

SASAKAWA PEACE FOUNDATION USA, INC.
(A Nonprofit Organization)
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019 AND 2018

SASAKAWA PEACE FOUNDATION USA, INC.
(A Nonprofit Organization)
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of Sasakawa Peace Foundation USA, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of March 31, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. 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'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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

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

Summarized Comparative Information

We previously reviewed Sasakawa Peace Foundation USA, Inc.'s financial statements as of and for the year ended March 31, 2018, and in our conclusion dated July 30, 2018, stated that based on our review, we were not aware of any material modifications that should be made to the financial statements as of and for the year ended March 31, 2018, in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein on page 5 for the year ended March 31, 2018, for it to be consistent with the reviewed financial statements from which it has been derived.



CERTIFIED PUBLIC ACCOUNTANTS

Bethesda, Maryland
December 4, 2019

SASAKAWA PEACE FOUNDATION USA, INC.
(A Nonprofit Organization)
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,123,763	\$ 849,102
Grants receivable	110,670	16,846
Accounts receivable	26,911	126
Tenant rents and other receivable	20,629	76,042
Prepaid expenses	<u>25,865</u>	<u>20,781</u>
Total current assets	<u>1,307,838</u>	<u>962,897</u>
Property and equipment, net	<u>4,395,466</u>	<u>4,312,579</u>
Other assets:		
Deferred leasing commissions, net of accumulated amortization of \$512,021 in 2019 and \$439,142 in 2018	271,389	303,204
Restricted cash - tenant security deposits	64,238	64,186
Website development costs, net of accumulated amortization of \$45,400 in 2019 and \$42,697 in 2018	<u>-</u>	<u>2,703</u>
Total other assets	<u>335,627</u>	<u>370,093</u>
TOTAL ASSETS	<u>\$ 6,038,931</u>	<u>\$ 5,645,569</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 291,261	\$ 250,328
Credit card payable	15,088	49,866
Accrued vacation	27,822	24,232
Accrued taxes	6,291	678
Deferred income	37,220	-
Grant refundable	<u>-</u>	<u>120,000</u>
Total current liabilities	<u>377,682</u>	<u>445,104</u>
Long-term liabilities:		
Deferred rent liabilities	253,176	278,933
Tenant security deposits	<u>63,443</u>	<u>63,443</u>
Total long-term liabilities	<u>316,619</u>	<u>342,376</u>
Total liabilities	694,301	787,480
Net assets without donor restrictions	<u>5,344,630</u>	<u>4,858,089</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,038,931</u>	<u>\$ 5,645,569</u>

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

SASAKAWA PEACE FOUNDATION USA, INC.
(A Nonprofit Organization)
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Revenues:		
Grant income	\$ 2,819,222	\$ 3,993,867
Rental income	1,841,419	1,606,770
Interest and dividends	351	238
Contributions	<u>-</u>	<u>800</u>
Total revenues	<u>4,660,992</u>	<u>5,601,675</u>
Expenses:		
Programs:		
Policy research and education	1,764,969	2,441,948
JUMP	144,487	154,607
Other grants	541,677	1,075,741
General and administrative	406,464	339,553
Rental operations	<u>1,316,854</u>	<u>1,359,245</u>
Total expenses	<u>4,174,451</u>	<u>5,371,094</u>
Change in net assets	486,541	230,581
Net assets without donor restrictions - beginning	<u>4,858,089</u>	<u>4,627,508</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - ENDING	<u>\$ 5,344,630</u>	<u>\$ 4,858,089</u>

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

SASAKAWA PEACE FOUNDATION USA, INC.
(A Nonprofit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	Programs							2018 Comparative Totals
	Policy Research and Education	JUMP	Grants	Total Programs	General and Administrative	Rental Operations	Total	
Personnel	\$ 837,756	\$ 77,466	\$ -	\$ 915,222	\$ 302,573	\$ 281,183	\$ 1,498,978	\$ 1,929,374
Grants	-	-	541,677	541,677	-	-	541,677	1,075,741
Travel	341,542	17,081	-	358,623	27,207	-	385,830	422,583
Depreciation and amortization	5,114	1,278	-	6,392	15,465	342,789	364,646	345,193
Professional fees	214,883	828	-	215,711	16,712	78,968	311,391	347,144
Repairs and maintenance	29,977	1,961	-	31,938	4,873	219,213	256,024	310,329
Taxes and licenses	-	-	-	-	16,630	226,072	242,702	233,544
Meetings	160,190	17,373	-	177,563	4,248	782	182,593	222,509
Utilities	6,953	1,264	-	8,217	3,161	127,683	139,061	125,701
Communication and delivery	50,699	17,535	-	68,234	2,697	932	71,863	83,269
Honorarium	48,043	-	-	48,043	-	-	48,043	116,030
Insurance	7,770	1,629	-	9,399	2,732	27,534	39,665	40,137
Payroll processing fees	12,632	2,803	-	15,435	4,307	1,238	20,980	20,305
Printing	17,561	2,499	-	20,060	-	-	20,060	31,685
Dues and subscriptions	15,127	1,743	-	16,870	1,007	794	18,671	29,375
Equipment rental	10,418	694	-	11,112	3,317	369	14,798	13,289
Office supplies	5,174	267	-	5,441	985	496	6,922	10,380
Miscellaneous	1,130	66	-	1,196	550	8,801	10,547	14,506
TOTAL EXPENSES	\$ 1,764,969	\$ 144,487	\$ 541,677	\$ 2,451,133	\$ 406,464	\$ 1,316,854	\$ 4,174,451	\$ 5,371,094

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

SASAKAWA PEACE FOUNDATION USA, INC.
(A Nonprofit Organization)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 486,541	\$ 230,581
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	364,646	345,193
Changes in assets and liabilities:		
Grants receivable	(93,824)	83,712
Accounts receivable	(26,785)	(77)
Tenant rents and other receivable	55,413	(47,003)
Prepaid expenses	(5,084)	22,789
Deferred leasing commissions	(41,064)	(111,902)
Restricted cash - tenant security deposits	(52)	24,779
Accounts payable	40,933	148,236
Grant refundable	(120,000)	120,000
Credit card payable	(34,778)	(52,130)
Accrued vacation	3,590	(6,972)
Accrued taxes	5,613	(1,028)
Deferred income	37,220	(8,635)
Deferred rent liabilities	<u>(25,757)</u>	<u>(15,357)</u>
Net cash provided by operating activities	<u>646,612</u>	<u>732,186</u>
Cash used in investing activities:		
Acquisitions of property and equipment	<u>(371,951)</u>	<u>(165,747)</u>
Cash flows from financing activities:		
Receipts of tenant security deposits	-	72,000
Repayments of tenant security deposits	<u>-</u>	<u>(93,640)</u>
Net cash used in financing activities	<u>-</u>	<u>(21,640)</u>
Net increase in cash and cash equivalents	274,661	544,799
Cash and cash equivalents - beginning	<u>849,102</u>	<u>304,303</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,123,763</u>	<u>\$ 849,102</u>

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

SASAKAWA PEACE FOUNDATION USA, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

NOTE 1. ORGANIZATION AND NATURE OF BUSINESS

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 is dedicated to strengthening U.S.-Japan relations through education, programs and research. To foster this mission, the Foundation's research programs focus on security, diplomacy, economics, business, trade, technology and other matters of common concern. The Foundation's education programs are designed to facilitate people-to-people exchange and dialogue on these issues with American and Japanese policymakers, influential citizens and the broader public.

Upon its formation, the Foundation received a grant from its founder, the Sasakawa Peace Foundation Japan ("SPF-Japan"), to acquire a building in Washington, D.C., to house a library of research, survey and other noncommercial publications, and an art gallery dedicated for the purpose of fostering a better understanding of contemporary Japan in the United States. After extensive renovations to the property, the Foundation opened the library and art gallery on December 2, 1992. In October 1996, after reevaluating its activities, the Foundation terminated the art gallery operations and initiated new programs to promote better understanding and dialogue between the United States and Asia. The library operations were discontinued during 2014, and the related assets were donated to other educational and charitable organizations. Subsequently, the Foundation expanded its research, educational, and grant programs on U.S.-Japan relations with additional grants. The Foundation is currently renting space in the building to unrelated commercial tenants and uses the income from the rental activities to maintain the building and support the Foundation's activities.

A description of the significant program activities of the Foundation are as follows:

Policy Research and Education - addressing issues of importance to the United States and Japan requiring greater attention, coordination and cooperation; organizing programs that improve understanding of U.S.-Japan relations in the United States through dialogue, exchanges and outreach; engaging the American public through the news media and the Foundation's own social media.

Japan-U.S. Military Program ("JUMP") - conducting seminars, conferences, and outreach through social media to inform and connect Americans who have served or are serving in the U.S. military in Japan to facilitate their contributions to strengthening the U.S.-Japan relationship.

Grants - awarding grants to other organizations to strengthen the U.S.-Japan relationship.

SASAKAWA PEACE FOUNDATION USA, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net assets classifications:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

At March 31, 2019 and 2018, the Foundation had no net assets with donor restrictions.

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 and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

The Foundation recognizes rental revenue on the straight-line basis over the terms of the respective leases. Revenue from contributions and grants is recognized as income when it is unconditionally promised. Revenue from conditional grants is recognized when the Foundation has complied with substantially all of the conditions set forth in the grant agreement.

Contributions of non-cash assets are recorded at their fair values in the period received. Contributions of services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. For the years ended March 31, 2019 and 2018, there were no contributions of non-cash assets or contributed services meeting the requirements for recognition in the financial statements.

See independent accountant's review report.

SASAKAWA PEACE FOUNDATION USA, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash on deposit and money market accounts that are readily convertible into cash.

Restricted cash

Tenant security deposits are held in a separate bank account in accordance with applicable state laws and disbursed in accordance with the lease agreements.

Receivables

Receivables consist of grant commitments, expense reimbursements and tenant-related income, and are stated at the amounts that management expects to collect. Management evaluates such receivables and establishes an allowance for doubtful accounts based on a history of write-offs and collections and current credit conditions. The Foundation charges off uncollected receivables when management determines that it has exhausted all collection efforts. Management has determined that, at March 31, 2019 and 2018, all of its receivables were collectible, and that no allowance for doubtful accounts was required.

Income taxes

The Foundation is classified as a private foundation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on its exempt income under Sections 509(a)(3) and 170(b)(1)(A)(vi) of the Code. Contributions to the Foundation are deductible to the extent permitted by law. The Foundation is 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.

As a result of the enactment of the Tax Cuts and Jobs Act in 2017, effective January 1, 2018, the Foundation is subject to income tax on unrelated business income arising from nontaxable qualified transportation benefits provided by the Foundation to its employees. Income tax on unrelated business income activity amounted to \$6,235 and \$1,200 for the years ended March 31, 2019 and 2018, respectively.

Uncertain tax positions

The Foundation follows accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not that the positions will be sustained upon examination by the taxing authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Foundation files income tax returns in the U.S. federal jurisdiction. As of March 31, 2019 and 2018, management has determined that the Foundation had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements.

See independent accountant's review report.

SASAKAWA PEACE FOUNDATION USA, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred leasing commissions

Deferred leasing commissions consist of commissions due to the property management company for locating tenants for the Foundation's rental property. Such costs are amortized over the terms of the respective lease agreements using the straight-line method. For the years ended March 31, 2019 and 2018, amortization of the leasing commissions totaled \$72,879 and \$60,842, respectively.

Website development costs

The Foundation classifies and accounts for costs incurred for website development in three stages. During the initial or planning stage, the costs incurred are expensed. Costs incurred during the second or development stage are capitalized and then amortized when the website is ready for its intended use. The third stage consists of post-implementation activity and adding additional upgrades and features. Post-implementation costs are expensed as incurred; costs incurred for additional upgrades and features once the website is launched are capitalized if the upgrades and enhancements furnish additional functionality; otherwise, they are expensed as incurred.

The Foundation amortizes its capitalized website development costs over three years using the straight-line method. During the years ended March 31, 2019 and 2018, amortization expense related to capitalized website development costs totaled \$2,703 and \$8,203, respectively.

Property and equipment

Acquisitions of property and equipment, including improvements and replacements, are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of five to 39 years for buildings and improvements and three to seven years for furniture and equipment. Maintenance and repairs that do not improve or extend the lives of the assets are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss reported in the statements of activities.

Long-lived assets

Management assesses whether indicators of impairment of long-lived assets, such as property, equipment and intangible assets, are present. If such indicators are present, recoverability of these assets is determined based upon expected undiscounted future net cash flows from the operations to which the assets relate utilizing management's best estimates, appropriate assumptions and projections at the time. If the carrying value is determined not to be recoverable from future operating cash flows, the asset would be deemed impaired and an impairment loss would be recognized to the extent the carrying value exceeded the estimated fair value of the asset. Management determined that there was no impairment to its long-lived assets during the years ended March 31, 2019 and 2018.

See independent accountant's review report.

SASAKAWA PEACE FOUNDATION USA, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassification adjustments had no effect on the Foundation's previously reported change in net assets.

Functional allocation of expenses

The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities and changes in net assets.

The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and employee benefits	Time and effort
General administration	Time and effort

General administration expenses include those expenses that are not directly identifiable with a specific function, but that provide for the overall support and directions for the Foundation.

Recently adopted accounting pronouncement

On August 18, 2016, FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively, with elective reliefs on analysis of expenses by function and nature, and disclosures about liquidity and availability of resources for periods presented before the period of adoption.

Recently issued but not yet effective accounting pronouncements

In February 2016, FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). FASB also issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases* and ASU No. 2018-11, *Leases: Targeted Improvements* in July 2018, and ASU No. 2018-20, *Narrow-Scope Improvements for Lessors* in December 2018. These updates provide narrow amendments to clarify how to apply certain aspects of the new leases standard and options regarding transition and lessor accounting for lease and non-lease components. This option will not require prior periods to be restated at the adoption date and an option for lessors, if certain criteria are met, to avoid separating the lease and nonlease components (such as preventative maintenance services) in an agreement. In addition, an election for lessors to exclude sales and related taxes from consideration in the contract, requires lessors to exclude from revenue and expense lessor costs paid directly to a third party by lessees,

See independent accountant's review report.

SASAKAWA PEACE FOUNDATION USA, INC.
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NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently issued but not yet effective accounting pronouncements (continued)

and clarifies lessors' accounting for variable payments related to both lease and nonlease components. ASU 2016-02, as amended, is effective for fiscal years beginning after December 15, 2019, and the Foundation is evaluating the effect, if any, on its financial statements and related disclosures.

In August 2016, FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"), which provides guidance on several cash flow classification issues. This new guidance is effective for years beginning after December 15, 2018, with early adoption permitted. The Foundation does not anticipate that the adoption of ASU 2016-15 will have a material effect on its financial statements and related disclosures.

In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the Emerging Issues Task Force)* ("ASU 2016-18"), which requires an entity to present restricted cash and cash equivalents together with unrestricted cash and cash equivalents in the statement of cash flows. Under ASU 2016-18, an entity will be required to disclose in the financial statements how the statement of cash flows reconciles to the statement of financial position, if restricted cash and cash equivalents are presented separate from unrestricted cash and cash equivalents on the statement of financial position, and the nature of restrictions at the statement of financial position date. This new guidance is effective for years beginning after December 15, 2018, with early adoption permitted. Upon adoption of the amendments in ASU 2016-18, the Foundation will present within the statement of cash flows the change during the period in total cash and cash equivalents, including amounts generally described as restricted cash and cash equivalents. The amendments will be applied retrospectively.

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), which provides guidance for determining whether a transaction should be accounted for as a contribution or an exchange transaction, and whether a contribution is conditional or unconditional. This ASU is effective for years beginning after December 15, 2018. The Foundation does not anticipate that the adoption of ASU 2018-08 will have a material effect on its financial statements and related disclosures.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended (commonly referred to as "ASC 606"), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 606 replaces most existing revenue recognition standards in U.S. GAAP, including industry-specific guidance, when it becomes effective. For annual reporting periods, this standard is effective for the Foundation on April 1, 2019, and for interim periods within annual periods that begin one year later. The standard permits the use of either the retrospective or cumulative-effect transition method. The Foundation is currently completing its initial assessment and evaluation of the impact that ASC 606 will have on the Foundation's financial statements and related disclosures.

See independent accountant's review report.

SASAKAWA PEACE FOUNDATION USA, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently issued but not yet effective accounting pronouncements (continued)

The Foundation expects, at minimum, the adoption will require expanded disclosures that will enable users to better understand the nature, amount, timing, and uncertainty, if any, of revenues and cash flows arising from contracts with customers.

Subsequent events

Management has evaluated subsequent events through December 4, 2019, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 3. LIQUIDITY AND AVAILABILITY

As of March 31, 2019, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash	\$ 1,123,763
Grants and other receivable	<u>158,210</u>
Financial assets available to meet general expenditures within one year	\$ <u><u>1,281,973</u></u>

For the purposes of analyzing resources available to meet general expenditures, the Foundation considers all expenditures related to its ongoing activities of policy research, education, grant commitments, rental operations, as well as the conduct of services undertaken to support those activities to be general expenditures. In addition to financial assets available to meet general expenditures, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Please refer to the accompanying statements of cash flows which identify the sources and uses of the Foundation's cash and show positive cash generated by operations for the year ended March 31, 2019.

The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Foundation's goal is generally to maintain financial assets to meet 30 days of operating expenses.

See independent accountant's review report.

SASAKAWA PEACE FOUNDATION USA, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

NOTE 4. PROPERTY AND EQUIPMENT

The Foundation's property and equipment consisted of the following at March 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 1,200,000	\$ 1,200,000
Building and improvements	6,554,591	6,188,890
Furniture and equipment	<u>158,341</u>	<u>153,380</u>
Total cost	7,912,932	7,542,270
Less: accumulated depreciation	<u>3,517,466</u>	<u>3,229,691</u>
Property and equipment, net	<u>\$ 4,395,466</u>	<u>\$ 4,312,579</u>

Depreciation expense was \$289,064 and \$276,148 for the years ended March 31, 2019 and 2018, respectively.

NOTE 5. FOUNDING GRANT AND ONGOING SUPPORT

In March 1991, the Foundation received an initial grant from SPF-Japan (Tokyo) in the amount of \$21,655,122 for the purpose of acquiring an office building at 1819 L Street in Washington, D.C. The building was acquired in May 1991 at a cost of \$19,074,660. The remaining proceeds were used to renovate the building and to fund the initial operations of the Foundation.

In 1996, the Foundation recorded an impairment loss on the building in the amount of \$14,630,058, as management determined that the carrying amount of the property exceeded the estimated future cash flows expected to be received from the operations of the property.

For the years ended March 31, 2019 and 2018, the Foundation received grants totaling \$2,536,065 and \$3,673,867, respectively, from SPF-Japan (Tokyo) to assist with operating activities. Grants receivable from SPF-Japan (Tokyo) were \$27,537 and \$16,972 at March 31, 2019 and 2018, respectively.

SASAKAWA PEACE FOUNDATION USA, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

NOTE 6. RENTAL INCOME

The Foundation is the lessor of commercial space under operating leases expiring periodically through 2026. Certain of the lease agreements include renewal periods at the Foundation's option, as well as rent holidays and scheduled rent increases. Rental income is recognized on the straight-line method over the terms of the respective leases.

Future minimum lease payments expected to be received under the existing leases at March 31, 2019, are as follows:

<u>Year ending March 31:</u>	<u>Amount</u>
2020	\$ 1,625,065
2021	1,280,526
2022	1,148,256
2023	650,848
2024	257,277
Thereafter	<u>395,067</u>
	<u>\$ 5,357,039</u>

The Foundation's board of directors has approved that the rental income be applied to fund current operations of the Foundation.

At March 31, 2019 and 2018, the cost of the property subject to rental operations amounted to \$7,754,591 and \$7,388,890, respectively. At March 31, 2019 and 2018, the accumulated depreciation for the rental property amounted to \$3,403,959 and \$3,135,057, respectively.

NOTE 7. GRANTS

The Foundation awarded the following grants during the years ended March 31, 2019 and 2018, to support projects with a purpose to promote dialogue and strengthen the U.S.-Japan relationship:

	<u>2019</u>	<u>2018</u>
Strengthening the U.S.-Japan Relationship from U.S. Perspectives	\$ 69,032	\$ 127,729
JUMP	89,056	76,393
Other grants	<u>383,589</u>	<u>871,619</u>
Total	<u>\$ 541,677</u>	<u>\$ 1,075,741</u>

See independent accountant's review report.

SASAKAWA PEACE FOUNDATION USA, INC.
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NOTE 7. GRANTS (CONTINUED)

The following are descriptions of the grants awarded by the Foundation:

Strengthening the U.S.-Japan Relationship from U.S. Perspectives - Grants were awarded to organize programs and offer opportunities for students, policy experts, congressional staff and practitioners to learn more about, and strengthen their ties to, Japan. There were eight and twelve grant recipients for the years ended March 31, 2019 and 2018, respectively.

JUMP - Two grants, for each of the years ended March 31, 2019 and 2018, were awarded to organize events and networking activities in the United States and Yokosuka, Japan, for Americans who have served or are serving in the U.S. military in Japan to update them on U.S.-Japan relations and enhance their ties to Japan.

Other grants - Grants were awarded to support projects to organize events and delegation trips to Japan for congressional members and staff. There were two grant recipients for each of the years ended March 31, 2019 and 2018.

NOTE 8. CONCENTRATIONS

The Foundation places its cash and cash equivalents, which may at times be in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits of up to \$250,000, with high credit quality financial institutions. The amounts in excess of FDIC insurance were \$706,375 and \$508,562 as of March 31, 2019 and 2018, respectively.

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

The Foundation receives a significant portion of its grant income from SPF-Japan (Tokyo) (see Note 5).

NOTE 9. FEDERAL EXCISE TAX

The Foundation is subject to federal excise tax on net investment income. During the years ended March 31, 2019 and 2018, the Foundation earned net investment income of \$499,161 and \$247,763, respectively. Federal excise tax incurred during the years ended March 31, 2019 and 2018, amounted to \$9,983 and \$2,478, respectively.

Additionally, the Code requires minimum qualifying distributions of funds related to their exempt purpose. During the years ended March 31, 2019 and 2018, the Foundation made qualifying distributions of \$3,067,715 and \$3,953,811, respectively, which were in excess of the minimum distributable amounts of \$743,194 and \$767,357, respectively. The Code allows for excess distributions to be carried forward to reduce the minimum distributions required in future years. At March 31, 2019, the Foundation had excess distribution carryforwards of \$14,805,306.

NOTE 10. RETIREMENT PLAN

The Foundation has a defined contribution 401(k) plan. Substantially all employees are eligible to participate. The Foundation made contributions of \$29,844 and \$40,376 for the years ended March 31, 2019 and 2018, respectively.

See independent accountant's review report.