



UNITED STATES-JAPAN FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2015 and 2014

INDEPENDENT AUDITORS' REPORT

Board of Trustees
United States-Japan Foundation
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the United States-Japan Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2015 and 2014, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Foundation's 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' judgments, 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 auditors consider 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 the United States-Japan Foundation as of December 31, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



New York, New York
November 10, 2016

UNITED STATES-JAPAN FOUNDATION

Statements of Financial Position

	December 31,	
	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 144,146	\$ 224,926
Investments	80,768,498	88,953,494
Due from broker		353,459
Accrued income receivable	8,692	12,881
Pledges receivable	37,922	74,088
Property and equipment, net	358,894	406,346
Prepaid federal excise taxes	532	1,087
Security deposits and other assets	<u>55,317</u>	<u>48,948</u>
	<u>\$ 81,374,001</u>	<u>\$ 90,075,229</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 64,273	\$ 69,419
Grants payable	315,779	194,490
Deferred excise taxes payable	<u>36,194</u>	<u>134,507</u>
	<u>416,246</u>	<u>398,416</u>
Commitments (see Note H)		
Net assets:		
Unrestricted	80,919,833	89,602,725
Temporary restricted	<u>37,922</u>	<u>74,088</u>
	<u>80,957,755</u>	<u>89,676,813</u>
	<u>\$ 81,374,001</u>	<u>\$ 90,075,229</u>

UNITED STATES-JAPAN FOUNDATION

Statements of Activities

	Year Ended December 31,					
	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue:						
Contributions	\$ 22,681		\$ 22,681	\$ 97,424		\$ 97,424
Investment income:						
Dividends	1,173,534		1,173,534	1,192,711		1,192,711
Interest	729,819		729,819	370,955		370,955
Net undistributed share of ordinary earnings from partnership investments	(181,071)		(181,071)	(128,031)		(128,031)
	1,722,282		1,722,282	1,435,635		1,435,635
Investment expenses	(1,075,305)		(1,075,305)	(1,059,012)		(1,059,012)
Federal tax expense	(75,490)		(75,490)	(76,432)		(76,432)
Net investment income	571,487		571,487	300,191		300,191
Total revenues before net assets released from restrictions	594,168		594,168	397,615		397,615
Net assets released from restrictions	36,166	\$ (36,166)	0	81,010	\$ (81,010)	0
Total revenue	630,334	(36,166)	594,168	478,625	(81,010)	397,615
Expenses:						
Grants	3,798,508		3,798,508	1,831,796		1,831,796
US-Japan Leadership Program	630,808		630,808	648,308		648,308
Other programs	1,565,829		1,565,829	1,535,442		1,535,442
Administrative	397,480		397,480	365,979		365,979
Total expenses	6,392,625		6,392,625	4,381,525		4,381,525
Excess of expenses over revenue before net realized and unrealized gains (losses) on investments	(5,762,291)	(36,166)	(5,798,457)	(3,902,900)	(81,010)	(3,983,910)
Realized gains on investments (net of foreign exchange losses of \$4,701 and \$14,279 in 2015 and 2014, respectively)	6,812,334		6,812,334	7,124,973		7,124,973
Net unrealized depreciation in fair value of investments (net of deferred excise tax losses of \$98,313 and \$18,698 in 2015 and 2014, respectively)	(9,732,935)		(9,732,935)	(1,851,087)		(1,851,087)
Change in net assets	(8,682,892)	(36,166)	(8,719,058)	1,370,986	(81,010)	1,289,976
Net assets, beginning of year	89,602,725	74,088	89,676,813	88,231,739	155,098	88,386,837
Net assets, end of year	\$ 80,919,833	\$ 37,922	\$ 80,957,755	\$ 89,602,725	\$ 74,088	\$ 89,676,813

See notes to financial statement.

UNITED STATES-JAPAN FOUNDATION

Statements of Cash Flows

	Year Ended December 31,	
	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (8,719,058)	\$ 1,289,976
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized losses (gains) on investments	3,014,213	(5,269,467)
Net undistributed share of ordinary earnings from partnership investments	181,071	128,031
Depreciation and amortization	47,452	46,819
Changes in:		
Due from broker	353,459	(240,569)
Accrued income receivable	4,189	1,206
Pledges receivable	36,166	81,010
Prepaid federal excise taxes	555	76,532
Security deposits and other assets	(6,369)	(1,749)
Grants payable	121,289	59,892
Accounts payable and accrued expenses	(5,146)	27,545
Deferred tax liability	<u>(98,313)</u>	<u>(18,698)</u>
Net cash used in operating activities	<u>(5,070,492)</u>	<u>(3,819,472)</u>
Cash flows from investing activities:		
Purchases of investments	(30,208,005)	(21,668,007)
Proceeds from sales of investments	35,197,717	24,987,903
Purchases of property and equipment	<u> </u>	<u>(15,577)</u>
Net cash provided by investing activities	<u>4,989,712</u>	<u>3,304,319</u>
Net decrease in cash and cash equivalents	(80,780)	(515,153)
Cash and cash equivalents, beginning of year	<u>224,926</u>	<u>740,079</u>
Cash and cash equivalents, end of year	<u>\$ 144,146</u>	<u>\$ 224,926</u>
Supplemental disclosure of cash flow information:		
Excise taxes paid	<u>\$ 75,000</u>	<u>\$</u>

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE A - THE FOUNDATION AND ITS SIGNIFICANT ACCOUNTING POLICIES

[1] The Foundation:

The United States-Japan Foundation (the "Foundation") is a private foundation incorporated in New York in 1980 for the purpose of promoting understanding and cooperation between the peoples and institutions of the United States and Japan.

[2] Tax status and income taxes:

The Foundation qualifies as a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, accordingly, is not subject to either federal or state income taxes, except on income from unrelated activities. The Foundation is, however, subject to a federal excise tax, not to exceed 2%, on net investment income, including realized gains, as defined in the Code. The Foundation was subject to a 1% excise tax of \$75,490 and \$76,432 in 2015 and 2014, respectively.

In addition, the Foundation must make certain minimum qualifying distributions, in the form of grants and expenses spent for charitable purposes, in an amount equal to 5% of the average fair value of its assets held during the year. The Code allows for an organization to distribute any under-distributed income over the subsequent year. The required minimum qualifying distributions for 2015 and 2014 were approximately \$4,255,000 and \$4,352,000, respectively. During 2015, the Foundation made qualifying distributions of approximately \$6,216,000 which included under-distributed income of approximately \$1,546,000 from 2014, resulting in a distribution carryover to future years of approximately \$415,000. During 2014 the Foundation made qualifying distributions of approximately \$4,254,000 which included under-distributed income of approximately \$1,448,000 from 2013, resulting in a required distribution of approximately \$1,546,000 to be made during 2015.

The Foundation is also subject to the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes, which sets forth a threshold for financial statement recognition, measurement, and disclosure of a tax position taken, or expected to be taken, on a tax return. Such guidance requires the Foundation to determine whether a tax position of the Foundation is more likely than not to be sustained upon examination by the applicable taxing authority based on the technical merits of the position. Since the Foundation has always recorded the potential tax liability for excise and unrelated business income taxes, and, due to its general not-for-profit status, ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Foundation's financial statements. As of December 31, 2015 and 2014, the Foundation had not recorded a liability for any unrecognized tax benefits.

[3] Basis of accounting:

The accompanying financial statements of the Foundation have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

[4] Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE A - THE FOUNDATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Cash and cash equivalents:

For financial reporting purposes, the Foundation considers highly liquid investments with maturities of three months or less when purchased to be cash equivalents, except for those held as part of the investment portfolio.

[6] Investments:

Investments in equity securities with readily determinable fair values are reported at their fair values in the accompanying statements of financial position, with realized and unrealized gains and losses included in the accompanying statements of activities. The Foundation's mutual funds, consisting of equity and fixed-income funds, are also reported at their fair values, as determined by management with the assistance of the related investment manager or advisor.

The Foundation has investments in certain not-readily-marketable securities which are ownership interests in limited partnerships and limited liability companies, which are considered to be "alternative" investments, for which readily determinable fair values do not exist. The fair value of these alternative investments have been estimated based on the respective net asset value per share ("NAV") of the investment, as reported by the investment company's fund managers.

Because of the complex management structures and natures of the underlying investments and the inherent uncertainty of the valuation of the limited partnership investments, the Foundation's management and its various investment managers monitor their positions to reduce the risk of potential losses due to changes in fair values or the failure of counterparties to perform on a routine basis. Management believes the carrying amount of the investments in non-publicly traded securities is a reasonable estimate of fair value. Estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed. The Foundation's investments in limited partnerships are valued based on the valuation policies and procedures of the general partner. The general partner performs oversight of the underlying positions, both on an investment level and from a risk perspective. The general partner is also responsible for ensuring that the investments are valued according to the policies and procedures adopted by the partnership. The Foundation places reliance upon those procedures, and it records those investments at fair value as determined by the general partner.

Certain of the Foundation's portfolio managers for alternative investments enter into various financial investments in the normal course of their operations, including derivatives held or issued for trading purposes. These investments are subject to market risk, which arises from changes in securities values and other market conditions. The Foundation believes that its various managers monitor their positions continuously to reduce risk of losses due to changes in market values or the failures of third parties to perform.

Investment transactions are recorded on a trade-date basis. The underlying cost basis of investments is the purchase price, except for the cost bases of limited partnerships and limited liability companies, which are adjusted for recognized income and losses, and capital additions and withdrawals. Realized gains or losses on investments are determined by comparison of the average cost of acquisition to proceeds at the time of disposition. The earnings from dividends and interest are recognized when earned.

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Notes to Financial Statements December 31, 2015 and 2014

NOTE A - THE FOUNDATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Investments: (continued)

Any investments denominated in foreign currencies are translated at the closing rates of exchange at the end of the reporting period. Transactions during the year, including purchases and sales and income and expenses, are translated at the rate of exchange prevailing on the dates of the transactions and are included in realized gains or losses in the accompanying statements of activities.

Investment expenses include the services of investment managers and custodians. The balances of investment management fees are those specific fees charged by the Foundation's various investment managers in each year; however, they do not include those fees that are embedded in various other investment accounts and transactions.

[7] Property and equipment:

Property and equipment are stated at their original costs at the date of acquisition, or, if contributed, at their fair values at the dates of donation. The Foundation capitalizes items of property and equipment that have a cost of \$2,000 or more and a useful life greater than one year. Depreciation is provided using the straight-line method over five to forty years, the estimated useful lives of the related assets. Likewise, leasehold improvements are amortized over the remaining lease term, or the useful lives of the improvements, whichever is shorter.

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of December 31, 2015 and 2014, respectively, and in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[8] Net assets:

The net assets of the Foundation are classified as follows:

(i) *Unrestricted:*

Unrestricted net assets represent those resources that are not subject to donor restrictions and are available for current operations.

(ii) *Temporary restricted:*

Temporarily restricted net assets represent those resources the use of which has been restricted by donors to specific purposes and/or the passage of time. 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 as unrestricted net assets and are reported in the accompanying statements of activities as "net assets released from restrictions." It is the Foundation's policy to record temporarily restricted contributions received and expended in the same accounting period in the unrestricted category.

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE A - THE FOUNDATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Revenue recognition:

Contributions to the Foundation are recognized as revenue upon the receipt of cash or other assets, or unconditional pledges. Contributions are recorded as either temporarily or permanently restricted if they are received with donor stipulations or time considerations as to their use. Conditional contributions are recorded when the conditions have been met. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

Grant revenue is recognized based on the terms of each individual grant, and is available for unrestricted use, unless the donor or grantor restricts the use thereof, either on a temporary or permanent basis.

[10] Grants:

Grants are recognized as obligations at the time of approval by the Board of Trustees. Grants approved by the Board, but unpaid as of year-end, are reported as liabilities in the accompanying statements of financial position. Grants are generally paid within the upcoming year.

[11] Functional allocation of expenses:

The costs of providing the Foundation's programs and activities have been summarized on a functional basis in the accompanying statements of activities. Program and administrative expenses represent costs associated with the grant-making and operational activities of the Foundation and have been allocated using appropriate measurement methodologies developed by management. The Foundation incurs no significant fund-raising expenses.

[12] Reclassification:

Certain information in the prior-year's financial statements has been reclassified to conform to the current year's presentation.

[13] Recent accounting pronouncements:

In May 2015, the FASB issued Accounting Standards Update ("ASU") 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. ASU 2015-07 removes the requirement to categorize within the fair-value hierarchy all investments for which fair value is measured using NAV as a practical expedient. The Foundation adopted ASU 2015-07 in 2015, with retrospective application to the prior year. Accordingly, investments for which fair value is measured using NAV as a practical expedient have not been categorized within the fair-value hierarchy for 2015 and 2014.

[14] Subsequent events:

The Foundation considers the accounting treatments, and the related disclosures in the current year's financial statements, that may be required as the result of all events or transactions that occur after the year-end through November 10, 2016, the date the financial statements were available to be issued.

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Notes to Financial Statements December 31, 2015 and 2014

NOTE B - INVESTMENTS

At each year-end, investments consisted of the following:

	December 31,			
	2015		2014	
	Fair Value	Cost	Fair Value	Cost
Money-market and other temporary investments	\$ 346,851	\$ 346,851	\$ 854,250	\$ 854,250
Equity securities - domestic	10,306,412	9,021,080	12,943,034	10,244,417
Equity securities - international	1,454,936	1,023,390	1,285,497	993,452
Mutual funds:				
Domestic equity	9,725,491	11,002,852	16,696,407	12,639,210
Foreign equity	12,754,815	11,073,604	18,295,031	15,352,798
Domestic fixed income	3,960,222	3,996,452	2,594,710	2,648,795
Alternative Investments:				
Opportunistic fixed income	13,334,532	14,479,519	9,263,580	9,390,724
Equity securities - domestic	2,823,583	3,227,151	3,180,766	3,057,978
Equity securities - international	5,281,635	5,298,530	3,038,891	3,157,967
Equity securities - natural resources	1,651,225	1,927,974		
Hedge funds	15,386,006	11,643,136	16,322,092	12,574,794
Private equity	3,742,790	4,108,528	4,479,236	4,588,430
Total investments	<u>\$ 80,768,498</u>	<u>\$ 77,149,067</u>	<u>\$ 88,953,494</u>	<u>\$ 75,502,815</u>

The FASB's ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for the same or identical investments, at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for similar investments, in active markets, or (ii) quoted prices for those investments, or similar investments, in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.
- Level 3: Valuations are based on pricing inputs that are unobservable and include situations where there is little, if any, market activity for the investments, or the investments cannot be independently valued.

The Foundation's investments are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. For 2015 and 2014, there were no transfers among the fair-value hierarchy levels.

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE B - INVESTMENTS (CONTINUED)

The following tables summarize the fair values of the Foundation's assets at each year-end, in accordance with the FASB's ASC Topic 820 valuation levels:

December 31, 2015					
Amounts within Fair-Value Hierarchy					
	Level 1	Level 2	Total	Valued at NAV	Total Investments
Money-market and other temporary investments	\$ 346,851		\$ 346,851		\$ 346,851
Equity securities	11,761,348		11,761,348		11,761,348
Mutual funds	26,440,528		26,440,528		26,440,528
Alternative Investments				\$ 42,219,771	42,219,771
Total investments	<u>\$ 38,548,727</u>		<u>\$ 38,548,727</u>	<u>\$ 42,219,771</u>	<u>\$ 80,768,498</u>

December 31, 2014					
Amounts within Fair-Value Hierarchy					
	Level 1	Level 2	Total	Valued at NAV	Total Investments
Money-market and other temporary investments	\$ 854,250		\$ 854,250		\$ 854,250
Equity securities	14,228,531		14,228,531		14,228,531
Mutual funds	19,887,848	\$ 17,698,300	37,586,148		37,586,148
Alternative Investments:				\$ 36,284,565	36,284,565
Total investments	<u>\$ 34,970,629</u>	<u>\$ 17,698,300</u>	<u>\$ 52,668,929</u>	<u>\$ 36,284,565</u>	<u>\$ 88,953,494</u>

The following table describes the funding commitment and redemption information for the Foundation's alternative investments:

December 31, 2015				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnerships and limited liability companies:	\$ 9,024,425	12,144,076	None	N/A
	9,473,283	None	Monthly	5-60 days
	17,757,390	None	Quarterly	35-90 days
	2,994,705	None	Semi-Annually	60 days
	<u>2,969,968</u>	None	Annually	90 days
	<u>\$ 42,219,771</u>			

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE C - RECEIVABLES

[1] Pledges receivable:

The pledges receivable of \$37,922 and \$74,088 for 2015 and 2014, respectively, represent amounts promised to the Foundation's capital campaign for its US-Japan Leadership Program, but which had not yet been collected as of that date. Such pledges are classified as temporarily restricted. Receivables are estimated to be collected within one year. Management expects to fully collect the balance of pledges receivable, and, accordingly, has not established an allowance for doubtful accounts.

[2] Other receivables:

Other receivables consisted of amounts due from brokers relating to held funds on liquidation of investments and accrued investment income. Amounts due from broker were \$353,459 for 2014. Accrued investment income was \$8,692 and \$12,881 for 2015 and 2014, respectively. All amounts are due within one year. Based on management's past experience, all receivables are expected to be fully collected, and accordingly, no allowance for doubtful accounts has been established.

NOTE D - PROPERTY AND EQUIPMENT

At each year-end, property and equipment consisted of the following:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Cooperative apartment	\$ 790,725	\$ 790,725
Cooperative apartment improvements	241,370	241,370
Leasehold improvements	245,635	245,635
Equipment	164,621	164,621
Furniture and fixtures	<u>241,490</u>	<u>241,490</u>
	1,683,841	1,683,841
Less accumulated depreciation and amortization	<u>(1,324,947)</u>	<u>(1,277,495)</u>
	<u>\$ 358,894</u>	<u>\$ 406,346</u>

Depreciation and amortization expense was \$47,452 and \$46,819 for 2015 and 2014, respectively. The maintenance and utility charges on the cooperative apartment were \$64,929 and \$57,130 for 2015 and 2014, respectively.

NOTE E - DEFERRED FEDERAL EXCISE TAXES

For 2015 and 2014, the Foundation provided for deferred excise taxes on the total unrealized appreciation in fair value over the original cost of its investments. Deferred excise taxes payable at December 31, 2015 and 2014 were \$36,194 and \$134,507, respectively.

NOTE F - US-JAPAN LEADERSHIP PROGRAM

The Foundation manages the US-Japan Leadership Program (the "Program"), which develops a network of communication, friendship and understanding among the next generation of leaders in each country. The Program brings selected young leaders together through annual conferences, a dedicated website, a semiannual newsletter and frequent reunions. The Program had total costs of \$630,808 and \$648,308 for 2015 and 2014, respectively.

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE G - RETIREMENT PLAN

The Foundation's New York office has a defined-contribution retirement plan, established under Section 403(b) of the Code. Under the terms of the plan, after one year of service, the Foundation may provide a discretionary contribution of 17% of an employee's annual salary. The Foundation's Tokyo office has a National Pension Plan and Nomura Security Pension Plan. The Foundation's total contributions to the plans were \$171,797 and \$151,462 for 2015 and 2014, respectively.

NOTE H - COMMITMENTS

[1] Leases:

The Foundation leases office space in New York City and Tokyo, Japan. The leases are effective through February 28, 2027 and are subject to escalation clauses based on increases in the cost of living and real estate taxes.

At December 31, 2015, future minimum lease payments under noncancellable leases (with expirations through 2017) are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 251,961
2017	257,887
2018	263,889
2019	266,755
Thereafter	<u>1,857,097</u>
	<u>\$ 2,897,589</u>

Rent expense was \$243,640 and \$237,872 in 2015 and 2014, respectively.

[2] Other contracts:

In the normal course of business, the Foundation enters into various contracts for professional and other services, which are typically renewable on a year-to-year basis.

NOTE I - CONCENTRATION OF CREDIT RISK

The Foundation's balances in money-market funds and temporary investments frequently exceed federally insured limits. The Foundation places its investments with large, high-quality financial institutions and diversifies its investments in hedge funds, mutual funds, and the equity securities of financially strong corporations. Management believes the Foundation is not exposed to the risk of any significant loss due to the failure of any of the financial institutions.

NOTE J - RESTRICTED NET ASSETS

Temporarily restricted net assets relate to the Foundation's US-Japan Leadership Program. During 2015 and 2014, \$36,166 and \$81,010, respectively, of such restrictions were satisfied.

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2015 and 2014

NOTE K - GRANT ACTIVITY

The Foundation's grant activity for 2015 was as follows:

Recipient Name and Purpose	Unpaid January 1, 2015	Net Grants Authorized 2015	Paid	Unpaid December 31, 2015
Precollege Education				
AmerAsian School in Okinawa (Ginowan, Japan) To support the salary for an Information Communication Technology Education teacher and to provide college scholarships for AmerAsian students.		\$ 33,091	\$ 33,091	
Concordia Language Villages of Concordia College (Moorhead, MN) To support a Japanese language scholarship program for middle and high school students in a 12-state region that aims to improve Japanese language study throughout the Midwest.		28,578	28,578	
Council for Educational Advancement (St. Louis, MO) To support a teacher professional development program titled, "Okinawa's Challenge: Remembering the Past – Shaping the Future" that will present American teachers and their students with an unusual opportunity to study a unique part of Japan with a long history unknown to most Americans.		94,706	94,706	
Creative Connections (Norwalk, CT) To support an arts-based cultural education project for students in Japan and the United States.		34,000	34,000	
Del Norte Unified School district (Crescent City, CA) To support the continued development of a sister school relationship between Del Norte High School and Takata High School.		30,200	30,200	
Five Colleges (Amherst, MA) To support a nation-wide teacher professional development project titled, Extending the Message of Peace Education from Japan to the United States.		50,000	50,000	
Five Colleges (Five College Center for Asian Studies (Amherst, MA) To support a teacher professional development program for 10 US educators who will travel to Nagasaki, Hiroshima and Kyoto, Japan and produce lesson plans based on their experience.		62,909	62,909	
Foundation for International School of Asia, Karuizawa (Nagano, Japan) To nurture the next generation leaders by supporting scholarships for US students to attend ISAK summer and high school.		37,423	37,423	
Friends of the Japanese House and Garden (Philadelphia, PA) To support education programs associated with the archaeological excavation of the first Japanese garden in North America and to provide free educational outreach and field trips to the Title 1 public and charter schools in the area.		30,000	30,000	
Global Fund for Educational Assistance (Beyond Tomorrow) (Tokyo, Japan) To support the Jiro Murase Scholarship Program for Beyond Tomorrow US Summer Program 2016.	\$ 49,583	(5,468)	44,115	
Global Kids (New York, NY) To support a GK Youth Ambassadors Program to engage a cohort of American students in an intensive study of US-Japan relations, including a trip to Japan that will include engaging in community service projects with Japanese youth.		75,000	75,000	
Grace Church School (New York, NY) To support the Grace Church School - Yukahashi Exchange Program.		<u>25,000</u>	<u>25,000</u>	
(carried forward)	<u>49,583</u>	<u>495,439</u>	<u>545,022</u>	

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Notes to Financial Statements December 31, 2015 and 2014

NOTE K - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2015	Net Grants Authorized 2015	Paid	Unpaid December 31, 2015
(brought forward)	\$ 49,583	\$ 495,439	\$ 545,022	
Precollege Education (continued)				
Hiroshima University (Higashi-Hiroshima, Japan) To support research on the impact of Mihara Junior High School's "Peace Project" on Japanese students and American teachers as well as to implement long-term school partnerships.		10,759		\$ 10,759
HLAB (Shinjuku-ku, Japan) To support an innovative two-week long summer school program in Tokyo for American and Japanese students.		82,727	82,727	
Japan Society (New York, NY) To support the Japan Society of New York's pre-college education programs including their educator's study tour to Japan, their professional development program for teachers, and their junior fellows leadership program.		100,000	100,000	
Japan-America Society of the State of Washington (Mercer Island, WA) To support America in the Schools, a new initiative that will develop the curriculum, tools and infrastructure to introduce American culture into Japanese elementary schools in a grassroots way.		114,730	114,730	
Japan-America Society of Washington, DC (Washington, DC) To support a national Japanese language and culture competition for high school students.		64,240	64,240	
Kizuna Across Cultures (Washington, DC) To support the Global Classmates program for high school students in the US and Japan, which builds friendships, enhances language skills, and deepens cultural knowledge through dynamic online interaction.		71,038	71,038	
Lenawee Intermediate School District (Adrian, MI) To support scholarships for middle school students from Lenawee School District (Michigan) to participate in an exchange program in Japan.		10,000	10,000	
Lincoln Memorial University (Harrogate, TN) To support the LMU-Kanto Program, an innovative study-abroad program that brings Japanese high school students to Lincoln Memorial University for six weeks in the Spring.		9,000	9,000	
Mercy College (Dobbs Ferry, NY) To support a Japan-focused professional development program for in-service and pre-service middle school teachers in four school districts in Westchester County, New York.		80,003	80,003	
Michigan State University (East Lansing, MI) To support a bi-national, US and Japan, environmental education project focused on water quality issues for high school students and teachers in the State of Michigan and the Prefecture of Shiga, Japan.		102,407		102,407
Michigan State University (East Lansing, MI) To support a bi-national, US and Japan, environmental education project focused on water quality issues for high school students and teachers in the State of Michigan and the Prefecture of Shiga, Japan.		110,461		110,461
Midori Foundation (Midori & Friends) (New York, NY) To support Midori and Friends' music education programs in underprivileged elementary schools in the New York City area, including their Journey to Japan program.		50,000	50,000	
(carried forward)	151,990	1,198,397	1,229,167	121,220

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Notes to Financial Statements December 31, 2015 and 2014

NOTE K - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2015	Net Grants Authorized 2015	Paid	Unpaid December 31, 2015
(brought forward)	\$ 151,990	\$1,198,397	\$ 1,229,167	\$ 121,220
Precollege Education (continued)				
Mississippi State University Foundation (Mississippi State, MS) To support a professional development program on Japan for 28 secondary school teachers from the Golden Triangle area of Clay, Lowndes, and Okitbbeh Counties.		34,000		34,000
North Salinas High School (Salinas, CA) To support the development of Japanese language learning apps for the high school classroom and as part of the 2015 Elgin Heinz Outstanding Teacher Award.		5,000	5,000	
NPO Katariba (Tokyo, Japan) To support a research trip to the US focused on Project-Based Learning for Japanese high school students and mentors.		45,102	45,102	
Onojo International Exchange Association (Onojo, Japan) To support a career and cultural study program in Vermont for high school students from Onojo City, Japan.		12,124	12,124	
President and Fellows of Middlebury (Monterey, CA) To support an education program designed to promote awareness of nonproliferation and international peace and security issues and the development of critical thinking skills among high school students in the US and Japan.		79,640	79,640	
Primary Source (Watertown, MA) To support a multi-faceted project that will equip approximately 200 K-8 teachers to teach their thousands of students accurately and engagingly about the relationships between Japanese people and their landscape and environment.		96,986	96,986	
Seafair Foundation Ambassador Program (Seattle, WA) To support the Seafair Ambassador program that engages local high school students in a trip to Kobe, Japan to strengthen the Seattle-Kobe Sister City relationship.		20,000	20,000	
Sumter County Schools (Americus, GA) To support an educational partnership and exchange between schools in Sumter County, Georgia, and Miyoshi, Japan, that was originally started by former President Jimmy Carter.		34,150		34,150
The Board of Trustees of the Leland Stanford Junior University (Palo Alto, CA) To support the second year of a distance-learning course sponsored by the Stanford Program on International and Cross-Cultural Education (SPICE) that will annually enroll exceptional high school students from Japan to engage in an intensive study of US society and culture.		102,971		102,971
The Board of Trustees of the Leland Stanford Junior University (Palo Alto, CA) To support an initiative to encourage teachers to utilize the National Clearinghouse for US-Japan Studies as a way to help their students better understand the host country of the 2020 Olympics.		42,142	42,142	
The Head Royce School (Oakland, CA) To support student exchange to Japan as part of the 2015 Elgin Heinz Award.		5,000	5,000	
(carried forward)	151,990	1,675,512	1,535,161	292,341

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**Notes to Financial Statements
December 31, 2015 and 2014**

NOTE K - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2015	Net Grants Authorized 2015	Paid	Unpaid December 31, 2015
(brought forward)	\$ 151,990	\$1,675,512	\$ 1,535,161	\$ 292,341
Precollege Education (continued)				
Thomas Dooley Elementary School (Schaumburg, IL) To support the integration of technology into Japanese Dual Language program at Thomas Dooley Elementary School as part of the 2015 Elgin Heinz Outstanding Teacher award.		5,000	5,000	
Tomodachi Daiko (Anchorage, AK) To support a Taiko Matsuri in Anchorage, Alaska that will enable students in the Anchorage Public Schools Japanese language immersion program and members of the local community to deepen their ties with Japan.		10,000	10,000	
University of Colorado Foundation (Denver, CO) To support an integrated program of professional development opportunities and resources for secondary social studies classrooms designed to raise the prominence of Japan in the secondary studies curriculum.		106,677	106,677	
Us-Japan Technical Connections (South Royalton, VT) To support a technical education program in Fukuoka, Japan for high school students from Vermont.		32,000	32,000	
Wayne State University (Detroit, MI) To support a one-year precollege teacher educational program in 2015 commemorating the 70th anniversary of the end of the Pacific War and the establishment of a close allied relationship between the US and Japan that will be directed by the Center for Peace and Conflict Studies.		108,269	108,269	
Yujin Gakuen Japanese Immersion Elementary School (Eugene, OR) To support the expansion of Yujin Gakuen's cultural instruction and performances.		4,934	4,934	
Subtotal for Precollege Education	<u>151,990</u>	<u>1,942,392</u>	<u>1,802,041</u>	<u>292,341</u>
US-Japan Policy				
Center for Cultural and Technical Interchange Between East and West (Honolulu, HI) To support a study group comprising a majority of members from military base hosting communities of Okinawa, Guam and Oahu to assess how the three are inter-connected in terms of the challenges faced by the military base hosting communities, identify possible pathways to maintain military effectiveness while reducing the burdens on local populations and appreciate the changing strategic environment that is shaping adjustments of military base hosting.		93,225	93,225	
Center for Strategic and International Studies (Pacific Forum) (Honolulu, HI) To support a project titled "Peace Rising" that aims to bring young foreign policy experts and scholars from Japan, Korea and the US together at a trilateral forum to build networks, analyze key issues that influence the capacity for trilateral security cooperation, and articulate creative and sustainable policy solutions.		<u>69,854</u>	<u>69,854</u>	
(carried forward)		163,079	163,079	

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Notes to Financial Statements December 31, 2015 and 2014

NOTE K - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2015	Net Grants Authorized 2015	Paid	Unpaid December 31, 2015
(brought forward)		\$ 163,079	\$ 163,079	
US-Japan Policy (continued)				
International University of Japan (Niigata, Japan) To support a joint project of six scholars to explore the concept of human security and ways in which the US and Japan can work together to develop human security in Southeast Asia.		24,970	24,970	
National Committee on American Foreign Policy (New York, NY) To support Track II meetings that will consider ways to enhance trilateral and quadrilateral security cooperation in Northeast Asia.		89,980	89,980	
Rebuild Japan Initiative Foundation (Minato-ku, Japan) To support a project analyzing the underlying causes of Japan's so called "Lost Decades" and to demonstrate how this Japanese experience has a broader global relevance.		41,312	41,312	
Subtotal for US-Japan Policy		<u>319,341</u>	<u>319,341</u>	
Communications/Public Opinion				
Center for Independent Documentary (Sharon, MA) To support the creation of a documentary film on the history and role of baseball in U.S.-Japan relations titled "Diamond Diplomacy."		53,100	53,100	
Chicago Council on Global Affairs (Chicago, IL) To support an in-depth examination of US perceptions of Japan and the US-Japan alliance as part of the Council's 2015 Chicago Council survey.		50,000	50,000	
Coastal Enterprises (Portland, ME) To support a technological transfer exchange trip with the scallop aquaculture industry in Aomori, Japan to advance the development of Maine's scallop aquaculture industry.		54,793	54,793	
Council on Foreign Relations (New York, NY) To support the second year of a project that will look carefully at Japan's nationalist politics to examine their impact on the US-Japan alliance, and will engage leading experts from the US and Japan in a conversation about how to manage these reactive nationalisms in Northeast Asia.		96,272	96,272	
Eileen Fisher Community Foundation (Irvington, NY) To support the creation of a leadership program for young women in Japan directed by the Eileen Fisher Leadership Institute.		48,500	48,500	
International Center for Journalists (Washington, DC) To support a media fellowship that will prepare and send three selected US journalists on 19-day reporting tours to Japan.		78,571	78,571	
J-Win (Japan Women's Innovative Network) (Tokyo, Japan) To support a study tour of the US for Diversity and Inclusion and HR professionals from Japan.		23,438		\$ 23,438
Japan Center for International Exchange (New York, NY) To support an intensive program for US journalists that will bring them to Japan to expose them to the dynamics of Japan's politics and its economic and foreign policymaking.		<u>99,876</u>	<u>99,876</u>	
(carried forward)		504,550	481,292	23,438

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Notes to Financial Statements December 31, 2015 and 2014

NOTE K - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2015	Net Grants Authorized 2015	Paid	Unpaid December 31, 2015
(brought forward)		\$ 504,550	\$ 481,112	\$ 23,438
Communications/Public Opinion (continued)				
Japan NPO Center (Tokyo, Japan) To examine creative approaches and technologies that can effectively enable individuals to participate more fully in civil society activities in US and Japan.		63,451	63,451	
Japan Society of Boston (Boston, MA) To support a documentary film titled, "The Paper Lantern Project," that documents the story of a group of American military prisoners-of-war killed in Hiroshima following the Atomic blast of August 6, 1945, and also relates the dedicated efforts of one Japanese resident of Hiroshima, himself a victim of the bomb, to honor the memory of American POWs.		40,000	40,000	
Japanese Medical Society of America (New York, NY) To support travel to Tohoku for a group of 9/11 survivors, Rotarians, and trauma experts to share post-disaster recovery experiences with victims in Japan, to foster self-motivation in communities toward recovery, and to encourage sustainable long-term community support in Tohoku.		50,000	50,000	
Light Industry Cinema Projects (Brooklyn, NY) To support a documentary film production grant for a film investigating the pivotal role Japanese artists of the Edo era played in setting the stage for the "modern art" movement in the West.		50,000	50,000	
National Association of Japan-America Societies (Washington, DC) To support a series of presentations at Japan-America Societies by curators and collectors of Japanese art, under the title "Art in the Japan-US Relationship Curators' Perspective."		39,985	39,985	
New York Women in Film and Television (New York, NY) To support a documentary film about 83-year-old atomic bomb survivor Setsuko Thurlow.		50,000	50,000	
Portland State University (Portland, OR) To support public lecture and performing arts programs focused on Japan at Portland State University's Center for Japanese Studies.		64,785	64,785	
Public Radio International (Minneapolis, MN) To support four compelling audio stories and associated digital media products that will examine how memories of Hiroshima are passed on through the generations and across continents and that will be broadcast to over three million Americans.		40,590	40,590	
Saint Paul-Nagasaki Sister City Committee (Edina, MN) To support the showing of the film <i>Pictures from a Hiroshima Schoolyard</i> as part of the 60th anniversary of this sister city relationship, the oldest with Japan.	\$ 10,000		10,000	
Shelburne Art Center (Shelburne, VT) To support the production of a book on traditional Japanese boat building by Mr. Douglas Brooks, an American who has apprenticed with four master boat builders in Japan.		32,500	32,500	
Showa Women's University (Tokyo, Japan) To support a symposium in Tokyo that will focus on improving opportunities for women in politics, government and business from a scholarly and practical perspective.		68,694	68,694	
(carried forward)	42,500	972,055	991,117	23,438

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Notes to Financial Statements December 31, 2015 and 2014

NOTE K - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2015	Net Grants Authorized 2015	Paid	Unpaid December 31, 2015
(brought forward)	\$ 42,500	\$ 972,055	\$ 991,117	\$ 23,438
Communications/Public Opinion (continued)				
Simmons College (Boston, MA) To support 10th anniversary events in Tokyo and Boston for the Japanese Women's Leadership Initiative in an effort to highlight the impact of this program, strengthen the programs network, and discern strategic directions for the next ten years.		175,216	175,216	
The American Defenders of Bataan and Corregidor Memorial Society (Jamaica Plain, MA) To support the filming of former POWs from the United States who will travel to Japan in Fall 2015, part of the Japanese Government's Japan/POW Friendship Program.		49,180	49,180	
The Board of Trustees of the Leland Stanford Junior University (Palo Alto, CA) To support a research and policy dialogue on womenomics and women in the Japanese labor force and in society.		126,770	126,770	
U.S. Japan Council (Washington, DC) To support the creation of a platform to assist Japanese small-and medium-sized enterprises seeking success in the US market through support and innovation of Silicon Valley funds, partners, resources and collaboration.		74,800	74,800	
Visual Communications Media (Los Angeles, CA) To support a feature-length documentary that follows three survivors of the 3.11 tsunami in Rikuzentakata as they rebuild their lives and their town.		27,957	27,957	
Vital Voices Global Partnership (Washington, DC) To support a planning grant for development of the Vital Voices GROW Fellowship Program in Japan.		50,417	50,417	
WIT (world in Tohoku) (Cambridge, MA) To support a program in Tohoku region of Japan that fosters collaboration between local social entrepreneurs and business/non-profit leaders from US and Japan to solve social issues.		39,155	39,155	
Women's Eye (Tome-shi, Japan) To support the International Grassroots Women's Academy in Tohoku.		9,966	9,966	
Subtotal Communications/Public Opinion	\$ 42,500	\$ 1,525,516	\$ 1,544,578	\$ 23,438
Subtotal	194,490	3,787,249	3,665,960	315,779
Currency exchange gains		11,259	11,259	
Total	\$ 194,490	\$ 3,798,508	\$ 3,677,219	\$ 315,779

- (a) Unexpended funds returned in the current year are netted against payments.
(b) Grants authorized reflect a reduction of net currency gains of \$11,259 for 2015.