

SASAKAWA PEACE FOUNDATION USA, INC.

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
MARCH 31, 2009 AND 2008
(SEE ACCOUNTANTS' REVIEW REPORT)**

MURRAY, JONSON, WHITE & ASSOCIATES, LTD., P.C.
Certified Public Accountants
Falls Church, Virginia

SASAKAWA PEACE FOUNDATION USA, INC.

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**Board of Directors
Sasakawa Peace Foundation USA, Inc.**

We have reviewed the accompanying statements of financial position of the Sasakawa Peace Foundation USA, Inc. (a nonprofit organization) as of March 31, 2009 and 2008 and the related statements of activities and cash flows for the years then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Sasakawa Peace Foundation USA, Inc.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Murray, Jonson, White & Associates, Ltd., P.C.

Certified Public Accountants

August 10, 2009

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SASAKAWA PEACE FOUNDATION USA, INC.

STATEMENTS OF FINANCIAL POSITION
March 31, 2009 and 2008

SASAKAWA PEACE FOUNDATION USA, INC.

STATEMENTS OF FINANCIAL POSITION

March 31,

(See Accountants' Review Report)

ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 653,427	\$ 474,043
Accounts receivable	3,881	-
Prepaid excise taxes - Note 5	1,011	-
Grants receivable - Note 3	<u>1,000</u>	<u>5,000</u>
TOTAL CURRENT ASSETS	<u>659,319</u>	<u>479,043</u>
PROPERTY AND EQUIPMENT		
Land	1,200,000	1,200,000
Building and improvements	3,278,795	3,278,795
Furniture and equipment	319,494	319,775
Collections of books	<u>149,203</u>	<u>147,020</u>
	4,947,492	4,945,590
Less: Accumulated depreciation	<u>(1,915,871)</u>	<u>(1,786,135)</u>
NET PROPERTY AND EQUIPMENT	<u>3,031,621</u>	<u>3,159,455</u>
OTHER ASSETS		
Lease acquisition costs	317,885	317,885
Less: Accumulated amortization	<u>(83,309)</u>	<u>(31,010)</u>
NET LEASE ACQUISITION COSTS	234,576	286,875
Investments - Government bond fund - Note 4	1,128,435	1,051,921
Security deposit	<u>2,500</u>	<u>-</u>
TOTAL OTHER ASSETS	<u>1,365,511</u>	<u>1,338,796</u>
TOTAL ASSETS	<u>\$ 5,056,451</u>	<u>\$ 4,977,294</u>

The accompanying notes to financial statements are an integral part of this statement.

LIABILITIES AND NET ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES		
Accounts payable	\$ 104,674	\$ 33,588
Property taxes payable	-	122,752
Accrued vacation	11,173	13,732
Excise taxes payable - Note 5	-	510
Grants payable	9,835	8,290
Deferred rental income	<u>56,442</u>	<u>42,887</u>
TOTAL CURRENT LIABILITIES	<u>182,124</u>	<u>221,759</u>
OTHER LIABILITIES		
Security deposits	<u>97,085</u>	<u>96,270</u>
TOTAL LIABILITIES	279,209	318,029
NET ASSETS - UNRESTRICTED	<u>4,777,242</u>	<u>4,659,265</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>5,056,451</u>	\$ <u>4,977,294</u>

SASAKAWA PEACE FOUNDATION USA, INC.

**STATEMENTS OF ACTIVITIES
For the Years Ended March 31,
(See Accountants' Review Report)**

	<u>2009</u>	<u>2008</u>
REVENUES, GAINS, AND OTHER SUPPORT		
Revenues and other support		
Rental - Note 6	\$ 1,714,414	\$ 1,462,899
Grants - Note 3	5,000	20,000
Interest and dividends	<u>20,250</u>	<u>54,982</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>1,739,664</u>	<u>1,537,881</u>
EXPENSES		
Program services		
Library	99,904	94,400
Seminars	279,633	213,655
Grants	94,835	88,290
General and administrative	199,611	192,054
Fund raising - Rental property expenses	<u>947,704</u>	<u>856,201</u>
TOTAL EXPENSES	<u>1,621,687</u>	<u>1,444,600</u>
CHANGE IN NET ASSETS	117,977	93,281
Net assets - Beginning of year	<u>4,659,265</u>	<u>4,565,984</u>
NET ASSETS - END OF YEAR	\$ <u><u>4,777,242</u></u>	\$ <u><u>4,659,265</u></u>

The accompanying notes to financial statements are an integral part of this statement.

SASAKAWA PEACE FOUNDATION USA, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended March 31,
(See Accountants' Review Report)

	<u>2009</u>	<u>2008</u>
OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ 117,977	\$ 93,281
Adjustments to reconcile change in unrestricted net assets to net cash provided (used) by operating activities		
Depreciation and amortization	183,913	156,707
(Increase) decrease in accounts receivable	(3,881)	7,374
(Increase) decrease in prepaid excise taxes	(1,011)	3,169
(Increase) decrease in grants receivable	4,000	-
(Increase) decrease in lease acquisition costs	-	(289,895)
(Increase) decrease in security deposit receivable	(2,500)	-
Increase (decrease) in accounts payable	71,086	(83,659)
Increase (decrease) in property taxes payable	(122,752)	122,752
Increase (decrease) in accrued vacation	(2,559)	1,855
Increase (decrease) in excise taxes payable	(510)	510
Increase (decrease) in grants payable	1,545	(58,526)
Increase (decrease) in deferred rental income	13,555	26,781
Increase (decrease) in security deposits	<u>815</u>	<u>(8,078)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>259,678</u>	<u>(27,729)</u>
INVESTING ACTIVITIES		
Purchase of investments - Government bond fund	(535,745)	-
Proceeds from sales of investments - Government bond fund	459,231	132,211
Outlays for building improvements	-	(70,517)
Purchase of book and videos	(2,183)	(1,753)
Purchase of equipment	<u>(1,597)</u>	<u>(13,101)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(80,294)</u>	<u>46,840</u>
Increase (decrease) in cash and cash equivalents	179,384	19,111
Cash and cash equivalents - Beginning of year	<u>474,043</u>	<u>454,932</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u>653,427</u>	\$ <u>474,043</u>

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for:

Excise taxes	\$ <u>16,408</u>	\$ <u>9,000</u>
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The accompanying notes to financial statements are an integral part of this statement.

SASAKAWA PEACE FOUNDATION USA, INC.

NOTES TO FINANCIAL STATEMENTS (See Accountants' Review Report)

NOTE 1 - ORGANIZATION, PURPOSE, AND SIGNIFICANT ACCOUNTING POLICIES

Sasakawa Peace Foundation USA, Inc. (the Foundation) was incorporated on September 24, 1990 as a not-for-profit private foundation and commenced operations in March 1991. The Foundation's initial program emphasis was on fostering a better understanding of contemporary Japan in the United States by providing a library of research, survey and other noncommercial publications, and by maintaining an art gallery. In October 1996, after the re-evaluation of its activities, the Foundation terminated the art gallery operations and has initiated new programs to promote better understanding and dialogue between the U.S. and Asia.

The Foundation received a grant from the Sasakawa Peace Foundation Japan (SPF-Japan) in order to accomplish the initial program goal, and the Foundation invested the grant, as required by SPF-Japan, to acquire a building in Washington, DC to house a library and an art gallery. The library and art gallery opened on December 2, 1992 after extensive renovation to the acquired building. The Foundation derives income from renting space in the building to commercial tenants and uses the income to maintain the building and support the Foundation's activities.

The following is a summary of significant accounting policies followed in the preparation of these financial statements:

- (a). Financial Statement Presentation - The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There are currently no temporarily or permanently restricted net assets.
- (b). Cash and Cash Equivalents - The Foundation considers substantially all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.
- (c). Investments - All investments in debt and equity securities are carried at fair value, with gains and losses included in a statement of activities. Gains and losses on investments reflected in the accompanying statement of activities include gains and losses realized upon sales and unrealized gains and losses resulting from fluctuations in market values of investments. Gains and losses upon sales are calculated using the first-in first-out method.
- (d). Accounts Receivable - Receivables are carried at their estimated collectible amounts and primarily consist of outstanding rents, which may bear interest. Such amounts are periodically evaluated for collectability based on the past credit history of the tenant. No allowance for doubtful accounts is considered necessary for the years ended March 31, 2009 and 2008.
- (e). Property and Equipment - Property and equipment are carried at cost, less accumulated depreciation. Depreciation is recorded as an expense using the straight-line method based on the estimated useful lives of the assets, which are five years for furniture and equipment, fifteen years for qualified building improvements and thirty-nine years for other property improvements.

SASAKAWA PEACE FOUNDATION USA, INC.

NOTES TO FINANCIAL STATEMENTS
(See Accountants' Review Report)
(Continued)

NOTE 1 - ORGANIZATION, PURPOSE, AND SIGNIFICANT ACCOUNTING POLICIES: Continued

- (f). Collections of Books - Collections of books that are exhaustible are capitalized and depreciated over an estimated useful life of five years.
- (g). Revenue Recognition - Rent from the Foundation's building is recorded as revenue on a straight-line basis over the terms of the respective leases.
- (h). Income Taxes - The Foundation is classified as a private foundation by the Internal Revenue Service under Sections 501(c)(3) and 509(a) of the Internal Revenue Code. Accordingly, the Foundation is exempt from federal income tax, but subject to certain excise taxes on any net investment income. The Foundation is also exempt from the District of Columbia income and franchise, personal property, and sales and use taxes.
- (i). Lease Acquisition Costs - Commission fees due to the property management company for locating tenants are amortized over the terms of the respective lease agreements.
- (j). Estimates - The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Foundation to concentration of credit risk consist principally of temporary cash investments. The Foundation places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of Federal Deposit Insurance. The Foundation does not consider its credit risk to be significant.

The Foundation receives rental income from office space leased in Washington, DC and is subject to the normal fluctuations and risk associated with the real estate market in this area.

NOTE 3 - GRANTS

In March 1991, the Foundation received an initial grant from SPF-Japan of 2,970,000,000 Japanese Yen (\$21,655,122) for the purpose of acquiring an office building at 1819 L Street in Washington, DC. The building was acquired in May 1991 at a cost of \$19,074,660, and the remaining balance of the grant was used to renovate the building and fund the initial program. The Foundation's Board of Directors has approved that the rental income be applied to fund current operations for the library and other programs of the Foundation.

Since 1999, the Foundation has been awarded grants for the seminar program titled "Asian Voices: Promoting Dialogue Between the U.S. and Asia" from SPF-Japan. The grants have been awarded to provide a forum for Asia specialists on a diverse range of current topics. For the years ended March 31, 2009 and 2008, the Foundation was awarded grants of \$5,000 and \$20,000, respectively. Grants receivable totaled \$1,000 and \$5,000 at March 31, 2009 and 2008, respectively.

SASAKAWA PEACE FOUNDATION USA, INC.

**NOTES TO FINANCIAL STATEMENTS
(See Accountants' Review Report)
(Continued)**

NOTE 4 - INVESTMENTS

The following table summarizes investment values as of March 31,:

	<u>2008</u>	<u>2007</u>
Government bond fund	\$ <u>1,128,435</u>	\$ <u>1,051,921</u>

Investments were recorded at fair value as of March 31, 2009 based on the following level of hierarchy:

	Quoted Prices in Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Government bond fund	\$ <u>1,128,435</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u>1,128,435</u>

Level 1 inputs include quoted market prices in active markets for identical assets.

NOTE 5 - FEDERAL EXCISE TAXES

The Foundation is subject to federal excise taxes on net investment income. The Foundation reported net investment income of \$744,333 and \$633,938 and incurred excise taxes of \$14,887 and \$12,679 in 2009 and 2008, respectively. Prepaid federal excise taxes totaled \$1,011 at March 31, 2009.

Under the Internal Revenue Code, the Foundation is required to make certain minimum qualifying distributions of funds related to their exempt purpose. Qualifying distributions of \$608,169 and \$589,973 were less than the minimum distributable amounts of \$811,235 and \$711,583 for the years ended March 31, 2009 and 2008, respectively. As of March 31, 2009 and 2008, the Foundation had an excess distributions carryover of \$76,126 and \$300,659, respectively.

NOTE 6 - LEASE ARRANGEMENTS

The Foundation is the lessor of commercial space under operating leases expiring in various years through 2018. In addition to the base rent, the tenant generally pays an allocation of the property's real estate tax. The leases usually contain provisions for renewal options. The terms of the leases generally require basic rent payments at the beginning of each month.

SASAKAWA PEACE FOUNDATION USA, INC.

NOTES TO FINANCIAL STATEMENTS
(See Accountants' Review Report)
(Continued)

NOTE 6 - LEASE ARRANGEMENTS: Continued

Minimum future rentals to be received as of March 31, 2009 for each of the next five years and in the aggregate are as follows:

2010	\$ 1,521,946
2011	1,641,682
2012	1,359,829
2013	1,240,963
2014	670,681
2015 and Thereafter	<u>1,709,730</u>
TOTAL MINIMUM FUTURE RENTALS	\$ <u>8,144,831</u>

NOTE 7 - RETIREMENT PLAN

Effective March 10, 2006, the Foundation adopted a retirement plan which is qualified under Section 401 of the Internal Revenue Code and which has a 401(k) provision. Employees with twelve months of service are eligible for participation in the plan. All employees are 100% vested in their contributions and vest in the discretionary employer contributions over a five year period at 20% a year. The Foundation provided discretionary contributions totaling \$8,679 and \$2,254 to the plan for the years ended March 31, 2009 and 2008, respectively.