JACL Finance Walkthrough for Membership
July 2020
Agenda / Key Topics

1. Meeting Context & Background
2. JACL Finance 101 - Educational Overview
3. Walkthrough of FY2019 Financial Results (Unaudited)
4. Walkthrough of Proposed 2021 Budget

Appendix

1. 2021 Proposed Budget & Historical Financial Statements
Meeting Context & Background

1. JACL follows a biennial budget process in conjunction with the biennial elections for National Board directors. A two-year budget is normally presented to the National Council in advance of the National Convention, and the National Council votes to approve or modify the budget.

2. In 2020, the National Convention was canceled due to COVID19 health and public safety concerns, which require an alternative approach for adopting a budget for 2021-2022.

3. Given the need for an approved budget before we enter 2021, the National Board will vote to approve or modify the proposed 2021 budget in the August 15, 2020 Board Meeting.

4. The full biennial 2021-2022 budget is expected to be formally voted on by the National Council at the 2021 National Convention (Summer 2021). The 2021 budget that is voted on by the National Board will need to be retroactively approved by National Council.

5. The purpose of this meeting is to provide transparency to membership on our financial performance in FY2019 and walk through the draft 2021 budget proposal for feedback / input.

6. Please contact your Governor, the National Secretary / Treasurer, Executive Director, and Business Manager if you have questions or input in advance of August 15.
JACL Finance 101 - Educational Overview

1. What does National JACL spend money on?
2. How does National JACL raise funding?
3. Budget Process Overview
4. Overview of Key Financial Concepts and Financial Reports
JACL Finance 101 - What does National JACL spend money on (Expenses)?

1. Programming - Social Justice, Education, Youth, Fellowships & Internships (~30%)
2. General Operations and Communications (~25%)
3. Pacific Citizen Newspaper & Website (~15%)
4. Conferences & Conventions (~15%)
5. Membership & Fund Development (~15%)
6. Youth Scholarships (~5%)
JACL Finance 101 - How does National JACL raise funding (Revenues)?

1. Investment Income (~25-30%)
2. Membership Dues (~25%)
3. Dedicated Fundraising Initiatives (~15%)
4. Advertising in Pacific Citizen (~10-15%)
5. Grants (~5-10%)
6. Convention Registrations (~5%)
7. Public Support & Donations (~3%)
JACL Finance 101 - Budget Process Overview

(Below represents the standard budget process, which has been modified for 2021 due to COVID19)

- **Budget Preparation**
  - Jan-Mar 2020
  - Budget Drafted by Program leads, Business Manager, Executive Director, and Reviewed by Secretary / Treasurer and Finance Committee

- **National Board Review**
  - April 2020
  - Budget is presented to the National Board for review and acceptance, and is published

- **National Council Approval**
  - Jun-Jul 2020
  - Budget is presented to National Council for review and is formally voted on during National Convention for approval

- **Budget vs. Actual Monitoring**
  - 2021-2022
  - Business Manager & ED publish monthly financial statements that are reviewed by Secretary / Treasurer and Finance Committee for oversight purposes. The National Board is presented summary updates at each quarterly Board Meeting, and the National Council is given annual updates.
1. **Accrual Basis Accounting vs. Cash Basis Accounting**
   a. Accrual basis accounting is recorded when revenue is earned, and expenses are incurred, regardless of the timing of payment.
      i. Accrual basis of accounting includes non-cash charges such as depreciation/amortization, and estimates for reserves (e.g., bad debt).
      ii. U.S. GAAP follows Accrual basis Accounting, and the financial statements subject to audit are all accrual-basis.
   b. Cash Basis accounting is recorded when payments are sent/received
      i. Considered a Non-GAAP measurement for management and operational reporting (e.g., Budget vs. Actual Reporting)
JACL Finance 101 - Overview of Key Financial Concepts and Reports

1. **Accrual Basis Accounting Reports:**
   i. **Statement of Financial Activities**
      1. Presents how the organization performed financially during the period, with the breakout of key revenue and expense categories.
      2. For non-profits, also reflects what restrictions exist on revenues
   ii. **Statement of Financial Position (Balance Sheet)**
      1. A snapshot-view of current and long-term assets and liabilities at the end of the period to assess
      2. Presents net asset (equity) value of the organization, broken out by restrictions.
   iii. **Statement of Cash Flows**
      1. Serves as a reconciliation between accrual-basis income (change in net assets) vs. cash-basis change in cash balance.

2. **Modified Cash Basis Accounting Reports:**
   i. **Budget vs. Actual Reporting**
      1. Measures how management performs vs. what is approved and authorized by the National Council.
      2. Modified Cash-Basis of Accounting is used as it more closely aligns to the Budget methodology for comparison purposes
      3. Non-controllable / non-manageable items such as unrealized investment gains/losses are ignored in this report, but included in Accrual-basis Financials.
### FY19 Budget vs. Actual Results - Summary

<table>
<thead>
<tr>
<th></th>
<th>FY19 BUDGET</th>
<th>FY19 ACTUALS</th>
<th>Variance</th>
<th>FY18 ACTUALS</th>
<th>YTY Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>1,981,060</td>
<td>1,570,627</td>
<td>(410,433)</td>
<td>1,272,126</td>
<td>298,501</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>(1,981,060)</td>
<td>(1,722,136)</td>
<td>258,924</td>
<td>(1,552,557)</td>
<td>(169,579)</td>
</tr>
<tr>
<td>Net Operating Surplus (Deficit)</td>
<td>0</td>
<td>(151,509)</td>
<td>(151,509)</td>
<td>(280,431)</td>
<td>128,922</td>
</tr>
<tr>
<td>Net Unrealized Investment Gains</td>
<td>N/A</td>
<td>1,759,262</td>
<td>1,759,262</td>
<td>(915,104)</td>
<td>2,674,366</td>
</tr>
</tbody>
</table>

FY19 Operating Net Deficit is **$152K**, but $131K of the deficit is attributed to investment account withdrawals ($400K) under approved amounts ($531K). Note that Unrealized Investment Gains / Losses ($1.76M gain) are not included in Operating Revenue or Non-Recurring Revenue in this Non-GAAP reporting view, as they are not controllable by management.

**$1.57M Operating Revenue ($410K below budget):**
1. $400K Investment Income: **$131K below** budget - Did not fully withdraw allowable funds during the year due to timing.
2. $515K Membership Dues: **$25K above** budget
3. $187K Fundraising: **$134K below** budget
4. $139K Pacific Citizen: **$129K below** budget
5. $117K Grants: **$45K below** budget - Offset by Reduction in Grant Expense

**$1.72M Operating Expenses ($259K below budget):**
1. $1.0M Personnel & Contract Services: **$23K above** budget
2. $144K Scholar/Fellow/Intern Awards: **$60K below** budget
3. $23K Refunds/Rebates: **$89K below** budget
Continued significant increase in investment valuations since 12/31/18 due to strong market gains and reduced investment drawdowns.

- Reduction in short-term liquidity / current asset balances because we did not fully withdraw allowable investment funds - this is a timing difference.

### 12/31/19 Financial Position - Summary

<table>
<thead>
<tr>
<th></th>
<th>12/31/2019 (Unaudited)</th>
<th>12/31/2018 (Audited)</th>
<th>YTY Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Cash, Receivables, Prepaids)</td>
<td>369,543</td>
<td>529,196</td>
<td>(159,653)</td>
</tr>
<tr>
<td>Long-Term Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Investments, Property)</td>
<td>12,899,194</td>
<td>11,204,153</td>
<td>1,695,041</td>
</tr>
<tr>
<td>Total Assets</td>
<td>13,268,737</td>
<td>11,733,349</td>
<td>1,535,388</td>
</tr>
</tbody>
</table>

|                      |                         |                      |              |
| Current Liabilities  |                         |                      |              |
| (Payables, Def. Revenue)  | 150,020              | 136,593              | 13,427       |
| Long-Term Liabilities |                         |                      |              |
| (Retirement Benefit)  | 323,953                | 323,953              | 0            |
| Total Liabilities     | 473,973                | 460,546              | 13,427       |

|                      |                         |                      |              |
| Net Assets (Equity)  | 12,794,764             | 11,272,803           | 1,521,961    |

- Continued significant increase in investment valuations since 12/31/18 due to strong market gains and reduced investment drawdowns.
- Reduction in short-term liquidity / current asset balances because we did not fully withdraw allowable investment funds - this is a timing difference.
2021 Budget Summary Notes & Assumptions

- Total Annual Budget of $1.736M represents 11% decline from $1.98M approved for 2019-2020

- Revenue:
  - Membership Dues: Assuming decline from 2019 ($524K) to below $500K.
  - Investment Income: Estimated 4-5% of 2-year average endowment fund values, consistent with past budgets
    - Unrealized gains/losses are NOT budgeted and will not be tracked in Budget vs. Actual
  - Pacific Citizen: Adjusted down from prior years to align with recent year Actuals.
  - Convention: Corp. Sponsorship revenue projections in alignment with FY19 Actuals
  - Fundraising: Projected increase due to planned dedicated staff attention

- Expenses:
  - General Operations Expense: projected to decrease from 2019 Actuals due to shifting of planned staff time to programs (e.g. Fund Development)
  - Staffing: Not filling Bookkeeper Role or Regional Director Roles, but staff will be placed regionally; Membership Coordinator to be hired; Depending on mid-year revenue situation, may also hire another staff member to focus on education and communications.
  - Pacific Citizen: Portion of PC costs is now allocated to other programs given recent organizational structure changes and reflect how PC Staff time is spent on JACL programs vs. pure newspaper activities
Appendix

Proposed Budget

● [2021 Proposed Budget](#) (DRAFT)

FY2019:

● [December 31, 2019 Unaudited Financial Statements](#)