



UNITED STATES-JAPAN FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2014 and 2013

INDEPENDENT AUDITORS' REPORT

Board of Directors
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 are comprised of the statements of financial position as of December 31, 2014 and 2013, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States-Japan Foundation as of December 31, 2014 and 2013, 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, 2015

UNITED STATES-JAPAN FOUNDATION

Statements of Financial Position

	December 31,	
	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 224,926	\$ 740,079
Investments	88,953,494	87,131,954
Due from broker	353,459	112,890
Accrued income receivable	12,881	14,087
Pledges receivable	74,088	155,098
Property and equipment, net	406,346	437,588
Prepaid federal excise taxes	1,087	77,619
Security deposits and other assets	<u>48,948</u>	<u>47,199</u>
	<u>\$ 90,075,229</u>	<u>\$ 88,716,514</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 69,419	\$ 41,874
Grants payable	194,490	134,598
Deferred excise taxes payable	<u>134,507</u>	<u>153,205</u>
	<u>398,416</u>	<u>329,677</u>
Commitments (see Note H)		
Net assets:		
Unrestricted	89,602,725	88,231,739
Temporary restricted	<u>74,088</u>	<u>155,098</u>
	<u>89,676,813</u>	<u>88,386,837</u>
	<u>\$ 90,075,229</u>	<u>\$ 88,716,514</u>

UNITED STATES-JAPAN FOUNDATION

Statements of Activities

	Year Ended December 31,					
	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue:						
Contributions	\$ 97,424		\$ 97,424	\$ 20,236		\$ 20,236
Investment income:						
Dividends	1,192,711		1,192,711	1,178,047		1,178,047
Interest	370,955		370,955	420,620		420,620
Net undistributed share of ordinary earnings from partnership investments	(128,031)		(128,031)	46,669		46,669
	1,435,635		1,435,635	1,645,336		1,645,336
Investment expenses	(1,059,012)		(1,059,012)	(1,005,034)		(1,005,034)
Federal tax expense	(76,432)		(76,432)	(16,769)		(16,769)
Net investment income	300,191		300,191	623,533		623,533
Total revenues before net assets released from restrictions	397,615		397,615	643,769		643,769
Net assets released from restrictions	81,010	\$ (81,010)	0	90,568	\$ (90,568)	0
Total revenue	478,625	(81,010)	397,615	734,337	(90,568)	643,769
Expenses:						
Grants	1,831,796		1,831,796	1,222,171		1,222,171
US-Japan Leadership Program	648,308		648,308	544,231		544,231
Other programs	1,535,442		1,535,442	1,441,968		1,441,968
Administrative	365,979		365,979	404,067		404,067
Total expenses	4,381,525		4,381,525	3,612,437		3,612,437
Excess of expenses over revenue before net realized and unrealized gains (losses) on investments	(3,902,900)	(81,010)	(3,983,910)	(2,878,100)	(90,568)	(2,968,668)
Realized gains on investments (net of foreign exchange losses of \$14,279 and \$27,044 in 2014 and 2013, respectively)	7,124,973		7,124,973	976,100		976,100
Net unrealized (depreciation) appreciation in fair value of investments (net of change in deferred excise tax of (\$18,698) and \$56,411 in 2014 and 2013, respectively)	(1,851,087)		(1,851,087)	7,770,889		7,770,889
Change in net assets	1,370,986	(81,010)	1,289,976	5,868,889	(90,568)	5,778,321
Net assets, beginning of year	88,231,739	155,098	88,386,837	82,362,850	245,666	82,608,516
Net assets, end of year	\$ 89,602,725	\$ 74,088	\$ 89,676,813	\$ 88,231,739	\$ 155,098	\$ 88,386,837

See notes to financial statements

UNITED STATES-JAPAN FOUNDATION

Statements of Cash Flows

	Year Ended December 31,	
	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 1,289,976	\$ 5,778,321
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized gains on investments	(5,269,467)	(8,830,444)
Net undistributed share of ordinary earnings from partnership investments	128,031	(46,669)
Depreciation and amortization	46,819	41,477
Changes in:		
Due from broker	(240,569)	(112,890)
Accrued income receivable	1,206	85,250
Pledges receivable	81,010	90,568
Prepaid federal excise taxes	76,532	45,776
Security deposits and other assets	(1,749)	767
Grants payable	59,892	(45,898)
Accounts payable and accrued expenses	27,545	(12,017)
Deferred tax liability	(18,698)	56,411
Net cash used in operating activities	<u>(3,819,472)</u>	<u>(2,949,348)</u>
Cash flows from investing activities:		
Purchases of investments	(21,668,008)	(33,358,228)
Proceeds from sales of investments	24,987,903	33,630,390
Purchases of property and equipment	<u>(15,577)</u>	<u>(40,238)</u>
Net cash provided by investing activities	<u>3,304,319</u>	<u>231,924</u>
Net decrease in cash and cash equivalents	(515,153)	(2,717,424)
Cash and cash equivalents, beginning of year	<u>740,079</u>	<u>3,457,503</u>
Cash and cash equivalents, end of year	<u>\$ 224,926</u>	<u>\$ 740,079</u>

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2014 and 2013

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 \$76,432 and \$16,769 in 2014 and 2013, 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. At December 31, 2014, the Foundation had approximately \$1,546,000 of undistributed income. The Foundation made the required distribution for 2013.

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, 2014 and 2013, the Foundation had not recorded a liability for any unrecognized tax benefits.

The annual tax filings of the Foundation are subject to examination by the Internal Revenue Service, as well as by other various state and local authorities, generally for three years after they are submitted.

[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.

[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.

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2014 and 2013

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

[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, limited liability companies, private equity funds and hedge funds, which are considered to be "alternative" investments, for which market values are not readily obtainable. Because of the inherent uncertainty of the valuation of these investments, the Foundation, through its various investment managers, monitor their positions to reduce the risk of potential losses due to changes in fair values or the failures of counterparties to perform. The estimated values provided by these managers may differ from actual values had a ready market for these investments existed.

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, limited liability companies, and hedge funds, 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.

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 5-10 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, 2014 and 2013, 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.

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2014 and 2013

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

[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."

[9] Contributions and pledges receivable:

Contributions to the Foundation are recognized as revenue upon the receipt of cash, 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 Directors. 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] Fair-value of financial measurement:

The Foundation reports a fair-value measurement of all applicable financial assets and liabilities, including investments, and receivables and short-term payables which approximate fair value.

[13] 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, 2015, the date the financial statements were available to be issued.

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2014 and 2013

NOTE B - INVESTMENTS

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

	December 31,			
	2014		2013	
	Fair Value	Cost	Fair Value	Cost
Money-market and other temporary investments	\$ 760,663	\$ 760,663	\$ 1,661,804	\$ 1,661,804
Equity securities	7,848,595	5,758,004	10,291,618	6,962,776
Mutual funds	37,586,148	30,640,803	32,758,708	27,915,995
Limited partnerships and limited liability companies	37,598,980	33,983,173	25,527,616	22,738,389
Private equity funds	2,213,629	2,506,874	3,436,605	3,121,231
Hedge funds	2,945,479	1,853,298	13,455,603	9,411,295
Total investments	<u>\$ 88,953,494</u>	<u>\$ 75,502,815</u>	<u>\$ 87,131,954</u>	<u>\$ 71,811,490</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 those investments, or similar investments, 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 2 assets include those investments, or similar investments that are redeemable at or near the statement of financial position date and for which a model was derived for valuation.
- Level 3: Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued, or (iii) the investments cannot be immediately redeemed at or near the year-end.

The FASB provides accounting guidance on measuring the fair value of certain investments, such as private equity funds and hedge funds, to offer investors a practical expedient for measuring the fair value of investments in certain entities that calculate net asset value ("NAV"). Under this practical expedient, entities are permitted to use NAV without adjustment for certain investments that qualified under the guidance. The Foundation's investment in the funds fitting this description, classified within Level 3 of the fair-value hierarchy, are carried at fair value based on NAV. Investments in these types of funds are subject to withdrawal restrictions, and, for these Level 3 investments, the Foundation does not have the ability to withdraw at reported NAV at the December 31, 2014 or within a reasonable period of time. The Foundation's investments in these funds are valued based on the valuation policies and procedures of the general partner. The general partner or fund manager performs oversight of the underlying managers' material positions both on an investment level and from a risk perspective. The general partner or fund manager is responsible for ensuring that investments are valued according to the policies and procedures adopted by the partnership or fund. The Foundation places reliance upon those procedures and records this investment at fair value, as determined by the general partner.

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2014 and 2013

NOTE B - INVESTMENTS (CONTINUED)

Investments classified in Level 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the NAV reported by each fund is used as a practical expedient to estimate the fair value of the Foundation's interest therein, its classification in Level 3 is based on the Foundation's ability to redeem its interest at or near year-end. If the interest can be redeemed in the near term, the investment is classified as Level 2. The classification of investments in the fair-value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The preceding methods described may produce a fair-value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair-value measurement at the reporting date.

The availability of 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 2014 and 2013, 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, 2014			Total
	Level 1	Level 2	Level 3	
Money-market and other temporary investments	\$ 760,663			\$ 760,663
Equity securities	7,848,595			7,848,595
Mutual funds	19,887,848	\$ 17,698,300		37,586,148
Limited partnerships and limited liability companies		6,219,657	\$ 31,379,323	37,598,980
Private equity funds			2,213,629	2,213,629
Hedge funds			2,945,479	2,945,479
Total investments	<u>\$ 28,497,106</u>	<u>\$ 23,917,957</u>	<u>\$ 36,538,431</u>	<u>\$ 88,953,494</u>

	December 31, 2013			Total
	Level 1	Level 2	Level 3	
Money-market and other temporary investments	\$ 1,661,804			\$ 1,661,804
Equity securities	10,291,618			10,291,618
Mutual funds	16,346,359	\$ 16,412,349		32,758,708
Limited partnerships and limited liability companies		5,808,966	\$ 19,718,650	25,527,616
Private equity funds			3,436,605	3,436,605
Hedge funds			13,455,603	13,455,603
Total investments	<u>\$ 28,299,781</u>	<u>\$ 22,221,315</u>	<u>\$ 36,610,858</u>	<u>\$ 87,131,954</u>

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2014 and 2013

NOTE B - INVESTMENTS (CONTINUED)

The following tables present the Foundation's reconciliation of Level 3 assets for each year-end:

	Year Ended December 31, 2014			
	Limited Partnerships and Limited Liability Companies	Private Equity Funds	Hedge Funds	Total
Balance - January 1	\$ 19,718,650	\$ 3,436,605	\$ 13,455,603	\$ 36,610,858
Net purchases	11,344,659	500,322	-	11,844,981
Net sales	(1,432,207)	(1,772,832)	(9,655,959)	(12,860,998)
Realized gains	850,471	658,153	2,097,962	3,606,586
Unrealized gains (losses)	<u>897,750</u>	<u>(608,619)</u>	<u>(2,952,127)</u>	<u>(2,662,996)</u>
Balance - December 31	<u>\$ 31,379,323</u>	<u>\$ 2,213,629</u>	<u>\$ 2,945,479</u>	<u>\$ 36,538,431</u>

	Year Ended December 31, 2013			
	Limited Partnerships and Limited Liability Companies	Private Equity Funds	Hedge Funds	Total
Balance - January 1	\$ 9,142,805	\$ 3,289,866	\$ 15,847,578	\$ 28,280,249
Net purchases	12,349,517	616,578	-	12,966,095
Net sales	(2,618,400)	(931,191)	(4,256,132)	(7,805,723)
Realized gains (losses)	558,788	(232,463)	206,955	533,280
Unrealized gains	<u>285,940</u>	<u>693,815</u>	<u>1,657,202</u>	<u>2,636,957</u>
Balance - December 31	<u>\$ 19,718,650</u>	<u>\$ 3,436,605</u>	<u>\$ 13,455,603</u>	<u>\$ 36,610,858</u>

The following table describes the funding commitment and redemption information for the Foundation's Level 3 investments at December 31, 2014:

	December 31, 2014			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds	<u>\$ 2,213,629</u>	<u>\$ 6,815,492</u>	None	N/A
Limited partnerships and limited liability companies	\$ 2,265,607	-	Annually	90 days
	3,468,432	-	Semi-Annually	45 days
	14,827,679	-	Monthly	35-60 days
	<u>10,817,605</u>	-	Quarterly	35-90 days
	<u>\$ 31,379,323</u>	-		
Hedge funds	<u>\$ 2,945,479</u>	-	Annually	90 days

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2014 and 2013

NOTE C - RECEIVABLES

[1] Pledges receivable:

The pledges receivable at each year-end 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.

At each year-end, receivables were estimated to be due as follows:

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Less than one year	\$ 74,088	\$ 64,866
One to five years	<u>0</u>	<u>103,818</u>
	74,088	168,684
Reduction of pledges due in excess of one year to present value at 3.00%	<u>0</u>	<u>(13,586)</u>
	<u>\$ 74,088</u>	<u>\$ 155,098</u>

Management expects to fully collect the balance of pledges receivable, and, accordingly, has not established an allowance for doubtful accounts.

[2] Other receivables:

At each year-end, other receivables consisted of amounts due from brokers relating to held funds on liquidation of investments and accrued investment income. 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

The costs of a cooperative apartment owned by the Foundation (including subsequent improvements), office furnishings, equipment and leasehold improvements have been capitalized and are being depreciated over their anticipated useful lives. The apartment and related improvements are being depreciated over 40 years. Office furnishings and equipment are being depreciated over five years. Leasehold improvements are being amortized over the life of the underlying leases.

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

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Cooperative apartment	\$ 790,725	\$ 790,725
Cooperative apartment improvements	241,370	241,370
Leasehold improvements	245,635	245,635
Equipment	164,621	149,044
Furniture and fixtures	<u>241,490</u>	<u>241,490</u>
	1,683,841	1,668,264
Less accumulated depreciation and amortization	<u>(1,277,495)</u>	<u>(1,230,676)</u>
	<u>\$ 406,346</u>	<u>\$ 437,588</u>

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2014 and 2013

NOTE D - PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation and amortization expense was \$46,819 and \$41,477 for 2014 and 2013, respectively. The maintenance and utility charges on the cooperative apartment were \$57,130 and \$57,893 for 2014 and 2013, respectively.

NOTE E - DEFERRED FEDERAL EXCISE TAXES

For 2014 and 2013, 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, 2014 and 2013 were \$134,507 and \$153,205, 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 \$648,308 and \$544,231 for 2014 and 2013, respectively.

NOTE G - RETIREMENT PLAN

The Foundation has a defined-contribution retirement plan, established under Section 403(b) of the Code. Eligible employees may contribute a portion of their annual salaries after one year of service. 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 contributions to the plan were \$151,462 and \$129,798 for 2014 and 2013, respectively.

NOTE H - COMMITMENTS

[1] Leases:

The Foundation leases office space in New York City and Tokyo, Japan. The leases are effective through November 30, 2019 and are subject to escalation clauses based on increases in the cost of living and real estate taxes.

At December 31, 2014, future minimum lease payments under noncancellable leases (with expirations through 2017) are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 245,777
2016	251,961
2017	75,186
2018	39,624
2019	<u>36,322</u>
	<u>\$ 648,870</u>

Rent expense was \$237,872 and \$233,873 in 2014 and 2013, respectively.

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2014 and 2013

NOTE H - COMMITMENTS (CONTINUED)

[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 2014 and 2013, \$81,010 and \$90,568, respectively, of such restrictions were satisfied.

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2014 and 2013

NOTE K - GRANT ACTIVITY

The Foundation's grant activity for 2014 was as follows:

Recipient Name and Purpose	Unpaid January 1, 2014	Net Grants Authorized 2014	Paid	Unpaid December 31, 2014
Precollege Education				
Association for Asian Studies (Ann Arbor, MI) To support the publication of Japan-focused articles to appear in the fall 2015 issue of Education About Asia (EAA) special section on "Asia: Biographies and Personal Stories."		32,000	32,000	
Calloway County School District (Murray, KY) To support Calloway County School District's precollege Japanese language program under the direction of Ms. Masayo Nakamura.		10,000	10,000	
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 (Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin) that aims to improve Japanese language study throughout the Midwest.		27,760	27,760	
Creative Connections (Norwalk, CT) To support an arts-based cultural education project for students in Japan and the United States.		33,900	33,900	
Densho (Seattle, WA) To support the creation and promotion of a Japanese / English bilingual website about Japanese American history.		10,000	10,000	
Foundation for International School of Asia, Karuizawa (Tokyo, Japan) To support scholarships for American students to participate in ISAK's summer school, regular school program, and to support a leadership consultant from the U.S. to attend their educator's workshop.		48,344	48,344	
George Washington High School (San Francisco, CA) To support an interactive digital learning initiative that will allow students studying Japanese language at George Washington High School to use technology to interact with students in Japan and enhance their Japanese language ability and as part of the 2014 Elgin Heinz Outstanding Teacher Award.		5,000	5,000	
Global Fund for Educational Assistance (Beyond Tomorrow) (Tokyo, Japan) To support the Jiro Murase Scholarship Program for Beyond Tomorrow U.S. Summer Program 2016.		93,998	44,415	\$ 49,583
Global Fund for Educational Assistance (Beyond Tomorrow) (Tokyo, Japan) To support a program that provides high school students from the Tohoku disaster communities with opportunities to learn the concept of global citizenship and how to take action for global issues through an intensive program in the United States.		42,195	42,195	
Global Fund for Educational Assistance (Beyond Tomorrow) (Tokyo, Japan) To support a program that provides high school students from communities in Tohoku impacted by the 3.11 disaster with opportunities to learn about leadership through an intensive program in the United States.		48,353	48,353	
Grace Church School (New York, NY) To support a student exchange program between Grace Church School in New York and schools in Yukuhashi, Japan.		10,000	10,000	
(carried forward)		361,550	311,967	49,583

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2014 and 2013

NOTE K - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2014	Net Grants Authorized 2014	Paid	Unpaid December 31, 2014
(brought forward)		\$ 361,550	\$ 311,967	\$ 49,583
Precollege Education (continued)				
Hingham High School (Hingham, MA) To support the development of a relationship established between Hingham High School of Hingham, Massachusetts, and Tennoji High School of Osaka, Japan that was inspired by the USJF-funded film Kokoyakyu: Japanese High School Baseball.		75,000	75,000	
Japan Positive Education Association (Tokyo, Japan) To support an English education program to be held at Fuji Speedway and that is directed by Keiko Ihara.		5,015	5,015	
Japan-America Society of Washington, DC (Washington, DC) To support a national Japanese language and culture competition for high school students.		50,490	50,490	
Johns Hopkins University (Washington, DC) To support aid for a current or future student in Japan Studies at the SAIS Edwin O. Reischauer Center for East Asia Studies at Johns Hopkins University and in conjunction with the Foundation's Distinguished Service Award bestowed upon Dr. Kurt A. Gitter in April 2014.		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.		8,000	8,000	
Longmeadow Public Schools (Longmeadow, MA) To support the Longmeadow-Takikawa Exchange Program as part of the 2014 Elgin Heinz Outstanding Teacher Award.		5,000	5,000	
Massachusetts Institute of Technology (Cambridge, MA) To support the development and implementation of a dedicated pre-college component within the new MIT/Harvard massive open online course (MOOC), "Visualizing Japan in the Modern World" for the Fall of 2014.		44,591	44,591	
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.		77,137	77,137	
Michigan State University (East Lansing, MI) To support a bi-national, U.S. 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 the 2014 Michigan Japanese Quiz Bowl.		8,000	8,000	
Michigan State University (East Lansing, MI) To support a high school science exchange and curriculum development program between students and teachers in Michigan and Shiga Prefecture, Japan.	\$ 72,098		72,098	
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)	72,098	797,190	717,298	151,990

UNITED STATES-JAPAN FOUNDATION

**Notes to Financial Statements
December 31, 2014 and 2013**

NOTE K - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2014	Net Grants Authorized 2014	Paid	Unpaid December 31, 2014
(brought forward)	\$ 72,098	\$ 797,190	\$ 717,298	\$ 151,990
Precollege Education (continued)				
President and Fellows of Middlebury College (Monterey, CA) To support the third year of 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 U.S. and Japan.		59,180	59,180	
Seafair Foundation (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	
Takata High School (Ofunato, Iwate, Japan) To support the Takata High School-Del Norte High School Sister School and Cultural Exchange Program that developed as a result of the March 11 tsunami.		22,626	22,626	
The Board of Trustees of the Leland Stanford Junior University (Palo Alto, CA) To support 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 U.S. society and culture.		98,110	98,110	
The Parents Union (Seattle, WA) To support an on-line community of parents to enhance their children's experiences in school.		5,000	5,000	
University of Colorado Foundation (Denver, CO) To support the development and dissemination of a formal online curriculum publication and a platform for online mini-courses that: 1) offer a pedagogical framework and exemplary lessons for world history teachers in the United States to teach new historical episodes and narratives of Japan in world history, and 2) rely on peer critique and discussion, including an online exchange between U.S. and Japanese.		27,210	27,210	
University of Pennsylvania (Philadelphia, PA) 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.		75,772	75,772	
White River Rotary Charitable Fund (White River Junction, VT) To support a vocational technical education program that will engage students from Vermont and New Hampshire in a two-week study program in Japan, and to provide initial support that will bring Japanese students to Vermont.		30,500	30,500	
Youth Arts New York (New York, NY) To support Hibakusha Stories, a project that brings atomic bomb survivors into high school classrooms where students and educators learn about the history of the relationship of the United States and Japan from the atomic bombing of Hiroshima and Nagasaki to current dangers regarding nuclear weapons.		30,000	30,000	
Subtotal for Precollege Education	<u>72,098</u>	<u>1,199,738</u>	<u>1,119,846</u>	<u>151,990</u>

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2014 and 2013

NOTE K - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2014	Net Grants Authorized 2014	Paid	Unpaid December 31, 2014
US-Japan Policy				
Council on Foreign Relations (New York, NY)				
To support the first year of a project that will look carefully at Japan's nationalist politics to examine their impact on the U.S.-Japan alliance, and will engage leading experts from the United States and Japan in a conversation about how to manage these reactive nationalisms in Northeast Asia.		\$ 99,611	\$ 99,611	
Institute for International Policy Studies (Tokyo, Japan)				
To support a policy-relevant study titled Maritime Security in the Asia Pacific Region and the Japan-U.S. Alliance that will be led by a committee of experts.		57,010	57,010	
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.		<u>60,060</u>	<u>60,060</u>	
Subtotal for US-Japan Policy		<u>216,681</u>	<u>216,681</u>	
Communications/Public Opinion				
Artspire, a Program of NYFA (Brooklyn, NY)				
To support Hand in Hand, a program that will bring high school students from Tohoku, Japan to perform in Rose Theater at Jazz Lincoln Center in March.		50,000	50,000	
Artspire, a Program of NYFA (Brooklyn, NY)				
To support the completion of the film titled, <i>Touching the Sound: The Improbable Journey of Nobuyuki Tsujii</i> , produced by Peter Rosen.	\$ 30,000		30,000	
Boston Architectural College (Boston, MA)				
To support an exhibition titled, Obento: From Japanese Lunch Box to Global Visions of Architectural Space, to be held from February to April 2015.		20,500	20,500	
Center for Independent Documentary (Sharon, MA)				
To support the initial development of a documentary film titled <i>Diamond Diplomacy</i> about the role of baseball in U.S.-Japan relations.		15,800	15,800	
Henry Sheldon Museum of Vermont History (Middlebury, VT)				
To support a collaboration between an American boat builder, his student, and the last working boat builder in the tsunami zone in Tohoku, Japan, that will help preserve this traditional Tohoku craft.		18,960	18,960	
International Center for Journalists (Washington, DC)				
To support a media fellowship that will prepare and send three selected U.S. journalists on 19-day reporting tours to Japan.		76,400	76,400	
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	
National Association of Japan-America Societies (Washington, DC)				
To support the continued development of a secretariat for the U.S. arm of the John Manjiro-Whitfield Commemorative Center for International Exchange (CIE) at the National Association of Japan-America Societies and to support the 24th America-Japan Grassroots Summit in San Diego in 2014.		<u>30,000</u>	<u>30,000</u>	
(carried forward)	30,000	261,660	291,660	

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Notes to Financial Statements December 31, 2014 and 2013

NOTE K - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2014	Net Grants Authorized 2014	Paid	Unpaid December 31, 2014
(brought forward)	\$ 30,000	\$ 261,660	\$ 291,660	
Communications/Public Opinion (continued)				
Richard J. Caron Foundation (Wernersville, PA) To support Caron Treatment Center's alcohol and drug addiction treatment programs.		5,000	5,000	
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
Temple University Harrisburg (Harrisburg, PA) To support, in cooperation with Temple University Japan, the creation of a collaborative Nonprofit/NGO Management learning opportunity to professionals in the nonprofit and NGO sectors in the U.S. and Japan.		40,000	40,000	
Bachmann-Strauss Dystonia and Parkinson Foundation, Inc. (New York, NY) To support Dystonia and Parkinson's disease research and in honor of Bonnie and Tom Strauss.		5,000	5,000	
University of Virginia (Charlottesville, VA) To support scriptwriting, research, and filming for a documentary film titled <i>The Slow Way Home</i> that asks what the divergence in the way American and Japanese children get to school tells us about both societies.		39,985	39,985	
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.		30,760	30,760	
Washington State University Foundation (Pullman, WA) To support the Thomas S. Foley Institute for Public Policy and Public Service at Washington State University and to honor Tom Foley's more than 30 years of public service.		5,000	5,000	
Subtotal Communications/Public Opinion	<u>62,500</u>	<u>397,405</u>	<u>417,405</u>	<u>42,500</u>
Subtotal	134,598	1,813,824	1,753,932	194,490
Prior-year's awards withdrawn/returned in current year				
Currency exchange gains		17,972	17,972	
Total	<u>\$ 134,598</u>	<u>\$ 1,831,796</u>	<u>\$ 1,771,904</u>	<u>\$ 194,490</u>

- (a) Unexpended funds returned in the current year are netted against payments.
(b) Grants authorized reflect a reduction of net currency gains of \$17,972 for 2014.