

**UNITED STATES-JAPAN FOUNDATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**



# UNITED STATES-JAPAN FOUNDATION

## FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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## **REPORT OF INDEPENDENT AUDITORS**

Board of Trustees of  
United States-Japan Foundation

We have audited the accompanying financial statements of the United States-Japan Foundation, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States-Japan Foundation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Prior Period Financial Statements**

The financial statements of the United States-Japan Foundation as of December 31, 2019, were audited by other auditors whose report dated October 30, 2020, expressed an unmodified opinion on those statements.

*CaliberCPAGroup, PLLC*

Bethesda, MD  
December 3, 2021

**UNITED STATES-JAPAN FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,324,113	\$ 133,274
Accounts receivable	959	-
Due from broker	-	231,786
Prepaid expenses	39,862	22,249
Other assets	36,311	35,963
Total current assets	12,401,245	423,272
INVESTMENTS	85,863,715	82,576,555
NET PROPERTY AND EQUIPMENT	49,150	238,810
Total assets	\$ 98,314,110	\$ 83,238,637
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 72,214	\$ 123,951
Federal excise tax payable	-	235,932
Grants payable	-	5,000
Deferred rent	94,469	83,802
Deferred excise tax liability	157,267	54,628
Total liabilities	323,950	503,313
NET ASSETS		
Without donor restrictions	97,990,160	82,735,324
Total liabilities and net assets	\$ 98,314,110	\$ 83,238,637

See accompanying notes to financial statements.

**UNITED STATES-JAPAN FOUNDATION**

**STATEMENTS OF ACTIVITIES**

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
<b>REVENUE</b>		
Contributions	\$ 11,000	\$ 34,781
Investment income		
Interest and dividends	1,703,934	1,893,947
Net appreciation in fair value of investments	12,338,475	9,351,155
Investment expenses	(116,832)	(500,281)
Net investment income	13,925,577	10,744,821
Gain on sale of property and equipment	4,198,312	-
Other income	222	720,849
Total revenue	18,135,111	11,500,451
<b>EXPENSES</b>		
Program services	2,145,002	3,441,158
Management and general	735,273	1,059,634
Total expenses	2,880,275	4,500,792
<b>NET CHANGE</b>	15,254,836	6,999,659
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Beginning of year	82,735,324	75,735,665
End of year	\$ 97,990,160	\$ 82,735,324

See accompanying notes to financial statements.

**UNITED STATES-JAPAN FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2020

	Program			Management and General			Grand Total
	US Japan Relations	US Japan Leadership Program	Total	Administrative	Investment Related Activities	Total	
Grant expenses	\$ 134,551	\$ -	\$ 134,551	\$ -	\$ -	\$ -	\$ 134,551
Salaries	813,990	207,558	1,021,548	199,427	117,124	316,551	1,338,099
Payroll taxes and employee benefits	376,106	93,012	469,118	73,637	45,132	118,769	587,887
Occupancy	266,191	-	266,191	58,731	12,029	70,760	336,951
Office expenses	106,568	25,137	131,705	36,128	7,400	43,528	175,233
Travel, meetings and conferences	21,699	11,372	33,071	5,320	7,980	13,300	46,371
Professional fees	59,400	-	59,400	23,958	48,642	72,600	132,000
Federal excise tax	-	-	-	95,000	-	95,000	95,000
Depreciation and amortization	10,605	742	11,347	4,765	-	4,765	16,112
Other expenses	18,071	-	18,071	-	-	-	18,071
	<u>\$1,807,181</u>	<u>\$ 337,821</u>	<u>\$2,145,002</u>	<u>\$ 496,966</u>	<u>\$ 238,307</u>	<u>\$ 735,273</u>	<u>\$2,880,275</u>

See accompanying notes to financial statements.

**UNITED STATES-JAPAN FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2019

	Program			Management and General			Grand Total
	US Japan Relations	US Japan Leadership Program	Total	Administrative	Investment Related Activities	Total	
Grant expenses	\$ 676,029	\$ -	\$ 676,029	\$ -	\$ -	\$ -	\$ 676,029
Salaries	811,425	212,177	1,023,602	201,779	117,389	319,168	1,342,770
Payroll taxes and employee benefits	335,452	90,118	425,570	66,321	40,367	106,688	532,258
Occupancy	333,008	-	333,008	71,798	14,360	86,158	419,166
Office expenses	85,495	29,019	114,514	29,049	5,810	34,859	149,373
Travel, meetings and conferences	175,906	555,324	731,230	43,656	65,485	109,141	840,371
Professional fees	77,100	-	77,100	31,300	62,600	93,900	171,000
Federal excise tax	-	-	-	297,481	-	297,481	297,481
Depreciation and amortization	27,648	910	28,558	12,239	-	12,239	40,797
Other expenses	31,547	-	31,547	-	-	-	31,547
	<u>\$ 2,553,610</u>	<u>\$ 887,548</u>	<u>\$ 3,441,158</u>	<u>\$ 753,623</u>	<u>\$ 306,011</u>	<u>\$ 1,059,634</u>	<u>\$ 4,500,792</u>

See accompanying notes to financial statements.



**UNITED STATES-JAPAN FOUNDATION**

**STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 15,254,836	\$ 6,999,659
Adjustments to reconcile change in net assets to net cash used for operating activities		
Net appreciation in investments	(12,409,623)	(9,254,787)
Gain on sale of property and equipment	(4,198,311)	-
Depreciation and amortization	16,112	40,797
Change in assets		
Due from broker	231,786	897,184
Accounts receivable	(959)	-
Prepaid federal excise taxes	-	11,631
Other assets	(348)	(7,320)
Prepaid expenses	(17,613)	-
Change in liabilities		
Accounts payable and accrued expenses	(51,737)	77,057
Federal excise taxes payable	(235,932)	235,932
Deferred excise taxes payable	102,639	(98,827)
Grants payable	(5,000)	(135,607)
Net cash used for operating activities	(1,314,150)	(1,234,281)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(10,478,134)	(78,323,927)
Purchase of property and equipment	(28,519)	-
Proceeds from sales of property and equipment	4,400,378	-
Proceeds from sale or maturity of investments	19,611,264	79,379,153
Net cash provided by investing activities	13,504,989	1,055,226
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	12,190,839	(179,055)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	133,274	312,329
End of year	\$ 12,324,113	\$ 133,274
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Excise taxes paid	\$ 355,000	\$ 50,000

See accompanying notes to financial statements.

# UNITED STATES-JAPAN FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 1. NATURE OF ACTIVITIES

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.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - The 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.

**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.

**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.

**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. Cash and cash equivalents held as part of the Foundation’s investment portfolio are also included in the balances reported as investments.

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.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Certain of the Foundation's portfolio managers for the 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 mitigating 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 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 statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted through donor stipulation. Realized gains and losses on investments are determined by comparison of the 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 end of each year. The earnings from dividends and interest are recognized when earned.

Investment expenses include the services of investment managers and custodians. The balances of investment management fees disclosed in the statements of activities 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.

**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 broker" in the statements of financial position.

**Translation of Foreign Currency** - Any cash accounts and investments denominated 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 prevailing exchange rate on the dates of the transactions, and are reported within realized gains and losses on the statements of activities.

**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, net of accumulated depreciation and amortization. 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 repairs and maintenance are expensed as incurred. Depreciation is calculated using the straight-line method over the assets' estimated useful lives. Equipment is depreciated over five to seven years; and furniture and fixtures are depreciated over five to fifteen years. Leasehold improvements are amortized over the term of the lease or useful life, whichever is shorter.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial Statement Presentation** - Financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic *Not-for-Profit Entities - Presentation of Financial Statements*. Under those principles, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions and net assets with donor restrictions.

*Net assets without donor restrictions* - These net assets are available to finance the general operations of the Foundation. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, and the purposes specified in its organizing documents.

*Net assets with donor restrictions* - These net assets result from contributions and other inflows of assets, the use of which by the Foundation is limited by donor-imposed time or purpose restrictions that are either temporary or perpetual.

As of December 31, 2020 and 2019, the Foundation did not have any net assets with donor restrictions.

**Revenue and Recognition** - Contributions to the Foundation are recognized as revenue upon the receipt of cash or other assets, or unconditional pledges. Contributions are reported as “with donor restrictions” if they are received with donor stipulations or time considerations as to their use. Conditional contributions are recognized when the donor’s conditions have been met by requisite actions of the Foundation’s management or necessary events have taken place. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 985). ASU 2018-08 clarifies and improves guidance concerning: 1) evaluating whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) determining whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018, for entities that are resource recipients and periods beginning after December 15, 2019, for entities that are resource providers. ASU 2018-08 should be applied on a modified prospective basis. The Foundation adopted the resource recipient portion of the standard for its year ended December 31, 2019, and the resource provider portion of the standard for its year ended December 31, 2020. This accounting guidance did not have a material effect on the Foundation’s financial statements.

**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 statements of financial position. Grants are expected to be paid within the upcoming year. Grant funds that have been awarded and that have been returned to, or withdrawn by, the Foundation are reported net with total grant expense.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Allocation of Expense** - The costs of providing the Foundation's programs and activities have been summarized on a functional basis in the statements of functional expenses. Management considers certain "investment-related" expenses to be included in the "management and general" functional allocation which are allocated indirect costs specifically related to overseeing the Foundation's investment portfolio. Accordingly, direct costs have been allocated among the program and supporting services based on the nature of the expense. Indirect costs have been functionalized on the basis of time and space usage among employees. The Foundation incurs no significant fund-raising expenses.

**Reclassifications** - Certain amounts have been reclassified in the 2019 presentation to conform to the 2020 presentation.

## **NOTE 3. TAX STATUS AND INCOME TAXES**

The Foundation qualifies as a tax-exempt charitable organization under Section 501(c)(3) Internal Revenue Code (IRC) 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 of 1.39% for 2020 and not to exceed 2% for 2019, on net investment income, including realized gains, as defined in the IRC. The Foundation was subject to an excise tax of \$95,000 and \$297,481 in 2020 and 2019, respectively. As a result of legislation passed in December 2019, for tax years beginning after December 20, 2019, the excise tax on net investment income shall become a single flat-rate tax of 1.39%.

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 IRC allows for an organization to distribute any under-distributed income over the subsequent year. The required minimum qualifying distributions for 2020 and 2019 were approximately \$4,380,000 and \$3,720,000, respectively. During 2020, the Foundation made qualifying distributions of approximately \$2,530,000 plus carryover from prior years of approximately \$2,100,000, thereby satisfying the distribution requirement and leaving a remaining distribution carryover to future years of approximately \$252,000. During 2019, the Foundation made qualifying distributions of approximately \$3,982,000, thereby satisfying the distribution requirement.

The Foundation is also subject to the Financial Accounting Standards Board's (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, management believes 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, 2020 and 2019, the Foundation had not recorded a liability for any unrecognized tax uncertainties.

#### NOTE 4. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Foundation invests cash in excess of its current requirements in a portfolio of investments designed to maximize long-term earning with acceptable risk to investment principal.

The following table represents the Foundation's financial assets available to meet a cash needs for general expenditures within one year of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Total assets at end of year	\$ 98,314,110	\$ 83,238,637
Less nonfinancial assets		
Prepaid expenses	39,862	22,249
Other	36,311	35,963
Net property and equipment	<u>49,150</u>	<u>238,810</u>
Total financial assets at end of year	98,188,787	82,941,615
Less amounts unavailable for general expenditures within one year		
Investments subject to redemption restrictions	<u>13,541,566</u>	<u>10,617,525</u>
Total financial assets available for general expenditures within one year	<u>\$ 84,647,221</u>	<u>\$ 72,324,090</u>

#### NOTE 5. INVESTMENTS

At December 31, 2020 and 2019, investments consisted of the following:

	<u>2020</u>		<u>2019</u>	
	Fair Value	Cost	Fair Value	Cost
Short-term cash investments	\$ 45	\$ 45	\$ 45	\$ 45
Mutual funds				
Domestic equity	36,035,508	28,888,419	28,793,286	27,372,978
Foreign equity	36,286,596	31,797,302	28,802,051	27,624,420
Domestic fixed income	-	-	14,363,648	14,396,140
Alternative investments				
Private credit fund	227,605	305,054	338,308	319,804
Private equity fund	11,815,265	7,850,687	7,847,940	6,790,121
Private real estate funds	<u>1,498,696</u>	<u>1,155,113</u>	<u>2,431,277</u>	<u>2,142,989</u>
	<u>\$ 85,863,715</u>	<u>\$ 69,996,620</u>	<u>\$ 82,576,555</u>	<u>\$ 78,646,497</u>

## NOTE 5. INVESTMENTS (CONTINUED)

### Fair Value Measurement

Accounting standards provide the framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 Inputs to the valuation methodology include other significant observable inputs including:
- Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability; and
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following table sets forth, by level within the fair value hierarchy, the Foundation's investment assets at fair value as of December 31, 2020:

Description	Total Investments at 12/31/20	Quoted Market Prices for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term cash investments	\$ 45	\$ 45	\$ -	\$ -
Mutual funds	72,322,104	72,322,104	-	-
Total	72,322,149	\$ 72,322,149	\$ -	\$ -
Investments measured at NAV*	13,541,566			
Investments at fair value	<u>\$ 85,863,715</u>			

## NOTE 5. INVESTMENTS (CONTINUED)

The following table sets forth, by level within the fair value hierarchy, the Foundation's investment assets at fair value as of December 31, 2019:

Description	Total Investments at 12/31/19	Quoted Market Prices for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term cash investments	\$ 45	\$ 45	\$ -	\$ -
Mutual funds	71,958,985	71,958,985	-	-
Total	71,959,030	<u>\$ 71,959,030</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at NAV*	<u>10,617,525</u>			
Investments at fair value	<u>\$ 82,576,555</u>			

\*Investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table and the table on the previous page are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

### Level 1

Mutual funds are traded in active markets on national and international securities exchanges and are valued at closing prices on the last business day of each period.

Short-term cash investments are valued at cost which approximates fair value.

### Investments in Investment Entities

Authoritative guidance on fair value measurements permits the Foundation to measure the fair value of an investment in an investment entity that does not have a readily determinable fair value based upon the NAV of the investment. This guidance does not apply if it is probable that the investment will be sold at a value different than NAV. The net asset value per share is the amount of the investee's net assets attributable to each unit share of ownership interest.

The Foundation's investment in investment entities is subject to the terms of the respective private placement memoranda and governing agreements. Income or loss from investments in these investment entities is net of the Foundation's proportionate share of fees and expenses incurred or charged by these investment entities.

The Foundation's risk of loss in these entities is limited to its investment. The Foundation may increase or decrease its level of investment in these entities at its discretion.



## NOTE 5. INVESTMENTS (CONTINUED)

The following table summarizes the Foundation's investments in certain entities that calculate NAV per share as fair value measurement as of December 31, 2020 and 2019 by investment strategy:

Description	Fair Value (in millions) 2020	Unfunded Commitments (in millions) 2020	Fair Value (in millions) 2019	Unfunded Commitments (in millions) 2019	Redemption Frequency	Redemption Notice Period
a. Private credit funds	\$ 0.23	\$ 0.14	\$ 0.34	\$ 0.99	Upon liquidation	N/A
b. Private equity funds	11.82	3.54	7.85	4.27	Upon liquidation	N/A
c. Private real estate funds	1.50	0.86	2.43	0.73	Upon liquidation	N/A

- (a) Invest in distressed companies primarily in North America and Western Europe.
- (b) Invest in U.S. growth capital, small and middle market buyout investments, in addition to private equity investments with the primary purpose of obtaining control or influence in small to mid-size companies.
- (c) Invest directly or indirectly in public or private debt, equity or other interest relating to real estate assets on a global basis, with primary focus in the United States.

## NOTE 6. PROPERTY AND EQUIPMENT

At December 31, 2020 and 2019, property and equipment consisted of the following:

	2020	2019
Cooperative apartment	\$ -	\$ 790,725
Cooperative apartment improvements	-	241,370
Leasehold improvements	249,581	249,581
Furniture and fixtures	61,078	252,347
Equipment	196,826	200,478
Website	22,400	-
Less: accumulated depreciation	(480,735)	(1,495,691)
Net property and equipment	<u>\$ 49,150</u>	<u>\$ 238,810</u>

In February 2020, the Foundation's cooperative apartment in New York City was sold for \$4,400,000, which resulted in a gain on sale of \$4,198,312.

**NOTE 7. DEFERRED EXCISE TAXES PAYABLE**

The Foundation provided for a deferred excise tax on the total unrealized appreciation in the fair value over the original cost of its investments of \$157,267 and \$54,628 for the years ended December 31, 2020 and 2019, respectively, which represented excise tax rates of 1.39% for the years ended December 31, 2020 and 2019, respectively.

**NOTE 8. GRANT EXPENSES**

The Foundation provides grants to a number of organizations each year, whose goal is to bring awareness and strengthen the US-Japan Relations through education, research, and special programs. In 2020, grants were awarded to Amerasian School in Okinawa (Okinawa, Japan), Concordia Language Villages (Moorhead, MN), Kizuna Across Cultures (Washington, DC), Sapporo Cultural Arts Foundation (Sapporo, Japan) and Stanford University, The Board of Trustees of the Leland Stanford Junior University (Redwood City, CA). The Foundation provided grants totaling \$134,551 and \$676,029 for 2020 and 2019, respectively.

**NOTE 9. 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 \$124,725 and \$192,199 for 2020 and 2019, respectively.

**NOTE 10. COMMITMENTS**

**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, 2020, future minimum lease payments under noncancellable leases are as follows:

Year Ending December 31,	
2021	\$ 243,281
2022	250,480
2023	257,994
2024	265,734
2025	273,706
Thereafter	<u>329,132</u>
	<u>\$ 1,620,327</u>

Rent expense was \$290,872 and \$289,358 in 2020 and 2019, respectively.

**NOTE 10. COMMITMENTS (CONTINUED)**

**Employment agreement** - The Foundation has a three-year employment contract extending through October 2022 with its president. The renewal at the end of the contract period is subject to agreement by both parties.

**NOTE 11. CONCENTRATION OF CREDIT RISK**

The Foundation places its cash and cash equivalents with high credit quality financial institutions in amounts that, from time to time, may exceed federal insurance limits. The Foundation's management believes there is no substantial risk of loss associated with the failure of these financial institutions.

**NOTE 12. SIGNIFICANT UNCERTAINTIES**

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of the pandemic on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Foundation's employees and vendors, all of which, at present, cannot be determined. Accordingly, the extent to which the pandemic may impact the Foundation's financial position, changes in net assets, and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

**NOTE 13. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 3, 2021, which is the date the financial statements were available to be issued. This review and evaluation revealed no material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.