

**Reviewed Financial Statements**

**SASAKAWA PEACE FOUNDATION USA, INC.**

**Washington, DC**

**March 31, 2012 and 2011**

## CONTENTS

	Page
REVIEWED FINANCIAL STATEMENTS	
Independent Accountant's Review Report	1
Statements of Financial Position	2-3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-11

Independent Accountant's Review Report

To the Board of Directors  
Sasakawa Peace Foundation USA, Inc.  
Washington, DC

We have reviewed the accompanying statement of financial position of Sasakawa Peace Foundation USA, Inc. as of March 31, 2012, and the related statements of activities and cash flows for the year 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. The 2011 financial statements of the Organization were reviewed by other accountants, whose report dated August 8, 2011, stated that based on their procedures, they are not aware of any material modifications that should be made to those financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America

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 review, we are not aware of any material modifications that should be made to the 2012 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*CST Group, CPAs, PC*

July 20, 2012

STATEMENTS OF FINANCIAL POSITION  
SASAKAWA PEACE FOUNDATION USA, INC.

	March 31,	
	2012	2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 355,549	\$ 631,184
Accounts receivable	189,193	139,334
Prepaid expenses	1,645	0
Prepaid excise taxes	8,795	253
<b>TOTAL CURRENT ASSETS</b>	<b>555,182</b>	<b>770,771</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	1,200,000	1,200,000
Building and improvements	3,925,500	3,375,296
Furniture and equipment	335,729	332,730
Collection of books and videos	153,346	152,363
	5,614,575	5,060,389
Less: Accumulated depreciation	(2,311,241)	(2,165,236)
	3,303,334	2,895,153
<b>OTHER ASSETS</b>		
Lease acquisition costs	331,663	291,122
Website development costs	16,000	16,000
Less: Accumulated amortization	( 186,333)	( 137,759)
	161,330	169,363
Investments - Government bond fund	1,122,171	1,368,904
Restricted cash - tenant security deposits	111,680	111,471
	1,395,181	1,649,738
	<b>\$ 5,253,697</b>	<b>\$ 5,315,662</b>

See independent accountant's review report and notes to financial statements.

STATEMENTS OF FINANCIAL POSITION  
SASAKAWA PEACE FOUNDATION USA, INC.

	March 31,	
	2012	2011
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 119,277	\$ 184,110
Property taxes payable	102,835	0
Accrued vacation	14,418	10,707
Deferred rental income	350	2,953
<b>TOTAL CURRENT LIABILITIES</b>	236,880	197,770
<b>TENANT SECURITY DEPOSITS</b>	114,344	97,045
<b>NET ASSETS</b>		
Temporarily restricted	0	16,910
Unrestricted	4,902,473	5,003,937
<b>TOTAL NET ASSETS</b>	4,902,473	5,020,847
	<b>\$ 5,253,697</b>	<b>\$ 5,315,662</b>

See independent accountant's review report and notes to financial statements.

STATEMENTS OF ACTIVITIES  
SASAKAWA PEACE FOUNDATION USA, INC.

	For the Year Ended March 31,					
	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>						
Contributions	\$ 4,373,697	\$ 0	\$ 4,373,697	\$ 0	\$ 16,910	\$ 16,910
Rental income	1,755,479	0	1,755,479	1,794,463	0	1,794,463
Grant Income	76,368	0	76,368	2,002	0	2,002
Interest and dividends	4,472	0	4,472	7,589	0	7,589
Loss on asset disposals	( 56)	0	( 56)	0	0	0
Net assets released from restriction	16,910	( 16,910)	0	0	0	0
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	6,226,870	( 16,910)	6,209,960	1,804,054	16,910	1,820,964
<b>EXPENSES</b>						
Program:						
Library	134,708	0	134,708	129,321	0	129,321
Seminars	336,976	0	336,976	154,566	0	154,566
Grants and contributions	4,521,558	0	4,521,558	0	0	0
General and administrative	313,547	0	313,547	228,135	0	228,135
Fund raising:						
Care for Japan	29,778	0	29,778	95,234	0	95,234
Rental property expenses	991,767	0	991,767	1,007,516	0	1,007,516
TOTAL EXPENSES	6,328,334	0	6,328,334	1,614,772	0	1,614,772
CHANGE IN NET ASSETS	( 101,464)	( 16,910)	( 118,374)	189,282	16,910	206,192
NET ASSETS, BEGINNING OF YEAR	5,003,937	16,910	5,020,847	4,814,655	0	4,814,655
NET ASSETS, END OF YEAR	\$ 4,902,473	\$ 0	\$ 4,902,473	\$ 5,003,937	\$ 16,910	\$ 5,020,847

See independent accountant's review report and notes to financial statements.

STATEMENTS OF CASH FLOWS  
SASAKAWA PEACE FOUNDATION USA, INC.

	Year Ended March 31,	
	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITES</b>		
Change in net assets	\$( 118,374)	\$ 206,192
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on asset disposals	56	0
Depreciation and amortization	196,747	193,589
Accounts receivable	( 49,859)	( 137,125)
Prepaid expenses	( 1,645)	0
Prepaid excise taxes	( 8,542)	306
Lease acquisition costs	( 40,541)	( 25,933)
Restricted cash - tenant security deposits	( 209)	( 596)
Accounts payable	( 64,833)	57,410
Property taxes payable	102,835	0
Accrued vacation	3,711	( 466)
Grants payable	0	( 5,000)
Deferred rental income	( 2,603)	( 221)
Tenant security deposits	17,299	( 202)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	34,042	287,954
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Outlays for building improvements	( 550,204)	( 47,870)
Purchases of furniture and equipment	( 5,223)	( 5,845)
Purchases of books and videos	( 983)	( 1,425)
Proceeds from sale of investments - net	246,733	140,819
<b>NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES</b>	( 309,677)	85,679
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	( 275,635)	373,633
CASH AND CASH EQUIVALENTS, Beginning of year	631,184	257,551
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 355,549	\$ 631,184

See independent accountant's review report and notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

### SASAKAWA PEACE FOUNDATION USA, INC.

March 31, 2012 and 2011

#### NOTE A - 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 SPFJapan, 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:

#### 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.

#### 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.

#### 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 2011.

#### 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.

#### Collections of Books and Videos

Collections of books and videos that are exhaustible are capitalized and depreciated over an estimated useful life of five years.



## NOTES TO FINANCIAL STATEMENTS

### SASAKAWA PEACE FOUNDATION USA, INC.

March 31, 2012 and 2011

#### NOTE A - ORGANIZATION, PURPOSE, AND SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Website Development Costs

The costs incurred to redesign the Foundation's website are amortized over its useful life of three years.

##### Lease Acquisition Costs

Commission fees due to the property management company for locating tenants are amortized over the terms of the respective lease agreements.

##### 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.

##### 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.

##### Revenue Recognition

Rent from the Foundation's building is recorded as revenue on a straight-line basis over the terms of the respective leases.

##### Excise 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's income and franchise, personal property, and sales and use taxes.

Management has determined that the Foundation does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Foundation's tax returns will not be challenged by the taxing authorities and that the Foundation or its directors will not be subject to additional tax, penalties, and interest as a result of such challenges. Generally, the Foundation's tax returns remain open for three years for federal tax examination.

From time to time, the Foundation may be subject to interest and penalties assessed by various taxing authorities. These amounts have historically been insignificant and are classified as administrative expenses when they occur.

## NOTES TO FINANCIAL STATEMENTS

### SASAKAWA PEACE FOUNDATION USA, INC.

March 31, 2012 and 2011

#### NOTE A - ORGANIZATION, PURPOSE, AND SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 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.

##### Reclassifications

Certain items on the 2011 Statements of Financial Position and Cash Flows have been reclassified to conform to the current year's presentation.

#### NOTE B - CONCENTRATION OF CREDIT RISK

Financial instruments that 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 C - 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 that derived a value for income-producing property by converting anticipated monetary benefits into a property value.

NOTES TO FINANCIAL STATEMENTS  
SASAKAWA PEACE FOUNDATION USA, INC.

March 31, 2012 and 2011

NOTE D - INVESTMENTS

Investments were recorded at fair value based on level 1 inputs as of March 31, 2012 and 2011. The fair value of the investments is as follows:

	March 31,	
	<u>2012</u>	<u>2011</u>
Government bond money market fund	<u>\$ 1,122,171</u>	<u>\$ 1,368,904</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, 2012 and 2011.

NOTE E - FEDERAL EXCISE TAXES

The Foundation is subject to federal excise taxes on net investment income. The Foundation reported net investment income of \$720,450 and \$787,330 and incurred excise taxes of \$7,205 and \$15,747 in 2012 and 2011, respectively. Prepaid federal excise taxes totaled \$8,795 and \$253 at March 31, 2012 and 2011, respectively.

The Foundation paid \$15,747 and \$15,441 in excise taxes for the years ended March 31, 2012 and 2011, 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 \$5,271,997 were more than the minimum distributable amount of \$762,706 for 2012. Qualifying distributions of \$560,994 were less than the minimum distributable amounts of \$658,147 for 2011. As of March 31, 2012, the Foundation had excess distributions of \$4,390,858, which carry forward to subsequent years.

NOTE F - 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.

## NOTES TO FINANCIAL STATEMENTS

### SASAKAWA PEACE FOUNDATION USA, INC.

March 31, 2012 and 2011

#### NOTE F - LEASE ARRANGEMENTS (continued)

Minimum future rentals to be received as of March 31, 2012 for each of the next five years and in the aggregate are as follows:

<u>Year Ending March 31,</u>	
2013	\$ 1,714,314
2014	1,358,318
2015	1,018,748
2016	832,796
2017	616,257
2018 and Thereafter	<u>308,800</u>
	<b>TOTAL MINIMUM FUTURE RENTALS</b>
	<b><u>\$ 5,849,233</u></b>

#### NOTE G - 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 \$6,198 and \$6,851 to the plan for the years ended March 31, 2012 and 2011, respectively.

#### NOTE H - TEMPORARILY RESTRICTED NET ASSETS - CARE FOR JAPAN

Temporarily restricted net assets apply to 2011 only and consist of contributions by donors to the Care for Japan program totaling \$16,910. 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 that struck on March 11, 2011. The Foundation spent \$29,778 and \$95,234 in related fundraising costs for the years ended March 31, 2012 and 2011, respectively.

#### NOTE I - 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 that provide evidence about conditions that existed after the financial position date, require disclosure in the accompanying notes.

NOTES TO FINANCIAL STATEMENTS  
SASAKAWA PEACE FOUNDATION USA, INC.

March 31, 2012 and 2011

NOTE I - SUBSEQUENT EVENTS (continued)

Management evaluated the activity of the Foundation through July 20, 2012 (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.