

UNITED STATES - JAPAN FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005



Eisner LLP
Accountants and Advisors

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of the United States - Japan Foundation (the "Foundation") as of December 31, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of the Foundation. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements enumerated above present fairly, in all material respects, the financial position of United States - Japan Foundation as of December 31, 2006 and 2005, and the results of its activities and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Eisner LLP".

New York, New York
November 1, 2007

UNITED STATES - JAPAN FOUNDATION

Statements of Financial Position

	December 31,	
	<u>2006</u>	<u>2005</u>
ASSETS		
Cash	\$ 74,713	\$ 25,208
Due from broker	51,853	856,000
Accrued income receivable	11,536	9,358
Investments	91,971,777	84,425,374
Property and equipment, net	590,634	603,311
Prepaid federal excise tax	80,935	
Security deposits and other assets	<u>62,939</u>	<u>56,433</u>
	<u>\$ 92,844,387</u>	<u>\$ 85,975,684</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Grants payable	\$ 276,582	\$ 325,232
Accounts payable and accrued expenses	40,326	34,329
Accrued federal excise tax	<u></u>	<u>4,750</u>
	316,908	364,311
Commitment (Note E)		
Net assets - unrestricted	<u>92,527,479</u>	<u>85,611,373</u>
	<u>\$ 92,844,387</u>	<u>\$ 85,975,684</u>

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Statements of Activities

	Year Ended December 31,	
	<u>2006</u>	<u>2005</u>
Revenues:		
Contributions	<u>\$ 11,910</u>	<u>\$ 20,372</u>
Investment income:		
Dividends	1,722,451	1,522,540
Interest	<u>241,707</u>	<u>136,809</u>
	1,964,158	1,659,349
Investment expenses	(838,219)	(744,223)
Federal excise taxes	<u>(115,389)</u>	<u>(53,504)</u>
	1,010,550	861,622
Net investment income	<u>1,010,550</u>	<u>861,622</u>
Total revenues	<u>1,022,460</u>	<u>881,994</u>
Expenses:		
Grants	1,225,566	990,422
US - Japan Leadership Program	538,042	486,054
Other programs	980,893	1,041,815
Administrative	<u>512,778</u>	<u>527,642</u>
Total expenses	<u>3,257,279</u>	<u>3,045,933</u>
Excess of expenses over contribution and net investment income before net realized and unrealized gains on investments	(2,234,819)	(2,163,939)
Net realized and unrealized gains on investments	<u>9,150,925</u>	<u>5,006,311</u>
Increase in net assets - unrestricted	6,916,106	2,842,372
Net assets - unrestricted, January 1	<u>85,611,373</u>	<u>82,769,001</u>
Net assets - unrestricted, December 31	<u>\$ 92,527,479</u>	<u>\$ 85,611,373</u>

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Notes to Financial Statements December 31, 2006 and 2005

Statements of Cash Flows

	Year Ended December 31,	
	2006	2005
Cash flows from operating activities:		
Increase in net assets	\$ 6,916,106	\$ 2,842,372
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Net realized and unrealized gains on investments	(9,150,925)	(5,006,311)
Depreciation and amortization	34,150	38,870
Changes in:		
Due from broker	804,147	(856,000)
Accrued income receivable	(2,178)	(922)
Prepaid federal excise tax	(80,935)	23,754
Security deposits and other assets	(6,506)	(7,279)
Grants payable	(48,650)	(441,830)
Federal excise tax payable	(4,750)	4,750
Accounts payable and accrued expenses	5,997	(6,669)
Net cash used in operating activities	<u>(1,533,544)</u>	<u>(3,409,265)</u>
Cash flows from investing activities:		
Purchases of investments	(16,426,840)	(14,149,978)
Proceeds from sales of investments	18,031,362	17,449,649
Purchases of property and equipment	<u>(21,473)</u>	<u>(12,325)</u>
Net cash provided by investing activities	<u>1,583,049</u>	<u>3,287,346</u>
Change in cash	49,505	(121,919)
Cash - January 1	<u>25,208</u>	<u>147,127</u>
Cash - December 31	\$ 74,713	\$ 25,208
Supplemental information:		
Cash paid for excise tax	<u>\$ 101,075</u>	<u>\$ 25,000</u>

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Notes to Financial Statements December 31, 2006 and 2005

NOTE A - THE FOUNDATION AND ITS SIGNIFICANT ACCOUNTING POLICIES

[1] The Foundation:

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

[2] Federal excise 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 federal income taxes. However, the Foundation is subject to an excise tax, not to exceed 2% on net investment income, including realized gains, as defined in the Code.

In addition, the Foundation must make certain minimum distributions in an amount equal to 5% of the average fair value of its assets held during the year. The required distributions for the years ended December 31, 2006 and 2005 were approximately \$4,830,000 and \$4,075,000, respectively. At December 31, 2006, the Foundation has excess distribution carryforwards of approximately \$2,587,000, expiring in 2007 through 2010.

Management has elected to not reflect the federal excise tax liability on the unrealized appreciation of the investment portfolio as of December 31, 2006; the liability is not considered to be material.

[3] Basis of accounting:

The financial statements of the Foundation have been prepared using the accrual basis of accounting.

[4] Net assets:

The Foundation's net assets, which are unrestricted, represent resources available for current operations as there are no donor restrictions on the use of these assets.

[5] Contributions:

Proceeds from contributions are recorded as revenue upon receipt of cash or unconditional pledges. Proceeds from contributions are considered available for unrestricted use unless specifically restricted by the donor.

[6] Grants:

Grants are recognized as expenses in the accompanying financial statements at the time of Foundation approval. All multi-year grant requests are subject to annual review and approval.

[7] Fair value of financial instruments:

Financial instruments are composed of cash and other assets, the carrying values of which approximate their fair values. Similarly, the reported amounts of liabilities are estimated to approximate their fair value. Investments are reported at their fair market values.

[8] 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, income and expenses. Actual results could differ from those estimates.

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Notes to Financial Statements December 31, 2006 and 2005

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

[9] Allocations of expenses:

The costs of providing the Foundation's programs and activities have been summarized 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.

NOTE B - INVESTMENTS

[1] Investments are reported at their aggregate fair values, and investment transactions are recorded as of the trade dates. Management reports its investments in limited partnerships and hedge funds based upon the valuation of each partnership's assets, or cash held, as determined by the related investment manager or advisor. Mutual funds consist primarily of equity and fixed-income funds.

Any investments denominated in foreign currencies are translated at the closing rate 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.

Realized and unrealized gains or losses on investments are determined by the comparison of specific costs of acquisition to the proceeds at the time of disposal and the market values at the balance-sheet date, respectively. Realized and unrealized gains or losses include the effects of currency translation with respect to foreign security transactions. Realized gains were \$4,796,909 and \$1,574,147 for 2006 and 2005, respectively. Unrealized gains were \$4,354,016 and \$3,435,362 for 2006 and 2005, respectively.

A forward exchange currency contract is a commitment to purchase or sell a foreign currency at a future date, at a negotiated rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the net realized gains or losses on investments. The net realized losses on forward exchange currency contracts were \$3,554 and \$3,198 for 2006 and 2005, respectively.

[2] At each year-end, the cost and fair value of the Foundation's investments were as follows:

	December 31,			
	2006		2005	
	Fair Value	Cost	Fair Value	Cost
Money-market and other temporary investments	\$ 1,896,268	\$ 1,896,268	\$ 2,085,516	\$ 2,085,516
Mutual funds	42,113,671	34,046,772	46,430,842	38,817,139
Limited partnerships	37,535,224	30,905,867	26,552,400	23,475,739
Equity securities	<u>10,426,614</u>	<u>8,668,962</u>	<u>9,356,616</u>	<u>7,947,088</u>
Total investments	<u>\$ 91,971,777</u>	<u>\$ 75,517,869</u>	<u>\$ 84,425,374</u>	<u>\$ 72,325,482</u>

Approximately 21 percent and 22 percent of the Foundation's marketable securities were held by highly capitalized financial institutions, during 2006 and 2005, respectively.

In connection with investment activity, the Foundation selects various investment vehicles, including limited partnerships. Under the terms of the limited-partnership agreements, the Foundation may make an initial capital contribution and may commit to funding additional capital. At December 31, 2006, the Foundation has commitments to provide additional capital investments of approximately \$3,066,000.

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NOTE C - 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 forty years. Office furnishings and equipment are being depreciated over five years. Leasehold improvements are being amortized over the life of the underlying leases. Depreciation and amortization expense was \$34,150 and \$38,870 for 2006 and 2005, respectively.

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

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
Cooperative apartment	\$ 790,725	\$ 790,725
Cooperative apartment improvements	242,700	242,700
Leasehold improvements	229,685	229,685
Equipment	119,272	97,799
Furniture and fixtures	<u>288,264</u>	<u>288,264</u>
	1,670,646	1,649,173
Less accumulated depreciation and amortization	<u>1,080,012</u>	<u>1,045,862</u>
	<u>\$ 590,634</u>	<u>\$ 603,311</u>

The Foundation wrote off fully depreciated property and equipment of \$148,422 for 2005. The maintenance and utility charges on the cooperative apartment were \$44,176 and \$42,702 for 2006 and 2005, respectively.

NOTE D - 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. During 2006 and 2005, the Foundation received contributions from former Program participants which are used to defray the annual costs of administering the Program.

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NOTE E - LEASES

At December 31, 2006, future minimum lease payments under noncancellable leases (with expirations through 2017) are as follows:

<u>Year</u>	<u>Amount</u>
2007	\$ 192,528
2008	202,901
2009	204,990
2010	177,830
2011	183,165
Thereafter	<u>1,037,178</u>
	<u>\$ 1,998,592</u>

Rent expense was \$186,748 and \$199,019 for 2006 and 2005, respectively.

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Notes to Financial Statements December 31, 2006 and 2005

NOTE F - RETIREMENT PLAN

The Foundation has a defined-contribution retirement plan for the benefit of its employees. Contributions were \$116,259 and \$134,055 for 2006 and 2005, respectively.

NOTE G - GRANT ACTIVITY

The Foundation's grant activity for 2006 was as follows:

Recipient Name and Purpose	Unpaid January 1, 2006	Net Grants Authorized 2006	Paid	Unpaid December 31, 2006
Precollege Education				
AmerAsian School in Okinawa (Okinawa, Japan) To support the third year of a three-year project for the enhancement of the bi-lingual/bi-cultural education provided to students at the AmerAsian School in Okinawa through the hiring of two American teachers.	\$ 25,000			\$ 25,000
Anacortes School District (Anacortes, WA) To support Japanese language instruction at Island View Elementary School in Anacortes, WA.		\$ 2,200	\$ 2,200	
Association for Asian Studies (Ann Arbor, MI) To support the first year of a two-year project for special Japan related sections in the Association for Asian Studies' teaching journal <i>Education About Asia</i> .		32,000	32,000	
AYUSA International (San Francisco, CA) To support the second year of a three-year project to selectively recruit ten high school students for an academic year of study and service in Japan.	46,373		46,373	
AYUSA International (San Francisco, CA) To support the third year of a three-year project to selectively recruit ten high school students for an academic year of study and service in Japan.	47,323			47,323
Concordia College (Moorhead, MN) To support the first year of a three year project for the Concordia Language Village's strategic plan to transform Mori no Ike into a permanent, culturally authentic, Japanese Language Village.		15,000	15,000	
Five Colleges (Five College Center for East Asian Studies) (Amherst, MA) To support the first year of a three-year project for the publication of <i>East Asia in New England</i> , a newsletter that reaches 6,000 precollege teachers in the Northeast and provides them with information about events and opportunities related to Japan.		10,000	10,000	
Hartford Area Career and Technology Center (White River Junction, VT) To support the first year of a two-year project for a technical education study program for secondary vocational technical education students from the Hartford Area Career and Technology Center and the Fukuoka School of Technology.		30,850	30,850	
Hiroshima University (Hiroshima, Japan) To support the second year of continued development of Hiroshima University's Global Partnership Schools Center that will promote school-to-school relationships in the US and Japan.		65,732	8,514	57,218
Japan-America Society of Washington, DC (Washington, DC) To support the twelfth year of a national Japanese language and cultural competition for high school students.		50,000	50,000	
(carried forward)	118,696	205,782	194,937	129,541

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Notes to Financial Statements December 31, 2006 and 2005

NOTE G - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2006	Net Grants Authorized 2006	Paid	Unpaid December 31, 2006
(brought forward)	\$ 118,696	\$ 205,782	\$ 194,937	\$ 129,541
Precollege Education (continued)				
Lincoln Memorial University (Harrogate, TN) To support a project involving students from Kanto International Senior High School in Tokyo, Japan to visit primary and secondary schools in Tennessee.		7,500	7,500	
Little Rock School District (Little Rock, AR) To support the establishment of a sister-school relationship between Gibbs Magnet School of Foreign Languages and International Studies and a school in Mie Prefecture, Japan as part of the 2006 Elgin Heinz Outstanding Teacher Award.		5,000	5,000	
Manjiro Historic Ship Society (New York, NY) To support the restoration of the historic house where Captain Whitfield housed Manjiro and started America and Japan on a path of friendship.		1,000	1,000	
Michigan State University (East Lansing, MI) To support an environmental education exchange and curriculum development project designed for high school teachers and science educators.		44,330	44,330	
Midori Foundation (New York, NY) To support Midori and Friends' music education programs in underprivileged elementary schools in the New York City area, including their Midori Adventure Concerts and Adventure Concert Series.		35,000	35,000	
Murray State University (Murray, KY) To support the partial salary for the first Japanese language teacher ever in Murray Independent Schools, a local public school district in Murray, Kentucky.		16,125	16,125	
Nanzan University (Nagoya, Japan) To support the first year of the Nagoya American Studies Summer Seminars, which aims to enhance mutual understanding between Americans and Japanese.		35,048	35,048	
Primary Source (Watertown, MA) To support the first year of a two-year professional development program on Japan for precollegiate educators that will feature a core seminar series, a lecture series of current issues in modern Japan, and three to six in-district workshops.		22,909	22,909	
Seattle Public Schools (Seattle, WA) To support the second year of a three-year project to develop a model Kindergarten through 8 th grade Japanese immersion program for the Seattle Public Schools as part of their international school initiative.	33,125		33,125	
Seattle Public Schools (Seattle, WA) To support the third year of a three-year project to develop a model kindergarten through 8 th grade Japanese immersion program for the Seattle Public Schools as part of their international school initiative.		70,820	35,410	35,410
Simmons College (Boston, MA) To support the first year of a three-year teacher-professional development program that will introduce Boston Public middle school teachers to the study of Japan.	37,500		37,500	
Simmons College (Boston, MA) To support the second year of a three-year teacher-professional development program that will introduce Boston Public high school teachers to the study of Japan.		75,000	37,500	37,500
St. John's School (Tumon, Guam) To support the Japanese language program at St. John's School as part of the 2006 Elgin Heinz Outstanding Teacher Program.		2,500	2,500	
(carried forward)	189,321	521,014	507,884	202,451

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Notes to Financial Statements December 31, 2006 and 2005

NOTE G - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2006	Net Grants Authorized 2006	Paid	Unpaid December 31, 2006
(brought forward)	\$ 189,321	\$ 521,014	\$ 507,884	\$ 202,451
Precollege Education (continued)				
Stanford University (Stanford, CA) To support the third year of a three-year Internet-mediated Japan studies course for exemplary high school students in the United States.	33,192		33,192	
Stuyvesant High School (New York, NY) To support the Japanese language program at Stuyvesant High School and a city-wide Japanese language competition as part of the 2006 Elgin Heinz Award.		2,500	2,500	
Temple University Japan (Tokyo, Japan) To support a US study tour for Japanese high school teachers, including lectures, historical tours, and follow-up workshops that will focus on American Studies.		38,288	19,157	19,131
The New York Botanical Garden (Bronx, NY) To support the first year of a two-year project for the development and implementation of hands-on activities for children, teachers, and families to be presented during <i>Kiku: A Japanese Flower Show</i> , the most elaborate flower show in the Garden's 115-year history.		25,000	25,000	
University of Oklahoma (Norman, OK) To support a seminar on modern Japan for 25 K-12 teachers in Oklahoma.		15,845	15,845	
University of Pennsylvania (Philadelphia, PA) To support the second year of the two-year advanced training program that will enable teachers in the Philadelphia area to understand and teach about multi-cultural Japan.		54,750	54,750	
University of South Dakota (Vermillion, SD) To support the initial development of the Japan Studies Network, an affiliation of resource persons and educational institutions in the immediate region of the confluence of the Missouri and Big Sioux Rivers, dedicated to actively promoting and facilitating, in the area schools, programs of learning about diverse aspects of Japanese history, geography, culture and society.		17,600	17,600	
University of Vermont (Burlington, VT) To support the second year of a three-year project to promote the study of Japan in the schools throughout Vermont under the guidance of two full-time educators at the University of Vermont.	<u>25,000</u>		<u>25,000</u>	
Subtotal for Precollege Education	<u>247,513</u>	<u>674,997</u>	<u>700,928</u>	<u>221,582</u>
US - Japan Policy				
Council on Foreign Relations (New York, NY) To support the first year of a three-year project to explore the prospects and potential for a new regional security architecture in the Asia-Pacific Region.		50,000	50,000	
Institute for International Economics (Washington, DC) To support the first year of a two-year project for an analysis of the implications of the several East Asian regional economic cooperation initiatives for East Asia itself and for its position in the world economy, and especially its relations with the US.		50,000	50,000	
Pacific Forum CSIS (Honolulu, HI) To support the second year of a three-year focused policy dialogue on US - Japan - China relations that will draw attention to the long-term strategic goals of the three countries, and how current policy positions and pronouncements - on all three sides - impact the realization of those goals.		75,103	75,103	
Princeton University (Princeton, NJ) To support a conference titled "Trans-Pacific Relations: East Asia and the United States in the 19 th and Early 20 th Centuries" that will be held at Princeton University in September 2006.		15,000	15,000	
(carried forward)		190,103	190,103	

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Notes to Financial Statements December 31, 2006 and 2005

NOTE G - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2006	Net Grants Authorized 2006	Paid	Unpaid December 31, 2006
(brought forward)		\$ 190,103	\$ 190,103	
US - Japan Policy (continued)				
The Japan Association for Diplomatic History (Kobe, Japan) To support the first year of a two-year project to develop a comprehensive textbook on the history of US - Japan relations.	\$ 21,719	155	21,874	
The Japan Association for Diplomatic History (Kobe, Japan) To support the second year of a two-year project to develop a comprehensive textbook on the history of US - Japan relations.		36,611	36,611	
The Regents of the University of California (University of California at Santa Barbara (Santa Barbara, CA)) To support a two-day conference in May 2007 that will discuss the resurgence of nationalism in East Asia and the role that historical memory plays in this revival.		48,365	48,365	
Subtotal for US - Japan Policy	<u>21,719</u>	<u>275,234</u>	<u>296,953</u>	
Communications/Public Opinion				
Japan Society (New York, NY) To support the second year of a three-year intensive fellowship program for American media professionals, allowing them to reside, study and work for six weeks in Japan, focused on a research topic of their choice.	55,000		55,000	
Japan Society (New York, NY) To support the eleventh year of an intensive fellowship program for American media professionals, allowing them to reside, study and work for six weeks in Japan, focused on a research topic of their choice.		110,000	55,000	\$ 55,000
National Association of Japan-America Societies (Washington, DC) To support the second year of a two-year project to strengthen the financial base and infrastructure of the National Association of Japan-America Societies.		50,000	50,000	
National Bureau of Asian Research (Seattle, WA) To support a project commissioning Japan Forum member and author Ms. Fumiko Halloran to submit book reviews of Japanese scholarly work to the Japan - US Discussion Forum on a regular basis.		10,000	10,000	
New York University's John Brademas Center for the Study of Congress (New York, NY) To support New York University's John Brademas Center for the Study of Congress and honor John Brademas for the creation of this Center.		5,000	5,000	
Projectile Arts, Inc. (Brooklyn, NY) To support the completion of a 90-minute documentary film on high school baseball in Japan.		27,500	27,500	
Richard J. Caron Foundation (Wemerville, PA) To support the work of the Caron Foundation and to honor Tim and Judy Ryan for their work with this organization.		5,000	5,000	
The Bachmann-Strauss Dystonia and Parkinson Foundation, Inc. (New York, NY) To support and honor Bonnie Strauss' efforts and the Foundation's mission to find better medical treatments and a cure for dystonia and Parkinson's disease.	1,000		1,000	
The Maureen and Mike Mansfield Foundation (Washington, DC) To support the Asian Opinion Poll Database, an online reference tool for researchers in the United States to monitor and access public opinion trends in Japan and other Asian nations.		51,827	51,827	
WXXI Public Broadcasting Council (Rochester, NY) To support a documentary film, and accompanying education materials, that explores how the return of a wartime diary teaches lessons of peace and how the US and Japan have transformed past conflicts into effective partnerships.		35,000	35,000	
(carried forward)	56,000	294,327	295,327	55,000

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Notes to Financial Statements December 31, 2006 and 2005

NOTE G - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2006	Net Grants Authorized 2006	Paid	Unpaid December 31, 2006
(brought forward)	\$ 56,000	\$ 294,327	\$ 295,327	\$ 55,000
Subtotal for Communications/Public Opinion	<u>56,000</u>	<u>294,327</u>	<u>295,327</u>	<u>55,000</u>
Subtotal	325,232	1,244,558	1,293,208	276,582
Prior year's awards withdrawn/returned in current year	<u> </u>	<u>(18,702)</u>	<u>(18,702)</u>	<u> </u>
Total	<u>\$ 325,232</u>	<u>\$ 1,225,856</u>	<u>\$ 1,274,506</u>	<u>\$ 276,582</u>

- (a) Net grants authorized reflect the additions of net currency gains which totaled (\$290) for the year. Current year reductions in awards have been netted against the original award.
- (b) Unexpended funds returned in the current year are netted against payments.