Japanese American Citizens League

Financial Statements

December 31, 2013

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Japanese American Citizens League (a non-profit corporation), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japanese American Citizens League as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Japanese American Citizens League's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 21, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Armanino LLP
San Francisco, California

June 20, 2014

JAPANESE AMERICAN CITIZENS LEAGUE
Statement of Financial Position
December 31, 2013
(With Comparative Totals for 2012)

ASSETS

	2013	2012
Current assets		
Cash and cash equivalents	$ 249,618	$ 388,946
Contributions and other receivables, net of allowance for doubtful accounts of $25,000 in 2013	138,359	269,508
Prepaid expenses and other current assets	92,054	86,093
Total current assets	480,031	744,547
Property and equipment, net	176,432	175,681
Cash and cash equivalents held for long-term purposes	880,288	1,168,412
Long-term investments	10,478,042	9,281,989
Total assets	$ 12,014,793	$ 11,370,629

LIABILITIES AND NET ASSETS

	2013	2012
Current liabilities		
Accounts payable and accrued liabilities	$ 232,386	$ 212,831
Deferred revenue	63,316	64,907
Current portion of accumulated post-retirement benefit obligation	21,631	29,434
Total current liabilities	317,333	307,172
Accumulated post-retirement benefit obligation, net of current portion	483,999	709,122
Total liabilities	801,332	1,016,294
Net assets		
Unrestricted		
Designated	1,275,847	1,127,116
Undesignated	883,609	795,318
Total unrestricted	2,159,456	1,922,434
Temporarily restricted	2,433,572	1,866,957
Permanently restricted	6,620,433	6,564,944
Total net assets	11,213,461	10,354,335
Total liabilities and net assets	$ 12,014,793	$ 11,370,629

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

JAPANESE AMERICAN CITIZENS LEAGUE
Statement of Activities
For The Year Ended December 31, 2013
(With Comparative Totals for 2012)

	2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2012
Revenues, gains and other support					
Public support - contributions	$ 154,753	$ 224,175	$ 18,000	$ 396,928	$ 1,812,033
Membership income	655,351	-	-	655,351	724,639
Investment income, net	204,390	151,980	10,552	366,922	224,994
Net realized and unrealized gains on investments	223,908	766,767	26,937	1,017,612	734,885
Newspaper revenue	166,078	-	-	166,078	142,860
Book sales	211	-	-	211	1,028
Grants	-	170,214	-	170,214	271,266
Fundraising campaigns	133,128	-	-	133,128	128,493
Conference revenue	87,445	-	-	87,445	96,059
Other revenue	108,152	-	-	108,152	75,236
Net assets released from restrictions	746,521	(746,521)	-	-	-
Total revenues, gains and other support	2,479,937	566,615	55,489	3,102,041	4,211,493
Expenses					
Program	1,592,620	-	-	1,592,620	1,578,201
General and administrative	362,591	-	-	362,591	418,278
Fundraising	287,704	-	-	287,704	309,269
Total expenses	2,242,915	-	-	2,242,915	2,305,748
Change in net assets	237,022	566,615	55,489	859,126	1,905,745
Net assets at beginning of year	1,922,434	1,866,957	6,564,944	10,354,335	8,448,590
Net assets at end of year	$ 2,159,456	$ 2,433,572	$ 6,620,433	$ 11,213,461	$ 10,354,335

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

JAPANESE AMERICAN CITIZENS LEAGUE
Statement of Functional Expenses
For The Year Ended December 31, 2013
(With Comparative Totals for 2012)

		Supporting Services			
	Program Services	General and Administrative	Fundraising	2013 Total	2012 Total
Salaries	$ 486,169	$ 142,089	$ 105,603	$ 733,861	$ 665,048
Payroll taxes	38,844	11,771	8,748	59,363	56,221
Employee benefits	78,712	23,853	17,728	120,293	153,791
Post-retirement benefits	(152,412)	(46,187)	(34,327)	(232,926)	64,271
Contract services	180,982	54,844	40,761	276,587	168,926
Depreciation	11,260	3,412	2,536	17,208	20,432
Awards	7,138	2,163	1,608	10,909	3,176
Dues, subscriptions and periodicals	5,444	1,650	1,226	8,320	4,036
Non-capitalizable equipment	1,535	2,066	6,817	10,418	8,016
Postage and delivery	13,933	4,222	3,138	21,293	34,308
Printing and copying	32,536	9,860	7,328	49,724	63,273
Office supplies	12,644	3,831	2,848	19,323	17,790
Telephone	18,676	5,659	4,206	28,541	24,790
Books and publications	395	120	89	604	575
Allocations to districts	29,737	-	-	29,737	18,211
Refunds	86,618	-	-	86,618	90,338
Meetings and conferences	150,503	45,608	33,897	230,008	237,258
Travel	101,521	30,765	22,864	155,150	108,544
National board	27,386	5,704	4,239	37,329	30,188
Commissions	18,823	-	-	18,823	-
Advertising	897	-	-	897	-
Composition and presswork	40,093	-	-	40,093	23,074
Circulation and mailing	49,286	-	-	49,286	55,939
Maintenance	12,203	3,698	2,748	18,649	11,871
Occupancy costs	87,358	26,473	19,675	133,506	107,454
Utilities	7,241	2,194	1,631	11,066	11,902
Contributions	3,867	1,172	871	5,910	9,878
Insurance	37,568	11,385	8,461	57,414	90,929
Miscellaneous	28,788	8,724	6,484	43,996	39,953
Bad debt	-	-	18,525	18,525	24,000
Scholarships and student aid	174,875	-	-	174,875	154,200
Staff development	-	7,515	-	7,515	5,795
Personnel recruitment cost	-	-	-	-	1,561
	$ 1,592,620	$ 362,591	$ 287,704	$ 2,242,915	$ 2,305,748

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

JAPANESE AMERICAN CITIZENS LEAGUE
Statement of Cash Flows
For The Year Ended December 31, 2013
(With Comparative Totals for 2012)

	2013	2012
Cash flows from operating activities		
Change in net assets	$ 859,126	$ 1,905,745
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	17,208	20,432
Net realized and unrealized gains on investments	(1,017,612)	(734,885)
Permanently restricted endowment contributions	(18,000)	(41,000)
Loss on disposal of property and equipment	-	1,189
Changes in operating assets and liabilities		
Contributions and other receivables, net	131,149	(148,763)
Prepaid expenses and other current assets	(5,961)	(29,136)
Accounts payable and accrued liabilities	19,555	(38,153)
Deferred revenue	(1,591)	1,046
Post-retirement benefit obligation	(232,926)	64,271
Net cash provided by (used in) operating activities	(249,052)	1,000,746
Cash flows from investing activities		
Purchases of investments	(4,517,672)	(2,778,427)
Sales or maturities of investments	4,339,231	2,235,521
Cash and cash equivalents held for long-term purposes, net	288,124	(592,956)
Acquisition of property and equipment	(17,959)	(4,013)
Net cash provided by (used in) investing activities	91,724	(1,139,875)
Cash flows from financing activities		
Contributions of permanently restricted net assets	18,000	41,000
Net change in cash and cash equivalents	(139,328)	(98,129)
Cash and cash equivalents, beginning of year	388,946	487,075
Cash and cash equivalents, end of year	$ 249,618	$ 388,946

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

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 2013 was $52,551. Revenues recognized from affiliates during 2013 were $49,834.

Basis of accounting

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

Cash equivalents

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

Allowance for doubtful accounts

JACL provides for possible losses from uncollectible contributions and other receivables. The allowance for doubtful accounts is based on historical experience and an evaluation of the outstanding receivables at the end of the year. Receivables are written off after management has exhausted all collection efforts. Bad debt recoveries are included in income when realized. The allowance for bad debts was $25,000 as of December 31, 2013.

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.

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, 2013 there were contributions receivable of approximately $8,500 that are expected to be collected within the next year. Management has determined that no allowance for doubtful accounts is required against this receivable.

1. Organization and Significant Accounting Policies (continued)

Property and equipment

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

Fair value measurements

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

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

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

(b) Contributions and other receivables (Level 3). Contributions receivable are valued based on unobservable inputs that are developed based on the best information available in the circumstances including expected investment returns, collection period, etc. Contributions receivable are not measured at fair value on a recurring basis subsequent to initial recognition.

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, 2013, 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.

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, 2012 from which the summarized information was derived.

2. Investments

Investments at December 31, 2013 consisted of the following:

Corporate bonds	$ 1,067,238
Mutual funds	6,893,958
Corporate equities	2,468,495
International securities	48,351
Total	$10,478,042

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, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividend and interest income	$204,390	$ 151,980	$ 10,552	$ 366,922
Net realized and unrealized losses	223,908	766,767	26,937	1,017,612
Total investment return	$428,298	$ 918,747	$ 37,489	$1,384,534

3. Fair Value Disclosures

The following are the major categories of assets measured at fair value on a recurring basis at December 31, 2013:

	Level 1: Quoted Prices in Active Markets For Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at December 31, 2013
Investments	$10,478,042	$ -	$ -	$10,478,042

4. Property and Equipment

At December 31, 2013, property and equipment consisted of the following:

Land	$ 17,927
Building and improvements	525,699
Equipment	172,297
	715,923
Less accumulated depreciation	(539,491)
Property and equipment, net	$176,432

For the year ended December 31, 2013, depreciation expense totaled $17,208.

5. Restricted Net Assets and Net Assets Released From Restrictions

Temporarily restricted net assets were available for the following purposes at December 31, 2013:

Legacy	$2,160,776
Leadership development	208,296
Curriculum guide	25,035
Other	39,465
Total temporarily restricted net assets	$2,433,572

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, 2013:

Leadership development	$461,050
Legacy	223,471
Scholarships	62,000
Net assets released from restrictions	$746,521

Permanently restricted net assets at December 31, 2013 are donor-restricted for the following purposes:

Legacy fund	$5,089,928
Scholarship fund	1,323,849
Masaoka Fellows fund	175,625
Student aid fund	16,435
Ways and means fund	12,533
Plant	2,063
Total permanently restricted net assets	$6,620,433

6. Endowment

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

Interpretation of relevant law

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

6. Endowment (continued)

Interpretation of relevant law (continued)

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

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

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no deficiencies of this nature as of December 31, 2013.

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.

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, 2013 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$1,725,249	$6,620,433	$8,345,682
Board-designated endowment funds	1,275,847	-	-	1,275,847
Total funds	$1,275,847	$1,275,249	$6,620,433	$9,621,529

6. Endowment (continued)

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

Changes in endowment net assets for the fiscal year ended December 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$1,127,115	$1,121,945	$6,564,944	$8,814,004
Investment return				
Investment income	30,387	151,980	10,552	192,919
Net appreciation (realized and unrealized)	135,811	766,767	26,937	929,515
Total investment return	166,198	918,747	37,489	1,122,434
Board designation to national endowment	29,574	-	-	29,574
Contributions	-	-	18,000	18,000
Appropriation of endowment assets for expenditure	(47,040)	(315,443)	-	(362,483)
Endowment net assets, end of year	$1,275,847	$1,725,249	$6,620,433	$9,621,529

7. Defined Contribution Pension Plan

JACL participates in a defined contribution plan (the "Plan") under Section 403(b) of the Internal Revenue Code covering substantially all of its employees. The Plan provides for discretionary tax-deferred contributions to be made by both participants and JACL. JACL makes contributions to the Plan on behalf of employees based upon years of service up to a maximum of 10% of eligible compensation as defined by the Plan. For the year ended December 31, 2013, JACL's contributions to the Plan were $38,776.

8. Post-retirement Benefits

JACL provides lifetime health benefits to employees hired before November 5, 2005 who retire with at least 20 years of service and who are over age 60. Total active eligible participants at December 31, 2013 amounted to five people. JACL uses a December 31 measurement date for its defined post-retirement benefit obligations.

8. Post-retirement Benefits (continued)

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

Beginning of year	$738,556
Service cost	11,506
Interest cost	26,089
Assumption change	(61,119)
Experience gain	32,122
Benefits paid	(7,592)
Accumulated post-retirement benefit obligation	$505,630

The following sets forth the funded status of the plan as of December 31, 2013,

Plan assets at fair value	$ -
Projected benefit obligation	505,630
Funded status recognized in Statement of Financial Position	$(505,630)

The accumulated benefit obligation represents the actuarial present value of benefits attributable to service rendered to date. The accumulated post-retirement benefit obligation ("APBO") includes the following as of December 31, 2013:

Accumulated post-retirement benefit obligation	
Retired employees	$ -
Employees currently eligible to retire	290,956
Employees not yet eligible to retire	214,674
Accumulated post-retirement benefit obligation	$505,630

Included in amounts not recognized in net periodic benefit cost as of December 31, 2013 are the net gain of $52,531 and net transition obligation of $3,243. The plan did not have any net prior service costs as of December 31, 2013.

8. Post-retirement Benefits (continued)

The net periodic post-retirement benefit cost are recognized in JACL's financial statements. The components of the net periodic post-retirement benefit cost for the year ended December 31, 2013 is as follows:

Service cost - post-retirement benefits earned during the period	$11,506
Interest cost on accumulated post-retirement benefit obligation	26,089
Net amortization of transition obligation	32,122
Less: benefits paid	(7,592)
Net periodic post-retirement benefit cost	$62,125

For the year ended December 31, 2013, the discount rate assumed for the actuarial calculation of the APBO was 4.80% and the assumed health care trend rate in measuring the APBO was 5.7%. Changes in these rates could have a significant effect on the amounts reported.

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

2014	$ 21,631
2015	$ 28,629
2016	$ 14,902
2017	$ 16,054
2018	$ 17,238
2019 - 2023	$122,100

9. Commitments

JACL leases its facilities and office equipment under operating lease agreements, expiring at various times through September 2018, which currently require monthly payments ranging from approximately $1,200 to $8,000. 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, 2013, 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, 2013 was $133,506.

9. Commitments (continued)

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

2014	$165,972
2015	148,911
2016	97,288
2017	99,720
2018	16,722
Total	$528,613

10. Rental Income

JACL sublets a portion of space in its office headquarters to unrelated third party entities on a month-to-month basis. During 2013, JACL entered into a sublease agreement ending October 2017 with an unrelated third party entity for space in its Washington DC office. The Washington DC lease will require monthly payments ranging from $4,900 to $5,400. For the year ended December 31, 2013, total sublease income received was approximately $62,000.

11. Subsequent Events

JACL has evaluated subsequent events through June 20, 2014, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of JACL's financial statements.