferred Expenses, net of Current Portion	18,822	65,205
Gift Shop Inventory, net of Current Portion	19,769	22,209
	1,893,371	2,070,580
PROPERTY and EQUIPMENT		
Land	53,800	53,800
Buildings and Improvements	8,991,953	8,973,329
Office Furniture and Equipment	472,690	583,256
Museum Equipment	645,353	652,912
School Equipment	325,520	292,241
	10,489,316	10,555,538
Accumulated Depreciation	(3,981,853)	(3,914,760)
	6,507,463	6,640,778
COLLECTIONS (Note 11)		
TOTAL ASSETS	\$ 8,831,341	\$ 9,156,525

See notes to financial statements.

	2008	2007
LIABILITIES and NET ASSETS		
CURRENT LIABILITIES		
Unearned Income	\$ 89,620	\$ 100,448
Accounts Payable	108,753	104,927
Accrued Expenses	95,082	107,085
Temporary Chapter Savings Deposits	<u>9,000</u>	<u>14,000</u>
TOTAL LIABILITIES	302,455	326,460
NET ASSETS		
Unrestricted:		
General	7,214,751	7,539,716
Board Designated	851,439	882,919
Temporarily Restricted	238,472	248,586
Permanently Restricted	<u>224,224</u>	<u>158,844</u>
TOTAL NET ASSETS	<u>8,528,886</u>	<u>8,830,065</u>
TOTAL LIABILITIES and NET ASSETS	<u>\$ 8,831,341</u>	<u>\$ 9,156,525</u>

National Association of Watch and Clock Collectors, Inc.

STATEMENTS of ACTIVITIES

Years Ended March 31, 2008 and 2007

	2008	2007
UNRESTRICTED NET ASSETS		
Support and Revenue:		
Membership Dues	\$ 1,331,825	\$ 1,466,949
Life Member Receipts (Dues Transfers), net	(13,920)	(9,180)
MART Receipts	170,159	156,605
Donations	116,267	160,389
Investment Income	91,344	99,395
Tuition and Registration Fees	222,958	210,925
Workshop and Suitcase Class Income	46,076	37,250
Net Proceeds from National Convention	66,180	35,157
Miscellaneous Income	48,310	57,463
Gift Shop and School Sales	134,202	93,179
Cost of Sales	<u>(92,602)</u>	<u>(64,144)</u>
Museum Admissions	64,468	54,649
Grant Income	-0-	3,900
	2,185,267	2,302,537
Net Assets Released from Restrictions	<u>189,316</u>	<u>153,587</u>
Total Support and Revenue	2,374,583	2,456,124
Expenses:		
Program Services:		
Bulletin Printing	130,301	141,864
MART Printing	36,111	36,207
Other Printing	3,016	8,470
Distribution of Publications	103,984	94,769
Director and Staff	23,525	14,684
Committees and Conferences	8,283	3,553
Salaries and Benefits	809,962	718,178
Workshop and Suitcase Class	32,183	36,409
Scholarships	17,414	3,838
Supplies	34,835	22,309
Utilities and Telephone	124,707	138,796
Equipment Rental and Maintenance	50,857	30,682
Insurance	5,874	6,296
Depreciation	246,984	49,999
Employee Training and Education	2,037	3,712
Exhibits and Advertising	63,318	73,465
Professional Services	983	8,527
Miscellaneous	<u>19,583</u>	<u>14,911</u>
Total Program Services	\$ 1,713,957	\$ 1,406,669

See notes to financial statements.

National Association of Watch and Clock Collectors, Inc.

STATEMENTS of ACTIVITIES

(Continued)

Years Ended March 31, 2008 and 2007

	2008	2007
UNRESTRICTED NET ASSETS (Continued)		
Expenses: (Continued)		
Supporting Services:		
General and Administrative:		
Director and Staff	\$ 47,600	\$ 52,775
Committees	4,692	14,362
Salaries and Benefits	406,257	425,411
Supplies	17,633	24,635
Utilities and Telephone	12,495	9,081
Equipment Rental and Maintenance	17,618	16,047
Building Repairs and Maintenance	42,667	55,777
Insurance	17,220	22,298
Postage	23,625	29,449
Printing	9,346	8,391
Depreciation	66,460	250,764
Professional Services	60,508	45,836
Employee Training and Education	4,827	3,591
Advertising and Website	20,072	22,804
Miscellaneous	21,397	37,028
	772,417	1,018,249
Fundraising:		
Salaries and Benefits	51,666	79,779
Director and Staff	-0-	6,761
Printing	2,389	330
Postage	5,063	1,739
Professional Services	5,850	-0-
Miscellaneous	7,052	2,970
	72,020	91,579
Total Supporting Services	844,437	1,109,828
Total Expenses	2,558,394	2,516,497
DECREASE in UNRESTRICTED NET ASSETS BEFORE CAPITAL TRANSACTIONS	(183,811)	(60,373)
CAPITAL TRANSACTIONS		
Net Unrealized and Realized Loss on Investments	(172,634)	(46,142)
DECREASE in UNRESTRICTED NET ASSETS	\$ (356,445)	\$ (106,515)

See notes to financial statements.

National Association of Watch and Clock Collectors, Inc.

STATEMENTS of ACTIVITIES

(Continued)

Years Ended March 31, 2008 and 2007

	2008	2007
TEMPORARILY RESTRICTED NET ASSETS		
Donations	\$ 103,427	\$ 87,008
Grant Income	83,494	49,500
Investment Income	2,177	1,944
Silent Auction Income	3,405	12,454
Deaccession Income	-0-	11,921
Net Unrealized and Realized Gain (Loss) on Investments	(13,301)	3,463
Restrictions Satisfied by Payments	<u>(189,316)</u>	<u>(153,587)</u>
INCREASE (DECREASE) in TEMPORARILY RESTRICTED NET ASSETS	(10,114)	12,703
PERMANENTLY RESTRICTED NET ASSETS		
Donations	<u>65,380</u>	<u>11,010</u>
DECREASE in NET ASSETS	(301,179)	(82,802)
NET ASSETS		
Beginning of Year	<u>8,830,065</u>	<u>8,912,867</u>
End of Year	<u>\$ 8,528,886</u>	<u>\$ 8,830,065</u>

See notes to financial statements.

National Association of Watch and Clock Collectors, Inc.

STATEMENTS of CASH FLOWS Years Ended March 31, 2008 and 2007

	2008	2007
CASH FLOWS from OPERATING ACTIVITIES		
Decrease in Net Assets	\$ (301,179)	\$ (82,802)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	313,444	300,763
Donations and Other Income Restricted for Endowment and Other Long-Term Purposes	(66,398)	(43,765)
Net Unrealized and Realized Loss on Investments	185,935	42,679
Noncash Donations and Expenses	(42,746)	(57,500)
(Increase) Decrease in:		
Inventory	18,293	14,243
Receivables	28,360	21,322
Prepaid and Deferred Expenses	(62,579)	(90,640)
Increase (Decrease) in:		
Unearned Income	(10,828)	40,673
Accounts Payable, Accrued Expenses, and Temporary Chapter Savings Deposits	(13,177)	(3,198)
Net Cash Provided by Operating Activities	49,125	141,775
CASH FLOWS from INVESTING ACTIVITIES		
Proceeds from Sale of Assets Restricted for Endowment and Other Long-Term Purposes	1,159	38,301
Purchase of Assets Restricted for Endowment and Other Long-Term Purposes	(66,398)	(43,765)
Purchase of Property and Equipment	(92,027)	(77,655)
Proceeds from Sale of Investment Securities	288,043	276,999
Purchase of Investment Securities	(271,526)	(275,657)
Net Cash Used by Investing Activities	(140,749)	(81,777)
CASH FLOWS from FINANCING ACTIVITIES		
Donations Restricted for Endowment	65,380	10,010
Donations and Other Income Restricted for Other Long-Term Purposes	1,018	33,755
Net Cash Provided by Financing Activities	66,398	43,765
INCREASE (DECREASE) in CASH and CASH EQUIVALENTS	(25,226)	103,763
CASH and CASH EQUIVALENTS		
Beginning	270,006	166,243
Ending	\$ 244,780	\$ 270,006

See notes to financial statements.

National Association of Watch and Clock Collectors, Inc.

STATEMENTS of CASH FLOWS

(Continued)

Years Ended March 31, 2008 and 2007

SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION

Noncash Investing and Financing Transactions:

Unrealized Loss on Investments	(181,328)	(25,402)
In-Kind Donation of Property and Equipment	22,896	-0-
In-Kind Donation of Stock	19,850	57,500

See notes to financial statements.

National Association of Watch and Clock Collectors, Inc.

NOTES to FINANCIAL STATEMENTS

NOTE 1 - NATURE of ACTIVITIES

The **National Association of Watch and Clock Collectors, Inc. (NAWCC, Inc.)** provides to its world-wide members and the general public, publications and programs, including a museum and library research center, in order to enhance the education of the historical and scientific importance of clocks and watches. **NAWCC, Inc.** also provides the availability to study the construction and repair of clocks and watches through the School of Horology. The Corporation is funded by membership support, donations, grants, admission sales, and tuition fees.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial statements of **NAWCC, Inc.** include the accounts and activities of the School of Horology, which is a division of **NAWCC, Inc.** and is not a separate legal entity. All significant balances and transactions between divisions have been eliminated.

Income Tax Status

The Corporation is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Corporation is not classified as a private foundation.

Basis of Accounting and Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Accordingly, actual results may differ from estimated amounts. For the year ended March 31, 2008, the Corporation changed its functional expense allocation estimate and began to allocate depreciation expense for buildings and building improvements by square footage used.

Basis of Presentation

Under Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations, the Corporation reports information regarding their financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

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.

Investments

In accordance with accounting principles generally accepted in the United States of America for nonprofit organizations, the various investments are being carried at fair market value. Donated securities received by the Corporation are recorded at their fair market value at the time of receipt.

The Corporation shows all interest and dividend income, less fees, as operating income. All realized and unrealized gains and losses are presented as non-operating income.

National Association of Watch and Clock Collectors, Inc.

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Receivables that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at outstanding principal adjusted for charge offs. Account balances generally are written off when management judges such balances uncollectible, such as an account in bankruptcy. Management continually monitors and reviews receivable balances.

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.

Inventories

The Corporation values its inventories at the lower of cost (first-in, first-out) or market.

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 \$500 per item. Depreciation is calculated using the straight-line method of depreciation over their estimated useful lives as follows:

Building	19 - 31 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.

Revenue Recognition

The Corporation receives grant funding from the Pennsylvania Historical and Museum Commission. The grant proceeds are recognized in earnings in the period in which the related expenditures are incurred. Amounts received or receivable from the grantor are subject to audit and adjustment by the grantor. Any disallowed claims, including amounts already collected, may constitute a liability of the Corporation. The amount, if any, cannot be determined at this time, although the Corporation expects such amounts, if any, to be immaterial.

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 statement 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.

National Association of Watch and Clock Collectors, Inc.

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

The Corporation receives a significant amount of services donated by volunteers in carrying out their exempt purpose. No amounts have been reflected in the financial statements for those services as they do not meet the criteria for recognition under (SFAS) No. 116, Accounting for Contributions Received and Contributions Made.

NAWCC, Inc. recognizes membership dues as revenue when the cash is actually received.

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/marketing costs as they are incurred. The advertising/marketing costs for the years ended March 31, 2008 and 2007, are \$45,765 and \$56,133, respectively.

NOTE 3 - PLEDGES RECEIVABLE

The Corporation has an outstanding unrestricted pledge receivable in the original amount of \$100,000. This pledge is payable in ten annual installments of \$10,000 each. As of March 31, 2008 and 2007, the uncollected balance amounted to \$49,795 and \$59,795, respectively.

In addition, the Corporation has engaged in ongoing fund drives. As of March 31, 2008 and 2007, there were outstanding pledges of \$6,000 and \$23,000, respectively, which were receivable over the next year.

For the years ended March 31, 2008 and 2007, the pledges have been discounted to their estimated present value of \$52,055 and \$74,057, respectively, using a rate of 4%.

The following is a summary of pledges receivable for the years ending March 31:

2009	16,000
2010	8,525
2011	8,878
2012	9,240
2013	<u>9,412</u>
	52,055

National Association of Watch and Clock Collectors, Inc.

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 4 - PREPAID and DEFERRED EXPENSES

As of March 31, 2008 and 2007, prepaid and deferred expenses consisted of the following:

	2008	2007
Prepaid Insurance	18,093	13,626
Printing, Publications not yet Issued	46,559	42,915
Software, not yet Placed in Service	18,822	65,205
Prepaid School Supplies	40,511	16,902
Other Prepaid Expenses	<u>16,891</u>	<u>4,854</u>
	140,876	143,502

NOTE 5 - INVESTMENTS

A summary of the investments as of March 31, 2008 and 2007, is as follows:

	Par/Shares	Rate	Due	2008	
				Current Market Value	Cost
Mutual Funds				306,693	328,316
Certificates of Deposit	100,000	FLT %	07/28/10	99,443	100,000
Government and Agency Securities	370,000	FLT % - 5.125%	10/15/08 - 06/17/10	374,481	374,184
Equity Securities	5,050	N/A	N/A	10,148	22,402
Preferred Stock	3,900	FLT %	N/A	54,560	97,500
REIT's	1	N/A	N/A	25,000	25,022
Corporate Bonds	1,040,000	FLT %	08/20/08 - 10/01/36	<u>874,134</u>	<u>1,044,560</u>
				1,744,459	1,991,984

National Association of Watch and Clock Collectors, Inc.

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 5 - INVESTMENTS (Continued)

				2007	
	Par/Shares	Rate	Due	Current Market Value	Cost
Mutual Funds				37,617	16,904
Certificates of Deposit	100,000	FLT%	07/28/10	94,078	100,000
Government and Agency Securities	595,000	FLT% - 6.150%	12/10/07 - 07/25/11	592,816	614,251
Equity Securities	3,950	N/A	N/A	102,770	100,052
Corporate Bonds	1,218,900	FLT%	08/20/08 - 01/31/14	<u>908,080</u>	<u>970,351</u>
				1,735,361	1,801,558

The net unrealized loss for the years ended March 31, 2008 and 2007, was \$181,328 and \$25,402, respectively. The net unrealized gain (loss) on investments is shown under capital transactions on the combined statement 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.

NOTE 6 - CHAPTERS

As of March 31, 2008, **NAWCC, Inc.** has one hundred seventy-three 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.

National Association of Watch and Clock Collectors, Inc.

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 7 - TEMPORARY CHAPTER SAVINGS DEPOSITS

The amount reported under temporary chapter savings deposits of \$9,000 and \$14,000, shown as a current liability on the statements of financial position for the years ended March 31, 2008 and 2007, respectively, represents various Chapters' and members' excess funds transferred to **NAWCC, Inc.** for safekeeping. The Corporation is required to return these funds upon request; however, any interest earned on these funds belongs to **NAWCC, Inc.** to use at its discretion.

NOTE 8 - 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:

	2008	2007
Museum Endowment	104,026	101,470
Library Endowment	33,598	27,675
Library Acquisition Fund	13,238	-0-
Museum and Library Investment Fund	<u>700,577</u>	<u>753,774</u>
	851,439	882,919

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

	2008	2007
Restrictions Related to the Passage of Time:		
Pledges Receivable	52,055	74,057
Restrictions Relating to the Occurrence of an Event:		
Midwest Regional Scholarship	35,646	39,535
Wilbur Pritchard Fund for Awards for Excellence in Watch Repair or Restoration	41,619	40,600
Public Time Initiative	4,093	4,093
Technology	-0-	174
Supplemental Publications	9,855	9,675
Field Suitcase Workshop	5,033	4,543
Transcriber	40	40
Scanner	125	125
Regional Registration Program	1,000	1,000
Practical Watch Collecting for Beginners	-0-	500
Human Faces in Time	200	200
Museum Education Program	8,950	5,653
Dial Restoration Thomas Parker Bracket Clock and John Child Philadelphia Wall Clock	-0-	1,250

National Association of Watch and Clock Collectors, Inc.

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 8 - RESTRICTIONS on ASSETS (Continued)

Restrictions Relating to the Occurrence of an Event: (Continued)

	2008	2007
Pillar Scroll Clock	-0-	840
Tower and Street Clock Exhibit	1,141	1,141
Benches for Rotunda	-0-	145
Museum and Library Acquisitions	28,392	45,426
Children's Library	6	34
Acquisition of Horological Art Items	505	692
Seth Thomas Collection Book Rebinding	1,830	1,830
American Watch Making Exhibit	-0-	3,383
Keystone Microfilm	2,740	1,531
Electrical Horology	-0-	213
Binding	1,688	1,591
Hamilton Ledger Digitization	2,813	1,888
Hamilton Watch Company Records	2,277	-0-
Museum Education Outreach	217	1,024
Orrery Pedestal/Security	750	750
Delaware Clock Exhibit	2,482	2,808
Purchase of Books for School	1,962	1,995
Zuercher Scholarship Fund	600	1,850
Marketing to Attract Younger Members	500	-0-
Bulletin Online Project	2,000	-0-
Stanley Clockworks	1,297	-0-
Time in Office Exhibit	14,762	-0-
Museum DVD Project	500	-0-
Time Explorer's Workshop	2,394	-0-
Antique European Pocket Watches	8,300	-0-
Souther Horology Supplement	<u>2,700</u>	<u>-0-</u>
	238,472	248,586

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

	2008	2007
Museum Endowment	178,570	114,590
Library Endowment	<u>45,654</u>	<u>44,254</u>
	224,224	158,844

Endowment Assets - These assets are received as permanently restricted gifts, the principal of which remains intact, while the earnings of the assets are unrestricted.

National Association of Watch and Clock Collectors, Inc.

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 8 - RESTRICTIONS on ASSETS (Continued)

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

NOTE 9 - 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, 2008:

2009	10,152
2010	10,152
2011	10,152
2012	<u>4,216</u>
	34,672

Total lease expense under these agreements for the years ended March 31, 2008 and 2007 amounted to \$9,966 and \$5,630, respectively and is included in equipment rental and maintenance on the statements of activities.

NOTE 10 - DEFINED CONTRIBUTION RETIREMENT PLAN

The Corporation maintains a qualified 401(k) profit sharing plan covering eligible employees. Full-time employees become participants upon completion of one year of service and attaining 21 years of age for those employed on or after April 1, 2005. Prior to April 1, 2005, full-time and part-time employees meeting specified levels of service and who had attained 21 years of age were eligible. 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. Contributions to the Plan for the years ended March 31, 2008 and 2007, were \$34,772 and \$38,605, respectively.

NOTE 11 - 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. As of March 31, 2008, the insurance coverage in effect for items in the collection amounted to \$9,000,000.

National Association of Watch and Clock Collectors, Inc.

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 12 - 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 and investments with various financial institutions where the account balances may at times exceed FDIC and SIPC insured limits.

NOTE 13 - 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. No claims were paid for the years ended March 31, 2008 and 2007. Claims incurred through June 30, 2007 will continue to be paid from the Corporation's previous unemployment insurance coverage through the Commonwealth of Pennsylvania.

NOTE 14 - RECLASSIFICATIONS

Certain amounts previously reported for the year ended March 31, 2007, have been reclassified to conform to the classifications used for the year ended March 31, 2008. Such reclassifications had no effect on reported changes in net assets.

National Association of Watch and Clock Collectors, Inc.

SCHEDULE of PROGRAM ACTIVITIES

Year Ended March 31, 2008

	Membership and Operations	School of Horology	Other Programs	Total Combined
UNRESTRICTED NET ASSETS				
Support and Revenue:				
Membership Dues	\$ 1,331,825			\$ 1,331,825
Life Member Receipts (Dues Transfers), net	(13,920)			(13,920)
MART Receipts	170,159			170,159
Donations	92,415	5,419	18,433	116,267
Investment Income	66,111	4	25,229	91,344
Tuition and Registration Fees		222,958		222,958
Workshop and Suitcase Class Income	46,076			46,076
Net Proceeds from National Convention	66,180			66,180
Miscellaneous Income	37,469	14	10,827	48,310
Gift Shop and School Sales		43,597	90,605	134,202
Cost of Sales		(37,087)	(55,515)	(92,602)
Museum Admissions			64,468	64,468
	1,796,315	234,905	154,047	2,185,267
Net Assets Released from Restrictions	40,049	23,115	126,152	189,316
Total Support and Revenue	1,836,364	258,020	280,199	2,374,583
 Expenses:				
Program Services:				
Bulletin Printing	130,301			130,301
MART Printing	36,111			36,111
Other Printing		1,054	1,962	3,016
Distribution of Publications	103,984			103,984
Director and Staff	1,470	15,423	6,632	23,525
Committees and Conferences	882	6,014	1,387	8,283
Salaries and Benefits	203,012	265,429	341,521	809,962
Workshop and Suitcase Class	32,183			32,183
Scholarships	2,756	14,658		17,414
Supplies	5,594	17,871	11,370	34,835
Utilities and Telephone		12,850	111,857	124,707
Equipment Rental and Maintenance		6,963	43,894	50,857
Insurance			5,874	5,874
Depreciation		25,431	221,553	246,984
Employee Training and Education		1,635	402	2,037
Exhibits and Advertising		4,789	58,529	63,318
Professional Services		833	150	983
Miscellaneous	4,949	10,677	3,957	19,583
	\$ 521,242	\$ 383,627	\$ 809,088	\$ 1,713,957

See auditors' report.

National Association of Watch and Clock Collectors, Inc.

SCHEDULE of PROGRAM ACTIVITIES

(Continued)

Year Ended March 31, 2008

	Membership and Operations	School of Horology	Other Programs	Total Combined
UNRESTRICTED NET ASSETS (Continued)				
Expenses: (Continued)				
Supporting Services:				
General and Administrative:				
Director and Staff	\$ 47,600			\$ 47,600
Committees	4,692			4,692
Salaries and Benefits	406,257			406,257
Supplies	17,633			17,633
Utilities and Telephone	12,495			12,495
Equipment Rental and Maintenance	17,618			17,618
Building Repairs and Maintenance		8,578	34,089	42,667
Insurance	17,220			17,220
Postage	23,625			23,625
Printing	9,346			9,346
Depreciation	66,460			66,460
Professional Services	58,508	2,000		60,508
Employee Training and Education	4,827			4,827
Advertising and Website	20,072			20,072
Miscellaneous	21,397			21,397
	727,750	10,578	34,089	772,417
Fundraising:				
Salaries and Benefits	51,666			51,666
Printing	2,389			2,389
Postage	5,063			5,063
Professional Services	5,850			5,850
Miscellaneous	7,052			7,052
	72,020	-0-	-0-	72,020
Total Supporting Services	799,770	10,578	34,089	844,437
Total Expenses	1,321,012	394,205	843,177	2,558,394
INCREASE (DECREASE) IN				
UNRESTRICTED NET ASSETS BEFORE				
CAPITAL TRANSACTIONS				
	\$ 515,352	\$ (136,185)	\$ (562,978)	\$ (183,811)

See auditors' report.

National Association of Watch and Clock Collectors, Inc.

SCHEDULE of PROGRAM ACTIVITIES

(Continued)

Year Ended March 31, 2008

	Membership and Operations	School of Horology	Other Programs	Total Combined
CAPITAL TRANSACTIONS				
Net Unrealized and Realized Loss on Investments	<u>\$ (172,634)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (172,634)</u>
INCREASE (DECREASE) IN				
UNRESTRICTED NET ASSETS	342,718	(136,185)	(562,978)	(356,445)
TEMPORARILY RESTRICTED NET ASSETS				
Donations	23,262	21,322	58,843	103,427
Grant Income			83,494	83,494
Investment Income	2,177			2,177
Silent Auction Income			3,405	3,405
Net Unrealized and Realized Loss on Investments	(13,301)			(13,301)
Restrictions Satisfied by Payments	<u>(40,049)</u>	<u>(23,115)</u>	<u>(126,152)</u>	<u>(189,316)</u>
INCREASE (DECREASE) in TEMPORARILY				
RESTRICTED NET ASSETS	(27,911)	(1,793)	19,590	(10,114)
PERMANENTLY RESTRICTED NET ASSETS				
Donations	<u>-0-</u>	<u>-0-</u>	<u>65,380</u>	<u>65,380</u>
INCREASE (DECREASE) in NET ASSETS				
	<u>\$ 314,807</u>	<u>\$ (137,978)</u>	<u>\$ (478,008)</u>	<u>\$ (301,179)</u>

In the event that a particular division incurs a deficit, the Corporation has resolved to fund such a deficit through the use of its net assets.

See auditors' report.