

**Japanese American Citizens League**

Financial Statements

December 31, 2016  
(With Comparative Totals for 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 nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of December 31, 2016, 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 (the "U.S."); 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 U.S. 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, 2016, 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 U.S.

## Report on Summarized Comparative Information

We have previously audited Japanese American Citizens League's 2015 financial statements, and our report dated August 15, 2016 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino<sup>LLP</sup>  
San Ramon, California

September 25, 2017

Japanese American Citizens League  
Statement of Financial Position  
December 31, 2016  
(With Comparative Totals for 2015)

	2016	2015
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 202,481	\$ 229,554
Accounts and other receivables, net	81,788	161,386
Prepaid expenses and other current assets	58,829	77,623
Total current assets	343,098	468,563
Other assets		
Property and equipment, net	215,301	241,237
Cash and cash equivalents held for long-term purposes	291,882	398,281
Long-term investments	10,490,880	10,120,776
Total other assets	10,998,063	10,760,294
Total assets	\$ 11,341,161	\$ 11,228,857
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 201,547	\$ 87,828
Deferred revenue	51,520	49,752
Current portion of accumulated post-retirement benefit obligation	15,250	9,142
Total current liabilities	268,317	146,722
Accumulated post-retirement benefit obligation, net of current portion	369,435	403,329
Total liabilities	637,752	550,051
Net assets		
Unrestricted		
Designated	1,374,318	1,309,693
Undesignated	-	211,359
Total unrestricted	1,374,318	1,521,052
Temporarily restricted	2,619,141	2,471,640
Permanently restricted	6,709,950	6,686,114
Total net assets	10,703,409	10,678,806
Total liabilities and net assets	\$ 11,341,161	\$ 11,228,857

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

Japanese American Citizens League  
Statement of Activities  
For the Year Ended December 31, 2016  
(With Comparative Totals for 2015)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Revenues, gains and other support					
Public support	\$ 36,083	\$ 232,985	\$ 1,050	\$ 270,118	\$ 400,158
Membership income	559,130	-	-	559,130	572,239
Investment income	265,705	112,245	10,942	388,892	447,899
Net realized gains (losses) on investment	69,919	297,982	11,844	379,745	(269,337)
Newspaper revenue	113,802	-	-	113,802	119,403
Grants	-	318,774	-	318,774	139,967
Fundraising campaigns	255,365	-	-	255,365	226,354
Conference revenue	63,566	-	-	63,566	42,677
Other	<u>90,817</u>	<u>-</u>	<u>-</u>	<u>90,817</u>	<u>40,366</u>
Net assets released from restrictions	<u>814,485</u>	<u>(814,485)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>2,268,872</u>	<u>147,501</u>	<u>23,836</u>	<u>2,440,209</u>	<u>1,719,726</u>
Functional expenses					
Program services	1,719,473	-	-	1,719,473	1,692,410
Management and general	421,307	-	-	421,307	301,560
Fundraising	<u>274,826</u>	<u>-</u>	<u>-</u>	<u>274,826</u>	<u>304,369</u>
Total functional expenses	<u>2,415,606</u>	<u>-</u>	<u>-</u>	<u>2,415,606</u>	<u>2,298,339</u>
Change in net assets	(146,734)	147,501	23,836	24,603	(578,613)
Net assets, beginning 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>
Net assets, end of year	<u>\$ 1,374,318</u>	<u>\$ 2,619,141</u>	<u>\$ 6,709,950</u>	<u>\$10,703,409</u>	<u>\$ 10,678,806</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, 2016  
(With Comparative Totals for 2015)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2016 Total</u>	<u>2015 Total</u>
Personnel expenses					
Salaries	\$ 435,121	\$ 139,043	\$ 110,170	\$ 684,334	\$ 575,810
Payroll taxes	37,482	11,947	9,466	58,895	58,980
Employee benefits	33,071	10,541	8,352	51,964	135,653
Contract services	178,941	57,037	45,193	281,171	262,556
Depreciation	17,383	5,541	4,390	27,314	30,073
Awards	1,400	446	354	2,200	4,900
Dues and subscriptions	3,046	971	769	4,786	2,902
Equipment	4,108	1,309	1,038	6,455	2,668
Postage	16,012	5,104	4,044	25,160	19,545
Printing and copying	21,124	6,733	5,335	33,192	35,224
Office supplies	4,372	1,394	1,104	6,870	8,854
Telephone	15,677	4,997	3,959	24,633	31,234
Books and publications	757	241	191	1,189	1,002
Allocations to districts	22,000	-	-	22,000	25,324
Refunds	131,308	-	-	131,308	128,482
Meetings and conferences	77,636	24,746	19,608	121,990	121,809
Travel	55,684	17,749	14,064	87,497	153,456
National board	24,310	7,749	6,410	38,469	41,355
Commissions	18,557	-	-	18,557	18,438
Composition and presswork	21,364	-	-	21,364	27,388
Circulation and mailing	43,837	-	-	43,837	60,035
Maintenance	11,262	3,590	2,844	17,696	14,311
Occupancy costs	137,746	21,075	16,699	175,520	121,367
Utilities	6,609	2,107	1,669	10,385	9,658
Contributions	6,501	-	-	6,501	99,004
Insurance	54,285	17,303	13,710	85,298	84,084
Miscellaneous	21,608	6,888	5,457	33,953	34,298
Scholarship and student aid	318,197	-	-	318,197	189,223
Bad debt expense	-	74,796	-	74,796	-
Staff development	75	-	-	75	706
	<u>\$ 1,719,473</u>	<u>\$ 421,307</u>	<u>\$ 274,826</u>	<u>\$ 2,415,606</u>	<u>\$ 2,298,339</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, 2016  
(With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ 24,603	\$ (578,613)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	27,314	30,073
Net realized and unrealized (gains) losses on investments	(379,745)	269,337
Contributions of permanently restricted net assets	(1,050)	(47,355)
Changes in operating assets and liabilities		
Accounts and other receivables, net	79,598	6,309
Prepaid expenses and other current assets	18,794	76,810
Accounts payable and accrued liabilities	113,719	(135,489)
Deferred revenue	1,768	(7,883)
Post-retirement benefit obligation	(27,786)	(115,585)
Net cash used in operating activities	<u>(142,785)</u>	<u>(502,396)</u>
Cash flows from investing activities		
Purchases of investments	(3,305,400)	(4,556,337)
Sales or maturities of investments	3,315,041	5,189,304
Cash and cash equivalents held for long-term purposes, net	106,399	(167,013)
Acquisition of property and equipment	(1,378)	(84,255)
Net cash provided by investing activities	<u>114,662</u>	<u>381,699</u>
Cash flows from financing activities		
Contributions of permanently restricted net assets	<u>1,050</u>	<u>47,355</u>
Net cash provided by financing activities	<u>1,050</u>	<u>47,355</u>
Net decrease in cash and cash equivalents	(27,073)	(73,342)
Cash and cash equivalents, beginning of year	<u>229,554</u>	<u>302,896</u>
Cash and cash equivalents, end of year	<u>\$ 202,481</u>	<u>\$ 229,554</u>

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

Japanese American Citizens League  
Notes to Financial Statements  
December 31, 2016

1. NATURE OF OPERATIONS

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 2016 was \$116,378. Revenues recognized from affiliates during 2016 were \$103,798.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 \$7,500 as of December 31, 2016.

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, 2016

2. SUMMARY OF 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 net assets* - 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, if any, 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, 2016 there were no contributions receivable.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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* - 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* - 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 3* - 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:

- *Investments (Level 1)* - Investment securities traded on security exchanges are valued at closing market prices on the date closest to December 31 (Level 1).
- *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.

Revenue recognition and deferred revenue

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.

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December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition and deferred revenue (continued)

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, 2016, 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.

Functional expenses 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.

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Notes to Financial Statements  
December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2015 from which the summarized information was derived.

Subsequent events

JACL has evaluated subsequent events through September 25, 2017, 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.

3. INVESTMENTS

Investments consist of the following:

Corporate bonds	\$ 1,204,684
Mutual funds	6,689,744
Corporate equities	2,225,155
Certificate of deposit	118,951
International securities	<u>252,346</u>
	<u>\$ 10,490,880</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.

4. FAIR VALUE DISCLOSURES

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
Investments	<u>\$10,490,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$10,490,880</u>

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5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land	\$ 17,927
Buildings	636,862
Equipment	<u>164,726</u>
	819,515
Accumulated depreciation	<u>(604,214)</u>
	<u><u>\$ 215,301</u></u>

For the year ended December 31, 2016, depreciation expense totaled \$27,314.

6. RESTRICTED NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets were available for the following purposes:

Legacy	\$ 2,451,828
Leadership development	135,969
Curriculum guide	23,740
Other	<u>7,604</u>
	<u><u>\$ 2,619,141</u></u>

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:

Legacy and other	\$ 740,485
Scholarships	<u>74,000</u>
	<u><u>\$ 814,485</u></u>

Permanently restricted net assets are donor-restricted for the following purposes:

Legacy fund	\$ 5,159,470
Scholarship fund	1,342,324
Masaoka fellows fund	177,125
Student aid fund	16,435
Ways and means fund	12,533
Plant	<u>2,063</u>
	<u><u>\$ 6,709,950</u></u>

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7. 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. 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

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7. ENDOWMENT (continued)

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.

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 material deficiencies as of December 31, 2016.

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 composition

Endowment net asset composition by type of fund as of December 31, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,417,560	\$ 6,709,950	\$ 8,127,510
Board-designated endowment funds	<u>1,338,644</u>	<u>-</u>	<u>-</u>	<u>1,338,644</u>
	<u>\$ 1,338,644</u>	<u>\$ 1,417,560</u>	<u>\$ 6,709,950</u>	<u>\$ 9,466,154</u>

Japanese American Citizens League  
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7. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended December 31, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, December 31, 2015	<u>\$ 1,309,693</u>	<u>\$ 1,404,214</u>	<u>\$ 6,686,114</u>	<u>\$ 9,400,021</u>
Investment return				
Investment income	36,454	112,244	10,942	159,640
Net appreciation (realized and unrealized)	<u>51,525</u>	<u>297,982</u>	<u>11,844</u>	<u>361,351</u>
Total investment return	87,979	410,226	22,786	520,991
Contributions	-	-	1,050	1,050
Appropriation of endowment assets for expenditure	<u>(59,028)</u>	<u>(396,880)</u>	<u>-</u>	<u>(455,908)</u>
	<u>28,951</u>	<u>13,346</u>	<u>23,836</u>	<u>66,133</u>
Balance, December 31, 2016	<u>\$ 1,338,644</u>	<u>\$ 1,417,560</u>	<u>\$ 6,709,950</u>	<u>\$ 9,466,154</u>

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.

8. 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, 2016, JACL's contributions to the Plan were \$38,627.

9. PENSION PLAN

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, 2016 amounted to four people. JACL uses a December 31 measurement date for its defined post-retirement benefit obligations.

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9. PENSION PLAN (continued)

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

Beginning of year	\$ 412,474
Service cost	5,356
Interest cost	16,724
Assumption change	(6,865)
Experience loss	<u>(43,004)</u>
	<u>\$ 384,685</u>

The following sets forth the funded status of the plan:

Plan assets at fair value	\$ -
Accumulated benefit obligation	384,685
Funded status recognized in Statement of Financial Position	(384,685)
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:

Employees currently eligible to retire	<u>\$ 384,685</u>
	\$ 384,685

The net periodic post-retirement benefit cost are recognized in JACL's financial statements. The components of the net periodic post-retirement benefit cost is as follows:

Service cost - post- retirement benefits	\$ 5,356
Interest cost on accumulated post-retirement benefit obligation	16,724
Net amortization of transition obligation	<u>(8,615)</u>
	<u>\$ 13,465</u>

The following assumptions were used in accounting for the accumulated post-retirement benefit obligation:

Discount rate	4.10 %
Health care trend rate	<u>4.50 %</u>

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

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9. PENSION PLAN (continued)

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

<u>Year ending December 31,</u>	
2017	\$ 15,250
2018	16,718
2019	17,871
2020	18,918
2021	19,886
Thereafter	<u>112,841</u>
	<u><u>\$ 201,484</u></u>

10. COMMITMENTS AND CONTINGENCIES

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 \$8,200. Rent expense paid under these leases for the year ended December 31, 2016 was \$175,520.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending December 31,</u>	
2017	\$ 151,701
2018	55,947
2019	15,111
2020	<u>9,441</u>
	<u><u>\$ 232,200</u></u>

11. 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, 2016, total sublease income received was approximately \$80,000.