

Reviewed Financial Statements

SASAKAWA PEACE FOUNDATION USA, INC.

Washington, DC

March 31, 2015 and 2014

Sasakawa Peace Foundation USA, Inc.

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying statements of financial position of Sasakawa Peace Foundation USA, Inc., as of March 31, 2015 and 2014, and the related statements of activities and changes in net assets and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Foundation 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 reviews 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.

CST Group, CPAs, PC

August 11, 2015

Sasakawa Peace Foundation USA, Inc.

STATEMENTS OF FINANCIAL POSITION as of March 31

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 664,673	\$ 768,348
Grants receivable	28,774	72,226
Reimbursements receivable	14,936	0
Tenant receivable	120,009	46,959
Prepaid expenses	39,606	0
Prepaid excise taxes	<u>1,395</u>	<u>15,417</u>
	869,393	902,950
PROPERTY AND EQUIPMENT		
Land	1,200,000	1,200,000
Building and improvements	5,099,445	4,917,971
Furniture and equipment	<u>334,871</u>	<u>234,569</u>
	6,634,316	6,352,540
Less: accumulated depreciation	<u>(2,640,357)</u>	<u>(2,424,566)</u>
	3,993,959	3,927,974
OTHER ASSETS		
Lease acquisition costs	458,794	433,344
Website development costs	31,500	7,000
Less: accumulated amortization	<u>(295,558)</u>	<u>(246,225)</u>
	194,736	194,119
Restricted cash - tenant security deposits	<u>66,225</u>	<u>90,129</u>
	260,961	284,248
	<u>\$ 5,124,313</u>	<u>\$ 5,115,172</u>
CURRENT LIABILITIES		
Accounts payable	\$ 224,305	\$ 46,740
Credit card payable	73,029	0
Grants payable	21,649	20,000
Accrued vacation	13,354	31,982
Deferred rental income	<u>55</u>	<u>1,358</u>
	332,392	100,080
TENANT SECURITY DEPOSITS	62,424	76,867
UNRESTRICTED NET ASSETS	<u>4,729,497</u>	<u>4,938,225</u>
	<u>\$ 5,124,313</u>	<u>\$ 5,115,172</u>

See accompanying notes and independent accountant's review report.

Sasakawa Peace Foundation USA, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS for Years Ended March 31

	2015	2014
REVENUES, GAINS, AND OTHER SUPPORT		
Rental income	\$ 1,621,735	\$ 1,626,416
Grant income	3,005,614	1,422,935
Contributions	6,862	711
Interest and dividends	860	1,252
Loss on asset disposals	0	(1,416)
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	4,635,071	3,049,898
EXPENSES		
Program:		
Research	1,513,155	0
Seminars	269,563	279,290
Grants and contributions	1,489,563	1,189,719
General and administrative	339,895	578,116
Fund raising:		
Rental property	1,231,623	1,113,752
TOTAL EXPENSES	4,843,799	3,160,877
CHANGE IN NET ASSETS	(208,728)	(110,979)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	4,938,225	5,049,204
UNRSTRICED NET ASSETS, END OF YEAR	\$ 4,729,497	\$ 4,938,225

See accompanying notes and independent accountant's review report.

Sasakawa Peace Foundation USA, Inc.

STATEMENTS OF CASH FLOWS for Years Ended March 31

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(208,728)	\$(110,979)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on asset disposals	0	1,416
Depreciation and amortization	265,124	250,817
Grants receivable	43,452	(30,684)
Reimbursements receivable	(14,936)	0
Tenant receivable	(73,050)	152,789
Prepaid expenses	(39,606)	1,145
Prepaid excise taxes	14,022	(15,417)
Lease acquisition costs	(49,950)	(105,128)
Restricted cash - tenant security deposits	23,904	21,762
Accounts payable	177,565	(27,865)
Credit card	73,029	0
Grants payable	1,649	20,000
Accrued vacation	(18,628)	22,668
Excise taxes payable	0	(6,987)
Deferred rental income	(1,303)	(13,523)
Tenant security deposits	<u>(14,443)</u>	<u>8,440</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	178,101	168,454
CASH FLOWS FROM INVESTING ACTIVITIES		
Outlays for building improvements	<u>(281,776)</u>	<u>(498,325)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(281,776)</u>	<u>(498,325)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(103,675)	(329,871)
CASH AND CASH EQUIVALENTS, beginning of year	<u>768,348</u>	<u>1,098,219</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 664,673</u>	<u>\$ 768,348</u>

See accompanying notes and independent accountant's review report.

Sasakawa Peace Foundation USA, Inc.

NOTES TO FINANCIAL STATEMENTS for Years Ended March 31, 2015 and 2014

NOTE A - ORGANIZATION AND PURPOSE

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 library operation was discontinued during the year ended March 31, 2014, and the related assets were donated to educational and charitable organizations. 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.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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 highly liquid investments including money market funds and certificates of deposit with a maturity of three months or less when purchased to be cash equivalents.

Receivables

Receivables are carried at their estimated collectible amounts and primarily consist of grant commitments, expense reimbursements, and tenant-related income. Such amounts are periodically evaluated for collectability based on the past credit history. No allowance for doubtful accounts is considered necessary for the years ended March 31, 2015 and 2014.

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.

Website Development Costs

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease Acquisition Costs

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

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. Grants and contributions are recorded as revenue when unrestricted pledges are made or when restrictions are met.

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.

Because 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 nor that the Foundation or its directors will 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.

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 Statements of Financial Position and Cash Flows, as of and for the year ended March 31, 2014, have been reclassified to conform to the current year's presentation.

NOTE C - 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.

Sasakawa Peace Foundation USA, Inc.

NOTES TO FINANCIAL STATEMENTS for Years Ended March 31, 2015 and 2014

NOTE D - FOUNDING GRANT AND ONGOING SUPPORT

In March 1991, the Foundation received an initial grant from SPF-Japan (Tokyo) 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 because 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.

For the years ended March 31, 2015 and 2014, the Foundation received grants totaling \$3,005,614 and \$1,272,935, respectively, from SPF Tokyo to assist with operating activities. Grants receivable from SPF Tokyo were \$28,774 and \$0 at March 31, 2015 and 2014, respectively.

NOTE E - FEDERAL EXCISE TAXES

The Foundation is subject to federal excise taxes on net investment income. The Foundation reported net investment income of \$260,566 and \$356,978 and incurred excise taxes of \$2,606 and \$3,570 in 2015 and 2014, respectively. Excise taxes payable totaled \$0 and \$0 at March 31, 2015 and 2014, respectively. Prepaid excise taxes totaled \$1,395 and \$15,417 at March 31, 2015 and 2014, 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 \$3,493,251 and \$1,872,967 were more than the minimum distributable amounts of \$771,489 and \$658,365 for the years ended March 31, 2015 and 2014, respectively. As of March 31, 2015, the Foundation had excess distributions of \$8,443,333, 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 2024. 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 for Years Ended March 31, 2015 and 2014

NOTE F - LEASE ARRANGEMENTS (continued)

Minimum future rentals to be received as of March 31, 2015 for each of the next five years and in the aggregate are as follows:

<u>For Year Ending March 31,</u>	
2016	\$ 1,467,634
2017	1,191,019
2018	729,713
2019	208,828
2020	215,191
Thereafter	<u>717,113</u>
Total minimum future rentals	<u>\$ 4,529,498</u>

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 vesting in the discretionary employer contributions occurs over a five-year period at 20% a year. The Foundation provided discretionary contributions totaling \$16,477 and \$14,300 to the plan for the years ended March 31, 2015 and 2014, respectively.

NOTE H - FAIR VALUE

Fair value is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. Fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

The recorded values of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and deferred revenue approximate their fair values based on their short-term nature.

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.

Management evaluated the activity of the Foundation through August 11, 2015 (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.