

**EISNERAMPER**

**UNITED STATES-JAPAN FOUNDATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017 and 2016**



## INDEPENDENT AUDITORS' REPORT

The 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, 2017 and 2016, 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.

### *Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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 organization'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 organization'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, 2017 and 2016 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.



EISNERAMPER LLP  
New York, New York  
November 12, 2018



# UNITED STATES-JAPAN FOUNDATION

## Statements of Financial Position

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 156,162	\$ 121,276
Investments	83,040,284	77,740,543
Due from broker	269,519	795,689
Accrued income receivable	3,145	4,731
Prepaid federal excise taxes	88,188	46,005
Security deposits and other assets	67,551	56,918
Property and equipment, net	<u>315,092</u>	<u>356,612</u>
	<u>\$ 83,939,941</u>	<u>\$ 79,121,774</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 109,734	\$ 63,307
Grants payable	119,047	346,380
Deferred excise taxes payable	<u>146,015</u>	<u>59,724</u>
	<u>374,796</u>	<u>469,411</u>
Commitments (see Note G)		
Unrestricted net assets	<u>83,565,145</u>	<u>78,652,363</u>
	<u>\$ 83,939,941</u>	<u>\$ 79,121,774</u>

# UNITED STATES-JAPAN FOUNDATION

## Statements of Activities

	Year Ended December 31,			
	2017	2016		
	Total Unrestricted	Unrestricted	Temporarily Restricted	Total
<b>Revenue:</b>				
Contributions	\$ 35,435	\$ 28,511		\$ 28,511
Investment income:				
Dividends	1,365,018	1,137,047		1,137,047
Interest	190,788	446,274		446,274
Net undistributed share of ordinary earnings from partnership investments	(63,924)	(138,365)		(138,365)
	1,491,882	1,444,956		1,444,956
Investment expenses	(951,954)	(1,017,224)		(1,017,224)
Federal tax expense	(7,817)	(3,802)		(3,802)
Net investment income	532,111	423,930		423,930
Total revenues before net assets released from restrictions	567,546	452,441		452,441
Net assets released from restrictions	0	37,922	\$ (37,922)	0
Total revenue	567,546	490,363	(37,922)	452,441
<b>Expenses:</b>				
Grants	1,564,074	2,079,519		2,079,519
US-Japan Leadership Program	705,366	736,571		736,571
Other programs	1,790,326	1,788,405		1,788,405
Administrative	333,912	262,807		262,807
Total expenses	4,393,678	4,867,302		4,867,302
Excess of expenses over revenue before net realized and unrealized gains (losses) on investments	(3,826,132)	(4,376,939)	(37,922)	(4,414,861)
Realized gains (losses) on investments (net of foreign exchange (losses) gains of (\$14,127) and \$1,482 in 2017 and 2016, respectively)	196,096	(219,946)		(219,946)
Net unrealized change in fair value of investments (net of increase in deferred excise tax of \$86,291 and \$23,530 in 2017 and 2016, respectively)	8,542,818	2,329,415		2,329,415
<b>Change in net assets</b>	4,912,782	(2,267,470)	(37,922)	(2,305,392)
Net assets, beginning of year	78,652,363	80,919,833	37,922	80,957,755
<b>Net assets, end of year</b>	\$ 83,565,145	\$ 78,652,363	\$ 0	\$ 78,652,363

See notes to financial statements.

# UNITED STATES-JAPAN FOUNDATION

## Statements of Cash Flows

	Year Ended December 31,	
	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 4,912,782	\$ (2,305,392)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized gains on investments	(8,839,332)	(2,131,517)
Net undistributed share of ordinary losses from partnership investments		138,365
Depreciation and amortization	48,834	48,861
Changes in:		
Due from broker	526,170	(795,689)
Accrued income receivable	1,586	3,961
Pledges receivable		37,922
Prepaid federal excise taxes	(42,183)	(45,473)
Security deposits and other assets	(10,633)	(1,601)
Grants payable	(227,333)	30,601
Accounts payable and accrued expenses	46,427	(966)
Deferred excise taxes payable	<u>86,291</u>	<u>23,530</u>
Net cash used in operating activities	<u>(3,497,391)</u>	<u>(4,997,398)</u>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(17,959,749)	(18,446,538)
Proceeds from sales of investments	21,499,340	23,467,645
Purchases of property and equipment	<u>(7,314)</u>	<u>(46,579)</u>
Net cash provided by investing activities	<u>3,532,277</u>	<u>4,974,528</u>
<b>Net change in cash and cash equivalents</b>	<b>34,886</b>	<b>(22,870)</b>
Cash and cash equivalents, beginning of year	<u>121,276</u>	<u>144,146</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 156,162</u></b>	<b><u>\$ 121,276</u></b>
<b>Supplemental disclosure of cash flow information:</b>		
Excise taxes paid	<u>\$ 50,000</u>	<u>\$ 50,000</u>

See notes to financial statements.

# UNITED STATES-JAPAN FOUNDATION

## Notes to Financial Statements December 31, 2017 and 2016

### 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 \$8,844 and \$3,802 in 2017 and 2016, 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 2017 and 2016 were approximately \$3,995,000 and \$3,843,000, respectively. During 2017, the Foundation made qualifying distributions of approximately \$4,578,000, resulting in a distribution carryover to future years of approximately \$2,007,000. During 2016, the Foundation made qualifying distributions of approximately \$4,840,000, resulting in a distribution carryover to future years of approximately \$1,416,000.

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, 2017 and 2016, 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 ("U.S. GAAP"), as applicable to not-for-profit organizations.

#### [4] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP 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.

#### [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 amounts held as part of the investment portfolio.

# UNITED STATES-JAPAN FOUNDATION

## Notes to Financial Statements December 31, 2017 and 2016

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

#### [6] Investments:

The Foundation's investments in equity securities and mutual funds are reported at their fair values in the statements of financial position based on quoted market prices.

The Foundation also has investments 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 the alternative investments has been estimated based on the respective net asset value ("NAV") per share (or its equivalent unit) of each investment, as reported by the particular investment manager. Because of the complex management structures and nature of the underlying investments and the inherent uncertainty of the valuation of the alternative 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 their fair value. However, such estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed.

Certain of the Foundation's portfolio managers for alternative investments enter into derivative contracts held or issued for trading purposes. These investments are subject to various market risks, which arise from changes in securities values and other market conditions. As part of their overall trading strategies, the investment managers may engage in the purchases and sales of index and equity options, for the purpose of generating profit and/or reducing market risk. 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 Foundation's investments, in general, are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, 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 financial statements.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the accompanying statements of activities as increases or decreases in unrestricted net assets unless their use is restricted on a temporary or permanent basis through donor stipulation. Realized gains and losses on investments are determined by comparison of the average cost of acquisition to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the beginning of each year. The earnings from dividends and interest are recognized when earned.

Any cash accounts and investments dominated in foreign currencies are translated at the closing rates of exchange at the end of the reporting period. Foreign transactions occurring during the year, including purchases and sales and income and expenses, are translated at the time of exchange prevailing on the dates of the transactions and are included in realized gains and losses in the statements of activities. The currency translation related to grant payments is reflected in Note J.

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

# UNITED STATES-JAPAN FOUNDATION

## Notes to Financial Statements December 31, 2017 and 2016

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

#### [7] Due from broker:

From time-to-time, investment transactions may be initiated prior to year-end, but may not be settled until the beginning of the following year. Accordingly, amounts to be received by the Foundation are reported as "due from investment managers" in the accompanying statements of financial position.

#### [8] 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, whereas minor costs of repair and maintenance are expensed as incurred. Depreciation is calculated using the straight-line method over the assets' estimated useful lives. Leasehold improvements are amortized over the term of the lease; equipment is depreciated over five to seven years; and furniture and fixtures are depreciated over five to fifteen years.

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, 2017 and 2016, respectively, and in the opinion of management, there were no impairments. However, 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.

#### [9] 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 report temporarily restricted contributions, the requirements of which are satisfied in the same year of donation in the unrestricted category.

#### [10] 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.



# UNITED STATES-JAPAN FOUNDATION

## Notes to Financial Statements December 31, 2017 and 2016

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

#### [11] 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 expected to be paid within the upcoming year.

#### [12] 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.

#### [13] Recent accounting pronouncement:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 will amend financial-statement presentations and disclosures, with the goal of assisting not-for-profit organizations in providing more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU No. 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, (iv) liquidity and availability of resources, and (v) the presentation of operating cash flows. The new standard is effective for annual reporting periods beginning after December 15, 2017. The Foundation will adopt this pronouncement in 2018.

#### [14] Subsequent events:

The Foundation evaluated subsequent events through November 12, 2018, the date on which the financial statements were available to be issued.

# UNITED STATES-JAPAN FOUNDATION

## Notes to Financial Statements December 31, 2017 and 2016

### NOTE B - INVESTMENTS

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

	December 31,			
	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Money-market and other temporary investments	\$ 1,821,768	\$ 1,821,768	\$ 4,209,109	\$ 4,209,109
Equity securities - domestic	5,386,124	4,161,314	8,526,416	7,352,396
Equity securities - international	1,072,553	661,222	1,266,353	921,135
Mutual funds:				
Domestic equity	24,491,507	19,053,809	14,916,266	12,358,874
Foreign equity	11,287,868	9,139,662	12,415,469	14,151,214
Domestic fixed income	13,895,701	13,988,587	6,546,807	6,649,203
Alternative investments:				
Opportunistic fixed income	5,306,171	4,500,000	8,003,240	7,519,351
Equity securities - international	3,000,379	2,575,600	2,636,514	2,522,963
Equity securities - natural resources			2,487,464	1,971,270
Hedge funds	8,939,719	5,922,123	12,101,990	9,475,757
Private equity	7,838,494	6,614,714	4,630,915	4,636,895
	<u>\$ 83,040,284</u>	<u>\$ 68,438,799</u>	<u>\$ 77,740,543</u>	<u>\$ 71,768,167</u>

The FASB's ASC Topic 820, *Fair Value Measurements*, 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 identical assets and liabilities at the reporting date.
- Level 2 - Valuations are based on: (i) quoted prices for those investments, or 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.

Certain of the Foundation's investments are valued using NAV per share or its equivalent as a practical expedient of fair value. This applies to investments which (i) do not have a readily determinable fair value and (ii) whose financial statements were prepared by the respective investment manager consistent with the measurement principles of an investment company or have the attributes of an investment company. Investments that are valued using NAV are not required to be categorized within the fair value hierarchy. Accordingly, these investments and certain related tables have been properly excluded from the accompanying financial statements.

## UNITED STATES-JAPAN FOUNDATION

### Notes to Financial Statements December 31, 2017 and 2016

#### NOTE B - INVESTMENTS (CONTINUED)

The available 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 2017 and 2016, there were no transfers among the fair-value hierarchy levels.

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, 2017			
	Amounts within Fair-Value Hierarchy		Valued at NAV	Total Investments
	Level 1	Total		
Money-market and other temporary investments	\$ 1,821,768	\$ 1,821,768		\$ 1,821,768
Equity securities	6,458,677	6,458,677		6,458,677
Mutual funds	49,675,076	49,675,076		49,675,076
Alternative investments			<u>\$ 25,084,763</u>	<u>25,084,763</u>
	<u>\$ 57,955,521</u>	<u>\$ 57,955,521</u>	<u>\$ 25,084,763</u>	<u>\$ 83,040,284</u>

	December 31, 2016			
	Amounts within Fair-Value Hierarchy		Valued at NAV	Total Investments
	Level 1	Total		
Money-market and other temporary investments	\$ 4,209,109	\$ 4,209,109		\$ 4,209,109
Equity securities	9,792,769	9,792,769		9,792,769
Mutual funds	33,878,542	33,878,542		33,878,542
Alternative investments			<u>\$ 29,860,123</u>	<u>29,860,123</u>
	<u>\$ 47,880,420</u>	<u>\$ 47,880,420</u>	<u>\$ 29,860,123</u>	<u>\$ 77,740,543</u>

## UNITED STATES-JAPAN FOUNDATION

### Notes to Financial Statements December 31, 2017 and 2016

#### NOTE B - INVESTMENTS (CONTINUED)

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

	December 31, 2017			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Opportunistic fixed income	\$ <u>5,306,171</u>	None	Quarterly	60 days
Equity securities - international	\$ <u>3,000,379</u>	None	None	N/A
Hedge funds:				
	\$ 2,932,925	None	Quarterly	45 days
	2,765,999	None	Quarterly	65 days
	<u>3,240,795</u>	None	Annually	90 days
	<u>\$ 8,939,719</u>			
Private equity	\$ <u>7,838,494</u>	\$ 10,175,431	None	N/A
	<u>\$ 25,084,763</u>			

#### NOTE C - PROPERTY AND EQUIPMENT

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

	December 31,	
	2017	2016
Cooperative apartment	\$ 790,725	\$ 790,725
Cooperative apartment improvements	241,370	241,370
Leasehold improvements	249,581	246,267
Equipment	190,537	186,537
Furniture and fixtures	<u>252,347</u>	<u>252,347</u>
	1,724,560	1,717,246
Less accumulated depreciation and amortization	<u>(1,409,468)</u>	<u>(1,360,634)</u>
	<u>\$ 315,092</u>	<u>\$ 356,612</u>

The maintenance and utility charges on the cooperative apartment were \$70,106 and \$65,573 for 2017 and 2016, respectively.

#### NOTE D - DEFERRED EXCISE TAXES PAYABLE

For 2017 and 2016, the Foundation provided for deferred excise taxes at the 1% rate on the total unrealized appreciation in fair value over the original cost of its investments. Deferred excise taxes payable at December 31, 2017 and 2016 were \$146,015 and \$59,724, respectively.

# UNITED STATES-JAPAN FOUNDATION

## Notes to Financial Statements December 31, 2017 and 2016

### NOTE E - 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 \$705,366 and \$736,571 for 2017 and 2016, respectively.

### NOTE F - 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 \$181,851 and \$191,217 for 2017 and 2016, respectively.

### NOTE G - 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, 2017, future minimum lease payments under noncancellable leases (with expirations through 2018) are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 263,241
2019	266,161
2020	236,769
2021	243,281
Thereafter	<u>1,377,047</u>
	<u>\$ 2,386,499</u>

Rent expense was \$284,566 and \$254,142 in 2017 and 2016, 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 H- CONCENTRATION OF CREDIT RISK

The Foundation's cash balances 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.

# UNITED STATES-JAPAN FOUNDATION

## Notes to Financial Statements December 31, 2017 and 2016

### NOTE I - GRANT ACTIVITY

The Foundation's grant activity for 2017 was as follows:

Recipient Name and Purpose	Unpaid January 1, 2017	Net Grants Authorized 2017	Paid	Unpaid December 31, 2017
<b>Precollege Education</b>				
<b>AmerAsian School in Okinawa (Ginowan, Japan)</b> To support the salary for an Information Communication Technology Education teacher and to provide college scholarships for AmerAsian students.		\$ 17,129	\$ 17,129	
<b>Bard College (New York, NY)</b> To support scholarships for students to participate in the Bard High School Early College-Nagoya University High School Science Exchange Program for the 2017-2018 academic year.		2,000	2,000	
<b>Board of Trustees of the Leland Stanford Junior University (Stanford, CA)</b> To support the third 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 the US society and culture.	\$ 105,410		105,410	
<b>Broward County Public Schools (Coconut Creek, FL)</b> To support the expansion of Broward County's Japanese distance learning program to include face-to-face interactions between the instructor and students and to hold a Japan Day celebration.		3,760	3,760	
<b>Creative Connections (Norwalk, CT)</b> To support an arts-based cultural education project for students in Japan and the United States.		40,545	40,545	
<b>DreamYard (Bronx, NY)</b> To support a Japan-Korea-Bronx Poetry Exchange.		10,000	10,000	
<b>East Chapel Hill High School (Chapel Hill, NC)</b> To support the East Chapel Hill High School Japanese language program and as part of the 2017 Elgin Heinz Award.		5,000	5,000	
<b>Foreign Policy Research Institute (Philadelphia, PA)</b> To support a teacher preparation initiative focused on three themes in Japan: political and social stability maintaining cultural values while seeking change, and cultural borrowing.		105,386	105,386	
<b>Global Fund for Educational Assistance (Tokyo, Japan)</b> To support the 2018 Jiro Murase Scholarship Program, which brings Japanese students to the United States to learn about legal and political affairs.		93,863	93,863	
<b>Global Kids (New York, NY)</b> 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.		50,000	50,000	
<b>(carried forward)</b>	<b>105,410</b>	<b>327,683</b>	<b>433,093</b>	

# UNITED STATES-JAPAN FOUNDATION

## Notes to Financial Statements December 31, 2017 and 2016

### NOTE I - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2017	Net Grants Authorized 2017	Paid	Unpaid December 31, 2017
(brought forward)	\$ 105,410	\$ 327,683	\$ 433,093	
<b>Precollege Education (continued)</b>				
<b>International Student Conferences (Washington, DC)</b> To support the 5 <sup>th</sup> Japan-US-Korea Trilateral Forum to take place from January 1 to January 6, 2018.		18,000	18,000	
<b>Japan Society (New York, NY)</b> To support the Japan Society of New York's pre-college education programs including their professional development program for teachers, and their junior fellows leadership program.		75,000	75,000	
<b>Japan-America Society of the State of Washington (Mercer Island, WA)</b> 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.		75,000	75,000	
<b>Japan-America Society of Washington, D.C. (Washington, D.C.)</b> To support a national Japanese language and culture competition for high school students.		50,000	50,000	
<b>Ketchikan High School (Ketchikan, AK)</b> To support the expansion of teaching about Japan throughout the Ketchikan Gateway Borough School District and as part of the 2017 Elgin Heinz Award.		5,000	5,000	
<b>Kizuna Across Cultures (Washington, D.C.)</b> 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.		71,000	71,000	
<b>Michigan State University (East Lansing, MI)</b> To support the 2018 Michigan-Japan Nuclear Science High School Exchange Program for Japanese and American teachers and students.		114,634		\$ 114,634
<b>Midori Foundation (Midori &amp; Friends) (New York, NY)</b> 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	
<b>(carried forward)</b>	105,410	786,317	777,093	114,634

# UNITED STATES-JAPAN FOUNDATION

## Notes to Financial Statements December 31, 2017 and 2016

### NOTE I - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2017	Net Grants Authorized 2017	Paid	Unpaid December 31, 2017
(brought forward)	\$ 105,410	\$ 786,317	\$ 777,093	\$ 114,634
<b>Precollege Education (continued)</b>				
<b>President and Fellows of Middlebury (Monterey, CA)</b> 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.		80,014	80,014	
<b>S&amp;R Foundation (Washington, D.C.)</b> To support a two-week US study abroad program implemented by the S&R Foundation for Japanese undergraduate and graduate students that is designed to empower the next generation of leaders with the skills and networks they will need to thrive in an increasingly globalized society.		59,125	59,125	
<b>Sumter County Schools (Americus, GA)</b> 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.	32,000		32,000	
<b>Sumter County Schools (Americus, GA)</b> 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.		43,600	43,600	
<b>Table for Two USA (New York, NY)</b> To support a Japanese inspired food education program for K-12 students in the US.		51,782	51,782	
<b>The Board of Trustees of the Leland Stanford Junior University (Palo Alto, CA)</b> To support two on-line events that connect US and Japanese students as part of the 2017 Elgin Heinz Outstanding Teacher Award..		5,000	5,000	
<b>United States – Japan Exchange &amp; Teaching Programme Alumni (Washington, DC)</b> To support the establishment of the USJETAA and the first-ever All-Alumni Reunion.		5,000	5,000	
<b>University of Colorado Foundation (Denver, CO)</b> 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.	110,000		110,000	
<b>University of Pennsylvania (Philadelphia, PA)</b> To support a teacher preparation initiative designed to strengthen educators' understanding of Japan by taking their learning about Japan to a higher and more sophisticated level, through the lens of Japan's religious heritage.				
<b>US-Japan Technical Connections (South Royalton, VT)</b> To support a technical education program in Fukuoka, Japan for high school students from Vermont.		27,530	27,530	
<b>Subtotal for Precollege Education</b>	<u>247,410</u>	<u>1,058,368</u>	<u>1,191,144</u>	<u>114,634</u>



# UNITED STATES-JAPAN FOUNDATION

## Notes to Financial Statements December 31, 2017 and 2016

### NOTE I - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2017	Net Grants Authorized 2017	Paid	Unpaid December 31, 2017
<b>US-Japan Policy</b>				
<b>International University of Japan (Niigata, Japan)</b> 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.		\$ 8,906	\$ 8,906	
<b>Maureen and Mike Mansfield Foundation (Washington, DC)</b> To support the Mansfield Foundation's Thomas S. Foley Legislative Exchange.		5,000	5,000	
<b>Rebuild Japan Initiative Foundation (Tokyo, Japan)</b> To support a joint research project with CSIS to explore the drivers fundamental to strengthening US - Japan economic relations and to identify opportunities for more effective coordination of international economic policy between the United States and Japan.		51,402	51,402	
<b>Washington State University (Pullman, WA)</b> To support the Thomas S. Foley Institute for Public Policy and Public Service.		5,000	5,000	
<b>Subtotal for US-Japan Policy</b>		<b>70,308</b>	<b>70,308</b>	
<b>Communications/Public Opinion</b>				
<b>Asia-America Institute for New Music (Salt Lake City, UT)</b> To support the 2018 mainland Japan tour bringing together American, Japanese, and Korean composers and performers and as part of the Foundation's Distinguished Service Award to Mr. Shigeaki Mori.		4,413		\$ 4,413
<b>Center for Independent Documentary (Boston, MA)</b> To support the creation of a documentary film on the history and role of baseball in US-Japan relations titled "Diamond Diplomacy".		20,000	20,000	
<b>Center for Japanese Mental Health (San Marino, CA)</b> To support the development of a moderated website to foster communication and strengthen bonds between Japanese and Americans through shared stories and messages of mental health recovery, tragedy, struggle and hope.		5,000	5,000	
<b>International Center for Journalists (Washington, DC)</b> To support a media fellowship that will prepare and send three selected US Journalists on 19-day reporting tours to Japan.		78,500	78,500	
<b>International House of Japan (Tokyo, Japan)</b> To support the development of a broad community of young leaders who will shape the future of the Asia-Pacific region and establish and "home in Japan" for such young leaders.		50,000	50,000	
<b>Japan Center for International Exchange (New York, NY)</b> 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.	\$ 98,970		98,970	
<b>Japan Center for International Exchange (New York, NY)</b> 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.		97,326	97,326	
<b>(carried forward)</b>	<b>98,970</b>	<b>255,239</b>	<b>349,796</b>	<b>4,413</b>

# UNITED STATES-JAPAN FOUNDATION

## Notes to Financial Statements December 31, 2017 and 2016

### NOTE I - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2017	Net Grants Authorized 2017	Paid	Unpaid December 31, 2017
(brought forward)	\$ 98,970	\$ 255,239	\$ 349,796	\$ 4,413
<b>Light Industry Cinema Projects (Brooklyn, NY)</b> 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	
<b>National Association of Japan-America Societies (Washington, D.C.)</b> To support the Secretariat for the Manjiro Center for International Exchange-US, which helps operate the annual Manjiro US-Japan Grassroots Summit.		15,000	15,000	
<b>New York Women in Film and Television (New York, NY)</b> To support a documentary film on Hiroshima survivor Setsuko Thurlow.		25,000	25,000	
<b>Portland State University (Portland, OR)</b> To support public lecture and performing arts programs focused on Japan at Portland State University's Center for Japanese Studies.		71,856	71,856	
<b>Randal's Island Park Alliance (New York, NY)</b> To support the Randall's Island Park Alliance's Annual Cherry Blossom Festival.		5,000	5,000	
<b>Rutgers University Press (New Brunswick, NJ)</b> To support the publication of Benjamin Duke's book titled, "Dr. David Murray: Superintendent of Education in the Empire of Japan 1873-1879" by Rutgers University Press.		10,000	10,000	
<b>Sachiko Kuno Foundation (Washington, DC)</b> To support the Japan Institute for Social Innovation and Entrepreneurship's program to create strong ties among US and Japanese female professionals.		5,000	5,000	
<b>Subtotal for Communications/Public Opinion</b>	<u>98,970</u>	<u>437,095</u>	<u>531,652</u>	<u>4,413</u>
Subtotal	346,380	1,565,771	1,793,104	119,047
Prior years' awards withdrawn/returned in current year		(14)	(14)	
Currency exchange losses		(1,683)	(1,683)	
<b>Total</b>	<u>\$ 346,380</u>	<u>\$ 1,564,074</u>	<u>\$ 1,791,407</u>	<u>\$ 119,047</u>

- (a) Unexpended funds returned in the current year are netted against payments.  
(b) Grants authorized reflect a reduction of net currency losses of \$1,683 for 2017.