

**Japanese American Citizens League**

Financial Statements

December 31, 2015



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Japanese American Citizens League  
San Francisco, California

We have audited the accompanying financial statements of Japanese American Citizens League (a non-profit corporation), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japanese American Citizens League as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Japanese American Citizens League's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 20, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Armanino LLP*  
Armanino<sup>LLP</sup>  
San Francisco, California

August 15, 2016

JAPANESE AMERICAN CITIZENS LEAGUE  
Statement of Financial Position  
December 31, 2015  
(With Comparative Totals for 2014)

ASSETS

	2015	2014
Current assets		
Cash and cash equivalents	\$ 229,554	\$ 302,896
Contributions and other receivables	161,386	167,695
Prepaid expenses and other current assets	77,623	154,433
Total current assets	468,563	625,024
Property and equipment, net	241,237	187,055
Cash and cash equivalents held for long-term purposes	398,281	231,268
Long-term investments	10,120,776	11,023,080
Total assets	\$ 11,228,857	\$ 12,066,427

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued liabilities	\$ 87,828	\$ 223,317
Deferred revenue	49,752	57,635
Current portion of accumulated post-retirement benefit obligation	9,142	29,435
Total current liabilities	146,722	310,387
Accumulated post-retirement benefit obligation, net of current portion	403,329	498,621
Total liabilities	550,051	809,008
Net assets		
Unrestricted		
Designated	1,309,693	1,322,476
Undesignated	211,359	582,447
Total unrestricted	1,521,052	1,904,923
Temporarily restricted	2,471,640	2,721,752
Permanently restricted	6,686,114	6,630,744
Total net assets	10,678,806	11,257,419
Total liabilities and net assets	\$ 11,228,857	\$ 12,066,427

The accompanying notes are an integral part of these financial statements.

JAPANESE AMERICAN CITIZENS LEAGUE  
Statement of Activities  
For The Year Ended December 31, 2015  
(With Comparative Totals for 2014)

	2015			Total	2014
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenues, gains and other support					
Public support - contributions	\$ 64,433	\$ 288,370	\$ 47,355	\$ 400,158	\$ 675,114
Membership income	572,239	-	-	572,239	597,985
Investment income, net	244,865	190,559	12,475	447,899	446,420
Net realized and unrealized gains (losses)					
on investments	(80,278)	(184,599)	(4,460)	(269,337)	224,478
Newspaper revenue	119,403	-	-	119,403	121,671
Book sales	-	-	-	-	268
Grants	-	139,967	-	139,967	253,330
Fundraising campaigns	226,354	-	-	226,354	133,396
Conference revenue	42,677	-	-	42,677	98,544
Other revenue	40,366	-	-	40,366	130,086
Net assets released from restrictions	684,409	(684,409)	-	-	-
Total revenues, gains and other support	<u>1,914,468</u>	<u>(250,112)</u>	<u>55,370</u>	<u>1,719,726</u>	<u>2,681,292</u>
Expenses					
Program	1,692,410	-	-	1,692,410	1,953,574
General and administrative	301,560	-	-	301,560	398,500
Fundraising	304,369	-	-	304,369	285,260
Total expenses	<u>2,298,339</u>	<u>-</u>	<u>-</u>	<u>2,298,339</u>	<u>2,637,334</u>
Change in net assets	<u>(383,871)</u>	<u>(250,112)</u>	<u>55,370</u>	<u>(578,613)</u>	<u>43,958</u>
Net assets at beginning of year	<u>1,904,923</u>	<u>2,721,752</u>	<u>6,630,744</u>	<u>11,257,419</u>	<u>11,213,461</u>
Net assets at end of year	<u>\$ 1,521,052</u>	<u>\$ 2,471,640</u>	<u>\$ 6,686,114</u>	<u>\$ 10,678,806</u>	<u>\$ 11,257,419</u>

The accompanying notes are an integral part of these financial statements.

JAPANESE AMERICAN CITIZENS LEAGUE  
Statement of Functional Expenses  
For The Year Ended December 31, 2015  
(With Comparative Totals for 2014)

	Program Services	Supporting Services		2015 Total	2014 Total
		General and Administrative	Fundraising		
Salaries	\$ 377,081	\$ 98,787	\$ 99,942	\$ 575,810	\$ 754,668
Payroll taxes	38,625	10,118	10,237	58,980	63,585
Employee benefits	88,835	23,273	23,545	135,653	135,302
Post-retirement benefits	-	-	-	-	22,426
Contract services	171,940	45,045	45,571	262,556	244,880
Depreciation	19,694	5,159	5,220	30,073	25,176
Awards	3,209	841	850	4,900	1,950
Dues, subscriptions and periodicals	1,900	498	504	2,902	2,276
Non-capitalizable equipment	1,747	458	463	2,668	8,866
Postage and delivery	12,800	3,353	3,392	19,545	27,401
Printing and copying	23,067	6,043	6,114	35,224	47,350
Office supplies	5,798	1,519	1,537	8,854	15,147
Telephone	20,454	5,359	5,421	31,234	27,034
Books and publications	656	172	174	1,002	2,973
Allocations to districts	23,987	665	672	25,324	10,314
Refunds	128,482	-	-	128,482	124,262
Meetings and conferences	79,769	20,898	21,142	121,809	253,417
Travel	100,494	26,327	26,635	153,456	152,360
National board	27,082	7,095	7,178	41,355	9,928
Commissions	18,438	-	-	18,438	16,331
Advertising	-	-	-	-	4,357
Composition and presswork	27,388	-	-	27,388	35,054
Circulation and mailing	60,035	-	-	60,035	50,190
Maintenance	9,372	2,455	2,484	14,311	16,331
Occupancy costs	79,480	20,822	21,065	121,367	179,191
Utilities	6,325	1,657	1,676	9,658	11,172
Contributions	99,004	-	-	99,004	11,099
Insurance	55,064	14,426	14,594	84,084	83,248
Miscellaneous	22,461	5,884	5,953	34,298	40,765
Bad debt	-	-	-	-	43,854
Scholarships and student aid	189,223	-	-	189,223	210,927
Staff development	-	706	-	706	4,420
Personnel recruitment cost	-	-	-	-	1,080
	<u>\$ 1,692,410</u>	<u>\$ 301,560</u>	<u>\$ 304,369</u>	<u>\$ 2,298,339</u>	<u>\$ 2,637,334</u>

The accompanying notes are an integral part of these financial statements.

JAPANESE AMERICAN CITIZENS LEAGUE

Statement of Cash Flows

For The Year Ended December 31, 2015

(With Comparative Totals for 2014)

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ (578,613)	\$ 43,958
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	30,073	25,176
Net realized and unrealized (gains) losses on investments	269,337	(224,478)
Changes in operating assets and liabilities		
Contributions and other receivables, net	(41,046)	(33,211)
Prepaid expenses and other current assets	76,810	(62,379)
Accounts payable and accrued liabilities	(135,489)	(9,069)
Deferred revenue	(7,883)	(5,681)
Post-retirement benefit obligation	(115,585)	22,426
Net cash used in operating activities	(502,396)	(243,258)
Cash flows from investing activities		
Purchases of investments	(4,556,337)	(4,197,880)
Sales or maturities of investments	5,189,304	3,877,320
Cash and cash equivalents held for long-term purposes, net	(167,013)	649,020
Acquisition of property and equipment	(84,255)	(35,799)
Net cash provided by investing activities	381,699	292,661
Cash flows from financing activities		
Contributions of permanently restricted net assets	47,355	3,875
Net change in cash and cash equivalents	(73,342)	53,278
Cash and cash equivalents, beginning of year	302,896	249,618
Cash and cash equivalents, end of year	\$ 229,554	\$ 302,896

The accompanying notes are an integral part of these financial statements.

JAPANESE AMERICAN CITIZENS LEAGUE  
Notes to Financial Statements  
December 31, 2015

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1. Organization and Significant Accounting Policies

Organization

The Japanese American Citizens League ("JACL") is a membership organization whose mission is to educate and bring about a better understanding with respect to the human and civil rights of Americans of Japanese ancestry and others and to promote and preserve the cultural heritage and values of Japanese Americans.

The financial statements of JACL include the accounts of the national organization which includes national headquarters, regional offices and a newspaper. The local chapters and district councils ("affiliates") are not included in these financial statements as JACL does not exercise control over such entities. Total expenses paid to or on behalf of affiliates during 2015 was \$56,288. Revenues recognized from affiliates during 2015 were \$55,212.

Basis of accounting

The financial statements are presented on the accrual basis of accounting.

Cash equivalents

JACL considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Allowance for doubtful accounts

JACL provides for possible losses from uncollectible contributions and other receivables. The allowance for doubtful accounts is based on historical experience and an evaluation of the outstanding receivables at the end of the year. Receivables are written off after management has exhausted all collection efforts. Bad debt recoveries are included in income when realized. The allowance for bad debts was \$0 as of December 31, 2015.

Basis of presentation

The activities of JACL are reflected as:

*Unrestricted net assets*

Unrestricted net assets represent unrestricted resources available to support JACL's activities and temporarily restricted resources which become available for use by JACL in accordance with the intention of the donors.

JAPANESE AMERICAN CITIZENS LEAGUE  
Notes to Financial Statements  
December 31, 2015

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1. Organization and Significant Accounting Policies (continued)

Basis of presentation (continued)

*Temporarily restricted net assets*

Temporarily restricted net assets represent contributions that are limited as to use by JACL in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of JACL according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and reported as unrestricted net assets. If expenses are incurred for purposes for which both unrestricted and temporarily restricted net assets are available, a donor-imposed restriction is deemed to have been fulfilled to the extent of the expense incurred.

*Permanently restricted*

Permanently restricted net assets represent contributions to be held in perpetuity as directed by the donor. A portion of the income from these investments is available to support activities of JACL as designated by such donors. The remaining portion is contributed back to the specific endowment account.

Contributions and contributions receivable

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions.

Contributions receivable, which consist of unconditional promises to give, are recognized as contributions in the period in which the promise is made. Long-term contributions are recorded at the present value of estimated future cash flows using a discount rate consistent with the organization's long term investment return objectives. Amortization of the discount is included in contribution revenues. Conditional promises to give are recognized when the conditions on which they depend are substantially met. An allowance for doubtful contributions receivable, if necessary, is provided based upon management's judgment including such factors as prior collection history, type of contribution, and current aging of contributions receivable. At December 31, 2015 there were contributions receivable of approximately \$750 that are expected to be collected within the next year. Management has determined that no allowance for doubtful accounts is required against this receivable.

JAPANESE AMERICAN CITIZENS LEAGUE  
Notes to Financial Statements  
December 31, 2015

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1. Organization and Significant Accounting Policies (continued)

Property and equipment

Property and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets of 45 years for the building and ranging from 5 to 25 years for other property and equipment. JACL's capitalization policy is to capitalize all purchases greater than \$500 with an estimated useful life in excess of one year. Contributed property and equipment are recorded at the estimated fair value of the property at the date of donation. Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the JACL's management, using its best estimates and projections, reviews for impairment the carrying value of long-lived identifiable assets to be held and used in the future. Any impairment losses identified are recognized when determined.

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The JACL determines the fair values of its assets and liabilities based on the fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the JACL has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the JACL's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the JACL's own data.

The following methods and assumptions were used to estimate the fair value of financial assets and liabilities:

- (a) Investments (Level 1). Investment securities traded on security exchanges are valued at closing market prices on the date closest to December 31 (Level 1).
- (b) Contributions and other receivables (Level 3). Contributions receivable are valued based on unobservable inputs that are developed based on the best information available in the circumstances including expected investment returns, collection period, etc. Contributions receivable are not measured at fair value on a recurring basis subsequent to initial recognition.

JAPANESE AMERICAN CITIZENS LEAGUE  
Notes to Financial Statements  
December 31, 2015

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1. Organization and Significant Accounting Policies (continued)

Revenue recognition

Membership revenues have elements of both a contribution and an exchange transaction. The contribution revenue portion is recognized upon receipt or when unconditionally promised. An amount equal to the fair value of benefits received by each member is recognized over the period to which the dues relate. Amounts to be recognized in future periods are recorded as deferred revenue.

JACL reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

JACL is the beneficiary of various wills and trust agreements. The total realizable amounts from such future benefits are not readily determinable. JACL's share of such legacies is recorded when JACL obtains an irrevocable right to such assets and the future proceeds are measurable.

Tax exempt status

JACL is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and had been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board.

JACL has evaluated its current tax positions and has concluded that as of December 31, 2015, JACL does not have any significant uncertain tax positions.

Concentrations of credit risk

Financial instruments which potentially subject JACL to credit risk consist primarily of cash, cash equivalents, receivables and investments. JACL maintains cash and cash equivalents with major financial institutions. Cash equivalents include investments in money market funds. At times, such amounts may exceed FDIC limits. JACL believes its investments have been placed with high-quality counterparties. JACL closely monitors these investments and has not historically experienced significant credit losses.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

JAPANESE AMERICAN CITIZENS LEAGUE  
Notes to Financial Statements  
December 31, 2015

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1. Organization and Significant Accounting Policies (continued)

Functional expense allocation

The costs of providing various programs, management and general and fundraising, have been summarized on a functional basis in the statement of functional expenses. Costs applicable to both programs and activities have been allocated among the programs and supporting services based upon payroll costs and management's judgment and analysis.

Comparative financial information

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with JACL's financial statements for the year ended December 31, 2014 from which the summarized information was derived.

2. Investments

Investments at December 31, 2015 consisted of the following:

Corporate bonds	\$ 1,284,125
Mutual funds	6,647,464
Corporate equities	1,997,476
International securities	<u>191,711</u>
Total	<u>\$10,120,776</u>

JACL's investments consist primarily of amounts restricted for long-term purposes, the income from which is to be utilized and held by JACL in accordance with donor imposed restrictions.

The following schedule summarizes the components of the total return from investments for the year ended December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividend and interest income	\$244,865	\$190,559	\$12,475	\$447,899
Net realized and unrealized losses	<u>(80,278)</u>	<u>(184,599)</u>	<u>(4,460)</u>	<u>(269,337)</u>
Total investment return	<u>\$164,587</u>	<u>\$ 5,960</u>	<u>\$ 8,015</u>	<u>\$178,562</u>

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Notes to Financial Statements  
December 31, 2015

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3. Fair Value Disclosures

The following are the major categories of assets measured at fair value on a recurring basis at December 31, 2015:

	Level 1: Quoted Prices in Active Markets For Identical <u>Assets</u>	Level 2: Significant Other Observable <u>Inputs</u>	Level 3: Significant Unobservable <u>Inputs</u>	Total at December 31, 2015
Investments	<u>\$10,120,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$10,120,776</u>

4. Property and Equipment

At December 31, 2015, property and equipment consisted of the following:

Land	\$ 17,927
Building and improvements	636,862
Equipment	<u>164,219</u>
	819,008
Less accumulated depreciation	<u>(577,771)</u>
Property and equipment, net	<u>\$241,237</u>

For the year ended December 31, 2015, depreciation expense totaled \$30,073.

5. Restricted Net Assets and Net Assets Released From Restrictions

Temporarily restricted net assets were available for the following purposes at December 31, 2015:

Legacy	\$2,279,264
Leadership development	163,936
Curriculum guide	22,379
Other	<u>6,061</u>
Total temporarily restricted net assets	<u>\$2,471,640</u>

JAPANESE AMERICAN CITIZENS LEAGUE  
Notes to Financial Statements  
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5. Restricted Net Assets and Net Assets Released From Restrictions (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose of the restriction, by the passage of time, or by the occurrence of other specific events as follows for the year ended December 31, 2015:

Leadership development	\$528,165
Legacy	83,744
Scholarships	<u>72,500</u>
Net assets released from restrictions	<u>\$684,409</u>

Permanently restricted net assets at December 31, 2015 are donor-restricted for the following purposes:

Legacy fund	\$5,136,633
Scholarship fund	1,341,325
Masaoka Fellows fund	177,125
Student aid fund	16,435
Ways and means fund	12,533
Plant	<u>2,063</u>
Total permanently restricted net assets	<u>\$6,686,114</u>

6. Endowment

The JACL's endowment consists of approximately six individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America ("GAAP"), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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Notes to Financial Statements  
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6. Endowment (continued)

Interpretation of relevant law (continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization.

Funds with deficiencies

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 the Organization to retain as a fund of perpetual duration. There were no deficiencies of this nature as of December 31, 2015.

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 7.5 percent annually. Actual returns in any given year may vary from this amount.

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6. Endowment (continued)

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

The Organization has a policy of appropriating for distribution each year 4 percent of its endowment fund's average fair value over the prior 24 months through the month of January of the calendar year-end preceding the year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 3.5 percent annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of December 31, 2015 is as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$1,404,214	\$6,686,114	\$8,090,328
Board-designated endowment funds	<u>1,309,693</u>	<u>-</u>	<u>-</u>	<u>1,309,693</u>
Total funds	<u>\$1,309,693</u>	<u>\$1,404,214</u>	<u>\$6,686,114</u>	<u>\$9,400,021</u>

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Notes to Financial Statements  
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6. Endowment (continued)

Spending policy and how the investment objectives relate to spending policy (continued)

Changes in endowment net assets for the fiscal year ended December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$1,322,476	\$1,777,100	\$6,630,744	\$9,730,320
Investment return				
Investment income	56,174	190,559	12,475	259,208
Net depreciation (realized and unrealized)	<u>(61,654)</u>	<u>(184,599)</u>	<u>(4,460)</u>	<u>(250,713)</u>
Total investment return	(5,480)	5,960	8,015	8,495
Contributions	-	-	47,355	47,355
Appropriation of endowment assets for expenditure	<u>(7,303)</u>	<u>(378,846)</u>	<u>-</u>	<u>(386,149)</u>
Endowment net assets, end of year	<u>\$1,309,693</u>	<u>\$1,404,214</u>	<u>\$6,686,114</u>	<u>\$9,400,021</u>

7. Defined Contribution Pension Plan

JACL participates in a defined contribution plan (the "Plan") under Section 403(b) of the Internal Revenue Code covering substantially all of its employees. The Plan provides for discretionary tax-deferred contributions to be made by both participants and JACL. JACL makes contributions to the Plan on behalf of employees based upon years of service up to a maximum of 10% of eligible compensation as defined by the Plan. For the year ended December 31, 2015, JACL's contributions to the Plan were \$33,747.

8. Post-retirement Benefits

JACL provides lifetime health benefits to employees hired before November 5, 2005 who retire with at least 20 years of service and who are over age 60. Total active eligible participants at December 31, 2015 amounted to four people. JACL uses a December 31 measurement date for its defined post-retirement benefit obligations.

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8. Post-retirement Benefits (continued)

The change in the accumulated post-retirement benefit obligation is attributed to the following components:

Beginning of year	\$ 528,056
Service cost	5,104
Interest cost	18,994
Assumption change	27,779
Experience loss	(167,459)
Benefits paid	<u>-</u>
Accumulated post-retirement benefit obligation	<u>\$ 412,474</u>

The following sets forth the funded status of the plan as of December 31, 2015,

Plan assets at fair value	\$ -
Projected benefit obligation	<u>412,474</u>
Funded status recognized in Statement of Financial Position	<u>\$(412,474)</u>
Employer contributions	\$ -

The accumulated benefit obligation represents the actuarial present value of benefits attributable to service rendered to date. The accumulated post-retirement benefit obligation ("APBO") includes the following as of December 31, 2015:

Accumulated post-retirement benefit obligation	
Retired employees	\$ -
Employees currently eligible to retire	314,687
Employees not yet eligible to retire	<u>97,787</u>
Accumulated post-retirement benefit obligation	<u>\$412,474</u>

Included in amounts not recognized in net periodic benefit cost as of December 31, 2015 are the net loss of \$198,047 and net transition obligation of \$3.

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8. Post-retirement Benefits (continued)

The net periodic post-retirement benefit cost are recognized in JACL's financial statements. The components of the net periodic post-retirement benefit cost for the year ended December 31, 2015 is as follows:

Service cost - post-retirement benefits earned during the period	\$ 5,104
Interest cost on accumulated post-retirement benefit obligation	18,994
Net amortization of transition obligation	(5,557)
Less: benefits paid	<u>-</u>
Net periodic post-retirement benefit cost	<u>\$18,541</u>

For the year ended December 31, 2015, the following assumptions were used in accounting for the accumulated post-retirement benefit obligation:

Discount rate	4.10%
Health care trend rate	4.5%

Changes in these rates could have a significant effect on the amounts reported.

JACL expects future post-retirement benefit obligation payments for the next 10 years to be paid as follows:

2016	\$ 9,142
2017	\$ 16,139
2018	\$ 17,696
2019	\$ 18,796
2020	\$ 19,877
2021 - 2025	\$115,991

9. Commitments

JACL leases its facilities and office equipment under operating lease agreements, expiring at various times through September 2020, which currently require monthly payments ranging from approximately \$300 to \$8,000. Some of these leases stipulate scheduled rent increases over the life of the lease resulting in uneven cash flows. Rent expense paid under these leases for the year ended December 31, 2015 was \$121,367.

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9. Commitments (continued)

Future minimum annual lease payments required under these agreements are as follows:

2016	\$144,259
2017	132,201
2018	40,647
2019	15,111
2020	<u>9,441</u>
Total	<u>\$341,659</u>

10. Rental Income

JACL sublets a portion of space in its office headquarters to unrelated third party entities on a month-to-month basis. During 2013, JACL entered into a sublease agreement ending February 2018 with an unrelated third party entity for space in its Washington DC office. The Washington DC lease will require monthly payments ranging from \$4,900 to \$5,400. For the year ended December 31, 2015, total sublease income received was approximately \$80,000.

11. Subsequent Events

JACL has evaluated subsequent events through August 15, 2016, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of JACL's financial statements.