

JAPANESE CULTURAL CENTER OF HAWAII

**FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANT'S REVIEW REPORT**
As of and for the Year Ended June 30, 2025
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, 2025, 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 other 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.

Summarized Comparative Information

We have previously reviewed JCCH's June 30, 2024 financial statements and, in our report dated January 7, 2025, stated that based on our procedures, we are not aware of any material modifications that should be made to the June 30, 2024 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, 2024 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 16, 2026



JAPANESE CULTURAL CENTER OF HAWAII

STATEMENT OF FINANCIAL POSITION

**As of June 30, 2025
(With Prior Year Comparative Information)**

	<u>2025</u>	<u>2024</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (including interest bearing accounts)	\$ 757,593	\$ 839,729
Accounts and grants receivable – net	27,306	71,499
Investments in marketable securities	3,485,517	3,243,579
Prepaid expenses and other assets	66,671	35,220
Total current assets	<u>4,337,087</u>	<u>4,190,027</u>
NONCURRENT ASSETS		
Property and equipment – net	8,270,598	8,498,316
Security deposits and facility reserves	53,898	26,361
Cash restricted as to use	484,856	539,110
Cash equivalents restricted as to use	56,838	37,973
Investments in marketable securities restricted as to use	1,269,320	1,163,080
Other assets	25,000	25,000
Total noncurrent assets	<u>10,160,510</u>	<u>10,289,840</u>
COLLECTIONS (Note B)	-	-
TOTAL ASSETS	<u>\$ 14,497,597</u>	<u>\$ 14,479,867</u>

(Continued)

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

As of June 30, 2025
(With Prior Year Comparative Information)

	<u>2025</u>	<u>2024</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 150,255	\$ 129,481
Deferred revenue	46,716	75,803
EID loan – current	3,900	3,800
Note payable – current	55,700	54,200
Total current liabilities	<u>256,571</u>	<u>263,284</u>
NONCURRENT LIABILITIES		
EID loan – noncurrent	136,841	140,706
Note payable – noncurrent	429,156	484,910
Rental deposits	53,887	26,356
Total noncurrent liabilities	<u>619,884</u>	<u>651,972</u>
TOTAL LIABILITIES	<u>876,455</u>	<u>915,256</u>
NET ASSETS		
Net assets without donor restrictions		
Undesignated	11,773,583	11,637,067
Board designated	<u>1,321,881</u>	<u>1,321,881</u>
Total net assets without donor restrictions	<u>13,095,464</u>	<u>12,958,948</u>
Net assets with donor restrictions		
Donor restricted for time and programs	219,378	299,363
Donor restricted for endowments	<u>306,300</u>	<u>306,300</u>
Total net assets with donor restrictions	<u>525,678</u>	<u>605,663</u>
Total net assets	<u>13,621,142</u>	<u>13,564,611</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 14,497,597</u></u>	<u><u>\$ 14,479,867</u></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, 2025
(With Prior Year Comparative Information)**

	<u>2025</u>	<u>2024</u>
CHANGES IN NET ASSETS		
WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Lease rental income	\$ 1,127,588	\$ 1,090,129
Realized and unrealized gains on investments	408,124	420,438
Grants and contracts	399,232	450,907
Contributions without donor restrictions	209,223	149,966
Special event – net	171,623	148,333
Net assets released from donor restrictions	164,216	76,630
Gift shop and gallery revenue	146,377	129,994
Dividend income	133,007	120,390
Bequests	126,507	98,578
Membership dues	62,426	59,174
Program fees	60,971	82,846
Total revenue and support	<u>3,009,294</u>	<u>2,827,385</u>
Expenses		
Program services		
Property	1,963,181	1,838,499
Programs and events	400,325	403,226
Total program services	<u>2,363,506</u>	<u>2,241,725</u>
Supporting services		
Management and general	178,526	206,767
Fundraising	330,746	244,205
Total supporting services	<u>509,272</u>	<u>450,972</u>
Total expenses	<u>2,872,778</u>	<u>2,692,697</u>
Increase in net assets without donor restrictions	<u>136,516</u>	<u>134,688</u>
CHANGES IN NET ASSETS		
WITH DONOR RESTRICTIONS		
Contributions with donor restrictions for time and programs	78,355	20,679
Investment income with donor restrictions for endowments	5,876	5,367
Net assets released from donor restrictions	(164,216)	(76,630)
Decrease in net assets with donor restrictions	<u>(79,985)</u>	<u>(50,584)</u>
INCREASE IN NET ASSETS	56,531	84,104
NET ASSETS – Beginning of year	<u>13,564,611</u>	<u>13,480,507</u>
NET ASSETS – End of year	<u>\$ 13,621,142</u>	<u>\$ 13,564,611</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, 2025
(With Prior Year Comparative Information)

	Program Services			Supporting Services			2025 Total	2024 Total		
	Property	Programs and Events	Total Program Services	Management and General	Fund-Raising	Total Supporting Services				
Salaries and wages	\$ 141,493	\$ 161,200	\$ 302,693	\$ 71,803	\$ 210,450	\$ 282,253	\$ 584,946	\$ 569,023		
Employee benefits	11,201	22,636	33,837	12,222	39,032	51,254	85,091	89,605		
Payroll taxes	13,762	15,611	29,373	7,434	21,401	28,835	58,208	57,311		
Total salaries and related expenses	166,456	199,447	365,903	91,459	270,883	362,342	728,245	715,939		
Depreciation	614,635	-	614,635	-	-	-	614,635	556,282		
Utilities	367,257	-	367,257	-	-	-	367,257	409,930		
Repairs and maintenance	333,509	-	333,509	-	-	-	333,509	349,811		
Property and excise taxes	223,293	-	223,293	-	9,211	9,211	232,504	215,354		
Program events	-	139,238	139,238	-	-	-	139,238	122,190		
Insurance	124,913	-	124,913	3,768	-	3,768	128,681	54,910		
Professional fees	40,003	3,965	43,968	28,972	-	28,972	72,940	68,271		
Miscellaneous	25,220	-	25,220	-	32,733	32,733	57,953	21,972		
Special event	-	-	-	-	48,931	48,931	48,931	115,572		
Security	46,543	-	46,543	-	-	-	46,543	37,743		
Investment broker fees	-	5,238	5,238	28,057	8,953	37,010	42,248	39,802		
Gift shop	-	34,399	34,399	-	-	-	34,399	19,937		
Office	5,429	8,229	13,658	15,932	1,677	17,609	31,267	33,760		
Technology	2,516	9,809	12,325	6,412	7,289	13,701	26,026	27,936		
Interest	13,407	-	13,407	3,926	-	3,926	17,333	18,860		
Total	1,963,181	400,325	2,363,506	178,526	379,677	558,203	2,921,709	2,808,269		
Direct cost of special event reported net with fundraising revenue in statement of activities	-	-	-	-	(48,931)	(48,931)	(48,931)	(115,572)		
Total expenses	<u>\$ 1,963,181</u>	<u>\$ 400,325</u>	<u>\$ 2,363,506</u>	<u>\$ 178,526</u>	<u>\$ 330,746</u>	<u>\$ 509,272</u>	<u>\$ 2,872,778</u>	<u>\$ 2,692,697</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, 2025
(With Prior Year Comparative Information)**

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 56,531	\$ 84,104
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	614,635	556,282
Realized and unrealized gains on investments	(408,124)	(420,438)
Investment income with donor restrictions for endowments	(5,876)	(5,367)
(Increase) decrease in Accounts and grants receivable – net	44,193	21,391
Prepaid expenses and other assets	(31,451)	(10,662)
Increase (decrease) in Accounts payable and accrued liabilities	20,774	(916)
Refundable advances	-	(20,000)
Deferred revenue	(29,087)	39,666
Net cash provided by operating activities	<u>261,595</u>	<u>244,060</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(386,917)	(290,501)
Purchases of investments in marketable securities	(1,149,455)	(393,055)
Sales of investments in marketable securities	1,209,401	724,490
Change in security deposits and facility reserves	(6)	10,715
Net cash provided (used) in investing activities	<u>(326,977)</u>	<u>51,649</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Investment income with donor restrictions for endowments	5,876	5,367
Repayment of EID loan	(3,765)	(3,663)
Repayments of note payable	(54,254)	(48,452)
Net cash used by financing activities	<u>(52,143)</u>	<u>(46,748)</u>

(Continued)

JAPANESE CULTURAL CENTER OF HAWAII

STATEMENT OF CASH FLOWS (Continued)

**For the Year Ended June 30, 2025
(With Prior Year Comparative Information)**

	<u>2025</u>	<u>2024</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED AS TO USE	\$ (117,525)	\$ 248,961
CASH AND CASH EQUIVALENTS AND RESTRICTED AS TO USE – Beginning of year	<u>1,416,812</u>	<u>1,167,851</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED AS TO USE – End of year	<u>\$ 1,299,287</u>	<u>\$ 1,416,812</u>
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 17,333	\$ 12,693

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, 2025
(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 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, 2024, 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, 2025 (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 \$432,900 and \$549,200 at June 30, 2025 and 2024, respectively. Management evaluates the credit standings of these financial institutions to ensure that such deposits are adequately safeguarded. JCCH has unsecured receivables 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 current and future 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.

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 \$47,442 and \$27,916 as of June 30, 2025 and 2024, respectively, is included in prepaid expenses and other assets in the statement of financial position.

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of and for the Year Ended June 30, 2025 (With Prior Year Comparative Information)

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 M.

Leases as Lessee

JCCH recognizes a right-of-use asset and operating lease liability at the present value of future lease payments. JCCH recognizes the right-of-use asset and operating lease 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, 2025 and 2024.

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, 2025 and 2024, revenue from performance obligations satisfied at a point in time consisted of special event revenue of \$32,980 and \$20,940 and gift shop and gallery revenue of \$146,377 and \$129,994, respectively. For the years ended June 30, 2025 and 2024, revenue from performance obligations satisfied over time consisted of lease rental income of \$1,127,588 and \$1,090,129 and program fees of \$60,971 and \$82,846, respectively. Amounts received prior to the provision of the goods and services are reported as deferred revenue.

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of and for the Year Ended June 30, 2025 (With Prior Year Comparative Information)

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expense Recognition (continued)

JCCH records membership dues as contributions, as the fair value of direct benefits that members received during the years ended June 30, 2025 and 2024 was not significant. 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 N).

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, including the time spent by personnel.

Grants and Contracts

JCCH's revenue from grants and contracts is based on agreements with federal agencies, 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. JCCH's grants and contracts include 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 2025 and 2024).

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 (\$4,000 in 2025 and \$0 in 2024). 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.

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.

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of and for the Year Ended June 30, 2025 (With Prior Year Comparative Information)

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2025 and 2024). 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 \$66,540 and \$62,905 for the years ended June 30, 2025 and 2024, 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 uncertain 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, 2025 and 2024, 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.

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. Receivables have implied time restrictions, but are expected to be collected within one year.

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of and for the Year Ended June 30, 2025 (With Prior Year Comparative Information)

NOTE C – LIQUIDITY (Continued)

At June 30, 2025 and 2024, 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>2025</u>	<u>2024</u>
Cash and cash equivalents (including interest-bearing accounts)	\$ 757,593	\$ 839,729
Accounts and grants receivable – net	27,306	71,499
Investments in marketable securities	3,485,517	3,243,579
Cash equivalents restricted as to use	56,838	37,973
Investments in marketable securities restricted as to use	<u>1,269,320</u>	<u>1,163,080</u>
Total financial assets	5,596,574	5,355,860
Net assets with donor restrictions for time and programs	(219,378)	(299,363)
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>\$ 5,070,896</u>	<u>\$ 4,750,197</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 reconciles cash and cash equivalents and cash and cash equivalents restricted as to use reported within the statement of financial position to the sum of the corresponding amounts within the statement of cash flows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents (including interest bearing accounts)	\$ 757,593	\$ 839,729
Cash restricted as to use	484,856	539,110
Cash equivalents restricted as to use	<u>56,838</u>	<u>37,973</u>
Total cash and cash equivalents and cash and cash equivalents restricted as to use	<u>\$ 1,299,287</u>	<u>\$ 1,416,812</u>

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2025
(With Prior Year Comparative Information)**

NOTE E – ACCOUNTS AND GRANTS RECEIVABLE

At June 30, 2025 and 2024, accounts and grants receivable consisted of the following:

	<u>2025</u>	<u>2024</u>
Accounts receivable	\$ 23,306	\$ 71,499
Allowance for credit losses – accounts receivable	-	-
Total accounts receivable – net	<u>23,306</u>	<u>71,499</u>
Grants receivable	4,000	-
Allowance for credit losses – grants receivable	-	-
Total grants receivable – net	<u>4,000</u>	<u>–</u>
Accounts and grants receivable – net	<u>\$ 27,306</u>	<u>\$ 71,499</u>

At June 30, 2025 and 2024, accounts receivable includes \$14,523 and \$51,343 for rent and \$8,783 and \$20,156 for other miscellaneous amounts, respectively.

NOTE F – PROPERTY AND EQUIPMENT

At June 30, 2025 and 2024, property and equipment consisted of the following:

	<u>2025</u>	<u>2024</u>
Building and improvements	\$ 20,588,724	\$ 20,648,089
Furniture and equipment	3,382,269	2,935,987
Total	<u>23,970,993</u>	<u>23,584,076</u>
Accumulated depreciation and amortization	<u>(18,976,526)</u>	<u>(18,361,891)</u>
Land	4,994,467	5,222,185
Property and equipment – net	<u>\$ 8,270,598</u>	<u>\$ 8,498,316</u>

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of and for the Year Ended June 30, 2025 (With Prior Year Comparative Information)

NOTE G – INVESTMENTS IN MARKETABLE SECURITIES

At June 30, 2025 and 2024, investments in marketable securities, including amounts in investments in marketable securities restricted as to use, consisted of the following:

	<u>2025</u>	<u>2024</u>
Investments in marketable securities without donor restrictions		
Exchange traded funds	\$ 1,911,222	\$ 1,735,867
Mutual funds	<u>1,574,295</u>	<u>1,507,712</u>
Total investments in marketable securities without donor restrictions	<u>3,485,517</u>	<u>3,243,579</u>
Investments in marketable securities restricted as to use		
Exchange traded funds	1,165,449	1,066,311
Mutual funds	<u>103,871</u>	<u>96,769</u>
Total investments in marketable securities restricted as to use	<u>1,269,320</u>	<u>1,163,080</u>
Total investments in marketable securities	<u><u>\$ 4,754,837</u></u>	<u><u>\$ 4,406,659</u></u>

Investment income for the years ended June 30, 2025 and 2024, consisted of the following:

	<u>2025</u>	<u>2024</u>
Investment income without donor restrictions		
Dividend income	\$ 133,007	\$ 120,390
Realized gains	204,064	143,542
Unrealized gains	<u>204,060</u>	<u>276,896</u>
Total investment income without donor restrictions	<u>541,131</u>	<u>540,828</u>
Investment income with donor restrictions for endowments		
Dividend income	<u>5,876</u>	<u>5,367</u>
Total investment income with donor restrictions for endowments	<u>5,876</u>	<u>5,367</u>
Total investment income	<u><u>\$ 547,007</u></u>	<u><u>\$ 546,195</u></u>

NOTE H – FAIR VALUE MEASUREMENTS

At June 30, 2025 and 2024, 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, 2025 and 2024.

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, 2025
(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, 2025 and 2024:

	Level 1	
	<u>2025</u>	<u>2024</u>
Exchange traded funds		
Large cap index funds	\$ 1,758,698	\$ 1,353,533
Bond funds	640,160	547,137
International funds	228,959	468,160
Government	172,754	199,433
Small cap index funds	99,879	56,210
Other	90,016	117,956
Mid cap index funds	86,205	59,749
Total exchange traded funds	<u>3,076,671</u>	<u>2,802,178</u>
Mutual funds		
Bond funds	822,995	835,682
Large cap index funds	507,764	300,449
International funds	210,927	273,465
Emerging markets	69,933	79,888
Mid cap index funds	66,547	78,786
Other	-	36,211
Total mutual funds	<u>1,678,166</u>	<u>1,604,481</u>
Total investments in marketable securities, at fair value	<u><u>\$ 4,754,837</u></u>	<u><u>\$ 4,406,659</u></u>

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of and for the Year Ended June 30, 2025 (With Prior Year Comparative Information)

NOTE I – NOTE PAYABLE AND EID LOAN

At June 30, 2025 and 2024, the note payable and EID loan consisted of the following:

	<u>2025</u>	<u>2024</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.	\$484,856	\$539,110
Economic Injury Disaster (EID) loan to Small Business Administration, due in monthly installments of \$641 through September 2050, including interest at 2.75%.	<u>140,741</u>	<u>144,506</u>
Total note payable and EID loan	625,597	683,616
Note payable and EID loan – current	<u>(59,600)</u>	<u>(58,000)</u>
Note payable and EID loan – noncurrent	<u>\$565,997</u>	<u>\$625,616</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 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, 2025, future maturities of the note payable and EID loan approximated the following:

Fiscal Years Ending June 30th	
2026	\$ 59,600
2027	61,100
2028	62,700
2029	64,400
2030	66,100
Thereafter	<u>311,697</u>
Total note payable and EID loan	<u>\$625,597</u>

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of and for the Year Ended June 30, 2025 (With Prior Year Comparative Information)

NOTE J – BOARD DESIGNATED NET ASSETS

At June 30, 2025 and 2024, 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, 2025 and 2024, net assets restricted for time and programs consisted of the following:

	<u>2025</u>	<u>2024</u>
Donor restricted for time and programs		
Gallery exhibits	\$ 62,439	\$ 83,397
Resource Center	45,807	46,229
Capital campaign	42,435	108,954
Endowment interest for programs	34,819	28,943
Education	23,878	5,378
Programs	<u>10,000</u>	<u>26,462</u>
 Total net assets restricted for time and programs	 <u>\$ 219,378</u>	 <u>\$ 299,363</u>

NOTE L – NET ASSETS RESTRICTED FOR ENDOWMENTS

At June 30, 2025 and 2024, net assets restricted for endowments consisted of the following:

	<u>2025</u>	<u>2024</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>
 Total net assets with donor restrictions	 <u>\$ 525,678</u>	 <u>\$ 605,663</u>

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of and for the Year Ended June 30, 2025 (With Prior Year Comparative Information)

NOTE L – NET ASSETS RESTRICTED FOR ENDOWMENTS (Continued)

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, 2025 and 2024).

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, 2025 and 2024 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, 2023	\$ 23,576	\$ 306,300
Dividends	<u>5,367</u>	<u>-</u>
Balance at June 30, 2024	28,943	306,300
Dividends	<u>5,876</u>	<u>-</u>
Balance at June 30, 2025	<u><u>\$ 34,819</u></u>	<u><u>\$ 306,300</u></u>

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of and for the Year Ended June 30, 2025 (With Prior Year Comparative Information)

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, 2025, the future minimum lease rental income approximates the following:

Fiscal Years Ending June 30th	
2026	\$ 237,300
2027	\$ 213,200
2028	\$ 104,200
2029	\$ 67,200
2030	\$ 48,900
Thereafter (cumulative)	\$ 328,400

NOTE N – SPECIAL EVENT

For the years ended June 30, 2025 and 2024, special event revenue consisted of the following:

	<u>2025</u>	<u>2024</u>
Contributions	\$ 187,664	\$ 242,965
Revenue	32,890	20,940
Direct costs	<u>(48,931)</u>	<u>(115,572)</u>
Special event – net	<u>\$ 171,623</u>	<u>\$ 148,333</u>

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, 2025 and 2024, JCCH's contributions under this plan amounted to \$7,943 and \$7,770, respectively.

JAPANESE CULTURAL CENTER HAWAI'I

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of and for the Year Ended June 30, 2025 (With Prior Year Comparative Information)

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.

NOTE Q – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 16, 2026, 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.
