JAPANESE AMERICAN
NATIONAL MUSEUM

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023
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</tbody>
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INDEPENDENT AUDITOR’S REPORT

To the Board of Trustees
Japanese American National Museum

Opinion
We have audited the financial statements of Japanese American National Museum (JANM), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of JANM as of June 30, 2023, 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.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of JANM and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about JANM’s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor’s Responsibility for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 JANM’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about JANM’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Report on Summarized Comparative Information**
We have previously audited JANM’s June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 4, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

October 27, 2023
Los Angeles, California
JAPANESE AMERICAN NATIONAL MUSEUM

STATEMENT OF FINANCIAL POSITION
June 30, 2023
With Summarized Totals at June 30, 2022

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$ 8,707,402</td>
<td>$ 9,577,284</td>
</tr>
<tr>
<td>Investments</td>
<td>23,071,968</td>
<td>21,228,078</td>
</tr>
<tr>
<td>Contributions and Grants Receivable (Net)</td>
<td>4,948,545</td>
<td>2,603,301</td>
</tr>
<tr>
<td>Inventory (Net)</td>
<td>273,520</td>
<td>287,050</td>
</tr>
<tr>
<td>Other Assets</td>
<td>246,837</td>
<td>136,135</td>
</tr>
<tr>
<td>Beneficial Interest in Split-Interest Agreements</td>
<td>1,709,374</td>
<td>1,573,390</td>
</tr>
<tr>
<td>Property and Equipment (Net)</td>
<td>17,192,600</td>
<td>17,426,648</td>
</tr>
<tr>
<td>Historic Building and Land Lease</td>
<td>10,908,380</td>
<td>11,323,670</td>
</tr>
<tr>
<td>Collections</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$ 67,058,626</strong></td>
<td><strong>$ 64,155,556</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES:</strong></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable and Accrued Expenses</td>
<td>$ 1,521,062</td>
</tr>
<tr>
<td>Paycheck Protection Program Loan</td>
<td>-</td>
</tr>
<tr>
<td>Term Loan</td>
<td>441,667</td>
</tr>
<tr>
<td>Economic Injury Disaster Loan</td>
<td>488,567</td>
</tr>
<tr>
<td>Gift Annuity and Split-Interest Agreement Liabilities</td>
<td>170,188</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>2,621,484</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>NET ASSETS:</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Without Donor Restrictions:</td>
<td></td>
</tr>
<tr>
<td>Undesignated</td>
<td>22,682,020</td>
</tr>
<tr>
<td>Board Designated</td>
<td>10,750,322</td>
</tr>
<tr>
<td>With Donor Restrictions</td>
<td>31,004,800</td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS</strong></td>
<td><strong>64,437,142</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>TOTAL LIABILITIES AND NET ASSETS</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$ 67,058,626</strong></td>
<td><strong>$ 64,155,556</strong></td>
</tr>
</tbody>
</table>

The Accompanying Notes are an Integral Part of These Financial Statements
<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>2023 Total</th>
<th>2022 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE AND SUPPORT:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions and Grants</td>
<td>$2,561,424</td>
<td>$6,511,545</td>
<td>$9,072,969</td>
</tr>
<tr>
<td>Government Grants and Contracts</td>
<td>1,267,848</td>
<td>-</td>
<td>1,267,848</td>
</tr>
<tr>
<td>Memberships</td>
<td>807,088</td>
<td>-</td>
<td>807,088</td>
</tr>
<tr>
<td>Special Events (Net of Direct Benefit to Donors of $441,431)</td>
<td>767,361</td>
<td>-</td>
<td>767,361</td>
</tr>
<tr>
<td>Contribution of Use of Historic Building and Land Lease</td>
<td>748,020</td>
<td>-</td>
<td>748,020</td>
</tr>
<tr>
<td>Rental Income</td>
<td>592,596</td>
<td>-</td>
<td>592,596</td>
</tr>
<tr>
<td>Museum Store (Net of Cost of Goods Sold of $285,351)</td>
<td>316,959</td>
<td>-</td>
<td>316,959</td>
</tr>
<tr>
<td>Admissions</td>
<td>296,073</td>
<td>-</td>
<td>296,073</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>283,451</td>
<td>-</td>
<td>283,451</td>
</tr>
<tr>
<td>Net Assets Released from Donor Restrictions</td>
<td>5,452,280</td>
<td>(5,452,280)</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE AND SUPPORT</strong></td>
<td>13,093,100</td>
<td>1,059,265</td>
<td>14,152,365</td>
</tr>
<tr>
<td><strong>EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Services</td>
<td>9,556,079</td>
<td>-</td>
<td>9,556,079</td>
</tr>
<tr>
<td>Management and General</td>
<td>2,290,745</td>
<td>-</td>
<td>2,290,745</td>
</tr>
<tr>
<td>Development</td>
<td>1,492,881</td>
<td>-</td>
<td>1,492,881</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>13,339,705</td>
<td>-</td>
<td>13,339,705</td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BEFORE OTHER GAINS (LOSSES)</td>
<td>(246,605)</td>
<td>1,059,265</td>
<td>812,660</td>
</tr>
<tr>
<td>Change in Value of Split-Interest Agreements</td>
<td>(3,000)</td>
<td>155,616</td>
<td>152,616</td>
</tr>
<tr>
<td>Investment Return (Net)</td>
<td>1,066,245</td>
<td>1,244,645</td>
<td>2,311,890</td>
</tr>
<tr>
<td><strong>TOTAL OTHER GAINS (LOSSES)</strong></td>
<td>1,066,245</td>
<td>1,400,261</td>
<td>2,466,506</td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS</strong></td>
<td>819,640</td>
<td>2,459,526</td>
<td>3,279,166</td>
</tr>
<tr>
<td>Net Assets - Beginning of Year</td>
<td>32,612,702</td>
<td>28,545,274</td>
<td>61,157,976</td>
</tr>
<tr>
<td><strong>NET ASSETS - END OF YEAR</strong></td>
<td>$33,432,342</td>
<td>$31,004,800</td>
<td>$64,437,142</td>
</tr>
</tbody>
</table>

The Accompanying Notes are an Integral Part of These Financial Statements
## STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
With Summarized Totals for the Year Ended June 30, 2022

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Support Services</th>
<th>2023 Total</th>
<th>2022 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Exports</td>
<td>Education</td>
<td>Store</td>
<td>Public Awareness</td>
</tr>
<tr>
<td>Salaries</td>
<td>1,507,916</td>
<td>648,520</td>
<td>213,116</td>
<td>305,598</td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>118,442</td>
<td>49,104</td>
<td>16,734</td>
<td>22,590</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>179,408</td>
<td>84,977</td>
<td>33,728</td>
<td>54,400</td>
</tr>
<tr>
<td><strong>TOTAL PERSONNEL COSTS</strong></td>
<td>1,805,766</td>
<td>782,601</td>
<td>263,578</td>
<td>382,588</td>
</tr>
<tr>
<td>Contracted Services</td>
<td>1,551,184</td>
<td>489,229</td>
<td>80,100</td>
<td>49,831</td>
</tr>
<tr>
<td>Facility and Parking Rental</td>
<td>870,804</td>
<td>304,941</td>
<td>48,881</td>
<td>15,116</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>409,111</td>
<td>115,872</td>
<td>15,423</td>
<td>6,424</td>
</tr>
<tr>
<td>Depreciation</td>
<td>494,545</td>
<td>188,085</td>
<td>30,008</td>
<td>8,893</td>
</tr>
<tr>
<td>Utilities</td>
<td>320,383</td>
<td>121,848</td>
<td>19,440</td>
<td>5,761</td>
</tr>
<tr>
<td>Travel and Meetings</td>
<td>135,113</td>
<td>102,537</td>
<td>15,614</td>
<td>16,642</td>
</tr>
<tr>
<td>Equipment and Supplies</td>
<td>165,122</td>
<td>63,567</td>
<td>19,368</td>
<td>25,364</td>
</tr>
<tr>
<td>Insurance</td>
<td>30,404</td>
<td>9,806</td>
<td>4,118</td>
<td>4,654</td>
</tr>
<tr>
<td>Telephone</td>
<td>79,284</td>
<td>31,130</td>
<td>6,424</td>
<td>3,863</td>
</tr>
<tr>
<td>Advertising</td>
<td>5,496</td>
<td>3,264</td>
<td>271</td>
<td>24,469</td>
</tr>
<tr>
<td>Other</td>
<td>8,880</td>
<td>645</td>
<td>983</td>
<td>3,425</td>
</tr>
<tr>
<td>Postage and Delivery</td>
<td>27,784</td>
<td>7,944</td>
<td>41,639</td>
<td>2,089</td>
</tr>
<tr>
<td>Bank and Merchant Fees</td>
<td>14,351</td>
<td>-</td>
<td>26,076</td>
<td>-</td>
</tr>
<tr>
<td>Taxes, Licenses and Fees</td>
<td>4,378</td>
<td>882</td>
<td>254</td>
<td>38</td>
</tr>
<tr>
<td>Interest</td>
<td>12,193</td>
<td>5,617</td>
<td>2,359</td>
<td>2,666</td>
</tr>
<tr>
<td><strong>TOTAL 2023 FUNCTIONAL EXPENSES</strong></td>
<td><strong>$ 5,934,798</strong></td>
<td><strong>$ 2,277,968</strong></td>
<td><strong>$ 574,536</strong></td>
<td><strong>$ 558,859</strong></td>
</tr>
<tr>
<td><strong>TOTAL 2022 FUNCTIONAL EXPENSES</strong></td>
<td><strong>$ 4,705,593</strong></td>
<td><strong>$ 1,747,418</strong></td>
<td><strong>$ 530,167</strong></td>
<td><strong>$ 358,061</strong></td>
</tr>
</tbody>
</table>

The Accompanying Notes are an Integral Part of These Financial Statements

-5-
**JAPANESE AMERICAN NATIONAL MUSEUM**

**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2023

With Summarized Totals for the Year Ended June 30, 2022

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES:</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Net Assets</td>
<td>$ 3,279,166</td>
<td>$(4,919,267)</td>
</tr>
<tr>
<td>Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>774,708</td>
<td>822,350</td>
</tr>
<tr>
<td>Net Realized and Unrealized (Gain) Loss on Investments</td>
<td>(1,826,403)</td>
<td>3,334,415</td>
</tr>
<tr>
<td>Amortization of Use of Historic Building and Land Lease</td>
<td>415,290</td>
<td>389,917</td>
</tr>
<tr>
<td>Amortization of Capitalized Debt Issuance Costs</td>
<td>1,266</td>
<td>581</td>
</tr>
<tr>
<td>Change in Value of Split-Interest Agreements</td>
<td>(152,616)</td>
<td>203,190</td>
</tr>
<tr>
<td>Contribution Restricted for Investment in Perpetuity</td>
<td>(100,000)</td>
<td>(100,000)</td>
</tr>
<tr>
<td>Paycheck Protection Program Loan Forgiveness</td>
<td>(577,762)</td>
<td>-</td>
</tr>
<tr>
<td>Contribution of Gift Annuity</td>
<td>(3,157)</td>
<td>(10,942)</td>
</tr>
<tr>
<td>(Increase) Decrease in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions and Grants Receivable (Net)</td>
<td>(2,345,244)</td>
<td>1,624,690</td>
</tr>
<tr>
<td>Inventory (Net)</td>
<td>13,530</td>
<td>(10,925)</td>
</tr>
<tr>
<td>Other Assets</td>
<td>(111,968)</td>
<td>(22,771)</td>
</tr>
<tr>
<td>Increase in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable and Accrued Expenses</td>
<td>482,888</td>
<td>170,304</td>
</tr>
</tbody>
</table>

**NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES**

(150,302) | 1,481,542

<table>
<thead>
<tr>
<th>CASH FLOWS FROM INVESTING ACTIVITIES:</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of Property and Equipment</td>
<td>(540,660)</td>
<td>(192,981)</td>
</tr>
<tr>
<td>Purchases of Investments</td>
<td>(637,487)</td>
<td>(10,397,009)</td>
</tr>
<tr>
<td>Proceeds from Sales of Investments</td>
<td>620,000</td>
<td>150,000</td>
</tr>
</tbody>
</table>

**NET CASH USED IN INVESTING ACTIVITIES**

(558,147) | (10,439,990)

<table>
<thead>
<tr>
<th>CASH FLOWS FROM FINANCING ACTIVITIES:</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Payments on Term Loan</td>
<td>(250,000)</td>
<td>(600,000)</td>
</tr>
<tr>
<td>Proceeds from Economic Injury Disaster Loan</td>
<td>-</td>
<td>350,000</td>
</tr>
<tr>
<td>Principal Payments on Economic Injury Disaster Loan</td>
<td>(11,433)</td>
<td>-</td>
</tr>
<tr>
<td>Collection of Contribution Restricted for Investment in Perpetuity</td>
<td>100,000</td>
<td>100,000</td>
</tr>
</tbody>
</table>

**NET CASH USED IN FINANCING ACTIVITIES**

(161,433) | (150,000)

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

(869,882) | (9,108,448)

Cash and Cash Equivalents - Beginning of Year | 9,577,284 | 18,685,732 |

**CASH AND CASH EQUIVALENTS - END OF YEAR**

$ 8,707,402 | $ 9,577,284

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Interest Paid | $ 36,418 | $ 55,463

The Accompanying Notes are an Integral Part of These Financial Statements
NOTE 1 - ORGANIZATION

The Japanese American National Museum (JANM) is a California not-for-profit corporation, incorporated March 1, 1985 in the State of California. The mission of JANM is to promote understanding and appreciation of America’s ethnic and cultural diversity by sharing the Japanese American experience. As the premier institution in its field, JANM houses the largest well-documented collection of Japanese American artifacts in the world. JANM sponsors ongoing exhibitions, lectures, workshops, educational programs, and related events at its Los Angeles headquarters. As a “museum without borders”, JANM regularly presents exhibitions, public programs, and research projects in collaboration with Japanese American communities, other ethnic communities, and pre-eminent scholars, museums, and educational and cultural institutions around the globe. JANM is accredited by the American Association of Museums and is an affiliate of the Smithsonian Institution.

JANM’s artifact collection is comprised of objects, photographs, home movies, books, manuscripts, works of art, and artifacts of historical significance that are held for educational and curatorial purposes. Each item is catalogued, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The artifact collection, which was acquired primarily through contributions since JANM’s inception, is not recognized as an asset on the statement of financial position. JANM’s collection policies are consistent with the Code of Ethics for Museums adopted by the American Association of Museums.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions - Undesignated.** Net assets available for use in general operations and not subject to Board-imposed or donor-imposed restrictions.

- **Net Assets Without Donor Restrictions - Board Designated.** Net assets available for use in general operations and not subject to donor-imposed restrictions. The Board has designated, from net assets without donor restrictions, $10,750,322 as a reserve for future projects or investment in infrastructure.
(b) NET ASSETS (continued)

- **Net Assets With Donor Restrictions.** Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. JANM has $31,004,800 of net assets with donor restrictions at June 30, 2023.

(c) CASH AND CASH EQUIVALENTS

For financial statement purposes, JANM considers all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. JANM maintains its cash in bank deposit accounts which at times, may exceed federally insured limits. JANM has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

(d) INVESTMENTS

Investments in equity and debt securities with readily determinable market values are reported at fair value at the closing price on the last business day of the fiscal year. Investment purchases and sales are accounted for on a trade-date basis and investment receivables or payables may result on trades that have not been settled by the reporting date. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in investment return in the statement of activities and represent the change in the difference between the cost and fair value of investments held at the end of the fiscal year.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) INVESTMENTS (continued)

Investments are made according to the investment policies, guidelines, and objectives adopted by JANM’s Board of Trustees (the Board). These guidelines provide for investments in equities, fixed income, and other securities and alternative strategies with performance measured against appropriate indices. The investments are managed and reviewed by outside investment managers contracted by JANM.

(e) CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions, including endowment gifts and pledges, as well as unconditional promises to give, are recognized as revenue in the period promised. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not included as revenue until the conditions on which they depend have been met. At June 30, 2023, JANM had no conditional promises to give.

Contributions and grants receivable expected to be collected within one year are recorded at their net realizable value, while those that are expected to be collected in future years are recorded at the present value of estimated future cash flows discounted at an appropriate market interest rate at the time of the contribution. An average discount rate of 4% has been used to calculate the present value of contributions and grants receivable. The discount amounted to $141,394 at June 30, 2023. At June 30, 2023, JANM evaluated the collectability of contributions and grants receivable and determined that no allowance for uncollectible contributions and grants receivable was necessary.

(f) INVENTORY

Inventory consists of items held for sale in JANM’s retail store and is stated at the lower of cost or net realizable value. At June 30, 2023, the inventory balance is presented on the statement of financial position net of a reserve for obsolescence of $100,000. Cost is determined using the first-in, first-out method.

(g) BENEFICIAL INTEREST IN SPLIT-INTEREST AGREEMENTS

JANM is a beneficiary under various charitable remainder trusts. JANM is the trustee of certain of these irrevocable and revocable trusts, while other trusts are administered by third party trustees.
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) BENEFICIAL INTEREST IN SPLIT-INTEREST AGREEMENTS (continued)

For irrevocable trusts, where JANM is the trustee, assets are reflected as JANM's beneficial interest in split-interest agreements and stated at fair value. Contribution revenue is recognized at the date each trust is established after recording liabilities for the actuarially-determined present value of the estimated future payments to be made to the beneficiaries. The actuarial liability is based on the present value of the future payments discounted at the appropriate risk-free rate at the inception of each agreement and the applicable mortality tables. Liabilities are adjusted during the terms of the trust for changes in the fair value of the assets, discount rates, and other changes in the estimates of future benefits. Actuarial liabilities totaled $170,188 at June 30, 2023 and are included in gift annuity and split-interest agreement liabilities in the statement of financial position.

For irrevocable trusts held and administered by others, contribution revenues are recognized at the date the trusts are established. Adjustments to the beneficial interest in split-interest agreements to reflect the revaluation of the present value of the estimated future payments to the lifetime beneficiaries is recognized in the statement of activities as a change in value of split-interest agreements.

(h) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture, Fixtures and Equipment</td>
<td>3-10 Years</td>
</tr>
<tr>
<td>Building Improvements</td>
<td>10-20 Years</td>
</tr>
<tr>
<td>Museum Exhibitions and Media</td>
<td>5-10 Years</td>
</tr>
</tbody>
</table>

Expenditures for repairs and maintenance are charged to operations when incurred while renewals and betterments are capitalized.

(i) LONG-LIVED ASSETS

JANM reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended June 30, 2023.
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) COLLECTIONS

In conformity with the practice followed by many museums, collection items purchased by or donated to JANM are not capitalized in the statement of financial position. JANM’s collection is made up of artifacts and manuscripts that are held for exhibition and various other program activities. Each of the items is catalogued, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. Deaccession proceeds are required by JANM policy to be applied to the acquisition of items for the permanent collection. JANM did not deaccession any collection items during the year ended June 30, 2023.

(k) PAYCHECK PROTECTION PROGRAM LOAN

JANM has elected to account for the forgivable loan received under the Paycheck Protection Program (PPP) provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act as a debt instrument. The proceeds from the loan remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and JANM has been legally released or (2) JANM repays the loan to the lender.

(l) REVENUE RECOGNITION

Contributed revenue includes contributions and grants, annual memberships and revenues from fundraising events. Annual memberships are recognized as revenue when such income is received. Memberships, which are nonrefundable and nonreciprocal in nature, directly support JANM’s mission and the benefits to members are available immediately upon joining. All donations are nonreciprocal in nature with the primary beneficiary being the general public.

Contributed revenue also includes government grants and contracts. For those government grants and contracts that are on a cost reimbursement basis, revenue recognition is conditioned upon the incurrence of allowable qualifying expenses. Such grants and contracts are generally considered nonreciprocal transactions restricted by the awarding agencies for certain purposes. Amounts received are recognized as revenue when JANM has incurred qualifying expenditures in compliance with specific contract or grant provisions. JANM has elected to adopt a policy whereby donor-restricted grants and contributions that were initially conditional and whose conditions and restrictions are met in the same reporting period as revenue without donor restrictions. Amounts received prior to incurring qualifying expenditures or fulfilling the specific performance obligations are reported as refundable contract advances in the statement of financial position.
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) REVENUE RECOGNITION (continued)

Revenue from contracts with customers includes admissions and sales of merchandise in the museum store. Performance obligations for these revenue sources are satisfied at a point in time or upon the delivery of goods or services. There are no significant associated contract receivables or contract liabilities for revenue from contracts with customers as of June 30, 2023.

Rental income consists of short-term facility rental fees earned from unrelated third parties including retail vendors, film production companies, and individuals. Rental income is recognized upon the occurrence of the events for which the facilities were rented. There are no bargain purchase options, transfer of ownership at the end of the lease term, or variable lease payments included in these agreements.

(m) FUNCTIONAL EXPENSES

The costs of providing the various program and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been directly charged to the program services and supporting services benefitted. With the exception of facility and parking rental, depreciation and utilities, which are allocated on the basis of square footage, expenses are allocated on the basis of estimates of time and effort.

(n) 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 certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent 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.

(o) INCOME TAXES

JANM is a California nonprofit corporation and is exempt from federal taxation under Internal Revenue Code Section 501(c)(3) and the corresponding state provisions.

In accordance with the Financial Accounting Standards Board’s (FASB) Accounting Standards Codification (ASC) Topic No. 740, Uncertainty in Income Taxes, JANM recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2023, JANM performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases, which is intended to improve financial reporting about leasing transactions. The new standard requires organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also requires disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and provide additional information about the amounts recorded in the financial statements. JANM implemented the ASU during the year ended June 30, 2023 and determined that it has no material impact on the financial statements for the year ended June 30, 2023.

In June 2016, FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which replaces the incurred loss impairment methodology previously used for certain financial instruments with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates in their measurement. The guidance has subsequently been amended through a series of targeted ASUs. For JANM, the ASU and the subsequent amendments will be effective for the year ending June 30, 2024, and is expected to be adopted using the modified-retrospective approach.

(q) SUBSEQUENT EVENTS

JANM has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2023 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through October 27, 2023, the date these financial statements were available to be issued. No such material events or transactions were noted.
NOTE 3 - FAIR VALUE MEASUREMENTS

JANM has implemented the accounting standard that defines fair value for those assets that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset and include situations where there is little, if any, market activity for the asset.

The following table presents information about JANM’s assets that are measured at fair value on a recurring basis at June 30, 2023 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value: The fair value of investments within Level 1 was obtained based on quoted market prices at the closing of the last business day of the fiscal year.

<table>
<thead>
<tr>
<th>Fair Value Measurements Using</th>
<th>Total at June 30, 2023</th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>INVESTMENTS:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Equity Funds</td>
<td>$ 13,039,715</td>
<td>$ 13,039,715</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bond Funds</td>
<td>6,386,617</td>
<td>6,386,617</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Income Funds</td>
<td>1,537,357</td>
<td>1,537,357</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL INVESTMENTS</strong></td>
<td>23,071,968</td>
<td>23,071,968</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beneficial Interest in Split-Interest Agreements</td>
<td>1,709,374</td>
<td>-</td>
<td>-</td>
<td>1,709,374</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$ 24,781,342</td>
<td>$ 23,071,968</td>
<td></td>
<td>$ 1,709,374</td>
</tr>
<tr>
<td>Gift Annuity and Split-Interest Agreement Liabilities</td>
<td>$ 170,188</td>
<td>-</td>
<td>-</td>
<td>$ 170,188</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>$ 170,188</td>
<td>$ -</td>
<td>-</td>
<td>$ 170,188</td>
</tr>
</tbody>
</table>

The fair value of investments within Level 1 was obtained based on quoted market prices at the closing of the last business day of the fiscal year.

The fair value of the beneficial interest in split-interest agreements and the fair value of the gift annuity and split-interest agreement liabilities within Level 3 were determined as described in Note 2(g).
NOTE 3 - FAIR VALUE MEASUREMENTS (continued)

The table below sets forth a summary of the changes in the fair value of JANM’s Level 3 assets and liabilities for the year ended June 30, 2023:

<table>
<thead>
<tr>
<th></th>
<th>Beneficial Interest in Split-Interest Agreements</th>
<th>Gift Annuity and Split-Interest Agreement Liabilities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance</td>
<td>$1,573,390</td>
<td>$(189,977)</td>
<td>$1,383,413</td>
</tr>
<tr>
<td>Change in Value</td>
<td>135,984</td>
<td>16,632</td>
<td>152,616</td>
</tr>
<tr>
<td>Contributions</td>
<td>-</td>
<td>3,157</td>
<td>3,157</td>
</tr>
<tr>
<td>Distributions</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>ENDING BALANCE</strong></td>
<td>$1,709,374</td>
<td>$(170,188)</td>
<td>$1,539,186</td>
</tr>
</tbody>
</table>

NOTE 4 - CONTRIBUTIONS AND GRANTS RECEIVABLE

At June 30, 2023, contributions and grants receivable are due to be collected as follows:

Within One Year $2,763,127
Within Two to Five Years 2,106,812
Thereafter 220,000

**GROSS** 5,089,939
Less: Present Value Discount (141,394)

**CONTRIBUTIONS AND GRANTS RECEIVABLE (NET)** $4,948,545

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2023 consists of the following:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>$30,168,637</td>
<td></td>
</tr>
<tr>
<td>Furniture, Fixtures</td>
<td>3,830,851</td>
<td></td>
</tr>
<tr>
<td>and Equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building Improvements</td>
<td>2,727,711</td>
<td></td>
</tr>
<tr>
<td>Museum Exhibitions</td>
<td>2,000,882</td>
<td></td>
</tr>
<tr>
<td>and Media</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>38,728,081</td>
<td></td>
</tr>
<tr>
<td>Less: Accumulated Depreciation (21,535,481)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PROPERTY AND EQUIPMENT (NET)</strong></td>
<td>$17,192,600</td>
<td></td>
</tr>
</tbody>
</table>

Depreciation expense amounted to $774,708 for the year ended June 30, 2023.
NOTE 6 - HISTORIC BUILDING AND LAND LEASE

In February 1987, JANM entered into a 50-year lease at $1 per year with the City of Los Angeles for the use of land and a 33,000 square foot building (Historic Building). JANM restored the Historic Building and opened it to the public in May 1992. In February 1997, the original lease was superseded by a new 55-year lease with the City of Los Angeles for the same property, as well as three adjacent parcels of land. In 2002, the lease was amended to provide an additional 5,000 square feet for use by JANM. The present value of this lease is $7,455,893 at June 30, 2023 based on a discount rate of 6.6%. Annual estimated contributed lease expense is $594,060.

The Historic Building was further expanded and renovated to support the National Center for the Preservation of Democracy with a federal grant awarded in 2001. The construction was completed and the facility was opened in October 2005. The federal government retains a reversionary interest in the building costs purchased under the grant. As such, the building costs paid with the grant funds received are not recorded on JANM’s financial statements. However, JANM is permitted to use the building rent-free. Accordingly, during the year ended June 30, 2007, JANM recognized the present value of the building costs as an asset in the amount of $6,881,032 with a corresponding donor restricted contribution, based upon an estimated annual contributed rent expense of $569,250 and a discount rate of 6.6%. A rent period of 25 years was used, approximating the estimated useful life of the building, as there is no definitive term for JANM’s use of the building under the grant. The present value of the building costs was $3,452,487 at June 30, 2023.

The total contribution for the use of the Historic Building and land lease of $1,163,310 is presented net of related asset amortization of $415,290, resulting in a net contribution of $748,020 for the year ended June 30, 2023.

NOTE 7 - PAYCHECK PROTECTION PROGRAM LOAN

In March 2021, JANM received a second draw forgivable PPP loan in the amount of $577,762. The second draw PPP loan, administered by the Small Business Administration (SBA), bore interest at a fixed rate of 1.0% per annum, had a term of five years, and was unsecured and guaranteed by the SBA. Interest accrued on the loan beginning with the initial disbursement; however, payments of principal and interest were deferred until the lender’s determination of the amount of forgiveness applied for by the borrower is approved by the SBA. In August 2022, JANM received full forgiveness of its second draw PPP loan with respect to the eligible expenses incurred during the covered period and consequently PPP loan forgiveness income of $577,762 is included in government grants and contracts in the statement of activities.
NOTE 8 - TERM LOAN

In January 2021, JANM entered into a term loan with a bank in the original principal amount of $2,375,000. The term loan is subject to a fixed interest rate of 4% and is payable in monthly principal installments of $20,833. The term loan matures in August 2030 and is secured by substantially all the assets of JANM. The term loan is subject to certain covenants, including a debt service coverage ratio. JANM was in compliance with these covenants as of June 30, 2023.

Future maturities of the term loan as of June 30, 2023 are as follows:

<table>
<thead>
<tr>
<th>Years Ending June 30</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2024</td>
<td>$ 250,000</td>
</tr>
<tr>
<td>2025</td>
<td>191,667</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$ 441,667</strong></td>
</tr>
</tbody>
</table>

NOTE 9 - ECONOMIC INJURY DISASTER LOAN

In May 2020, JANM received a $150,000 COVID-19 Economic Injury Disaster Loan (EIDL), administered by the SBA and available under the provisions of the CARES Act for the purpose of meeting obligations and operating expenses that could have been met had the disaster not occurred. The EIDL has a term of 30 years and carries a fixed interest rate of 2.75%. Interest accrues on the loan beginning with the initial disbursement, and payments of principal and interest in the monthly amount of $2,200 are due starting one year from the date of disbursement. In December 2021, the EIDL loan agreement was modified, increasing the loan amount to $500,000, and deferring the due date for the initial payments on both loans. The maturity date of the EIDL loan is May 2050.

Future maturities of the EIDL loan as of June 30, 2023, are as follows:

<table>
<thead>
<tr>
<th>Years Ending June 30</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2024</td>
<td>$ 13,313</td>
</tr>
<tr>
<td>2025</td>
<td>13,679</td>
</tr>
<tr>
<td>2026</td>
<td>14,054</td>
</tr>
<tr>
<td>2027</td>
<td>14,440</td>
</tr>
<tr>
<td>2028</td>
<td>14,837</td>
</tr>
<tr>
<td>Thereafter</td>
<td>418,244</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$ 488,567</strong></td>
</tr>
</tbody>
</table>
NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2023 consist of the following:

<table>
<thead>
<tr>
<th>Subject to Expenditure for Specified Purpose:</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Core Exhibitions</td>
<td>680,685</td>
</tr>
<tr>
<td>Education</td>
<td>539,254</td>
</tr>
<tr>
<td>Discover Nikkei Project</td>
<td>224,466</td>
</tr>
<tr>
<td>Tateuchi Democracy Forum</td>
<td>220,649</td>
</tr>
<tr>
<td>Other</td>
<td>217,763</td>
</tr>
<tr>
<td>Digitization of Collection</td>
<td>152,878</td>
</tr>
<tr>
<td>Japanese American Confinement Sites Consortium</td>
<td>118,371</td>
</tr>
<tr>
<td>Collections</td>
<td>100,000</td>
</tr>
<tr>
<td>Pictures of Belonging</td>
<td>94,017</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Subject to Time Restrictions:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Historic Building and Land Lease</td>
<td>10,908,380</td>
</tr>
<tr>
<td>General Operations</td>
<td>5,014,042</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Subject to Appropriation:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unspent Endowment Earnings</td>
<td>3,345,589</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Not Subject to Spending or Appropriation:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment Corpus</td>
<td>9,388,706</td>
</tr>
</tbody>
</table>

**TOTAL NET ASSETS WITH DONOR RESTRICTIONS** $ 31,004,800

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donor as follows for the period June 30, 2023:

<table>
<thead>
<tr>
<th>Satisfaction of Time Restrictions:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General Operations</td>
<td>2,255,050</td>
</tr>
<tr>
<td>Historic Building and Land Lease</td>
<td>415,290</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Satisfaction of Purpose Restrictions:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New Core Exhibitions</td>
<td>809,133</td>
</tr>
<tr>
<td>Capital Improvements</td>
<td>416,000</td>
</tr>
<tr>
<td>Discover Nikkei</td>
<td>286,658</td>
</tr>
<tr>
<td>Education</td>
<td>273,179</td>
</tr>
<tr>
<td>General Exhibitions</td>
<td>218,782</td>
</tr>
<tr>
<td>Defining Courage</td>
<td>102,405</td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>78,450</td>
</tr>
<tr>
<td>Other</td>
<td>27,333</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Appropriation in Accordance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>with Endowment Spending Policy</td>
<td>570,000</td>
</tr>
</tbody>
</table>

**TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS** $ 5,452,280
NOTE 11 - ENDOWMENT

JANM’s donor-restricted endowment consists of its beneficial interest in split-interest agreements held by others, one investment fund and three unified pools of investments managed by JANM and established to support its operations and programs.

JANM classifies net assets that are perpetual in nature as (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 net assets that are perpetual in nature is classified as purpose-restricted net assets until those amounts are appropriated for expenditure by JANM in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, JANM 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 JANM 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 JANM
7) The investment policy of JANM

Return Objectives and Risk Parameters – It is the purpose of the JANM’s endowment fund to secure the future of JANM and to support its programs and operations as designated by the Board.

The primary long-term financial objective is to preserve and enhance the real (i.e., inflation-adjusted) purchasing power of the endowment through a prudent long-term investment strategy. An additional objective is to provide a relatively predictable, stable, and (in real terms) constant stream of current income for JANM’s annual operating needs.

The primary investment objective of the endowment is to earn an average annual return over a full market cycle (typically three to five years) above that of the target allocation if invested in the appropriate benchmarks as determined by the Investment Committee of the Board. JANM considers itself a risk-averse investor. That is, among various investment alternatives with comparable expected returns, the preference is for those having the lowest risk.
NOTE 11 - ENDOWMENT (continued)

Strategies Employed for Achieving Objectives - JANM manages its endowment on a total rate of return basis consisting of dividends, interest, and changes in market value of securities for the fiscal year, not favoring returns from one source over another. The investment portfolio is to be sufficiently balanced so that no single security or class of securities will have a disproportionate impact on the risk of the total portfolio.

Spending Policy and How the Investment Objectives Relate to Spending Policy - JANM has a policy governing the amount of endowment earnings that can be released annually for spending, consistent with the restrictions, if any, placed on the endowment by donors. The spending policy authorizes an annual distribution equal to 5% of the average market value of the portfolios as of the preceding 20 calendar quarters.

In establishing this policy, JANM considered the long-term expected return on its endowment. Accordingly, over the long term, JANM expects the current spending policy to allow its endowment to grow at an amount that will at least keep pace with expected inflation.

At times, the fair value of assets associated with these endowment funds may fall below the level that the donors require the Museum to retain as funds of perpetual duration. These deficiencies result from unfavorable market fluctuations. There were no endowment funds with deficiencies as of June 30, 2023.

<table>
<thead>
<tr>
<th>Endowment Net Asset Composition by Type of Fund</th>
<th>Corpus</th>
<th>Unspent Investment Earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-Restricted</td>
<td>$ 9,388,706</td>
<td>$ 3,345,589</td>
<td>$ 12,734,295</td>
</tr>
</tbody>
</table>

**ENDOWMENT NET ASSETS - JUNE 30, 2023**

<table>
<thead>
<tr>
<th>Changes in Endowment Net Assets for the Year Ended June 30, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment Net Assets -</td>
</tr>
<tr>
<td>July 1, 2022</td>
</tr>
<tr>
<td>Additions</td>
</tr>
<tr>
<td>Investment Return (Net)</td>
</tr>
<tr>
<td>Change in Value of</td>
</tr>
<tr>
<td>Split-Interest Agreements</td>
</tr>
<tr>
<td>Appropriation of Endowment Assets for Expenditure</td>
</tr>
</tbody>
</table>

**ENDOWMENT NET ASSETS - JUNE 30, 2023**

<table>
<thead>
<tr>
<th></th>
<th>$ 9,388,706</th>
<th>$ 3,345,589</th>
<th>$ 12,734,295</th>
</tr>
</thead>
</table>
NOTE 12 - EMPLOYEE BENEFIT PLAN

JANM has a defined contribution retirement plan covering substantially all of its employees. The Board annually determines the amount to be contributed to the plan. Participants are fully vested after five years of service. JANM made contributions of $25,999 to the plan during the year ended June 30, 2023.

NOTE 13 - AVAILABILITY AND LIQUIDITY OF FINANCIAL RESOURCES

The total financial assets held by JANM at June 30, 2023, and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

<table>
<thead>
<tr>
<th>Financial Assets at June 30, 2023:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$ 8,707,402</td>
</tr>
<tr>
<td>Investments</td>
<td>23,071,968</td>
</tr>
<tr>
<td>Contributions and Grants Receivable</td>
<td>4,948,545</td>
</tr>
</tbody>
</table>

**TOTAL FINANCIAL ASSETS AT JUNE 30, 2023**
36,727,915

Less Amounts Not Available to Be Used within One Year, Due to:

- **Donor-Imposed Restrictions:**
  - Purpose Restrictions (2,348,083)
  - Time Restrictions (3,704,634)
  - Endowments and Unspent Endowment Earnings (12,734,295)

- **Board Designations:**
  - Board Designated Reserve (10,750,322)

**FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR**
7,190,581

JANM regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of JANM’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

In addition, the Board designated reserve of $10,750,322, established for exhibitions, capital improvements, and other projects, and could be made available for general operations and liquidity needs upon Board approval.