

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

## **FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

**As of and for the Year Ended June 30, 2023  
With Prior Year Comparative Information**



**JAPANESE CULTURAL CENTER OF HAWAI'I**

**TABLE OF CONTENTS**

**As of and for the Year Ended June 30, 2023  
(With Prior Year Comparative Information)**

<u>SECTION</u>	<u>PAGE</u>
TABLE OF CONTENTS	1
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	2
FINANCIAL STATEMENTS AND NOTES TO FINANCIAL STATEMENTS	
• Statement of Financial Position as of June 30, 2023	4
• Statement of Activities for the Year Ended June 30, 2023	6
• Statement of Functional Expenses for the Year Ended June 30, 2023	7
• Statement of Cash Flows for the Year Ended June 30, 2023	8
• Notes to the Financial Statements as of and for the Year Ended June 30, 2023	10



## 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, 2023, 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 (U.S. GAAP); 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. 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 U.S. GAAP. 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 U.S. GAAP.

*Emphasis of Matter with Respect to Adoption of New Accounting Pronouncement*

As discussed in Note A to the financial statements, during the year ended June 30, 2023, JCCH adopted Accounting Standards Update No. 2016-02, *Leases (Topic 842) – Leases: Amendments to the FASB Accounting Standards Codification*. Our conclusion is not modified with respect to this matter.

Summarized Comparative Information

We have previously reviewed JCCH's June 30, 2022 financial statements and, in our report dated January 4, 2023, stated that based on our procedures, we are not aware of any material modifications that should be made to the June 30, 2022 financial statements in order for them to be in accordance with U.S. GAAP. 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, 2022 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 9, 2024



**CWA**

**JAPANESE CULTURAL CENTER OF HAWAII**

**STATEMENT OF FINANCIAL POSITION**

**As of June 30, 2023  
(With Prior Year Comparative Information)**

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (including interest bearing accounts)	\$ 547,675	\$ 1,210,825
Accounts and grants receivable – net	92,890	69,166
Investments in marketable securities	3,273,878	2,985,140
Prepaid expenses and other assets	24,558	20,905
Total current assets	<u>3,939,001</u>	<u>4,286,036</u>
NONCURRENT ASSETS		
Property and equipment – net	8,764,097	8,650,503
Security deposits and facility reserves	37,076	37,076
Cash restricted as to use	587,562	-
Cash equivalents restricted as to use	32,614	25,322
Investments in marketable securities restricted as to use	1,043,778	959,145
Other assets	25,000	25,000
Total noncurrent assets	<u>10,490,127</u>	<u>9,697,046</u>
COLLECTIONS (Note B)	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 14,429,128</u>	<u>\$ 13,983,082</u>

(Continued)

**JAPANESE CULTURAL CENTER OF HAWAII**  
**STATEMENT OF FINANCIAL POSITION (Continued)**

**As of June 30, 2023**  
**(With Prior Year Comparative Information)**

	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 130,397	\$ 392,940
Refundable advances	20,000	-
Deferred revenue	36,137	43,588
EID loan – current	3,700	1,831
Note payable – current	47,300	-
Total current liabilities	<u>237,534</u>	<u>438,359</u>
NONCURRENT LIABILITIES		
EID loan – noncurrent	144,469	148,169
Note payable – noncurrent	540,262	-
Rental deposits	26,356	26,356
Total noncurrent liabilities	<u>711,087</u>	<u>174,525</u>
TOTAL LIABILITIES	<u>948,621</u>	<u>612,884</u>
NET ASSETS		
Net assets without donor restrictions		
Undesignated	11,502,379	11,278,040
Board designated	1,321,881	1,321,881
Total net assets without donor restrictions	<u>12,824,260</u>	<u>12,599,921</u>
Net assets with donor restrictions		
Donor restricted for time and programs	349,947	463,977
Donor restricted for endowments	306,300	306,300
Total net assets with donor restrictions	<u>656,247</u>	<u>770,277</u>
Total net assets	<u>13,480,507</u>	<u>13,370,198</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,429,128</u>	<u>\$ 13,983,082</u>

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

# JAPANESE CULTURAL CENTER OF HAWAII

## STATEMENT OF ACTIVITIES

**For the Year Ended June 30, 2023**  
**(With Prior Year Comparative Information)**

	<u>2023</u>	<u>2022</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Rental income	\$ 949,933	\$ 569,845
Grants and contracts	425,019	84,155
Realized and unrealized gains (losses) on investments	324,659	(640,259)
Bequest	291,140	-
Contributions without donor restrictions	218,834	187,038
Special event – net	142,561	223,743
Net assets released from donor restrictions	137,557	195,930
Dividend income	112,459	103,237
Gift shop and gallery revenue	97,967	111,428
Program fees	89,630	16,967
Membership dues	61,807	77,420
Other revenue and support	10,798	-
Total revenue and support	<u>2,862,364</u>	<u>929,504</u>
Expenses		
Program services		
Property	1,823,111	1,678,776
Programs and events	354,512	266,641
Total program services	<u>2,177,623</u>	<u>1,945,417</u>
Supporting services		
Management and general	265,166	252,701
Fundraising	195,236	140,661
Total supporting services	<u>460,402</u>	<u>393,362</u>
Total expenses	<u>2,638,025</u>	<u>2,338,779</u>
Revenue and support less expenses	224,339	(1,409,275)
Gain on forgiveness of SBA PPP loan	-	93,327
Increase (decrease) in net assets without donor restrictions	<u>224,339</u>	<u>(1,315,948)</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions with donor restrictions for time and programs	19,162	47,218
Investment income with donor restrictions for endowments	4,365	3,555
Net assets released from donor restrictions	(137,557)	(195,930)
Decrease in net assets with donor restrictions	<u>(114,030)</u>	<u>(145,157)</u>
INCREASE (DECREASE) IN NET ASSETS	110,309	(1,461,105)
NET ASSETS – Beginning of year	<u>13,370,198</u>	<u>14,831,303</u>
NET ASSETS – End of year	<u>\$ 13,480,507</u>	<u>\$ 13,370,198</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, 2023**  
**(With Prior Year Comparative Information)**

	Program Services		Supporting Services			2023 Total	2022 Total
	Property	Programs and Events	Total Program Services	Management and General	Fund-Raising	Supporting Services Total	
Salaries and wages	\$ 105,910	\$ 166,944	\$ 272,854	\$ 121,918	\$ 129,037	\$ 250,955	\$ 404,627
Employee benefits	13,900	22,167	36,067	20,067	20,351	40,418	70,844
Payroll taxes	9,798	16,016	25,814	11,128	12,417	23,545	37,146
Total salaries and related expenses	129,608	205,127	334,735	153,113	161,805	314,918	512,617
Depreciation	579,339	-	579,339	-	-	-	623,497
Utilities	500,984	-	500,984	-	-	-	357,191
Repairs and maintenance	286,358	-	286,358	1,607	-	1,607	287,965
Property and excise taxes	191,919	-	191,919	-	8,431	8,431	249,201
Program events	-	114,652	114,652	1,798	-	1,798	193,758
Professional fees	34,325	-	34,325	25,331	2,000	27,331	79,491
Special event	-	-	-	-	61,125	61,125	102,549
Insurance	49,951	-	49,951	2,934	-	2,934	130,756
Office	3,458	1,447	4,905	24,630	8,039	32,669	49,469
Technology	2,696	9,627	12,323	18,234	5,072	23,306	31,766
Investment broker fees	-	6,352	6,352	23,306	3,665	26,971	37,762
Security	32,767	-	32,767	-	-	-	34,786
Interest	-	-	-	12,693	-	12,693	27,761
Gift shop	11,706	-	11,706	-	-	-	6,875
Miscellaneous	-	17,307	17,307	1,520	6,224	7,744	28,353
Total	1,823,111	354,512	2,177,623	265,166	256,361	521,527	3,703
Direct cost of special event reported net with fundraising revenue in statement of activities	-	-	-	-	(61,125)	(61,125)	2,469,535
Total expenses	\$ 1,823,111	\$ 354,512	\$ 2,177,623	\$ 265,166	\$ 195,236	\$ 460,402	\$ 2,338,779

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, 2023  
(With Prior Year Comparative Information)**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 110,309	\$(1,461,105)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation	579,339	623,497
Net realized and unrealized (gains) losses on investments	(324,659)	640,259
Gain on forgiveness of SBA PPP loan	-	(93,327)
Investment income with donor restrictions for endowments	(4,365)	(3,555)
(Increase) decrease in		
Accounts and grants receivable – net	(23,724)	(34,316)
Prepaid expenses and other assets	(3,653)	17,613
Increase (decrease) in		
Accounts payable and accrued liabilities	(262,543)	267,200
Refundable advances	20,000	-
Deferred revenue	(7,451)	(28,941)
Net cash provided (used) by operating activities	<u>83,253</u>	<u>(72,675)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(692,933)	(331,210)
Purchases of investments in marketable securities	(1,588,710)	(2,050,673)
Sales of investments in marketable securities	1,539,998	1,858,620
Change in security deposits and facility reserves	-	(10,759)
Net cash used in investing activities	<u>(741,645)</u>	<u>(534,022)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Investment income with donor restrictions for endowments	4,365	3,555
Repayment of EID loan	(1,831)	-
Additions to note payable	587,562	-
Rental deposits	-	10,753
Net cash provided by financing activities	<u>590,096</u>	<u>14,308</u>

(Continued)

**JAPANESE CULTURAL CENTER OF HAWAII**

**STATEMENT OF CASH FLOWS (Continued)**

**For the Year Ended June 30, 2023  
(With Prior Year Comparative Information)**

	<u>2023</u>	<u>2022</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED AS TO USE	\$ (68,296)	\$ (592,389)
CASH AND CASH EQUIVALENTS AND RESTRICTED AS TO USE – Beginning of year	<u>1,236,147</u>	<u>1,828,536</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED AS TO USE – End of year	<u>\$ 1,167,851</u>	<u>\$ 1,236,147</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 12,693	\$ 6,875

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, 2023  
(With Prior Year Comparative Information)**

#### NOTE A – ORGANIZATION AND ACTIVITY

The Japanese Cultural Center of Hawai'i (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, 2022, from which the information was derived.

##### 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, 2023  
(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 \$359,000 and \$713,400 at June 30, 2023 and 2022, 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, 2023  
(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 \$12,878 and \$11,243 as of June 30, 2023 and 2022, 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.

##### Leases as Lessor

JCCH leases office and rooftop space to tenants in exchange for payments. Lease payments from tenants are recognized on a straight-line basis over the terms of the respective leases. See a summary of leases at Note N.

##### Leases as Lessee

Beginning July 1, 2022, JCCH accounts for its leases in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases*. In accordance with ASC 842, a right-of-use asset and liability are recognized at the present value of future lease payments. JCCH recognizes the right-of-use asset and liability at the inception of a lease if such amounts are material to the financial statements.

Leases that have a term of 12 months or less upon commencement are considered short-term in nature. Such leases are not included in the statement of financial position and are expensed on a straight-line basis over the lease term. The lease agreements of JCCH do not contain any material residual value guarantees or material restrictive covenants. JCCH did not have material operating or financing leases for the years ended June 30, 2023 and 2022.

## JAPANESE CULTURAL CENTER HAWAII

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2023  
(With Prior Year Comparative Information)**

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

##### 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, 2023 and 2022, revenue from performance obligations satisfied at a point in time consisted of gift shop and gallery revenue of \$97,967 and \$111,428, respectively. For the years ended June 30, 2023 and 2022, revenue from performance obligations satisfied over time consisted of program fees of \$89,630 and \$16,967, respectively. Revenue from sources other than performance obligations consisted of realized and unrealized gains (losses) on investments in marketable securities of \$324,659 and (\$640,259), dividend income of \$112,459 and \$103,237, gain on forgiveness of SBA PPP loan of \$0 and \$93,327, investment income of \$4,365 and \$3,555, and other revenue and support of \$10,798 and \$0, respectively, for the years ended June 30, 2023 and 2022. Rental income from lease agreements is recognized on a straight-line basis over the lease term in accordance with U.S. GAAP. 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, 2023 and 2022 was negligible. JCCH records revenue from special events 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 (see Note O). Special event revenue was considered to be contributions as no direct benefits were received by members and donors for the year ended June 30, 2022.

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 2023 and 2022).

## JAPANESE CULTURAL CENTER HAWAII

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2023  
(With Prior Year Comparative Information)**

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

##### Grants and Contracts (continued)

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 (\$10,000 in 2023 and 2022). 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 \$65,000 that have not been recognized as of June 30, 2023 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 2023 and 2022). 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.

##### 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 \$55,805 and \$45,000 for the years ended June 30, 2023 and 2022, respectively.

**JAPANESE CULTURAL CENTER HAWAII**

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

**As of and for the Year Ended June 30, 2023  
(With Prior Year Comparative Information)**

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

**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, 2023 and 2022, 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 February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842) – Leases: Amendments to the FASB Accounting Standards Codification*. Under this ASU, lessees are required to recognize assets and liabilities on their balance sheets for all leases with a term of more than 12 months. The assets and liabilities recognize the rights and obligations created by each lease initially measured as the present value of lease payments. This recognition applies to all leases – capital and operating leases. Previously, only capital leases were recognized as assets and liabilities on balance sheets. This ASU also requires disclosures on the amount, timing and uncertainty of cash flows due to the leases, including qualitative and quantitative information.

JCCH implemented this ASU during the year ended June 30, 2023 using the modified retrospective transition method, whereby leases that were longer than 12 months as of July 1, 2022 were evaluated and recognized under this ASU. Prior period financial statement balances and disclosures have not been adjusted to reflect the provision of the new lease standard. JCCH did not have operating or finance leases as of or for the year ended June 30, 2023.



# JAPANESE CULTURAL CENTER HAWAII

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2023  
(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, 2023 and 2022, 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>2023</u>	<u>2022</u>
Cash and cash equivalents (including interest-bearing accounts)	\$ 547,675	\$ 1,210,825
Accounts and grants receivable – net	92,890	69,166
Investments in marketable securities, at fair value	3,273,878	2,985,140
Cash equivalents restricted as to use	32,614	25,322
Investments in marketable securities restricted as to use	<u>1,043,778</u>	<u>959,145</u>
Total financial assets	4,990,835	5,249,598
Net assets with donor restrictions for time and programs	(349,947)	(463,977)
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>\$4,334,588</u>	<u>\$4,479,321</u>

### NOTE D – CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS

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 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>2023</u>	<u>2022</u>
Cash and cash equivalents (including interest bearing accounts)	\$ 547,675	\$ 1,210,825
Cash restricted as to use	587,562	-
Cash equivalents restricted as to use	<u>32,614</u>	<u>25,322</u>
Total cash and cash equivalents and cash and cash equivalents restricted as to use	<u>\$1,167,851</u>	<u>\$1,236,147</u>

**JAPANESE CULTURAL CENTER HAWAII**

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

**As of and for the Year Ended June 30, 2023  
(With Prior Year Comparative Information)**

**NOTE E – ACCOUNTS AND GRANTS RECEIVABLE**

At June 30, 2023 and 2022, accounts and grants receivable consisted of the following:

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 82,890	\$ 59,166
Allowance for doubtful accounts – accounts receivable	<u>-</u>	<u>-</u>
Total accounts receivable – net	<u>82,890</u>	<u>59,166</u>
Grants receivable	10,000	10,000
Allowance for doubtful accounts – grants receivable	<u>-</u>	<u>-</u>
Total grants receivable – net	<u>10,000</u>	<u>10,000</u>
Accounts and grants receivable – net	<u><u>\$ 92,890</u></u>	<u><u>\$ 69,166</u></u>

At June 30, 2023 and 2022, accounts receivable includes \$51,315 and \$46,971 for rent and \$31,575 and \$12,195 for other miscellaneous amounts, respectively.

**NOTE F – PROPERTY AND EQUIPMENT**

At June 30, 2023 and 2022, property and equipment consisted of the following:

	<u>2023</u>	<u>2022</u>
Building and improvements	\$ 21,235,609	\$ 20,547,538
Furniture and equipment	<u>2,057,966</u>	<u>2,053,104</u>
Total	23,293,575	22,600,642
Accumulated depreciation and amortization	<u>(17,805,609)</u>	<u>(17,226,270)</u>
	5,487,966	5,374,372
Land	<u>3,276,131</u>	<u>3,276,131</u>
Property and equipment – net	<u><u>\$ 8,764,097</u></u>	<u><u>\$ 8,650,503</u></u>

# JAPANESE CULTURAL CENTER HAWAII

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2023  
(With Prior Year Comparative Information)**

### NOTE G – INVESTMENTS IN MARKETABLE SECURITIES

At June 30, 2023 and 2022, investments in marketable securities, including amounts in investments in marketable securities restricted as to use, consisted of the following:

	<u>2023</u>	<u>2022</u>
Investments in marketable securities without donor restrictions		
Exchange traded funds	\$ 1,846,578	\$ 1,750,497
Mutual funds	<u>1,427,300</u>	<u>1,234,643</u>
Total investments in marketable securities without donor restrictions	<u>3,273,878</u>	<u>2,985,140</u>
Investments in marketable securities restricted as to use		
Exchange traded funds	978,918	895,237
Mutual funds	<u>64,860</u>	<u>63,908</u>
Total investments in marketable securities restricted as to use	<u>1,043,778</u>	<u>959,145</u>
 Total investments in marketable securities	 <u>\$ 4,317,656</u>	 <u>\$ 3,944,285</u>

Investment income (loss) for the years ended June 30, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Investment income (loss) without donor restrictions		
Dividend income	\$ 112,459	\$ 103,237
Realized gains	35,934	461,422
Unrealized gains (losses)	<u>288,725</u>	<u>(1,101,681)</u>
Total investment income (loss) without donor restrictions	<u>437,118</u>	<u>(537,022)</u>
 Investment income with donor restrictions for endowments		
Dividend income	<u>4,365</u>	<u>3,555</u>
Total investment income with donor restrictions for endowments	<u>4,365</u>	<u>3,555</u>
 Total investment income (loss)	 <u>\$ 441,483</u>	 <u>\$ (533,467)</u>

### NOTE H – FAIR VALUE MEASUREMENTS

At June 30, 2023 and 2022, 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, 2023 and 2022.

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, 2023  
(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, 2023 and 2022:

	Level 1	
	<u>2023</u>	<u>2022</u>
Exchange traded funds		
Large cap index funds	\$ 1,325,506	\$ 1,250,041
International funds	535,659	461,459
Bond funds	501,264	664,741
Government	210,545	33,536
Mid cap index funds	75,306	73,299
Small cap index funds	71,899	69,591
Other	105,317	93,067
Total exchange traded funds	<u>2,825,496</u>	<u>2,645,734</u>
Mutual funds		
Bond funds	861,059	748,339
Large cap index funds	278,221	256,964
International funds	201,434	176,019
Emerging markets	81,990	54,069
Mid cap index funds	69,456	63,160
Total mutual funds	<u>1,492,160</u>	<u>1,298,551</u>
Total investments in marketable securities, at fair value	<u>\$4,317,656</u>	<u>\$3,944,285</u>

### NOTE I – SBA PPP LOAN

The federal Consolidated Appropriations Act, 2021, which was enacted on December 27, 2020, provided 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 Small Business Administration (SBA) PPP second draw loan from the Central Pacific 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 second draw 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, 2023  
(With Prior Year Comparative Information)**

### NOTE J – NOTE PAYABLE AND EID LOAN

At June 30, 2023 and 2022, the note payable and EID loan consisted of the following:

	<u>2023</u>	<u>2022</u>
Note payable to American Savings Bank (Bank), interest only for the first 12 months, due in monthly installments of \$5,528 starting August 2023 through August 2033, including interest at 2.61%. Collateralized by cash restricted to a Bank savings account.	\$587,562	\$ -
EID loan to SBA, due in monthly installments of \$641 through September 2050, including interest at 2.75%.	<u>148,169</u>	<u>150,000</u>
Total note payable and EID loan	735,731	150,000
Note payable and EID loan – current	<u>(51,000)</u>	<u>(1,831)</u>
Note payable and EID loan – noncurrent	<u>\$684,731</u>	<u>\$ 148,169</u>

In August 2022, JCCH received \$587,562 of the \$620,700 note payable available from the Bank. JCCH is required to meet certain financial reporting requirements and maintain a loan-to-value of the cash collateral at all times.

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 24 months from the date of the loan while interest still accrues. There are no prepayment penalties or fees.

At June 30, 2023, future maturities of the notes payable approximated the following:

Fiscal Years Ending June 30th	
2024	\$ 51,000
2025	56,700
2026	58,200
2027	59,700
2028	61,300
Therafter	<u>448,831</u>
Total note payable and EID loan	<u>\$735,731</u>

**JAPANESE CULTURAL CENTER HAWAII**

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

**As of and for the Year Ended June 30, 2023  
(With Prior Year Comparative Information)**

**NOTE K – BOARD DESIGNATED NET ASSETS**

At June 30, 2023 and 2022, 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 L – NET ASSETS RESTRICTED FOR TIME AND PROGRAMS**

At June 30, 2023 and 2022, net assets restricted for time and programs consisted of the following:

	<u>2023</u>	<u>2022</u>
Donor restricted for time and programs		
Capital campaign	\$ 164,905	\$ 269,416
Gallery exhibits	83,397	83,397
Resource Center	46,229	46,229
Programs	26,462	40,346
Endowment interest for programs	23,576	19,211
Education	<u>5,378</u>	<u>5,378</u>
 Total net assets restricted for time and programs	 <u>\$ 349,947</u>	 <u>\$ 463,977</u>

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

At June 30, 2023 and 2022, net assets restricted for endowments consisted of the following:

	<u>2023</u>	<u>2022</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.

# JAPANESE CULTURAL CENTER HAWAII

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2023  
(With Prior Year Comparative Information)**

### NOTE M – NET ASSETS RESTRICTED FOR ENDOWMENTS (Continued)

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, 2023 and 2022).

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.

The composition of net assets with donor restrictions for endowment funds as of June 30, 2023 and 2022 and the changes in these net assets for the years then ended were as follows:

	Restricted for Time and <u>Programs</u>	Restricted for <u>Endowments</u>
Balance at June 30, 2020	\$ 15,656	\$306,300
Dividends	<u>3,555</u>	<u>-</u>
Balance at June 30, 2021	19,211	306,300
Dividends	<u>4,365</u>	<u>-</u>
Balance at June 30, 2022	<u>\$ 23,576</u>	<u>\$306,300</u>

### NOTE N – 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, 2023, the future minimum lease rental income approximates the following:

Fiscal Years Ending June 30th	
2024	\$234,000
2025	\$ 152,500
2026	\$ 83,600
2027	\$ 72,300
2028	\$ 23,200
Thereafter (cumulative)	\$369,200

# JAPANESE CULTURAL CENTER HAWAII

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2023  
(With Prior Year Comparative Information)**

### NOTE O – SPECIAL EVENT

For the years ended June 30, 2023 and 2022, special event revenue consisted of the following:

	<u>2023</u>	<u>2022</u>
Contributions	\$ 182,746	\$ 354,499
Revenue	20,940	-
Direct costs	<u>(61,125)</u>	<u>(130,756)</u>
Special event – net	<u>\$ 142,561</u>	<u>\$ 223,743</u>

### NOTE P – 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, 2023 and 2022, JCCH's contributions under this plan amounted to \$7,793 and \$3,653, respectively.

### NOTE Q – 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, 2023**  
**(With Prior Year Comparative Information)**

**NOTE R – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 9, 2024, 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.

---