

SASAKAWA PEACE FOUNDATION USA, INC.

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
MARCH 31, 2011 AND 2010
(SEE INDEPENDENT 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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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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, 2011 and 2010 and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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 accounting principles generally accepted in the United States of America.

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

Certified Public Accountants

August 8, 2011

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SASAKAWA PEACE FOUNDATION USA, INC.

STATEMENTS OF FINANCIAL POSITION
March 31, 2011 and 2010

SASAKAWA PEACE FOUNDATION USA, INC.

STATEMENTS OF FINANCIAL POSITION
March 31,
(See Independent Accountants' Review Report)

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 631,184	\$ 257,551
Accounts receivable	139,334	2,209
Prepaid excise taxes - Note 5	<u>253</u>	<u>559</u>
TOTAL CURRENT ASSETS	<u>770,771</u>	<u>260,319</u>
PROPERTY AND EQUIPMENT		
Land	1,200,000	1,200,000
Building and improvements - Note 3	3,375,296	3,327,426
Furniture and equipment	332,730	338,581
Collections of books	<u>152,363</u>	<u>150,938</u>
	5,060,389	5,016,945
Less: Accumulated depreciation	<u>(2,165,236)</u>	<u>(2,038,190)</u>
NET PROPERTY AND EQUIPMENT	<u>2,895,153</u>	<u>2,978,755</u>
OTHER ASSETS		
Website development costs	16,000	16,000
Lease acquisition costs	291,122	317,885
Less: Accumulated amortization	<u>(137,759)</u>	<u>(135,608)</u>
NET INTANGIBLE ASSETS - Note 9	169,363	198,277
Investments - Government bond fund - Note 4	1,368,904	1,509,723
Restricted cash - tenant security deposits - Note 1 (i)	<u>111,471</u>	<u>110,875</u>
TOTAL OTHER ASSETS	<u>1,649,738</u>	<u>1,818,875</u>
TOTAL ASSETS	<u>\$ 5,315,662</u>	<u>\$ 5,057,949</u>

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

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT LIABILITIES		
Accounts payable	\$ 184,110	\$ 126,700
Accrued vacation	10,707	11,173
Grants payable	-	5,000
Deferred rental income	<u>2,953</u>	<u>3,174</u>
TOTAL CURRENT LIABILITIES	<u>197,770</u>	<u>146,047</u>
OTHER LIABILITIES		
Security deposits	<u>97,045</u>	<u>97,247</u>
TOTAL LIABILITIES	<u>294,815</u>	<u>243,294</u>
NET ASSETS - UNRESTRICTED		
Temporarily restricted - Note 8	16,910	-
Unrestricted	<u>5,003,937</u>	<u>4,814,655</u>
TOTAL NET ASSETS	<u>5,020,847</u>	<u>4,814,655</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>5,315,662</u></u>	\$ <u><u>5,057,949</u></u>

SASAKAWA PEACE FOUNDATION USA, INC.

STATEMENTS OF ACTIVITIES
March 31, 2011 and 2010

SASAKAWA PEACE FOUNDATION USA, INC.

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

	2011		
	Unre- restricted	Tempor- arily Re- stricted	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions - Note 8	\$ -	\$ 16,910	\$ 16,910
Revenues and other support			
Rental - Note 6	1,794,463	-	1,794,463
Interest and dividends	7,589	-	7,589
Other income	2,002	-	2,002
Loss on asset disposals	-	-	-
	<u>1,804,054</u>	<u>16,910</u>	<u>1,820,964</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT			
EXPENSES			
Program			
Library	129,321	-	129,321
Seminars	154,566	-	154,566
Grants	-	-	-
General and administrative	228,135	-	228,135
Fund raising			
Care for Japan - Note 8	95,234	-	95,234
Rental property expenses	1,007,516	-	1,007,516
	<u>1,614,772</u>	<u>-</u>	<u>1,614,772</u>
TOTAL EXPENSES			
CHANGE IN NET ASSETS	189,282	16,910	206,192
NET ASSETS AT BEGINNING OF YEAR	<u>4,814,655</u>	<u>-</u>	<u>4,814,655</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,003,937</u>	<u>\$ 16,910</u>	<u>\$ 5,020,847</u>

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

2010		
<u>Unre-</u> <u>restricted</u>	<u>Tempor-</u> <u>arily</u> <u>Re-</u> <u>stricted</u>	<u>Total</u>
\$ -	\$ -	\$ -
1,766,447	-	1,766,447
6,788	-	6,788
-	-	-
<u>(259)</u>	<u>-</u>	<u>(259)</u>
 <u>1,772,976</u>	 <u>-</u>	 <u>1,772,976</u>
 113,252	 -	 113,252
325,577	-	325,577
40,000	-	40,000
264,230	-	264,230
-	-	-
<u>992,504</u>	<u>-</u>	<u>992,504</u>
 <u>1,735,563</u>	 <u>-</u>	 <u>1,735,563</u>
 37,413	 -	 37,413
<u>4,777,242</u>	<u>-</u>	<u>4,777,242</u>
 <u>\$ 4,814,655</u>	 <u>\$ -</u>	 <u>\$ 4,814,655</u>

SASAKAWA PEACE FOUNDATION USA, INC.

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

	<u>2011</u>	<u>2010</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 206,192	\$ 37,413
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Loss on asset disposals	-	259
Depreciation and amortization	193,589	184,007
(Increase) decrease in accounts receivable	(137,125)	1,672
(Increase) decrease in prepaid excise taxes	306	452
(Increase) decrease in grants receivable	-	1,000
(Increase) decrease in security deposit receivable	-	2,500
(Increase) decrease in lease acquisition costs	(25,933)	-
(Increase) decrease in restricted cash	(596)	(897)
Increase (decrease) in accounts payable	57,410	22,026
Increase (decrease) in accrued vacation	(466)	-
Increase (decrease) in grants payable	(5,000)	(4,835)
Increase (decrease) in deferred rental income	(221)	(53,268)
Increase (decrease) in security deposits	<u>(202)</u>	<u>162</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>287,954</u>	 <u>190,491</u>
 INVESTING ACTIVITIES		
Purchase of investments - Government bond fund	(51,576)	(381,288)
Proceeds from sale of investments - Government bond fund	192,395	-
Outlays for building improvements	(47,870)	(48,631)
Outlays for website development	-	(16,000)
Purchase of book and videos	(1,425)	(1,735)
Purchase of equipment	<u>(5,845)</u>	<u>(28,735)</u>
 NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	 <u>85,679</u>	 <u>(476,389)</u>
 Increase (decrease) in cash and cash equivalents	 373,633	 (285,898)
Cash and cash equivalents - Beginning of year	<u>257,551</u>	<u>543,449</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 \$ <u>631,184</u>	 \$ <u>257,551</u>

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for:

Excise taxes	\$ <u>15,441</u>	\$ <u>15,000</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 Independent 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 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). 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, 2011 and 2010.
- (d). 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 equipment, seven years for furniture, fifteen years for qualified building improvements and thirty-nine years for other property improvements.
- (e). Collections of Books - Collections of books that are exhaustible are capitalized and depreciated over an estimated useful life of five years.
- (f). Website Development Costs - The costs incurred to redesign the Foundation's website are amortized over its useful life of three years.

SASAKAWA PEACE FOUNDATION USA, INC.

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

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

- (g). Lease Acquisition Costs - Commission fees due to the property management company for locating tenants are amortized over the terms of the respective lease agreements.
- (h). 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.
- (i). Restricted Cash - Tenant security deposits are held in a separate bank account per applicable state law and are disbursed in accordance with the lease agreements.
- (j). Revenue Recognition - Rent from the Foundation's building is recorded as revenue on a straight-line basis over the terms of the respective leases.
- (k). 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.

The Foundation's federal tax returns for the years ended March 31, 2008, 2009, and 2010 are subject to examination by the IRS, generally for three years after they are filed.

The Foundation follows the statutory requirements for its tax accounting and generally avoids risks associated with potentially problematic tax positions that may be challenged upon examination. Management believes any liability resulting from taxing authorities imposing additional taxes would not have a material effect on the Foundation's financial statements.

- (l). 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.
- (m). Reclassifications - Certain items on the Statements of Financial Position and Cash Flows have been reclassified to conform to the current year's presentation.

SASAKAWA PEACE FOUNDATION USA, INC.

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

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 officespace leased in Washington, DC and is subject to the normal fluctuations and risk associated with the real estate market in this area.

NOTE 3 - FOUNDING GRANT

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.

In 1996, the Foundation recorded an impairment loss on its office building in the amount of \$14,630,058 since the carrying amount of the property exceeded the estimated future cash flows expected from the rental income. The new fair value of the building was determined using the income capitalization approach which derived a value for income-producing property by converting anticipated monetary benefits into a property value.

NOTE 4 - INVESTMENTS

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

	2011 (Level 1)	2010 (Level 1)
Government bond fund	\$ <u>1,368,904</u>	\$ <u>1,509,723</u>

Level 1 inputs include quoted market prices in active markets for identical assets. There were no level 2 (significant observable) or level 3 (significant unobservable) inputs used to determine the fair value of the investments for the years ended March 31, 2011 and 2010.

NOTE 5 - FEDERAL EXCISE TAXES

The Foundation is subject to federal excise taxes on net investment income. The Foundation reported net investment income of \$787,330 and \$772,613 and incurred excise taxes of \$15,747 and \$15,452 in 2011 and 2010, respectively. Prepaid federal excise taxes totaled \$253 and \$559 at March 31, 2011 and 2010, respectively.

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 \$560,994 and \$708,351 were less than the minimum distributable amounts of \$658,147 and \$805,757 for the years ended March 31, 2011 and 2010, respectively. As of March 31, 2011, the Foundation had \$118,433 of undistributed income which must be distributed before April 1, 2012 in order to avoid the 30% excise tax on this amount.

SASAKAWA PEACE FOUNDATION USA, INC.

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

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.

Minimum future rentals to be received as of March 31, 2011 for each of the next five years and in the aggregate are as follows:

2012	\$ 1,402,727
2013	1,248,210
2014	670,681
2015	500,707
2016	444,554
2017 and Thereafter	<u>764,469</u>
TOTAL MINIMUM FUTURE RENTALS	\$ <u>5,031,348</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 \$6,851 and \$7,206 to the plan for the years ended March 31, 2011 and 2010, respectively.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS - CARE FOR JAPAN

Temporarily restricted net assets consist of contributions by donors to the Care for Japan program totaling \$16,910 for the year ended March 31, 2011. Care for Japan is the Foundation's attempt to raise funds in the U.S. to assist Japanese communities torn apart by the earthquake and tsunami which struck on March 11, 2011. The Foundation spent \$95,234 in related fundraising costs for the year ended March 31, 2011.

NOTE 9 - AMORTIZATION OF INTANGIBLE ASSETS

The estimated amortization expense related to intangible assets as of March 31, 2011 for each of the next five years and in the aggregate is as follows:

2012	\$ 42,639
2013	39,958
2014	27,518
2015	20,949
2016	17,062
2017 and Thereafter	<u>21,237</u>
TOTAL FUTURE AMORTIZATION EXPENSE	\$ <u>169,363</u>

SASAKAWA PEACE FOUNDATION USA, INC.

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

NOTE 10 - SUBSEQUENT EVENTS

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial position date, require disclosure in the accompanying notes. Management evaluated the activity of the Foundation through August 8, 2011 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.