

JAPANESE CULTURAL CENTER OF HAWAI'I

**FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANT'S REVIEW REPORT
As of and for the Year Ended June 30, 2024
With Prior Year Comparative Information**



JAPANESE CULTURAL CENTER OF HAWAI'I

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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, 2024, 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.

Change in Accounting Pronouncement

As discussed in Note A to the financial statements, during the year ended June 30, 2024, JCCH adopted Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Our conclusion is not modified with respect to this matter.

Summarized Comparative Information

We have previously reviewed JCCH's June 30, 2023 financial statements and, in our report dated January 9, 2024, stated that based on our procedures, we are not aware of any material modifications that should be made to the June 30, 2023 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, 2023 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 7, 2025



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JAPANESE CULTURAL CENTER OF HAWAI'I

STATEMENT OF FINANCIAL POSITION

**As of June 30, 2024
(With Prior Year Comparative Information)**

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (including interest bearing accounts)	\$ 839,729	\$ 547,675
Accounts and grants receivable – net	71,499	92,890
Investments in marketable securities	3,243,579	3,273,878
Prepaid expenses and other assets	35,220	24,558
Total current assets	<u>4,190,027</u>	<u>3,939,001</u>
NONCURRENT ASSETS		
Property and equipment – net	8,498,316	8,764,097
Security deposits and facility reserves	26,361	37,076
Cash restricted as to use	539,110	587,562
Cash equivalents restricted as to use	37,973	32,614
Investments in marketable securities restricted as to use	1,163,080	1,043,778
Other assets	25,000	25,000
Total noncurrent assets	<u>10,289,840</u>	<u>10,490,127</u>
COLLECTIONS (Note B)	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 14,479,867</u>	<u>\$ 14,429,128</u>

(Continued)

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

As of June 30, 2024
(With Prior Year Comparative Information)

	<u>2024</u>	<u>2023</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 129,481	\$ 130,397
Refundable advances	-	20,000
Deferred revenue	75,803	36,137
EID loan – current	3,800	3,700
Note payable – current	54,200	47,300
Total current liabilities	<u>263,284</u>	<u>237,534</u>
NONCURRENT LIABILITIES		
EID loan – noncurrent	140,706	144,469
Note payable – noncurrent	484,910	540,262
Rental deposits	26,356	26,356
Total noncurrent liabilities	<u>651,972</u>	<u>711,087</u>
TOTAL LIABILITIES	<u>915,256</u>	<u>948,621</u>
NET ASSETS		
Net assets without donor restrictions		
Undesignated	11,637,067	11,502,379
Board designated	1,321,881	1,321,881
Total net assets without donor restrictions	<u>12,958,948</u>	<u>12,824,260</u>
Net assets with donor restrictions		
Donor restricted for time and programs	299,363	349,947
Donor restricted for endowments	306,300	306,300
Total net assets with donor restrictions	<u>605,663</u>	<u>656,247</u>
Total net assets	<u>13,564,611</u>	<u>13,480,507</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,479,867</u>	<u>\$ 14,429,128</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, 2024
(With Prior Year Comparative Information)**

	<u>2024</u>	<u>2023</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Lease rental income	\$ 1,090,129	\$ 949,933
Grants and contracts	450,907	425,019
Realized and unrealized gains on investments	420,438	324,659
Contributions without donor restrictions	149,966	218,834
Special event – net	148,333	142,561
Gift shop and gallery revenue	129,994	97,967
Dividend income	120,390	112,459
Bequests	98,578	291,140
Program fees	82,846	89,630
Net assets released from donor restrictions	76,630	137,557
Membership dues	59,174	61,807
Other revenue and support	-	10,798
Total revenue and support	<u>2,827,385</u>	<u>2,862,364</u>
Expenses		
Program services		
Property	1,838,499	1,823,111
Programs and events	403,226	354,512
Total program services	<u>2,241,725</u>	<u>2,177,623</u>
Supporting services		
Management and general	206,767	265,166
Fundraising	244,205	195,236
Total supporting services	<u>450,972</u>	<u>460,402</u>
Total expenses	<u>2,692,697</u>	<u>2,638,025</u>
Revenue and support less expenses	<u>134,688</u>	<u>224,339</u>
Increase in net assets without donor restrictions	<u>134,688</u>	<u>224,339</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions with donor restrictions for time and programs	20,679	19,162
Investment income with donor restrictions for endowments	5,367	4,365
Net assets released from donor restrictions	<u>(76,630)</u>	<u>(137,557)</u>
Decrease in net assets with donor restrictions	<u>(50,584)</u>	<u>(114,030)</u>
INCREASE IN NET ASSETS	84,104	110,309
NET ASSETS – Beginning of year	<u>13,480,507</u>	<u>13,370,198</u>
NET ASSETS – End of year	<u>\$ 13,564,611</u>	<u>\$ 13,480,507</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, 2024
(With Prior Year Comparative Information)

	Program Services			Supporting Services			2023 Total
	Property	Programs and Events	Total Program Services	Management and General	Fund-Raising	Total Supporting Services	
Salaries and wages	\$ 130,841	\$ 205,836	\$ 336,677	\$ 75,394	\$ 156,952	\$ 232,346	\$ 523,809
Employee benefits	11,996	34,068	46,064	18,827	24,714	43,541	76,485
Payroll taxes	12,784	21,321	34,105	7,654	15,552	23,206	49,359
Total salaries and related expenses	155,621	261,225	416,846	101,875	197,218	299,093	649,653
Depreciation	556,282	-	556,282	-	-	-	579,339
Utilities	409,930	-	409,930	-	-	-	500,984
Repairs and maintenance	346,260	-	346,260	3,551	-	3,551	287,965
Property and excise taxes	207,352	-	207,352	-	8,002	8,002	200,350
Program events	-	122,190	122,190	-	-	-	116,450
Special event	-	-	-	-	115,572	115,572	61,125
Professional fees	42,664	1,713	44,377	22,838	1,056	23,894	61,656
Insurance	52,886	-	52,886	2,024	-	2,024	52,885
Investment broker fees	-	7,989	7,989	27,133	4,680	31,813	33,323
Security	37,743	-	37,743	-	-	-	32,767
Office	4,608	1,913	6,521	17,024	10,215	27,239	37,574
Technology	3,288	8,196	11,484	12,660	3,792	16,452	35,629
Miscellaneous	1,928	-	1,928	802	19,242	20,044	25,306
Gift shop	19,937	-	19,937	-	-	-	11,706
Interest	-	-	-	18,860	-	18,860	12,693
Total	1,838,499	403,226	2,241,725	206,767	359,777	566,544	2,699,405
Direct cost of special event reported net with fundraising revenue in statement of activities	-	-	-	-	(115,572)	(115,572)	(61,125)
Total expenses	\$ 1,838,499	\$ 403,226	\$ 2,241,725	\$ 206,767	\$ 244,205	\$ 450,972	\$ 2,638,280

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

JAPANESE CULTURAL CENTER OF HAWAI'I

STATEMENT OF CASH FLOWS

**For the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 84,104	\$ 110,309
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	556,282	579,339
Realized and unrealized gains on investments	(420,438)	(324,659)
Investment income with donor restrictions for endowments	(5,367)	(4,365)
(Increase) decrease in		
Accounts and grants receivable – net	21,391	(23,724)
Prepaid expenses and other assets	(10,662)	(3,653)
Increase (decrease) in		
Accounts payable and accrued liabilities	(916)	(262,543)
Refundable advances	(20,000)	20,000
Deferred revenue	39,666	(7,451)
Net cash provided by operating activities	<u>244,060</u>	<u>83,253</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(290,501)	(692,933)
Purchases of investments in marketable securities	(393,055)	(1,588,710)
Sales of investments in marketable securities	724,490	1,539,998
Change in security deposits and facility reserves	10,715	-
Net cash provided (used) in investing activities	<u>51,649</u>	<u>(741,645)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Investment income with donor restrictions for endowments	5,367	4,365
Repayment of EID loan	(3,663)	(1,831)
Additions to note payable	-	587,562
Repayments of note payable	(48,452)	-
Net cash provided (used) by financing activities	<u>(46,748)</u>	<u>590,096</u>

(Continued)

JAPANESE CULTURAL CENTER OF HAWAII

STATEMENT OF CASH FLOWS (Continued)

**For the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

	<u>2024</u>	<u>2023</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED AS TO USE	\$ 248,961	\$ (68,296)
CASH AND CASH EQUIVALENTS AND RESTRICTED AS TO USE – Beginning of year	<u>1,167,851</u>	<u>1,236,147</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED AS TO USE – End of year	<u>\$ 1,416,812</u>	<u>\$ 1,167,851</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 HAWAI'I

NOTES TO THE FINANCIAL STATEMENTS

**As of and for the Year Ended June 30, 2024
(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, 2023, 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, 2024
(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 \$549,200 and \$359,000 at June 30, 2024 and 2023, 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 \$27,916 and \$12,878 as of June 30, 2024 and 2023, 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, 2024
(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 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 operating lease liability are recognized 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, 2024 and 2023.

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, 2024 and 2023, revenue from performance obligations satisfied at a point in time consisted of special event revenue of \$20,940 and \$0 and gift shop and gallery revenue of \$129,994 and \$97,967, respectively. For the years ended June 30, 2024 and 2023, revenue from performance obligations satisfied over time consisted of a lease rental income of \$1,090,129 and \$949,933 and program fees of \$82,846 and \$89,630, respectively.

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expense Recognition (continued)

Revenue from sources other than performance obligations consisted of realized and unrealized gains on investments in marketable securities of \$420,438 and \$324,659, dividend income of \$120,390 and \$112,459, and investment income with donor restrictions for endowments of \$5,367 and \$4,365, respectively, for the years ended June 30, 2024 and 2023. 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, 2024 and 2023 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 N). 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, including the time spent by personnel.

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. 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 2024 and \$20,000 in 2023).

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 2024 and 2023). 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 \$274,000 that have not been recognized as of June 30, 2024 because the qualifying expenditures have not yet been incurred.

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2024 and 2023). 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 \$62,905 and \$55,805 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023, 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.

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 changes how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. This ASU introduces a new credit loss methodology. Current Expected Losses (CECL), which requires earlier recognition of credit losses, while also provided additional transparency about credit risk. This change is a shift from the current incurred loss model to the expected loss model. Expected credit losses are recognized at the time the financial asset is originated and adjusted each period for changes in expected lifetime credit losses. Previously, credit losses were recognized when the loss was incurred.

Under CECL, trade accounts receivable are analyzed in a similar fashion as legacy U.S. GAAP, using an aging methodology to estimate CECL, much like the existing methodology. If the selling entity determines collection is probable, the credit loss risk is not zero. The selling entity would apply Topic 326 to estimate CECL on the trade accounts receivable. CECL is different (and thus is accounted for differently) from losses due to other factors, such as the seller's nonperformance, volume rebates, trade allowances, or customer contract modifications. Under Topic 326, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

JCCH adopted this ASU during the year ended June 30, 2024. The impact of the adoption of this ASU was not material to the financial statements and primarily only resulted in enhanced disclosures, as the financial assets of JCCH consist of accounts and grants receivables due in one year or less.

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 with one year.

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

NOTE C – LIQUIDITY

At June 30, 2024 and 2023, 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>2024</u>	<u>2023</u>
Cash and cash equivalents (including interest-bearing accounts)	\$ 839,729	\$ 547,675
Accounts and grants receivable – net	71,499	92,890
Investments in marketable securities	3,243,579	3,273,878
Cash equivalents restricted as to use	37,973	32,614
Investments in marketable securities restricted as to use	<u>1,163,080</u>	<u>1,043,778</u>
Total financial assets	5,355,860	4,990,835
Net assets with donor restrictions for time and programs	(299,363)	(349,947)
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>\$4,750,197</u>	<u>\$4,334,588</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>2024</u>	<u>2023</u>
Cash and cash equivalents (including interest bearing accounts)	\$ 839,729	\$ 547,675
Cash restricted as to use	539,110	587,562
Cash equivalents restricted as to use	<u>37,973</u>	<u>32,614</u>
Total cash and cash equivalents and cash and cash equivalents restricted as to use	<u>\$1,416,812</u>	<u>\$1,167,851</u>

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

NOTE E – ACCOUNTS AND GRANTS RECEIVABLE

At June 30, 2024 and 2023, accounts and grants receivable consisted of the following:

	<u>2024</u>	<u>2023</u>
Accounts receivable	\$ 71,499	\$ 82,890
Allowance for credit losses – accounts receivable	<u>-</u>	<u>-</u>
Total accounts receivable – net	<u>71,499</u>	<u>82,890</u>
Grants receivable	-	10,000
Allowance for credit losses – grants receivable	<u>-</u>	<u>-</u>
Total grants receivable – net	<u>-</u>	<u>10,000</u>
Accounts and grants receivable – net	<u>\$ 71,499</u>	<u>\$ 92,890</u>

At June 30, 2024 and 2023, accounts receivable includes \$51,343 and \$51,315 for rent and \$20,156 and \$31,575 for other miscellaneous amounts, respectively.

NOTE F – PROPERTY AND EQUIPMENT

At June 30, 2024 and 2023, property and equipment consisted of the following:

	<u>2024</u>	<u>2023</u>
Building and improvements	\$ 20,648,089	\$ 21,235,609
Furniture and equipment	<u>2,935,987</u>	<u>2,057,966</u>
Total	23,584,076	23,293,575
Accumulated depreciation and amortization	<u>(18,361,891)</u>	<u>(17,805,609)</u>
	5,222,185	5,487,966
Land	<u>3,276,131</u>	<u>3,276,131</u>
Property and equipment – net	<u>\$ 8,498,316</u>	<u>\$ 8,764,097</u>

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

NOTE G – INVESTMENTS IN MARKETABLE SECURITIES

At June 30, 2024 and 2023, investments in marketable securities, including amounts in investments in marketable securities restricted as to use, consisted of the following:

	<u>2024</u>	<u>2023</u>
Investments in marketable securities without donor restrictions		
Exchange traded funds	\$ 1,735,867	\$ 1,846,578
Mutual funds	<u>1,507,712</u>	<u>1,427,300</u>
Total investments in marketable securities without donor restrictions	<u>3,243,579</u>	<u>3,273,878</u>
Investments in marketable securities restricted as to use		
Exchange traded funds	1,066,311	978,918
Mutual funds	<u>96,769</u>	<u>64,860</u>
Total investments in marketable securities restricted as to use	<u>1,163,080</u>	<u>1,043,778</u>
Total investments in marketable securities	<u>\$ 4,406,659</u>	<u>\$ 4,317,656</u>

Investment income for the years ended June 30, 2024 and 2023, consisted of the following:

	<u>2024</u>	<u>2023</u>
Investment income without donor restrictions		
Dividend income	\$ 120,390	\$ 112,459
Realized gains	143,542	461,422
Unrealized gains (losses)	<u>276,896</u>	<u>(136,763)</u>
Total investment income without donor restrictions	<u>540,828</u>	<u>437,118</u>
Investment income with donor restrictions for endowments		
Dividend income	<u>5,367</u>	<u>4,365</u>
Total investment income with donor restrictions for endowments	<u>5,367</u>	<u>4,365</u>
Total investment income	<u>\$ 546,195</u>	<u>\$ 441,483</u>

NOTE H – FAIR VALUE MEASUREMENTS

At June 30, 2024 and 2023, 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, 2024 and 2023.

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, 2024
(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, 2024 and 2023:

	Level 1	
	<u>2024</u>	<u>2023</u>
Exchange traded funds		
Large cap index funds	\$ 1,353,533	\$ 1,325,506
Bond funds	547,137	501,264
International funds	468,160	535,659
Government	199,433	210,545
Other	117,956	105,317
Mid cap index funds	59,749	75,306
Small cap index funds	56,210	71,899
Total exchange traded funds	<u>2,802,178</u>	<u>2,825,496</u>
Mutual funds		
Bond funds	835,682	861,059
Large cap index funds	300,449	278,221
International funds	273,465	201,434
Emerging markets	79,888	81,990
Mid cap index funds	78,786	69,456
Other	36,211	-
Total mutual funds	<u>1,604,481</u>	<u>1,492,160</u>
Total investments in marketable securities, at fair value	<u>\$ 4,406,659</u>	<u>\$ 4,317,656</u>

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2024
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NOTE I – NOTE PAYABLE AND EID LOAN

At June 30, 2024 and 2023, the note payable and EID loan consisted of the following:

	<u>2024</u>	<u>2023</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.	\$539,110	\$ 587,562
Economic Injury Disaster (EID) loan to Small Business Administration, due in monthly installments of \$641 through September 2050, including interest at 2.75%.	<u>144,506</u>	<u>148,169</u>
Total note payable and EID loan	683,616	735,731
Note payable and EID loan – current	<u>(58,000)</u>	<u>(51,000)</u>
Note payable and EID loan – noncurrent	<u>\$625,616</u>	<u>\$ 684,731</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, 2024, future maturities of the notes payable approximated the following:

Fiscal Years Ending June 30th	
2024	\$ 58,000
2025	51,000
2026	56,700
2027	58,200
2028	59,700
Therafter	<u>400,016</u>
Total note payable and EID loan	<u>\$683,616</u>

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2024
(With Prior Year Comparative Information)**

NOTE J – BOARD DESIGNATED NET ASSETS

At June 30, 2024 and 2023, 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, 2024 and 2023, net assets restricted for time and programs consisted of the following:

	<u>2024</u>	<u>2023</u>
Donor restricted for time and programs		
Capital campaign	\$ 108,954	\$ 164,905
Gallery exhibits	83,397	83,397
Resource Center	46,229	46,229
Programs	26,462	26,462
Endowment interest for programs	28,943	23,576
Education	<u>5,378</u>	<u>5,378</u>
Total net assets restricted for time and programs	<u>\$ 299,363</u>	<u>\$ 349,947</u>

NOTE L – NET ASSETS RESTRICTED FOR ENDOWMENTS

At June 30, 2024 and 2023, net assets restricted for endowments consisted of the following:

	<u>2024</u>	<u>2023</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>\$ 605,663</u>	<u>\$ 656,247</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, 2024
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NOTE L – 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, 2024 and 2023).

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, 2024 and 2023 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, 2022	\$ 19,211	\$ 306,300
Dividends	<u>4,365</u>	<u>-</u>
Balance at June 30, 2023	23,576	306,300
Dividends	<u>5,367</u>	<u>-</u>
 Balance at June 30, 2024	 <u>\$ 28,943</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, 2024, the future minimum lease rental income approximates the following:

Fiscal Years Ending June 30th	
2025	\$ 152,500
2026	\$ 83,600
2027	\$ 72,300
2028	\$ 23,200
2029	\$ 20,200
Thereafter (cumulative)	\$ 349,000

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2024
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NOTE N – SPECIAL EVENT

For the years ended June 30, 2024 and 2023, special event revenue consisted of the following:

	<u>2024</u>	<u>2023</u>
Contributions	\$242,965	\$ 203,686
Revenue	20,940	-
Direct costs	<u>(115,572)</u>	<u>(61,125)</u>
Special event – net	<u>\$ 148,333</u>	<u>\$ 142,561</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, 2024 and 2023, JCCH’s contributions under this plan amounted to \$7,770 and \$7,793, 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, 2024
(With Prior Year Comparative Information)**

NOTE Q – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 7, 2025, 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.
