

# **JAPANESE CULTURAL CENTER OF HAWAI'I**

**FINANCIAL STATEMENTS AND  
INDEPENDENT ACCOUNTANT'S REVIEW REPORT  
As of and for the Year Ended June 30, 2022  
With Prior Year Comparative Information**



**JAPANESE CULTURAL CENTER OF HAWAII**

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(With Prior Year Comparative Information)**

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Japanese Cultural Center of Hawai'i:

### Report on the Financial Statements

We have reviewed the accompanying financial statements of the Japanese Cultural Center of Hawai'i (JCCH), a nonprofit Hawaii corporation, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### *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.

### *Accountant's Responsibility*

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants (AICPA). Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of JCCH and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### *Accountant's Conclusion*

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Summarized Comparative Information*

We have previously reviewed JCCH's June 30, 2021 financial statements and, in our report dated February 2, 2022, stated that based on our procedures, we are not aware of any material modifications that should be made to the June 30, 2021 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended June 30, 2021 for it to be consistent with the reviewed financial statements from which it has been derived.

*CW ASSOCIATES, CPAs*

CW Associates, CPAs  
Honolulu, Hawaii  
January 4, 2023



**JAPANESE CULTURAL CENTER OF HAWAI'I**

**STATEMENT OF FINANCIAL POSITION**

**As of June 30, 2022  
(With Prior Year Comparative Information)**

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (including interest bearing accounts)	\$ 1,210,825	\$ 1,735,496
Accounts and grants receivable – net	69,166	34,850
Investments in marketable securities	2,985,140	3,382,112
Prepaid expenses and other assets	20,905	38,518
Total current assets	<u>4,286,036</u>	<u>5,190,976</u>
NONCURRENT ASSETS		
Property and equipment – net	8,650,503	8,942,790
Security deposits and facility reserves	37,076	26,317
Cash equivalents restricted as to use	25,322	93,040
Investments in marketable securities restricted as to use	959,145	1,010,379
Other assets	25,000	25,000
Total noncurrent assets	<u>9,697,046</u>	<u>10,097,526</u>
COLLECTIONS (Note B)	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 13,983,082</u>	<u>\$ 15,288,502</u>

(Continued)

**JAPANESE CULTURAL CENTER OF HAWAI'I**  
**STATEMENT OF FINANCIAL POSITION (Continued)**

**As of June 30, 2022**  
**(With Prior Year Comparative Information)**

	<u>2022</u>	<u>2021</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 392,940	\$ 125,740
Deferred revenue	43,588	72,529
SBA PPP loans – current	-	7,636
EID loan – current	1,831	2,397
Total current liabilities	<u>438,359</u>	<u>208,302</u>
<b>NONCURRENT LIABILITIES</b>		
SBA PPP loans – noncurrent	-	85,691
EID loan – noncurrent	148,169	147,603
Rental deposits	26,356	15,603
Total noncurrent liabilities	<u>174,525</u>	<u>248,897</u>
<b>TOTAL LIABILITIES</b>	<u>612,884</u>	<u>457,199</u>
<b>NET ASSETS</b>		
Net assets without donor restrictions		
Undesignated	11,278,040	12,593,988
Board designated	1,321,881	1,321,881
Total net assets without donor restrictions	<u>12,599,921</u>	<u>13,915,869</u>
Net assets with donor restrictions		
Donor restricted for time and programs	463,977	609,134
Donor restricted for endowments	306,300	306,300
Total net assets with donor restrictions	<u>770,277</u>	<u>915,434</u>
Total net assets	<u>13,370,198</u>	<u>14,831,303</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 13,983,082</u>	<u>\$ 15,288,502</u>

See accompanying notes to the financial statements  
and independent accountant's review report.

**JAPANESE CULTURAL CENTER OF HAWAI'I**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

	<u>2022</u>	<u>2021</u>
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Revenue and support		
Realized and unrealized gains (losses) on investments	\$ (640,259)	\$ 812,709
Rental income	569,845	383,880
Bequest	-	287,716
Special event – net	223,743	-
Net assets released from donor restrictions	195,930	24,808
Contributions without donor restrictions	187,038	232,576
Gift shop and gallery revenue	111,428	93,181
Dividend income	103,237	71,305
Grants and contracts	84,155	57,131
Membership dues	77,420	87,563
Program fees	16,967	11,197
Total revenue and support	<u>929,504</u>	<u>2,062,066</u>
Expenses		
Program services		
Property	1,678,775	1,423,976
Programs and events	266,642	244,163
Total program services	<u>1,945,417</u>	<u>1,668,139</u>
Supporting services		
Management and general	252,701	250,828
Fundraising	140,661	73,335
Total supporting services	<u>393,362</u>	<u>324,163</u>
Total expenses	<u>2,338,779</u>	<u>1,992,302</u>
Revenue and support less expenses	(1,409,275)	69,764
Gain on forgiveness of SBA PPP loans	93,327	142,000
Increase (decrease) in net assets without donor restrictions	<u>(1,315,948)</u>	<u>211,764</u>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions with donor restrictions for time and programs	47,218	63,029
Investment income with donor restrictions for endowments	3,555	3,475
Net assets released from donor restrictions	(195,930)	(24,808)
Increase (decrease) in net assets with donor restrictions	<u>(145,157)</u>	<u>41,696</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(1,461,105)	253,460
<b>NET ASSETS – Beginning of year</b>	<u>14,831,303</u>	<u>14,577,843</u>
<b>NET ASSETS – End of year</b>	<u>\$ 13,370,198</u>	<u>\$ 14,831,303</u>

See accompanying notes to the financial statements  
and independent accountant's review report.

**JAPANESE CULTURAL CENTER OF HAWAII**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

	Program Services			Supporting Services			2022 Total	2021 Total
	Property	Programs and Events	Total Program Services	Manage- ment and General	Fund- Raising	Total Supporting Services		
Depreciation	\$ 623,497	\$ -	\$ 623,497	\$ -	\$ -	\$ -	\$ 623,497	\$ 655,384
Salaries and wages	91,293	134,833	226,126	121,088	57,413	178,501	404,627	295,463
Employee benefits	11,533	26,114	37,647	22,158	11,039	33,197	70,844	58,956
Payroll taxes	8,246	12,582	20,828	10,801	5,517	16,318	37,146	26,597
Total salaries and related expenses	111,072	173,529	284,601	154,047	73,969	228,016	512,617	381,016
Utilities	357,191	-	357,191	-	-	-	357,191	255,824
Repairs and maintenance	249,201	-	249,201	-	-	-	249,201	220,049
Property and excise taxes	178,686	-	178,686	-	15,072	15,072	193,758	176,589
Special events	-	-	-	-	130,756	130,756	130,756	-
Professional fees	51,578	-	51,578	35,893	15,078	50,971	102,549	55,923
Program events	-	79,491	79,491	-	-	-	79,491	25,040
Insurance	45,692	-	45,692	3,777	-	3,777	49,469	45,453
Technology	1,405	3,590	4,995	11,973	20,794	32,767	37,762	40,047
Investment broker fees	-	7,000	7,000	26,039	1,747	27,786	34,786	34,663
Gallery	-	-	-	-	-	-	-	19,560
Office	4,339	78	4,417	14,097	13,252	27,349	31,766	14,210
Gift shop	28,353	-	28,353	-	-	-	28,353	27,778
Security	27,761	-	27,761	-	-	-	27,761	30,483
Interest	-	-	-	6,875	-	6,875	6,875	1,083
Miscellaneous	-	2,954	2,954	-	749	749	3,703	9,200
Total	1,678,775	266,642	1,945,417	252,701	271,417	524,118	2,469,535	1,992,302
Direct cost of special events reported net with fundraising revenue in statement of activities	-	-	-	-	(130,756)	(130,756)	(130,756)	-
Total expenses	<u>\$ 1,678,775</u>	<u>\$ 266,642</u>	<u>\$ 1,945,417</u>	<u>\$ 252,701</u>	<u>\$ 140,661</u>	<u>\$ 393,362</u>	<u>\$ 2,338,779</u>	<u>\$ 1,992,302</u>

See accompanying notes to the financial statements  
and independent accountant's review report.

**JAPANESE CULTURAL CENTER OF HAWAII**

**STATEMENT OF CASH FLOWS**

**For the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$(1,461,105)	\$ 253,460
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation	623,497	655,384
Net realized and unrealized (gains) losses on investments	640,259	(812,709)
Gain on forgiveness of SBA PPP loans	(93,327)	(142,000)
Investment income with donor restrictions for endowments	(3,555)	(3,475)
(Increase) decrease in		
Accounts and grants receivable – net	(34,316)	240,186
Prepaid expenses and other assets	17,613	4,816
Increase (decrease) in		
Accounts payable and accrued liabilities	267,200	(193,182)
Deferred revenue	(28,941)	21,675
Net cash provided (used) by operating activities	<u>(72,675)</u>	<u>24,155</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(331,210)	(81,973)
Purchases of investments in marketable securities	(2,050,673)	(965,138)
Sales of investments in marketable securities	1,858,620	941,864
Change in security deposits and facility reserves	(10,759)	33,986
Net cash used in investing activities	<u>(534,022)</u>	<u>(71,261)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Additions to SBA PPP loans	-	93,327
Addition to EID loan	-	150,000
Investment income with donor restrictions for endowments	3,555	3,475
Repayments of note payable	-	(48,032)
Rental deposits	10,753	-
Capital lease payments	-	(14,368)
Net cash provided by financing activities	<u>14,308</u>	<u>184,402</u>

(Continued)

**JAPANESE CULTURAL CENTER OF HAWAI'I**

**STATEMENT OF CASH FLOWS (Continued)**

**For the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

	<u>2022</u>	<u>2021</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND CASH EQUIVALENTS RESTRICTED AS TO USE	\$ (592,389)	\$ 137,296
CASH AND CASH EQUIVALENTS AND CASH EQUIVALENTS RESTRICTED AS TO USE – Beginning of year	<u>1,828,536</u>	<u>1,691,240</u>
CASH AND CASH EQUIVALENTS AND CASH EQUIVALENTS RESTRICTED AS TO USE – End of year	<u>\$ 1,236,147</u>	<u>\$ 1,828,536</u>
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 6,875	\$ 984

See accompanying notes to the financial statements  
and independent accountant's review report

## JAPANESE CULTURAL CENTER HAWAII

### NOTES TO THE FINANCIAL STATEMENTS

**As of and for the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

#### NOTE A – ORGANIZATION AND ACTIVITY

The Japanese Cultural Center of Hawaii (JCCH), a nonprofit Hawaii corporation, was incorporated in the State of Hawaii in May 1987. JCCH was established for the purpose of preserving and promoting the Japanese culture in Hawaii and to create a unified bridge of understanding and respect among cultures.

#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require JCCH to report information regarding its financial position and activities according to the following net asset classifications:

*Net Assets without Donor Restrictions* consist of net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the JCCH. These net assets may be used at the discretion of the JCCH's management and board of directors.

*Net Assets with Donor Restrictions* consist of net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of JCCH or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The accompanying financial statements include prior year comparative information that does not constitute a complete presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with JCCH's financial statements as of and for the year ended June 30, 2021, from which the information was derived. Certain amounts in the prior year comparative information have been reclassified to conform to the current year presentation. Such reclassification did not impact the prior year increase in net assets.

##### Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates, it is reasonably possible that such estimates may change within the near term, and such differences could be material to the financial statements.

## JAPANESE CULTURAL CENTER HAWAII

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

#### NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Concentrations of Credit Risk

Financial instruments that potentially subject JCCH to credit risk include cash and cash equivalents, accounts and grants receivable, and investments in marketable securities. Cash on deposit with financial institutions exceeded the related federal deposit insurance by approximately \$713,400 and \$1,113,600 at June 30, 2022 and 2021, respectively. Management evaluates the credit standings of these financial institutions to ensure that such deposits are adequately safeguarded. JCCH has unsecured accounts receivable due from grantors, donors, tenants, and others. Receivables are determined to be collectible or uncollectible based on assessments by management of the facts and circumstances related to the individual accounts, including historical experience, an assessment of economic conditions, and a review of subsequent collections. Investments are held in segregated accounts that are fully insured by federal and private insurance, on a per-account basis, as represented by the custodian. Future changes in market prices may make such investments less valuable.

##### Investments in Marketable Securities

Investments in marketable securities are stated at fair value. Investments in marketable securities are classified as current or noncurrent based on their intended use. Net realized and unrealized gains and losses, determined using the specific identification method, are included in changes in net assets without donor restrictions and with donor restrictions. Interest and dividends and gains and losses on investments in marketable securities are recorded as changes in net assets without donor restrictions unless restricted by the donor or by law.

##### Fair Value Measurements

U.S. GAAP provides a hierarchy that prioritizes the inputs to the valuation methodologies used to measure fair value. There are three levels of the fair value hierarchy. Level 1 inputs to the valuation methodologies consist of unadjusted quoted prices for identical assets or liabilities in active markets that an entity has the ability to access. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs are unobservable and significant to the fair value measurement. The fair value measurement level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation methodologies used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

## JAPANESE CULTURAL CENTER HAWAII

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

#### NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Inventory

Inventory, consisting of products and goods held for sale in the gift shop, is stated at the lower of cost or net realizable value. Inventory of \$11,243 and \$25,280 as of June 30, 2022 and 2021, respectively, is included in prepaid expenses and other assets in the statement of financial position.

##### Property and Equipment

Property and equipment is stated at cost or, if contributed, at the estimated fair market value at the date of contribution. Depreciation is computed using the straight-line method over estimated useful lives of five to 39 years for building and improvements and three to 10 years for furniture and equipment. Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Expenditures in excess of \$500 are capitalized. Maintenance and repairs are expensed as incurred.

##### Collections

JCCH's collections include art objects, books, photographs, manuscripts, and other items. The collections are continuously cataloged, preserved, and cared for. JCCH does not capitalize its collections, which consist of items that help to document the history and culture of Japanese Americans in Hawaii because the items have no alternative uses.

##### Revenue and Expense Recognition

Revenue is recognized when the goods and services are provided to the customer. For the years ended June 30, 2022 and 2021, revenue from performance obligations satisfied at a point in time consisted of gift shop and gallery revenue of \$111,428 and \$93,181, respectively. For the years ended June 30, 2022 and 2021, revenue from performance obligations satisfied over time consisted of program fees of \$16,967 and \$11,197, respectively. Revenue from sources other than performance obligations consisted of realized and unrealized gains (losses) on investments of marketable securities of (\$640,259) and \$812,709, dividend income of \$103,237 and \$71,305, gain on forgiveness of SBA PPP loans of \$93,327 and \$142,000, and investment income of \$3,555 and \$3,475, respectively, for the years ended June 30, 2022 and 2021. Rental income from lease agreements is recognized on a straight-line basis over the lease term in accordance with Accounting Standards Codification 840, *Leases*. Amounts received prior to the provision of the goods and services are reported as deferred revenue.

JCCH records membership dues as contributions, as the fair value of direct benefits that members received during the years ended June 30, 2022 and 2021 was negligible. JCCH records fundraising revenue equal to the fair value of the direct benefits received by members and donors, and contribution revenue for the excess received when the event takes place. Special events revenue was considered to be contributions as no direct benefits were received by members and donors for the year ended June 30, 2022.

## JAPANESE CULTURAL CENTER HAWAII

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

#### NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Revenue and Expense Recognition (Continued)

Expenses are recorded when the related liability is incurred. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service using natural expense classifications. Other expenses that are common to several functions are allocated based on estimates made by management of the time spent by personnel and/or as a proportionate share of direct expenses.

##### Grants and Contracts

JCCH's revenue from grants and contracts is based on agreements with the National Park Service, the State of Hawaii, and other entities such as private foundations. JCCH recognizes grants and contracts as either contributions or exchange transactions depending on whether the transaction is reciprocal or nonreciprocal. The majority of JCCH's grants and contracts are cost-reimbursable grants and contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. Amounts received are recognized as revenue when JCCH has incurred expenditures in compliance with the grant or contract provisions. Amounts received prior to incurring the qualifying expenditures are reported as refundable advances in the statement of financial position (none in 2022 and 2021). Qualifying expenditures that have been incurred, but for which reimbursement has not yet been received, are reported in the statement of financial position as grants receivable (none in 2022 and \$25,212 in 2021). Amounts received from such grants and contracts for which the conditions and any restrictions are met in the same reporting period are reported as net assets without donor restrictions.

JCCH was awarded cost-reimbursable grants and contracts of approximately \$79,100 that have not been recognized as of June 30, 2022 because the qualifying expenditures have not yet been incurred.

##### Contributions

JCCH recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Support is considered to be available for unrestricted use unless restricted by the donor. Donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction is satisfied or expires, net assets with donor restrictions are released to net assets without donor restrictions.

##### Donated Services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills that are performed by people with those skills and would otherwise be purchased by JCCH (none in 2022 and 2021). A number of volunteers have made contributions of their time to JCCH. The value of this time is not reflected in these financial statements because it did not meet the criteria for recognition.

## JAPANESE CULTURAL CENTER HAWAII

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

#### NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Leases

Leases that transfer substantially all of the risks and benefits of ownership are capital leases. Other leases are operating leases. Capital leases are included in property and equipment at the lower of the present value of minimum lease payments or fair value at the inception of the lease and amortized using the straight-line method over the shorter of the lease term or the useful life of the asset. The related capital lease obligation is recognized at its net present value. Operating leases are expensed when the lease payments are due.

##### Hawaii General Excise Tax

The State of Hawaii imposes a general excise tax of 4.00% on certain gross receipts of JCCH within Hawaii, plus an additional 0.50% on such gross receipts within the City and County of Honolulu. Hawaii general excise tax included in revenue and expenses amounted to \$45,000 and \$24,107 for the years ended June 30, 2022 and 2021, respectively.

##### Income Taxes

JCCH is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, qualifying contributions to JCCH are tax deductible.

U.S. GAAP requires management to evaluate tax positions taken by JCCH and to recognize a tax liability in the financial statements if JCCH has taken a tax position that is more likely than not to fail upon examination by taxing authorities. Management has evaluated JCCH's tax positions as of June 30, 2022 and 2021, and for the years then ended, and determined that JCCH had no uncertain tax positions required to be reported in accordance with U.S. GAAP. JCCH is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

##### Adoption of New Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Not for Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires that a not-for-profit entity present contributed nonfinancial assets as a separate line item in the statement of activities and provide enhanced disclosures including disaggregation of the contributed assets by type; whether the assets were monetized or utilized during the reporting period, and if utilized, by which programs; policy on when assets are monetized rather than utilized; description of any donor imposed restrictions; and description of the valuation techniques to determine the fair value of the assets.

JCCH implemented this ASU in the year ended June 30, 2022. The implementation of the ASU did not impact the accounting for the contributed nonfinancial assets.

**JAPANESE CULTURAL CENTER HAWAII**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**As of and for the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

**NOTE C – LIQUIDITY**

JCCH monitors the liquidity required to meet its operating needs and other contractual commitments. JCCH has various sources of liquidity available for use including cash, accounts and grants receivables, and investments in marketable securities.

At June 30, 2022 and 2021, JCCH’s financial assets and the amounts of those assets that are readily available within one year of the statement of financial position date to meet general expenditures were as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents (including interest-bearing accounts)	\$ 1,210,825	\$ 1,735,496
Accounts and grants receivable – net	69,166	34,850
Investments in marketable securities, at fair value	2,985,140	3,382,112
Cash equivalents restricted as to use	25,322	93,040
Investments in marketable securities restricted as to use	<u>959,145</u>	<u>1,010,379</u>
Total financial assets	5,249,598	6,255,877
Net assets with donor restrictions for time and programs	(463,977)	(609,134)
Net assets with donor restrictions for endowments	<u>(306,300)</u>	<u>(306,300)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,479,321</u>	<u>\$ 5,340,443</u>

**NOTE D – CASH AND CASH EQUIVALENTS AND RESTRICTED CASH**

Cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted for endowments or other long-term purposes are excluded from this definition.

The following reconciliation of cash and cash equivalents and cash equivalents restricted as to use are reported within the statement of financial position and agree to the sum of the corresponding amounts within the statement of cash flows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents (including interest bearing accounts)	\$ 1,210,825	\$ 1,735,496
Cash equivalents restricted as to use	<u>25,322</u>	<u>93,040</u>
Total cash and cash equivalents and cash equivalents restricted as to use	<u>\$ 1,236,147</u>	<u>\$ 1,828,536</u>

**JAPANESE CULTURAL CENTER HAWAII**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**As of and for the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

**NOTE E – ACCOUNTS AND GRANTS RECEIVABLE**

At June 30, 2022 and 2021, accounts and grants receivable consisted of the following:

	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ 59,166	\$ 9,638
Allowance for doubtful accounts – accounts receivable	<u>-</u>	<u>-</u>
Total accounts receivable – net	<u>59,166</u>	<u>9,638</u>
Grants receivable	10,000	25,212
Allowance for doubtful accounts – grants receivable	<u>-</u>	<u>-</u>
Total grants receivable – net	<u>10,000</u>	<u>25,212</u>
Accounts and grants receivable – net	<u>\$ 69,166</u>	<u>\$ 34,850</u>

At June 30, 2022 and 2021, accounts receivable includes \$46,971 and \$6,850 for rent and \$12,195 and \$2,788 for other miscellaneous amounts, respectively.

**NOTE F – PROPERTY AND EQUIPMENT**

At June 30, 2022 and 2021, property and equipment consisted of the following:

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 20,547,538	\$ 20,515,176
Furniture and equipment	<u>2,053,104</u>	<u>1,754,256</u>
Total	22,600,642	22,269,432
Accumulated depreciation and amortization	<u>(17,226,270)</u>	<u>(16,602,773)</u>
	5,374,372	5,666,659
Land	<u>3,276,131</u>	<u>3,276,131</u>
Property and equipment – net	<u>\$ 8,650,503</u>	<u>\$ 8,942,790</u>

**JAPANESE CULTURAL CENTER HAWAII**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**As of and for the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

**NOTE G – INVESTMENTS IN MARKETABLE SECURITIES**

At June 30, 2022 and 2021, investments in marketable securities, including amounts in investments in marketable securities restricted as to use, consisted of the following:

	<u>2022</u>	<u>2021</u>
Investments in marketable securities without donor restrictions		
Exchange traded funds	\$ 1,750,497	\$ 1,926,306
Mutual funds	1,234,643	1,455,806
Total investments in marketable securities without donor restrictions	<u>2,985,140</u>	<u>3,382,112</u>
Investments in marketable securities restricted as to use		
Exchange traded funds	895,237	930,901
Mutual funds	63,908	79,478
Total investments in marketable securities restricted as to use	<u>959,145</u>	<u>1,010,379</u>
 Total investments in marketable securities	 <u>\$ 3,944,285</u>	 <u>\$ 4,392,491</u>

Investment income (loss) for the years ended June 30, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Investment income without donor restrictions		
Dividend income	\$ 103,237	\$ 71,305
Realized gains	461,422	110,496
Unrealized gains (losses)	<u>(1,101,681)</u>	<u>702,213</u>
Total investment income (loss) without donor restrictions	<u>(537,022)</u>	<u>884,014</u>
 Investment income with donor restrictions for endowments		
Dividend income	<u>3,555</u>	<u>3,475</u>
Total investment income with donor restrictions for endowments	<u>3,555</u>	<u>3,475</u>
 Total investment income (loss)	 <u>\$ (533,467)</u>	 <u>\$ 887,489</u>

**NOTE H – FAIR VALUE MEASUREMENTS**

At June 30, 2022 and 2021, the fair value measurements reportable by JCCH consist of investments in exchange traded funds and mutual funds valued at quoted market prices, which are Level 1 valuation inputs. There were no Level 2 and 3 investments as of June 30, 2022 and 2021.

The method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

**JAPANESE CULTURAL CENTER HAWAII**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**As of and for the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

NOTE H – FAIR VALUE MEASUREMENTS (Continued)

The following sets forth by level, within the fair value hierarchy, investments in marketable securities at fair value as of June 30, 2022 and 2021:

	Level 1	
	2022	2021
Exchange traded funds		
Large cap index funds	\$ 1,250,041	\$ 1,792,572
Bond funds	664,741	663,172
International funds	461,459	237,607
Mid cap index funds	73,299	87,069
Small cap index funds	69,591	76,787
Other	126,603	-
Total exchange traded funds	2,645,734	2,857,207
Mutual funds		
Bond funds	748,339	812,739
Large cap index funds	256,964	323,320
International funds	176,019	229,819
Mid cap index funds	63,160	80,418
Emerging markets	54,069	88,988
Total mutual funds	1,298,551	1,535,284
 Total investments in marketable securities, at fair value	 \$ 3,944,285	 \$ 4,392,491

NOTE I – SBA PPP LOANS AND EID LOAN

In April 2020, JCCH applied for and received a \$142,000 Paycheck Protection Program (PPP) first draw loan from Central Pacific Bank (Bank). The U.S. Small Business Administration (SBA) established the PPP loan program in response to the COVID-19 pandemic to fund an entity's payroll and other applicable costs. All or a portion of the first draw loan, which matures two years from the date of funding and bears interest at 1%, may be forgiven if JCCH meets the compliance requirements established by the SBA and other federal agencies. In March 2021, JCCH's PPP first draw loan forgiveness application was approved in full by the SBA and, accordingly JCCH recognized a gain on the forgiveness of the SBA PPP loan in the accompanying financial statements.

## JAPANESE CULTURAL CENTER HAWAII

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

#### NOTE I – SBA PPP LOANS AND EID LOAN (Continued)

The federal Consolidated Appropriations Act, 2021, which was enacted on December 27, 2020, provides for a PPP second draw loan and other additional fiscal relief for entities impacted by the COVID-19 pandemic. In February 2021, JCCH applied for and received a \$93,327 SBA PPP second draw loan from the Bank. All or a portion of the SBA PPP second draw loan, which matures five years from the date of funding and bears interest at 1%, may be forgiven if JCCH meets the compliance requirements established by the SBA and other federal agencies. In July 2021, JCCH's PPP second draw loan forgiveness application was approved in full by the SBA and, accordingly JCCH recognized a gain on the forgiveness of the SBA PPP loan in the accompanying financial statements.

In October 2020, JCCH received a \$150,000 Economic Injury Disaster Loan (EID loan) from the SBA. The SBA established the EID loan program in response to the COVID-19 pandemic to fund an entity's working capital and normal operating expenses. The EID loan matures 30 years from the date of the note and bears interest at 2.75%. Payments may be deferred for up to twenty four months from the date of the loan while interest still accrues. There are no prepayment penalties or fees. At June 30, 2022 and 2021, the EID loan balance outstanding was \$150,000.

#### NOTE J – BOARD DESIGNATED NET ASSETS

At June 30, 2022 and 2021, the Board of Directors of JCCH designated \$1,321,881 of JCCH's net assets without donor restrictions for certain programs. Such designations may be changed by the Board of Directors of JCCH at any time and, therefore, are included in net assets without donor restrictions.

#### NOTE K – NET ASSETS RESTRICTED FOR TIME AND PROGRAMS

At June 30, 2022 and 2021, net assets restricted for time and programs consisted of the following:

	<u>2022</u>	<u>2021</u>
Donor restricted for time and programs		
Capital campaign	\$ 269,416	\$ 407,565
Gallery exhibits	83,397	83,397
Resource Center	46,229	46,369
Programs	40,346	50,769
Endowment interest for programs	19,211	15,656
Education	<u>5,378</u>	<u>5,378</u>
 Total net assets restricted for time and programs	 <u>\$ 463,977</u>	 <u>\$ 609,134</u>

**JAPANESE CULTURAL CENTER HAWAII**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**As of and for the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

**NOTE L – NET ASSETS RESTRICTED FOR ENDOWMENTS**

At June 30, 2022 and 2021, net assets restricted for endowments consisted of the following:

	<u>2022</u>	<u>2021</u>
Donor restricted for endowments		
Hilo Nihonjin Gakko	\$ 165,000	\$ 165,000
Resource Center Permanent Endowment	125,000	125,000
Clarence and Janet Kanja Permanent Endowment	11,300	11,300
Hikari Matsuda Endowment	<u>5,000</u>	<u>5,000</u>
Total donor restricted for endowments	<u>\$ 306,300</u>	<u>\$ 306,300</u>

JCCH is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), adopted by the State of Hawaii in July 2009. It is the policy of JCCH to preserve the original gift of donor-restricted endowment funds as net assets with donor restrictions for endowments, absent explicit donor stipulations to the contrary. Unless otherwise stated, other donor-restricted gifts are classified as net assets with donor restrictions for programs.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires JCCH to retain as a fund of perpetual duration. In accordance U.S. GAAP, deficiencies of this nature are reported in net assets without donor restrictions (none for the years ended June 30, 2022 and 2021).

JCCH maintains an investment policy that defines its investment objectives, guidelines, standards, and procedures for the investment funds it holds, including endowments. JCCH's investment objective is to create additional funding through investments for the exclusive purpose of fulfilling its mission. All endowment funds are invested in exchange traded funds and mutual funds. Interest and dividend income is restricted as to use based on donor stipulations. All decisions for the investing of funds and usage of investment income are determined by the Board of Directors.

**JAPANESE CULTURAL CENTER HAWAII**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**As of and for the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

NOTE L – NET ASSETS RESTRICTED FOR ENDOWMENTS (Continued)

The composition of net assets with donor restrictions for endowment funds as of June 30, 2022 and 2021 and the changes in these net assets for the years then ended were as follows:

	<u>Restricted for Time and Programs</u>	<u>Restricted for Endowments</u>
Balance at June 30, 2020	\$ 12,181	\$ 306,300
Dividends	<u>3,475</u>	<u>-</u>
Balance at June 30, 2021	15,656	306,300
Dividends	<u>3,555</u>	<u>-</u>
Balance at June 30, 2022	<u>\$ 19,211</u>	<u>\$ 306,300</u>

NOTE M – LEASES

JCCH leases office space and rooftop space, as lessor, under operating leases expiring at various dates through December 2046, with a renegotiation every five years after July 2022. At June 30, 2022, the future minimum lease rental income approximates the following:

Fiscal Years Ending June 30th	
2023	\$ 237,400
2024	\$ 230,900
2025	\$ 152,500
2026	\$ 83,600
2027	\$ 72,300
Thereafter (cumulative)	\$ 392,400

During the year ended June 30, 2021, JCCH offered its tenants temporary rent deferment due to the impacts of the COVID-19 pandemic from government mandated closings and gathering size restrictions. There were no temporary rent deferments during June 30, 2022.

**JAPANESE CULTURAL CENTER HAWAII**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**As of and for the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

NOTE N – SPECIAL EVENT

For the years ended June 30, 2022 and 2021, special event revenue consisted of the following:

	<u>2022</u>	<u>2021</u>
Special event revenue	\$354,499	\$ -
Special event expenses	<u>(130,756)</u>	<u>-</u>
Special event – net	<u>\$223,743</u>	<u>\$ -</u>

There were no special events held during the year ended June 30, 2021 due to the COVID-19 pandemic.

NOTE O – RETIREMENT SAVINGS PLAN

JCCH sponsors a retirement savings plan covering substantially all employees who meet certain eligibility criteria. Participating employees may make voluntary contributions up to the maximum amount allowed under Internal Revenue Code Section 401(k). JCCH may make contributions to the plan in amounts determined by the Board of Directors up to 3% of the employee's pre-tax compensation. For the years ended June 30, 2022 and 2021, JCCH's contributions under this plan amounted to \$3,653 and \$4,913, respectively.

NOTE P – COMMITMENTS AND CONTINGENCIES

JCCH may be subject to legal proceedings, claims, or litigation arising in the ordinary course of business for which it may seek the advice of legal counsel. Management estimates, on the advice of legal counsel, that the cost to resolve such matters, if any, would not be material to the financial statements. However, it is reasonably possible that such estimates may change within the near term.

Amounts received for grants and contracts may be subject to audit and adjustment by various agencies. Any disallowed claim, including amounts already collected, may constitute a liability. Management expects such amounts, if any, to not be material to the financial statements. The loss of revenue and support derived from grants and contracts could have an adverse effect on JCCH.

JCCH operates in the State of Hawaii. Local, national, and international events can have adverse effects on economic conditions in Hawaii. These financial statements do not include the adjustments that would result if JCCH were to account for future losses or asset impairments, as the effects on the financial statements of JCCH from such changes in economic conditions are not presently determinable.

**JAPANESE CULTURAL CENTER HAWAII**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**As of and for the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

**NOTE Q – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 4, 2023, which is the date the financial statements were available to be issued, and determined JCCH did not have any subsequent events requiring adjustment to the financial statements or disclosure in the notes to the financial statements.

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