

JAPANESE CULTURAL CENTER OF HAWAI'I

**FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021
With Prior Year Comparative Information
And Independent Accountant's Review Report**



CW Associates
A Hawaii Certified Public Accounting Corporation

JAPANESE CULTURAL CENTER OF HAWAII

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(With Prior Year Comparative Information)**

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CW Associates

A Hawaii Certified Public Accounting Corporation

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

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

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

Accountant's Conclusion

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

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Emphasis of Matter with Respect to Change of Accounting Methods

As discussed in Note B to the financial statements, during the year ended June 30, 2021, JCCH adopted Accounting Standards Update No 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our conclusion is not modified with respect to this matter.

Report on Prior Year Comparative Information

We have previously reviewed JCCH's financial statements as of and for the year ended June 30, 2020 and, in our report dated March 31, 2021, stated that based on our procedures, we are not aware of any material modifications that should be made to the June 30, 2020 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended June 30, 2020 for them to be consistent with the reviewed financial statements from which it has been derived.

CW ASSOCIATES, CPAs

Honolulu, Hawaii
February 2, 2022

JAPANESE CULTURAL CENTER OF HAWAII

STATEMENT OF FINANCIAL POSITION

As of June 30, 2021
(With Prior Year Comparative Information)

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (including interest bearing accounts)	\$ 1,735,496	\$ 1,631,604
Accounts and grants receivable – net	34,850	275,036
Investments in marketable securities, at fair value	3,382,112	2,705,915
Prepaid expenses and other assets	38,518	43,334
Total current assets	<u>5,190,976</u>	<u>4,655,889</u>
NONCURRENT ASSETS		
Property and equipment – net	8,942,790	9,516,201
Security deposits and facility reserves	26,317	60,303
Cash equivalents restricted as to use	93,040	59,636
Investments in marketable securities, restricted as to use	1,010,379	850,593
Other assets	25,000	25,000
Total noncurrent assets	<u>10,097,526</u>	<u>10,511,733</u>
COLLECTIONS (Note B)	-	-
TOTAL ASSETS	<u>\$ 15,288,502</u>	<u>\$ 15,167,622</u>

(Continued)

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

As of June 30, 2021
(With Prior Year Comparative Information)

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 125,740	\$ 318,922
Deferred revenue	72,529	50,854
SBA PPP loans – current	7,636	62,848
EID loan – current	2,397	-
Note payable – current	-	48,032
Capital lease payable – current	-	14,368
Total current liabilities	<u>208,302</u>	<u>495,024</u>
NONCURRENT LIABILITIES		
SBA PPP loans – noncurrent	85,691	79,152
EID loan – noncurrent	147,603	-
Rental deposits	15,603	15,603
Total noncurrent liabilities	<u>248,897</u>	<u>94,755</u>
TOTAL LIABILITIES	<u>457,199</u>	<u>589,779</u>
NET ASSETS		
Net assets without donor restrictions		
Undesignated	12,593,988	12,382,224
Board designated	1,321,881	1,321,881
Total net assets without donor restrictions	<u>13,915,869</u>	<u>13,704,105</u>
Net assets with donor restrictions		
Donor restricted for time and programs	609,134	567,438
Donor restricted for endowments	306,300	306,300
Total net assets with donor restrictions	<u>915,434</u>	<u>873,738</u>
Total net assets	<u>14,831,303</u>	<u>14,577,843</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,288,502</u>	<u>\$ 15,167,622</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, 2021
(With Prior Year Comparative Information)**

	<u>2021</u>	<u>2020</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Realized and unrealized gains on investments	\$ 812,709	\$ 51,203
Rental income	383,880	1,074,768
Bequest	287,716	288,093
Contributions without donor restrictions	232,576	178,009
Gain on forgiveness of SBA PPP loan	142,000	-
Gift shop and gallery revenue	93,181	133,353
Membership dues	87,563	96,479
Dividend income	71,305	91,951
Grants and contracts	57,131	153,599
Fundraising – net	-	29,757
Net assets released from donor restrictions	24,808	23,231
Program fees	11,197	86,037
Other revenue and support	-	21,406
Total revenue and support	<u>2,204,066</u>	<u>2,227,886</u>
Expenses		
Program services		
Property	1,423,976	1,738,012
Programs and events	244,163	574,768
Total program services	<u>1,668,139</u>	<u>2,312,780</u>
Supporting services		
Management and general	250,828	279,485
Fundraising	73,335	173,555
Total supporting services	<u>324,163</u>	<u>453,040</u>
Total expenses	<u>1,992,302</u>	<u>2,765,820</u>
Increase (decrease) in net assets without donor restrictions	<u>211,764</u>	<u>(537,934)</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions with donor restrictions for time and programs	63,029	10,000
Investment income with donor restrictions for endowments	3,475	4,695
Net assets released from donor restrictions	<u>(24,808)</u>	<u>(23,231)</u>
Increase (decrease) in net assets with donor restrictions	<u>41,696</u>	<u>(8,536)</u>
INCREASE (DECREASE) IN NET ASSETS	253,460	(546,470)
NET ASSETS – Beginning of year	<u>14,577,843</u>	<u>15,124,313</u>
NET ASSETS – End of year	<u>\$ 14,831,303</u>	<u>\$ 14,577,843</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, 2021
(With Prior Year Comparative Information)**

	Program Services			Supporting Services			2021 Total	2020 Total
	Property	Programs and Events	Total Program Services	Manage- ment and General	Fund- Raising	Total Supporting Services		
Depreciation and amortization	\$ 655,384	\$ -	\$ 655,384	\$ -	\$ -	\$ -	\$ 655,384	\$ 726,737
Salaries and wages	11,476	96,826	108,302	144,875	42,286	187,161	295,463	569,337
Employee benefits	-	25,245	25,245	25,572	8,139	33,711	58,956	93,559
Payroll taxes	992	9,049	10,041	12,676	3,880	16,556	26,597	49,962
Total salaries and related expenses	12,468	131,120	143,588	183,123	54,305	237,428	381,016	712,858
Utilities	255,824	-	255,824	-	-	-	255,824	371,470
Repairs and maintenance	220,049	-	220,049	-	-	-	220,049	295,585
Property and excise taxes	172,409	4,180	176,589	-	-	-	176,589	203,453
Professional fees	31,906	-	31,906	24,017	-	24,017	55,923	61,627
Insurance	45,453	-	45,453	-	-	-	45,453	44,684
Technology	-	29,189	29,189	431	10,427	10,858	40,047	47,061
Investment broker fees	-	6,356	6,356	28,307	-	28,307	34,663	30,802
Security	30,483	-	30,483	-	-	-	30,483	30,539
Gift shop	-	27,778	27,778	-	-	-	27,778	27,760
Program events	-	25,040	25,040	-	-	-	25,040	172,760
Gallery	-	19,560	19,560	-	-	-	19,560	235
Office	-	263	263	13,421	526	13,947	14,210	12,373
Miscellaneous	-	677	677	446	5,809	6,255	6,932	8,126
Special events	-	-	-	-	-	-	-	6,247
Membership	-	-	-	-	2,268	2,268	2,268	17,555
Interest	-	-	-	1,083	-	1,083	1,083	2,195
Total	1,423,976	244,163	1,668,139	250,828	73,335	324,163	1,992,302	2,772,067
Direct cost of special events reported net with fundraising revenue in statement of activities	-	-	-	-	-	-	-	(6,247)
Total expenses	\$ 1,423,976	\$ 244,163	\$ 1,668,139	\$ 250,828	\$ 73,335	\$ 324,163	\$ 1,992,302	\$ 2,765,820

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, 2021
(With Prior Year Comparative Information)**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 253,460	\$ (546,470)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	655,384	726,737
Net realized and unrealized gains on investments	(812,709)	(51,203)
Gain on forgiveness of SBA PPP loan	(142,000)	-
Investment income with donor restrictions for endowments	(3,475)	(4,695)
(Increase) decrease in		
Accounts and grants receivable – net	240,186	(98,220)
Prepaid expenses and other assets	4,816	1,151
Increase (decrease) in		
Accounts payable and accrued liabilities	(193,182)	68,723
Deferred revenue	21,675	(20,240)
Net cash provided by operating activities	<u>24,155</u>	<u>75,783</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(81,973)	(169,737)
Purchases of investments in marketable securities	(965,138)	(125,389)
Sales of investments in marketable securities	941,864	137,656
Security deposits and facility reserves	33,986	68,014
Net cash used in investing activities	<u>(71,261)</u>	<u>(89,456)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Additions to SBA PPP loans	93,327	142,000
Addition to EID loan	150,000	-
Investment income with donor restrictions for endowments	3,475	4,695
Repayments of note payable	(48,032)	(47,004)
Capital lease payments	(14,368)	(32,607)
Net cash provided in financing activities	<u>184,402</u>	<u>67,084</u>

(Continued)

JAPANESE CULTURAL CENTER OF HAWAI'I

STATEMENT OF CASH FLOWS (Continued)

**For the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

	<u>2021</u>	<u>2020</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS AND CASH EQUIVALENTS RESTRICTED AS TO USE	\$ 137,296	\$ 53,411
CASH AND CASH EQUIVALENTS AND CASH EQUIVALENTS RESTRICTED AS TO USE – Beginning of year	<u>1,691,240</u>	<u>1,637,829</u>
CASH AND CASH EQUIVALENTS AND CASH EQUIVALENTS RESTRICTED AS TO USE – End of year	<u>\$1,828,536</u>	<u>\$1,691,240</u>
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 984	\$ 1,812

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

JAPANESE CULTURAL CENTER HAWAI'I

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2021
(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, 2020, 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, 2021
(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 \$1,113,600 and \$1,093,300 at June 30, 2021 and 2020, 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 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, 2021
(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 \$25,280 and \$35,413 as of June 30, 2021 and 2020, respectively, is included in prepaid expenses and other assets in the statements of financial position.

Property and Equipment

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

Collections

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

Revenue and Expense Recognition

Revenue is recognized when the goods and services are provided to the customer. For the years ended June 30, 2021 and 2020, revenue from performance obligations satisfied at a point in time consisted of gift shop and gallery revenue of \$93,181 and \$133,353, respectively. For the years ended June 30, 2021 and 2020, revenue from performance obligations satisfied over time consisted of program fees of \$11,197 and \$86,037, respectively. Revenue from sources other than performance obligations consisted of realized and unrealized gains on investments of marketable securities of \$812,709 and \$51,203, a gain on forgiveness of SBA PPP loan of \$142,000 and \$0, dividend income of \$71,305 and \$91,951, other revenue of \$0 and \$21,406, and investment income of \$3,475 and \$4,695, respectively, for the years ended June 30, 2021 and 2020. Rental income from lease agreements is recognized on a straight-line basis over the lease term in accordance with Accounting Standards Codification 840, *Leases*.

JCCH records membership dues as contributions as the fair value of direct benefits that members received during the years ended June 30, 2021 and 2020 was negligible. JCCH records fundraising revenue equal to the fair value of the direct benefits received by members and donors, and contribution revenue for the excess received when the event takes place. Fundraising revenue was considered to be contributions as no direct benefits were received by members and donors for the years ended June 30, 2021 and 2020. 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, 2021
(With Prior Year Comparative Information)**

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expense Recognition (Continued)

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

Grants and Contracts

JCCH's revenue from grants and contracts is based on agreements with the National Park Service, the State of Hawaii, and other entities such as private foundations. JCCH recognizes grants and contracts as either contributions or exchange transactions depending on whether the transaction is reciprocal or nonreciprocal. The majority of JCCH's grants and contracts are cost-reimbursable grants and contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. Amounts received are recognized as revenue when JCCH has incurred expenditures in compliance with the grant or contract provisions. Amounts received prior to incurring the qualifying expenditures are reported as refundable advances in the statements of financial position (none in 2021 and 2020). 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 (\$25,212 in 2021 and \$40,000 in 2020). 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 \$113,000 that have not been recognized as of June 30, 2021 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.

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2021
(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. 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.

Leases

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

Hawaii General Excise Tax

The State of Hawaii imposes a general excise tax of 4.00% on certain gross receipts of JCCH within Hawaii, plus an additional 0.50% on such gross receipts within the City and County of Honolulu. Hawaii general excise tax included in revenue and expenses amounted to \$24,107 and \$50,911 for the years ended June 30, 2021 and 2020, respectively.

Income Taxes

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

U.S. GAAP requires management to evaluate tax positions taken by JCCH and to recognize a tax liability in the financial statements if JCCH has taken a tax position that is more likely than not to fail upon examination by taxing authorities. Management has evaluated JCCH's tax positions as of June 30, 2021 and 2020, 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 May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services.

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of and for the Year Ended June 30, 2021
(With Prior Year Comparative Information)

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Pronouncement (Continued)

JCCH implemented this ASU during the year ended June 30, 2021 using the modified retrospective transition method. The cumulative effect of applying this ASU was not significant to the financial position or results of operations of JCCH as of July 1, 2020 and for the year ended June 30, 2021.

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, 2021 and 2020, 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>2021</u>	<u>2020</u>
Cash and cash equivalents (including interest-bearing accounts)	\$ 1,735,496	\$ 1,631,604
Accounts and grants receivable – net	34,850	275,036
Investments in marketable securities, at fair value	3,382,112	2,705,915
Investments in marketable securities, restricted as to use	1,010,379	850,593
Cash equivalents restricted as to use	93,040	59,636
Total financial assets	<u>6,255,877</u>	<u>5,522,784</u>
Net assets with donor restrictions for time and programs	(609,134)	(567,438)
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>\$ 5,340,443</u>	<u>\$ 4,649,046</u>

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

NOTE D – CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted for endowments or other long-term purposes are excluded from this definition. The following reconciliation of cash and cash equivalents and cash equivalents restricted as to use are reported within the statements of financial position and agree to the sum of the corresponding amounts within the statements of cash flows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents (including interest bearing accounts)	\$ 1,735,496	\$ 1,631,604
Cash equivalents restricted as to use	<u>93,040</u>	<u>59,636</u>
 Total cash and cash equivalents and cash equivalents restricted as to use	 <u>\$ 1,828,536</u>	 <u>\$ 1,691,240</u>

NOTE E – ACCOUNTS AND GRANTS RECEIVABLE

At June 30, 2021 and 2020, accounts and grants receivable consisted of the following:

	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 9,638	\$ 235,036
Allowance for doubtful accounts – accounts receivable	<u>-</u>	<u>-</u>
Total accounts receivable – net	<u>9,638</u>	<u>235,036</u>
 Grants receivable	 25,212	 40,000
Allowance for doubtful accounts – grants receivable	<u>-</u>	<u>-</u>
Total grants receivable – net	<u>25,212</u>	<u>40,000</u>
 Accounts and grants receivable – net	 <u>\$ 34,850</u>	 <u>\$ 275,036</u>

At June 30, 2021 and 2020, accounts receivable includes \$6,850 and \$234,383 for rent and \$2,788 and \$653 for other miscellaneous amounts, respectively.

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

NOTE F – PROPERTY AND EQUIPMENT

At June 30, 2021 and 2020, property and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Building and improvements	\$ 20,515,176	\$ 20,450,681
Furniture and equipment	1,754,256	1,736,778
Total	<u>22,269,432</u>	<u>22,187,459</u>
Accumulated depreciation and amortization	<u>(16,602,773)</u>	<u>(15,947,389)</u>
	5,666,659	6,240,070
Land	<u>3,276,131</u>	<u>3,276,131</u>
Property and equipment – net	<u>\$ 8,942,790</u>	<u>\$ 9,516,201</u>

NOTE G – INVESTMENTS IN MARKETABLE SECURITIES

At June 30, 2021 and 2020, investments in marketable securities, including amounts in assets restricted as to use, consisted of the following:

	<u>2021</u>	<u>2020</u>
Investments in marketable securities without donor restrictions		
Exchange traded funds	\$ 1,926,306	\$ 1,924,322
Mutual funds	1,455,806	781,593
Total investments in marketable securities without donor restrictions	<u>3,382,112</u>	<u>2,705,915</u>
Investments in marketable securities restricted as to use		
Exchange traded funds	930,901	837,101
Mutual funds	79,478	13,492
Total investments in marketable securities restricted as to use	<u>1,010,379</u>	<u>850,593</u>
Total investments in marketable securities	<u>\$ 4,392,491</u>	<u>\$ 3,556,508</u>

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

NOTE G – INVESTMENTS IN MARKETABLE SECURITIES (Continued)

Investment income for the years ended June 30, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Investment income without donor restrictions		
Dividend income	\$ 71,305	\$ 91,951
Realized gains	110,496	9,665
Unrealized gains	702,213	41,538
Total investment income without donor restrictions	<u>884,014</u>	<u>143,154</u>
Investment income with donor restrictions for endowments		
Dividend income	<u>3,475</u>	<u>4,695</u>
Total investment income with donor restrictions for endowments	<u>3,475</u>	<u>4,695</u>
Total investment income	<u>\$ 887,489</u>	<u>\$ 147,849</u>

NOTE H – FAIR VALUE MEASUREMENTS

At June 30, 2021 and 2020, 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, 2021 and 2020.

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 HAWAI'I

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2021
(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, 2021 and 2020:

	Level 1	
	2021	2020
Exchange traded funds		
Large cap index funds	\$ 1,792,572	\$ 1,202,476
Bond funds	663,172	1,048,497
International funds	237,607	269,981
Small cap index funds	76,787	101,965
Mid cap index funds	87,069	55,124
Other	-	83,380
Total exchange traded funds	2,857,207	2,761,423
Mutual funds		
Bond funds	812,739	315,727
Large cap index funds	323,320	246,775
International funds	229,819	165,768
Emerging markets	88,988	-
Mid cap index funds	80,418	56,953
Other	-	9,862
Total mutual funds	1,535,284	795,085
 Total investments in marketable securities, at fair value	 \$4,392,491	 \$3,556,508

NOTE I – SBA PPP LOANS AND EID LOAN

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

JAPANESE CULTURAL CENTER HAWAI'I

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

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

The federal Consolidated Appropriations Act, 2021, which was enacted on December 27, 2020, provides for a PPP second draw loan and other additional fiscal relief for entities impacted by the COVID-19 pandemic. In February 2021, JCCH applied for and received a \$93,327 SBA PPP second draw loan from the Bank. All or a portion of the SBA PPP second draw loan, which matures five years from the date of funding and bears interest at 1%, may be forgiven if JCCH meets the compliance requirements established by the SBA and other federal agencies. At June 30, 2021, the PPP second draw loan balance outstanding was \$93,327. In July 2021, JCCH's PPP second draw loan forgiveness application was approved in full by the SBA.

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 one year while interest still accrues. There are no prepayment penalties or fees. At June 30, 2021, the EID loan balance outstanding was \$150,000.

NOTE J – NOTE PAYABLE

In December 2015, JCCH obtained a five-year loan from the Bank to finance the Manoa Grand Ballroom renovation. The note payable to the Bank was collateralized by substantially all of the assets of JCCH. In April 2020, the loan was modified to defer loan payments from April through June 2020. The deferred monthly payments were recovered by a larger balloon payment at loan maturity in December 2020. At June 30, 2021 and 2020, the note payable consisted of the following:

	<u>2021</u>	<u>2020</u>
Note payable to the Bank in monthly installments of \$5,424 through December 2020, including interest at 3.25%.	\$ -	\$ 48,032
Note payable – current	<u>-</u>	<u>(48,032)</u>
Note payable – noncurrent	<u>\$ -</u>	<u>\$ -</u>

NOTE K – BOARD DESIGNATED NET ASSETS

At June 30, 2021 and 2020, 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.

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

NOTE L – NET ASSETS RESTRICTED FOR TIME AND PROGRAMS

At June 30, 2021 and 2020, net assets restricted for time and programs consisted of the following:

	<u>2021</u>	<u>2020</u>
Donor restricted for time and programs		
Capital campaign	\$ 407,565	\$ 407,565
Gallery exhibits	83,397	83,397
Programs	50,769	7,500
Resource Center	46,369	51,417
Endowment interest for programs	15,656	12,181
Education	<u>5,378</u>	<u>5,378</u>
 Total net assets restricted for time and programs	 <u>\$ 609,134</u>	 <u>\$ 567,438</u>

NOTE M – NET ASSETS RESTRICTED FOR ENDOWMENTS

At June 30, 2021 and 2020, net assets restricted for endowments consisted of the following:

	<u>2021</u>	<u>2020</u>
Donor restricted for endowments		
Hilo Nihonjin Gakko	\$ 165,000	\$ 165,000
Resource Center Permanent Endowment	125,000	125,000
Clarence and Janet Kanja Permanent Endowment	11,300	11,300
Hikari Matsuda Endowment	<u>5,000</u>	<u>5,000</u>
 Total donor restricted for endowments	 <u>\$ 306,300</u>	 <u>\$ 306,300</u>

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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires JCCH to retain as a fund of perpetual duration. In accordance U.S. GAAP, deficiencies of this nature are reported in net assets without donor restrictions (none for the years ended June 30, 2021 and 2020).

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

NOTE M – NET ASSETS RESTRICTED FOR ENDOWMENTS (Continued)

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, 2021 and 2020 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, 2019 (Audited)	\$ 7,486	\$306,300
Dividends	<u>4,695</u>	<u>-</u>
Balance at June 30, 2020 (Reviewed)	12,181	306,300
Dividends	<u>3,475</u>	<u>-</u>
Balance at June 30, 2021 (Reviewed)	<u>\$ 15,656</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, 2021, the future minimum lease rental income approximates the following:

Fiscal Years Ending June 30th	
2022	\$ 207,000
2023	\$ 133,000
2024	\$ 133,000
2025	\$ 62,000
2026	\$ 19,000
Thereafter (cumulative)	\$ 408,000

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

NOTE N – LEASES (Continued)

During the year ended June 30, 2021, JCCH offered its tenants temporary rent deferment due to the impacts of the COVID-19 pandemic from government mandated closings and gathering size restrictions.

JCCH leased equipment, as lessee, under capital leases that expired in August 2020 and September 2020. At June 30, 2021 and 2020, property and equipment included equipment under capital leases of \$157,550, with accumulated amortization of \$157,550 and \$141,238, respectively.

NOTE O – FUNDRAISING

For the years ended June 30, 2021 and 2020, fundraising consisted of the following:

	<u>2021</u>	<u>2020</u>
Special events revenue	\$ -	\$36,004
Special events expenses	<u>-</u>	<u>(6,247)</u>
Fundraising – net	<u>\$ -</u>	<u>\$29,757</u>

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

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, 2021 and 2020, JCCH's contributions under this plan amounted to \$4,913 and \$4,064, respectively.

JAPANESE CULTURAL CENTER HAWAII

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

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 seeks 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 (such as the COVID-19 pandemic) can have severe, 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.

The COVID-19 pandemic has caused business disruption from government-mandated and voluntary closings or reductions in services for all industries. While the disruption is currently expected to be temporary, there is considerable uncertainty as to the duration of the economic impact from such disruption. JCCH expects that this matter may continue to impact its operating results; however, the related financial impact cannot be reasonably estimated at this time.

NOTE R – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 2, 2022, 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, except as disclosed above in Note I to the financial statements.
