

**Japanese American Citizens League**

Financial Statements

December 31, 2011

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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 statement of financial position of the Japanese American Citizens League ("JACL") (the "Organization") as of December 31, 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of JACL's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from JACL's 2010 financial statements and, in our report dated December 23 2011, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Japanese American Citizens League as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Armanino LLP*  
Armanino <sup>LLP</sup>

January 14, 2013

JAPANESE AMERICAN CITIZENS LEAGUE  
Statement of Financial Position  
December 31, 2011  
(With Comparative Totals for 2010)

ASSETS

	2011	2010
Current assets		
Cash and cash equivalents	\$ 487,075	\$ 235,226
Contributions and other receivables, net of allowance for doubtful accounts of \$7,935 in 2011 and 2010	120,745	85,282
Inventories	-	4,535
Prepaid expenses and other current assets	56,957	50,359
Total current assets	664,777	375,402
Property and equipment, net	193,289	199,397
Cash and cash equivalents held for long-term purposes	575,456	744,799
Long-term investments	8,004,198	8,108,919
Total assets	\$ 9,437,720	\$ 9,428,517

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued liabilities	\$ 250,984	\$ 287,093
Deferred revenue	63,861	64,019
Current portion of accumulated postretirement benefit obligation	18,762	19,724
Total current liabilities	333,607	370,836
Accumulated postretirement benefit obligation	655,523	491,003
Total liabilities	989,130	861,839
Net assets		
Unrestricted		
Designated	863,947	903,571
Undesignated	(254,243)	(125,000)
Temporarily restricted	1,348,697	1,289,247
Permanently restricted	6,490,189	6,498,860
Total net assets	8,448,590	8,566,678
Total liabilities and net assets	\$ 9,437,720	\$ 9,428,517

The accompanying notes are an integral part of these financial statements

JAPANESE AMERICAN CITIZENS LEAGUE  
Statement of Activities and Changes in Net Assets  
December 31, 2011  
(With Comparative Totals for 2010)

	2011			Total	2010
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenues, gains (losses) and other support					
Public support - contributions	\$ 215,963	\$ 536,755	\$ -	\$ 752,718	\$ 335,894
Membership income	722,916	-	-	722,916	791,302
Investment income, net	160,444	647,502	6,687	814,633	260,032
Net realized and unrealized gains (losses) on investments	(21,862)	(602,739)	(15,358)	(639,959)	601,812
Newspaper revenue	185,787	-	-	185,787	232,928
Book sales	3,530	-	-	3,530	429
Contributions	-	385,184	-	385,184	190,200
Fundraising	245,012	-	-	245,012	176,721
Conference revenue	84,137	-	-	84,137	127,410
Other revenue	47,864	-	-	47,864	60,139
Net assets released from restrictions	907,252	(907,252)	-	-	-
Total revenues, gains (losses) and other support	<u>2,551,043</u>	<u>59,450</u>	<u>(8,671)</u>	<u>2,601,822</u>	<u>2,776,867</u>
Expenses					
Program	1,950,564	-	-	1,950,564	1,471,904
General and administrative	343,406	-	-	343,406	722,999
Fundraising	425,940	-	-	425,940	379,676
Total expenses	<u>2,719,910</u>	<u>-</u>	<u>-</u>	<u>2,719,910</u>	<u>2,574,579</u>
Change in net assets	<u>(168,867)</u>	<u>59,450</u>	<u>(8,671)</u>	<u>(118,088)</u>	<u>202,288</u>
Net assets at beginning of year	<u>778,571</u>	<u>1,289,247</u>	<u>6,498,860</u>	<u>8,566,678</u>	<u>8,364,390</u>
Net assets at end of year	<u>\$ 609,704</u>	<u>\$ 1,348,697</u>	<u>\$ 6,490,189</u>	<u>\$ 8,448,590</u>	<u>\$ 8,566,678</u>

The accompanying notes are an integral part of these financial statements

JAPANESE AMERICAN CITIZENS LEAGUE

Statement of Functional Expenses

December 31, 2011

(With Comparative Totals for 2010)

	Program Services	Supporting Services		2011 Total	2010 Total
		General and Administrative	Fundraising		
Salaries	\$ 537,179	\$ 89,985	\$ 110,406	\$ 737,570	\$ 711,798
Payroll taxes	44,439	9,725	11,932	66,096	58,496
Employee benefits	120,338	26,332	32,312	178,982	193,346
Postretirement benefits	103,423	22,629	27,783	153,835	69,921
Contract services	149,328	32,675	40,096	222,099	237,854
Depreciation	16,412	3,591	4,407	24,410	25,257
Awards	962	211	258	1,431	4,453
Dues, subscriptions and periodicals	2,738	599	735	4,072	3,591
Non-capitalizable equipment	2,111	1,720	7,862	11,693	41,590
Postage and delivery	27,381	5,991	7,352	40,724	39,379
Printing and copying	34,680	7,588	9,312	51,580	54,353
Office supplies	18,390	4,024	4,938	27,352	30,508
Telephone	16,213	3,548	4,353	24,114	29,793
Books and publications	2,172	475	583	3,230	669
Allocations to districts	17,949	-	-	17,949	34,708
Refunds	117,643	-	-	117,643	113,704
Meetings and conferences	161,461	33,798	41,474	236,733	223,172
Travel	103,917	22,738	27,902	154,557	118,513
National board	10,141	2,219	2,723	15,083	23,137
Advertising	1,656	-	-	1,656	5,230
Composition and presswork	38,425	-	-	38,425	39,227
Circulation and mailing	69,129	-	-	69,129	73,600
Maintenance	10,256	1,993	2,445	14,694	13,799
Occupancy costs	70,701	15,470	18,984	105,155	118,796
Utilities	13,189	1,510	1,853	16,552	14,786
Contributions	69,866	15,288	18,760	103,914	7,302
Insurance	59,794	11,723	14,385	85,902	87,880
Miscellaneous	21,700	4,750	5,825	32,275	28,640
Scholarships and student aid	108,971	23,844	29,260	162,075	171,048
Staff development	-	595	-	595	-
Personnel recruitment cost	-	385	-	385	29
	<u>\$ 1,950,564</u>	<u>\$ 343,406</u>	<u>\$ 425,940</u>	<u>\$ 2,719,910</u>	<u>\$ 2,574,579</u>

The accompanying notes are an integral part of these financial statements

JAPANESE AMERICAN CITIZENS LEAGUE  
Statement of Cash Flows  
December 31, 2011  
(With Comparative Totals for 2010)

	2011	2010
Cash flows from operating activities		
Change in net assets	\$ (118,088)	\$ 202,288
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	24,410	25,257
Net realized and unrealized (gains) losses on investments	639,959	(601,812)
Changes in operating assets and liabilities		
Contributions and other receivables, net	(35,463)	288,201
Inventories, prepaids, and other assets	(2,063)	43,100
Accounts payable and accrued liabilities	(36,109)	43,577
Deferred revenue	(158)	(2,991)
Postretirement benefit obligation	163,558	69,921
Net cash provided by operating activities	636,046	67,541
Cash flows from investing activities		
Purchases of investments	(2,947,716)	(891,750)
Sales or maturities of investments	2,412,478	877,765
Cash and cash equivalents held for long-term purposes, net	169,343	(163,628)
Acquisition of property and equipment	(18,302)	(17,940)
Net cash used in investing activities	(384,197)	(195,553)
Net change in cash and cash equivalents	251,849	(128,012)
Cash and cash equivalents, beginning of year	235,226	363,238
Cash and cash equivalents, end of year	\$ 487,075	\$ 235,226

The accompanying notes are an integral part of these financial statements

JAPANESE AMERICAN CITIZENS LEAGUE  
Notes to Financial Statements  
December 31, 2011

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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 2011 was \$59,425. Revenues recognized from affiliates during 2011 were \$66,693.

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.

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, 2011

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1. Organization and Significant Accounting Policies (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, 2011 there were contributions receivable of approximately \$45,000 that are expected to be collected within the next year.

Inventories

Inventories consist of books held for sale to members and are valued at the lower of cost on the first-in-first-out (FIFO) basis or market.

JAPANESE AMERICAN CITIZENS LEAGUE  
Notes to Financial Statements  
December 31, 2011

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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

ASC 820 defines fair value 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 established in ASC 820. The standard describes 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, 2011

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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, 2011, 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, 2011

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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, 2010 from which the summarized information was derived.

2. Investments

Investments at December 31, 2011 consisted of the following:

U.S government obligations	\$ 411,292
Corporate bonds	1,106,455
Mutual funds	4,589,264
Corporate equities	1,866,106
International securities	<u>31,081</u>
Total	<u>\$8,004,198</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, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividend and interest income	\$160,444	\$647,502	\$ 6,687	\$814,633
Net realized and unrealized losses	<u>(21,862)</u>	<u>(602,739)</u>	<u>(15,358)</u>	<u>(639,959)</u>
Total investment return	<u>\$138,582</u>	<u>\$ 44,763</u>	<u>\$ (8,671)</u>	<u>\$174,674</u>

JAPANESE AMERICAN CITIZENS LEAGUE

Notes to Financial Statements

December 31, 2011

3. Fair Value Disclosures

The following are the major categories of assets measured at fair value on a recurring basis during the year ended December 31, 2011:

	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, 2011
Investments	<u>\$8,004,198</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$8,004,198</u>

4. Property and Equipment

At December 31, 2011, property and equipment consisted of the following:

Land	\$ 17,926
Building and improvements	502,322
Equipment	<u>182,647</u>
	702,895
Less accumulated depreciation	<u>(509,606)</u>
Property and equipment, net	<u>\$193,289</u>

For the year ended December 31, 2011, depreciation expense totaled \$24,410.

5. Restricted Net Assets and Net Assets Released From Restrictions

Temporarily restricted net assets were available for the following purposes at December 31, 2011:

Legacy	\$ 989,383
Leadership development	297,975
Curriculum guide	21,874
Other	<u>39,465</u>
Total temporarily restricted net assets	<u>\$1,348,697</u>

JAPANESE AMERICAN CITIZENS LEAGUE

Notes to Financial Statements

December 31, 2011

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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, 2011:

Leadership development	\$831,252
Scholarships	<u>76,000</u>
Net assets released from restrictions	<u>\$907,252</u>

Permanently restricted net assets at December 31, 2011 are donor-restricted for the following purposes:

Legacy fund	\$5,018,684
Scholarship fund	1,264,849
Masaoka Fellows fund	175,625
Student aid fund	16,435
Ways and means fund	12,533
Plant	<u>2,063</u>
Total permanently restricted net assets	<u>\$6,490,189</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

On September 30, 2008, the State of California adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), effective January 1, 2009. The Board of Directors has interpreted 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.

JAPANESE AMERICAN CITIZENS LEAGUE

Notes to Financial Statements

December 31, 2011

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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. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$76,049 as of December 31, 2011. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

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.

JAPANESE AMERICAN CITIZENS LEAGUE

Notes to Financial Statements

December 31, 2011

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, 2011 is as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$(76,049)	\$814,512	\$6,490,189	\$7,228,662
Board-designated endowment funds	<u>939,996</u>	<u>-</u>	<u>-</u>	<u>939,996</u>
Total funds	<u>\$863,947</u>	<u>\$814,512</u>	<u>\$6,490,189</u>	<u>\$8,168,658</u>



JAPANESE AMERICAN CITIZENS LEAGUE

Notes to Financial Statements

December 31, 2011

8. Postretirement Benefits (continued)

The following sets forth the funded status of the plan as of December 31, 2011,

Plan assets at fair value	\$ -
Projected benefit obligation	<u>674,285</u>
Funded status recognized in Statement of Financial Position	<u>\$(674,285)</u>

The accumulated benefit obligation represents the actuarial present value of benefits attributable to service rendered to date. The accumulated postretirement benefit obligation ("APBO") includes the following as of December 31, 2011:

Accumulated postretirement benefit obligation	
Retired employees	\$132,084
Employees currently eligible to retire	147,591
Employees not yet eligible to retire	<u>394,610</u>
Accumulated postretirement benefit obligation	<u>\$674,285</u>

Included in amounts not recognized in net periodic benefit cost as of December 31, 2011 are the net loss of \$246,563 and net transition obligation of \$9,723. The plan did not have any net prior service costs as of December 31, 2011.

The net periodic postretirement benefit cost are recognized in JACL's financial statements. The components of the net periodic postretirement benefit cost for the year ended December 31, 2011 is as follows:

Service cost - postretirement benefits earned during the period	\$16,889
Interest cost on accumulated postretirement benefit obligation	27,852
Net amortization of transition obligation	15,539
Less: benefits paid	<u>(13,248)</u>
Net periodic postretirement benefit cost	<u>\$47,032</u>

For the year ended December 31, 2011, the discount rate assumed for the actuarial calculation of the APBO was 4.30% and the assumed health care trend rate in measuring the APBO was 5.9%. Changes in these rates could have a significant effect on the amounts reported.

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Notes to Financial Statements  
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8. Postretirement Benefits (continued)

JACL expects future post retirement benefit obligation payments to be paid as follows:

2012	\$ 18,762
2013	\$ 27,877
2014	\$ 28,194
2015	\$ 35,917
2016	\$ 33,353
2017 - 2021	\$173,621

9. Commitments

JACL leases its facilities and office equipment under operating lease agreements, expiring at various times through October 2015, which currently require monthly payments ranging from approximately \$1,200 to \$5,000. Some of these leases stipulate scheduled rent increases over the life of the lease resulting in uneven cash flows. For the year ended December 31, 2011, JACL's management has determined that any resulting deferred rent was not material to the financial statements taken as a whole and, accordingly, has not recorded any such liabilities resulting thereon. Rent expense paid under these leases for the year ended December 31, 2011 was \$105,155.

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

2012	\$ 86,932
2013	71,127
2014	73,371
2015	<u>53,996</u>
Total	<u>\$285,426</u>

10. Rental Income

The JACL sublets a portion of space in its office headquarters to unrelated third party entities on a month-to-month basis. For the year ended December 31, 2011, total sublease income received was approximately \$12,000.

11. Subsequent Events

The JACL has evaluated subsequent events through January 14, 2013, 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 the JACL's financial statements.