

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

YEARS ENDED MARCH 31, 2009 AND 2008

National Association of Watch and Clock Collectors, Inc.

Financial Statements with Supplementary Information

Years Ended March 31, 2009 and 2008

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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, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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, 2009 and 2008, 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.

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 27, 2009
Lancaster, Pennsylvania

TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants



National Association of Watch and Clock Collectors, Inc.

STATEMENTS of FINANCIAL POSITION

March 31, 2009 and 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 152,348	\$ 244,780
Gift Shop Inventory	35,055	38,211
Accrued Interest Receivable	2,357	9,462
Pledges Receivable	11,000	16,000
Receivables - Other	17,365	-0-
Prepaid and Deferred Expenses	117,935	122,055
	336,060	430,508
OTHER ASSETS		
Cash and Cash Equivalents Held for Endowment	47,429	32,522
Cash and Cash Equivalents Restricted		
for Other Long-Term Purposes	2,884	41,744
Scholarship Fund Investments (at Market)	20,773	29,386
Investments Held for Endowment (at Market)	336,213	191,702
Other Investments (at Market)	1,029,500	1,523,371
Pledges Receivable, net of Current Portion	27,387	36,055
Prepaid and Deferred Expenses, net of Current Portion	-0-	18,822
Gift Shop Inventory, net of Current Portion	21,460	19,769
	1,485,646	1,893,371
PROPERTY and EQUIPMENT		
Land	53,800	53,800
Buildings and Improvements	9,006,014	8,991,953
Office Furniture and Equipment	523,552	472,690
Museum Equipment	635,841	645,353
School Equipment	332,601	325,520
	10,551,808	10,489,316
Accumulated Depreciation	(4,249,401)	(3,981,853)
	6,302,407	6,507,463
COLLECTIONS (Note 13)		
TOTAL ASSETS	\$ 8,124,113	\$ 8,831,342

See notes to financial statements.

	2009	2008
LIABILITIES and NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Capital Lease Obligation	\$ 4,261	\$ -0-
Unearned Income	87,732	95,166
Accounts Payable	88,714	108,754
Accrued Expenses	75,550	89,536
Temporary Chapter Savings Deposits	<u>44,000</u>	<u>9,000</u>
Total Current Liabilities	300,257	302,456
LONG-TERM LIABILITIES, less Current Maturities		
Capital Lease Obligation	<u>16,672</u>	<u>-0-</u>
TOTAL LIABILITIES	316,929	302,456
NET ASSETS		
Unrestricted:		
General	6,615,400	7,214,751
Board Designated	611,775	851,439
Temporarily Restricted	196,367	238,472
Permanently Restricted	<u>383,642</u>	<u>224,224</u>
TOTAL NET ASSETS	<u>7,807,184</u>	<u>8,528,886</u>
TOTAL LIABILITIES and NET ASSETS	<u>\$ 8,124,113</u>	<u>\$ 8,831,342</u>

National Association of Watch and Clock Collectors, Inc.

STATEMENTS of ACTIVITIES

Years Ended March 31, 2009 and 2008

	2009	2008
UNRESTRICTED NET ASSETS		
Support and Revenue:		
Membership Dues	\$ 1,279,330	\$ 1,331,825
Life Member Receipts		
(Dues Transfers), net	(14,253)	(13,920)
MART Receipts	177,097	170,159
Donations	93,209	116,267
Investment Income	85,456	91,344
Tuition and Registration Fees	242,209	222,958
Field Suitcase Workshop Income	63,360	46,076
Net Proceeds from		
National Convention	45,571	66,180
Miscellaneous Income	58,938	51,623
Gift Shop and School Sales	111,598	134,202
Cost of Sales	<u>(65,456)</u>	<u>(92,602)</u>
Museum Admissions	60,066	61,155
	<u>2,137,125</u>	<u>2,185,267</u>
Net Assets Released from Restrictions	<u>68,237</u>	<u>189,316</u>
Total Support and Revenue	2,205,362	2,374,583
Expenses:		
Program Services:		
Salaries and Wages	678,504	638,966
Employee Benefits and Payroll Taxes	143,483	139,267
Bulletin Printing	139,476	130,301
MART Printing	38,468	36,111
Other Printing and Postage	7,383	6,221
Distribution of Publications	108,377	103,984
Director and Staff Travel	9,636	23,525
Committees and Conferences	1,045	8,283
Field Suitcase Workshop	55,046	32,884
Scholarships	4,610	17,414
Supplies	30,747	31,554
Utilities and Telephone	135,170	124,707
Equipment Rental and Maintenance	55,230	50,857
Insurance	6,169	5,874
Depreciation	222,185	246,984
Exhibits and Advertising	33,348	38,410
Accession	21,939	22,479
Professional Services	35,543	32,712
Miscellaneous	<u>31,640</u>	<u>24,125</u>
Total Program Services	\$ 1,757,999	\$ 1,714,658

See notes to financial statements.

National Association of Watch and Clock Collectors, Inc.

STATEMENTS of ACTIVITIES

(Continued)

Years Ended March 31, 2009 and 2008

	2009	2008
UNRESTRICTED NET ASSETS (Continued)		
Expenses: (Continued)		
Supporting Services:		
General and Administrative:		
Salaries and Wages	\$ 285,570	\$ 309,938
Employee Benefits and Payroll Taxes	96,282	94,343
Director and Staff Travel	47,371	48,875
Committees	2,379	4,692
Supplies	16,154	17,633
Utilities and Telephone	6,587	12,495
Equipment Rental and Maintenance	17,084	17,618
Building Repairs and Maintenance	46,319	42,667
Insurance	19,113	17,220
Printing and Postage	35,427	32,971
Depreciation	108,693	66,460
Professional Services	74,883	60,508
Advertising	-0-	8,611
Telemarketing	36,565	-0-
Website Hosting	11,945	11,461
Interest Expense	950	-0-
Miscellaneous	24,127	26,224
	829,449	771,716
Fundraising:		
Salaries and Wages	46,587	48,687
Employee Benefits and Payroll Taxes	2,434	2,979
Director and Staff Travel	572	-0-
Printing and Postage	7,093	7,452
Professional Services	5,600	5,850
Miscellaneous	2,944	7,052
	65,230	72,020
Total Supporting Services	894,679	843,736
Total Expenses	2,652,678	2,558,394
DECREASE in UNRESTRICTED NET		
ASSETS BEFORE CAPITAL TRANSACTIONS	\$ (447,316)	\$ (183,811)

See notes to financial statements.

National Association of Watch and Clock Collectors, Inc.

STATEMENTS of ACTIVITIES

(Continued)

Years Ended March 31, 2009 and 2008

	2009	2008
CAPITAL TRANSACTIONS		
Net Unrealized and Realized Loss on Investments	<u>\$ (391,699)</u>	<u>\$ (172,634)</u>
DECREASE in UNRESTRICTED NET ASSETS	(839,015)	(356,445)
TEMPORARILY RESTRICTED NET ASSETS		
Donations	33,706	103,427
Grant Income	-0-	83,494
Investment Income	2,612	2,177
Silent Auction Income	8,749	3,405
Net Unrealized and Realized Loss on Investments	(18,935)	(13,301)
Restrictions Satisfied by Payments	<u>(68,237)</u>	<u>(189,316)</u>
DECREASE in TEMPORARILY RESTRICTED NET ASSETS	(42,105)	(10,114)
PERMANENTLY RESTRICTED NET ASSETS		
Donations	<u>159,418</u>	<u>65,380</u>
DECREASE in NET ASSETS	(721,702)	(301,179)
NET ASSETS		
Beginning of Year	<u>8,528,886</u>	<u>8,830,065</u>
End of Year	<u>\$ 7,807,184</u>	<u>\$ 8,528,886</u>

See notes to financial statements.

National Association of Watch and Clock Collectors, Inc.

STATEMENTS of CASH FLOWS Years Ended March 31, 2009 and 2008

	2009	2008
CASH FLOWS from OPERATING ACTIVITIES		
Decrease in Net Assets	\$ (721,702)	\$ (301,179)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	330,878	313,444
Donations and Other Income Restricted for Endowment and Other Long-Term Purposes	(163,176)	(66,398)
Net Unrealized and Realized Loss on Investments	410,634	185,935
Noncash Donations and Expenses	(15,709)	(42,746)
(Increase) Decrease in:		
Inventory	1,465	18,293
Receivables	3,408	28,360
Prepaid and Deferred Expenses	22,942	(62,579)
Increase (Decrease) in:		
Unearned Income	(7,434)	(10,828)
Accounts Payable, Accrued Expenses, and Temporary Chapter Savings Deposits	974	(13,177)
Net Cash Provided (Used) by Operating Activities	<u>(137,720)</u>	<u>49,125</u>
CASH FLOWS from INVESTING ACTIVITIES		
Proceeds from Sale of Assets Restricted for Endowment and Other Long-Term Purposes	2,680	1,159
Purchase of Assets Restricted for Endowment and Other Long-Term Purposes	(163,176)	(66,398)
Purchase of Property and Equipment	(74,502)	(92,027)
Proceeds from Sale of Investment Securities	770,510	288,043
Purchase of Investment Securities	(653,400)	(271,526)
Net Cash Used by Investing Activities	<u>(117,888)</u>	<u>(140,749)</u>
CASH FLOWS from FINANCING ACTIVITIES		
Donations Restricted for Endowment	159,418	65,380
Donations and Other Income Restricted for Other Long-Term Purposes	3,758	1,018
Net Cash Provided by Financing Activities	<u>163,176</u>	<u>66,398</u>
DECREASE in CASH and CASH EQUIVALENTS	(92,432)	(25,226)
CASH and CASH EQUIVALENTS		
Beginning	244,780	270,006
Ending	<u><u>\$ 152,348</u></u>	<u><u>\$ 244,780</u></u>

See notes to financial statements.

National Association of Watch and Clock Collectors, Inc.

STATEMENTS of CASH FLOWS

(Continued)

Years Ended March 31, 2009 and 2008

	2009	2008
SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION		
Noncash Investing and Financing Transactions:		
Unrealized Loss on Investments	(407,117)	(181,328)
In-Kind Donation of Property and Equipment	11,743	22,896
In-Kind Donation of Stock	3,966	19,850
Capital Lease Obligation to Acquire Capital Asset	23,641	-0-
Cash Payments for Interest	950	-0-

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.

In accordance with FSP FIN 48-3, the Corporation has elected to defer the effective date of FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes* (FIN 48) until required by the standard. The Corporation has not yet established accounting policies with respect to evaluating uncertain tax positions.

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.

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.

National Association of Watch and Clock Collectors, Inc.

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

For the year ended March 31, 2009, the Corporation has adopted Statement of Financial Accounting Standards No. 157 (FAS 157) - *Fair Value Measurement*, issued in September 2006 by the Financial Accounting Standards Board. FAS 157 establishes a framework for measuring fair value and expands disclosures about fair market measurements in financial statements.

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.

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 or market. For the year ended March 31, 2008, the Corporation determined cost by utilizing the first-in, first-out method. For the year ended March 31, 2009, the weighted average cost method is used prospectively to better facilitate a newly implemented software. The effects of the change in accounting principles are not considered material to the financial statements.

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 - 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

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

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 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 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 SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

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, 2009 and 2008, are \$33,348 and \$47,021, 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, 2009 and 2008, the uncollected balance amounted to \$39,967 and \$49,795, respectively.

In addition, the Corporation has engaged in ongoing fund drives. As of March 31, 2009 and 2008, there were outstanding pledges of \$1,000 and \$6,000, respectively, which were receivable over the next year.

For the years ended March 31, 2009 and 2008, the pledges have been discounted to their estimated present value of \$38,387 and \$52,055, respectively, using a rate of 4%.

National Association of Watch and Clock Collectors, Inc.

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 3 - PLEDGES RECEIVABLE (Continued)

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

2010	11,000
2011	8,775
2012	9,137
2013	<u>9,475</u>
	38,387

NOTE 4 - PREPAID and DEFERRED EXPENSES

As of March 31, 2009 and 2008, prepaid and deferred expenses consisted of the following:

	2009	2008
Prepaid Insurance	24,249	18,093
Printing, Publications not yet Issued	44,400	46,559
Software, not yet Placed in Service	-0-	18,822
Prepaid School Supplies	28,787	40,511
Other Prepaid Expenses	<u>20,499</u>	<u>16,892</u>
	117,935	140,877

NOTE 5 - INVESTMENTS

A summary of the investments as of March 31, 2009 and 2008, is as follows:

				<u>2009</u>	
	Par/Shares	Rate	Due	Current Market Value	Cost
Mutual Funds				176,858	291,178
Certificates of Deposit	701,014	1.0% - 3.93%	07/28/10	699,239	701,014
Equity Securities	5,520	N/A	N/A	12,623	32,661
Preferred Stock	3,900	FLT %	N/A	19,500	97,500
Corporate Bonds	915,000	FLT %	11/10/11 - 3/15/33	<u>478,266</u>	<u>918,775</u>
				1,386,486	2,041,128

National Association of Watch and Clock Collectors, Inc.

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 5 - INVESTMENTS (Continued)

				2008	
	Par/Shares	Rate	Due	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	874,134	1,044,560
				1,744,459	1,991,984

The net unrealized loss for the years ended March 31, 2009 and 2008, was \$407,117 and \$181,328, 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 FAS 157, 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, 2009. 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, interest rates, prepayment speeds, credit risk, etc.).
- Level 3 Significant unobservable inputs (including the Corporations' own assumptions used to determine the fair value of investments).

	Investments At Fair Value
Level 1	207,831
Level 2	1,178,655
Level 3	-0-
	1,386,486

National Association of Watch and Clock Collectors, Inc.

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 6 - ENDOWMENTS

For the year ended March 31, 2009, the Corporation has adopted Financial Accounting Standards Board Staff Position FAS 117-1 - *Endowments of Not-for-Profit Organizations*. The Corporation has interpreted Pennsylvania Act 141 to intent 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 elects the principal and income policy. 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.

The following summarizes the changes in endowment net assets for the fiscal year ended March 31, 2009 and presents the endowment net assets as of March 31, 2009:

	Board-Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	137,624	-0-	224,224	361,848
Investment Return:				
Investment Income	4,333	10,472	-0-	14,805
Net Depreciation	(69,118)	-0-	-0-	(69,118)
Total Investment Return	(64,785)	10,472	-0-	(54,313)
Contributions	-0-	-0-	159,418	159,418
Appropriation of Endowment Assets for Expenditure	(80)	(10,472)	-0-	(10,552)
Other Charges to Create Board-Designated Endowment Funds	1,848	-0-	-0-	1,848
Endowment Net Assets, End of Year	74,607	-0-	383,642	458,249

National Association of Watch and Clock Collectors, Inc.

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 7 - CHAPTERS

As of March 31, 2009, **NAWCC, Inc.** has one hundred seventy 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 8 - TEMPORARY CHAPTER SAVINGS DEPOSITS

The amount reported under temporary chapter savings deposits of \$44,000 and \$9,000, shown as a current liability on the statements of financial position for the years ended March 31, 2009 and 2008, 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 9 - CAPITAL LEASES

NAWCC, Inc. leases phone system equipment through a capital lease arrangement. Furniture, fixtures, and equipment includes \$23,641 for phone equipment with accumulated depreciation of \$3,152. 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, 2009:

	2010	5,651
	2011	5,651
	2012	5,651
	2013	5,651
	2014	1,884
	Less: Amounts Representing Interest	<u>(3,555)</u>
	Present Value of Minimum Lease Payments	20,933

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:

	2009	2008
Museum Endowment	58,864	104,026
Library Endowment	15,743	33,598
Library Acquisition Fund	-0-	13,238
Museum and Library Investment Fund	<u>537,168</u>	<u>700,577</u>
	611,775	851,439

National Association of Watch and Clock Collectors, Inc.

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 10 - RESTRICTIONS on ASSETS (Continued)

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

	2009	2008
Restrictions Related to the Passage of Time:		
Pledges Receivable	38,387	52,055
Restrictions Relating to the Occurrence of an Event:		
School of Horology:		
Midwest Regional Scholarship	20,893	35,646
Wilbur Pritchard Fund for Awards for Excellence in Watch Repair or Restoration	42,697	41,619
Zuercher Scholarship Fund	600	600
Clock Program at School of Horology	225	-0-
Purchase of Books for School	1,962	1,962
Watch and Clock Museum:		
Museum Acquisitions	19,470	18,447
Stanley Clockworks	-0-	1,297
Time in Office Exhibit	6,633	14,762
Museum Education Outreach	112	217
Museum Education Program	7,004	8,950
Tower and Street Clock Exhibit	1,141	1,141
Time Explorer's Workshop	2,394	2,394
Friday Night Movies	256	-0-
Time & Explorations Exhibit	5,833	-0-
Asian Clocks Exhibit	320	-0-
Clock & Watch Restoration	500	-0-
Clock Garden	100	-0-
Orrery Pedestal/Security	750	750
Delaware Clock Exhibit	2,482	2,482
Museum DVD Project	500	500
Antique European Pocket Watches	1,150	8,300
National:		
Human Faces in Time	200	200
Public Time Initiative	4,093	4,093
Field Suitcase Workshop	7,433	5,033
Regional Registration Program	1,000	1,000
Marketing to Attract Younger Members	500	500
Bulletin Online Project	2,400	2,000
Transcriber	-0-	40
NAWCC Education	615	-0-
Craft Contests	300	-0-
NAWCC Message Board	1,035	-0-

National Association of Watch and Clock Collectors, Inc.

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 10 - RESTRICTIONS on ASSETS (Continued)

	2009	2008
Restrictions Relating to the Occurrence of an Event (Continued):		
Publications Department:		
Scanner	125	125
Special Publications	-0-	9,855
Southern Horology Supplement	2,700	2,700
Publications Department	604	-0-
Library and Research Center:		
Library Acquisitions (Silent Auction Proceeds)	7,559	9,945
Children's Library	6	6
Acquisition of Horological Art Items	505	505
Seth Thomas Collection Book Rebinding	1,830	1,830
Keystone Microfilm	4,171	2,740
Binding	1,542	1,688
Hamilton Ledger Digitization	3,063	2,813
Hamilton Watch Company Records	2,277	2,277
Seth Thomas Towe Clock Ledger Digitization	<u>1,000</u>	<u>-0-</u>
	196,367	238,472

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

	2009	2008
Museum Endowment	179,705	178,570
School of Horology Endowment	156,108	-0-
Library and Research Center Endowment	<u>47,829</u>	<u>45,654</u>
	383,642	224,224

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, 2009:

2010	10,152
2011	10,152
2012	<u>4,216</u>
	24,520

National Association of Watch and Clock Collectors, Inc.

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - OPERATING LEASES (Continued)

Total lease expense under these agreements for the years ended March 31, 2009 and 2008, amounted to \$10,152 and \$9,966, 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. Contributions to the Plan for the years ended March 31, 2009 and 2008 were \$39,375 and \$34,772, 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. As of March 31, 2009, the insurance coverage in effect for items in the collection amounted to \$9,000,000.

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.

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 that 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 - RECLASSIFICATIONS

Certain amounts previously reported for the year ended March 31, 2008, have been reclassified to conform to the classifications used for the year ended March 31, 2009. Such reclassifications had no effect on reported changes in net assets.

National Association of Watch and Clock Collectors, Inc.

NOTES to FINANCIAL STATEMENTS

(Continued)

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. No claims were paid for the year ended March 31, 2008. For the year ended March 31, 2009, the Corporation paid unemployment claims to two employees amounting to \$5,972. At March 31, 2009, claims continue to be paid for one former employee at \$319 per week.

National Association of Watch and Clock Collectors, Inc.

SCHEDULE of PROGRAM ACTIVITIES

Year Ended March 31, 2009

	Membership and Operations	School of Horology	Museum & Library Research Center	Total Combined
UNRESTRICTED NET ASSETS				
Support and Revenue:				
Membership Dues	\$ 1,279,330			\$ 1,279,330
Life Member Receipts				
(Dues Transfers), net	(14,253)			(14,253)
MART Receipts	177,097			177,097
Donations	79,096	3,718	10,395	93,209
Investment Income	43,002	88	42,366	85,456
Tuition and Registration Fees		242,209		242,209
Field Suitcase Workshop Income	63,360			63,360
Net Proceeds from				
National Convention	45,571			45,571
Miscellaneous Income	50,747	542	7,649	58,938
Gift Shop and School Sales		21,220	90,378	111,598
Cost of Sales		(11,427)	(54,029)	(65,456)
Museum Admissions			60,066	60,066
	1,723,950	256,350	156,825	2,137,125
Net Assets Released from Restrictions	26,452	6,530	35,255	68,237
Total Support and Revenue	1,750,402	262,880	192,080	2,205,362
Expenses:				
Program Services:				
Salaries and Wages	138,587	227,636	312,281	678,504
Employee Benefits and				
Payroll Taxes	37,421	34,007	72,055	143,483
Bulletin Printing	139,476			139,476
MART Printing	38,468			38,468
Other Printing and Postage		1,361	6,022	7,383
Distribution of Publications	108,377			108,377
Director and Staff Travel	1,141	5,126	3,369	9,636
Committees and Conferences		280	765	1,045
Field Suitcase Workshop	55,046			55,046
Scholarships	550	4,060		4,610
Supplies	3,810	17,334	9,603	30,747
Utilities and Telephone		12,751	122,419	135,170
Equipment Rental and				
Maintenance		3,725	51,505	55,230
Insurance		369	5,800	6,169
Depreciation		28,267	193,918	222,185
Exhibits and Advertising	1,300	5,749	26,299	33,348
Accession			21,939	21,939
Professional Services		34,188	1,355	35,543
Miscellaneous	9,970	13,652	8,018	31,640
	\$ 534,146	\$ 388,505	\$ 835,348	\$ 1,757,999

See auditors' report.

National Association of Watch and Clock Collectors, Inc.

SCHEDULE of PROGRAM ACTIVITIES

(Continued)

Year Ended March 31, 2009

	Membership and Operations	School of Horology	Museum & Library Research Center	Total Combined
UNRESTRICTED NET ASSETS (Continued)				
Expenses: (Continued)				
Supporting Services:				
General and Administrative:				
Salaries and Wages	\$ 285,570			\$ 285,570
Employee Benefits and Payroll Taxes	96,282			96,282
Director and Staff Travel	47,371			47,371
Committees	2,379			2,379
Supplies	16,154			16,154
Utilities and Telephone	6,587			6,587
Equipment Rental and Maintenance	17,084			17,084
Building Repairs and Maintenance	21	8,230	38,068	46,319
Insurance	19,113			19,113
Printing and Postage	35,427			35,427
Depreciation	108,693			108,693
Professional Services	72,780	2,103		74,883
Telemarketing	36,565			36,565
Website Hosting	11,945			11,945
Interest Expense	950			950
Miscellaneous	24,127			24,127
	781,048	10,333	38,068	829,449
Fundraising:				
Salaries and Wages	46,587			46,587
Employee Benefits and Payroll Taxes	2,434			2,434
Director and Staff Travel	572			572
Printing and Postage	7,093			7,093
Professional Services	5,600			5,600
Miscellaneous	2,944			2,944
	65,230	-0-	-0-	65,230
Total Supporting Services	846,278	10,333	38,068	894,679
Total Expenses	1,380,424	398,838	873,416	2,652,678
INCREASE (DECREASE) in UNRESTRICTED				
NET ASSETS BEFORE CAPITAL				
TRANSACTIONS				
	\$ 369,978	\$ (135,958)	\$ (681,336)	\$ (447,316)

See auditors' report.

National Association of Watch and Clock Collectors, Inc.

SCHEDULE of PROGRAM ACTIVITIES

(Continued)

Year Ended March 31, 2009

	Membership and Operations	School of Horology	Museum & Library Research Center	Total Combined
CAPITAL TRANSACTIONS				
Net Unrealized and Realized Loss on Investments	<u>\$ (391,699)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (391,699)</u>
DECREASE in UNRESTRICTED UNRESTRICTED NET ASSETS	(21,721)	(135,958)	(681,336)	(839,015)
TEMPORARILY RESTRICTED NET ASSETS				
Donations	8,220	3,105	22,381	33,706
Investment Income	2,612			2,612
Silent Auction Income			8,749	8,749
Net Unrealized and Realized Loss on Investments	(18,935)			(18,935)
Restrictions Satisfied by Payments	<u>(26,452)</u>	<u>(6,530)</u>	<u>(35,255)</u>	<u>(68,237)</u>
DECREASE in TEMPORARILY RESTRICTED NET ASSETS	(34,555)	(3,425)	(4,125)	(42,105)
PERMANENTLY RESTRICTED NET ASSETS				
Donations	<u>-0-</u>	<u>156,108</u>	<u>3,310</u>	<u>159,418</u>
INCREASE (DECREASE) in NET ASSETS	<u>\$ (56,276)</u>	<u>\$ 16,725</u>	<u>\$ (682,151)</u>	<u>\$ (721,702)</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.