

SASAKAWA PEACE FOUNDATION USA, INC.
(A Nonprofit Organization)
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2021 AND 2020

SASAKAWA PEACE FOUNDATION USA, INC.
(A Nonprofit Organization)
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

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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 statements of financial position as of March 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 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 accordance with accounting principles generally accepted in the United States of America.



CERTIFIED PUBLIC ACCOUNTANTS

Bethesda, Maryland
October 27, 2021

SASAKAWA PEACE FOUNDATION USA, INC.
(A Nonprofit Organization)
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,547,002	\$ 1,467,558
Restricted cash - endowment fund	9,582,288	-
Grants receivable	5,290	118,807
Accounts receivable	163,558	2,085
Tenant rents and other receivable	344,664	24,804
Prepaid expenses	33,384	88,138
Prepaid taxes	<u>947</u>	<u>7,774</u>
Total current assets	<u>11,677,133</u>	<u>1,709,166</u>
Property and equipment, net	<u>4,466,651</u>	<u>4,472,152</u>
Other assets:		
Deferred leasing commissions, net of accumulated amortization of \$676,057 in 2021 and \$595,822 in 2020	164,992	222,566
Restricted cash - tenant security deposits	<u>65,383</u>	<u>65,310</u>
Total other assets	<u>230,375</u>	<u>287,876</u>
TOTAL ASSETS	<u>\$ 16,374,159</u>	<u>\$ 6,469,194</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 425,925	\$ 423,043
Credit card payable	3,088	18,310
Accrued vacation	36,262	20,843
Deferred income	<u>34,790</u>	<u>17,281</u>
Total current liabilities	<u>500,065</u>	<u>479,477</u>
Long-term liabilities:		
Deferred rent liabilities	25,181	162,855
Tenant security deposits	<u>40,998</u>	<u>54,951</u>
Total long-term liabilities	<u>66,179</u>	<u>217,806</u>
Total liabilities	<u>566,244</u>	<u>697,283</u>
Commitments and contingencies (Note 13)		
Net assets:		
Without donor restrictions	6,225,627	5,771,911
With donor restrictions	<u>9,582,288</u>	<u>-</u>
Total net assets	<u>15,807,915</u>	<u>5,771,911</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,374,159</u>	<u>\$ 6,469,194</u>

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

SASAKAWA PEACE FOUNDATION USA, INC.
(A Nonprofit Organization)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions
Revenues:				
Contribution income	\$ 1,461,531	\$ 9,580,293	\$ 11,041,824	\$ 2,981,085
Rental income	2,045,748	-	2,045,748	1,988,243
Interest and dividends	346	1,995	2,341	2,150
Other income	<u>1,644</u>	<u>-</u>	<u>1,644</u>	<u>-</u>
Total revenues	<u>3,509,269</u>	<u>9,582,288</u>	<u>13,091,557</u>	<u>4,971,478</u>
Expenses:				
Programs:				
Policy research and education	959,626	-	959,626	1,848,221
JUMP	110,500	-	110,500	154,599
Grants	<u>159,653</u>	<u>-</u>	<u>159,653</u>	<u>575,978</u>
Total programs	1,229,779	-	1,229,779	2,578,798
General and administrative	350,405	-	350,405	515,636
Rental operations	<u>1,475,369</u>	<u>-</u>	<u>1,475,369</u>	<u>1,449,763</u>
Total expenses	<u>3,055,553</u>	<u>-</u>	<u>3,055,553</u>	<u>4,544,197</u>
Change in net assets	453,716	9,582,288	10,036,004	427,281
Net assets - beginning	<u>5,771,911</u>	<u>-</u>	<u>5,771,911</u>	<u>5,344,630</u>
NET ASSETS - ENDING	<u><u>\$ 6,225,627</u></u>	<u><u>\$ 9,582,288</u></u>	<u><u>\$ 15,807,915</u></u>	<u><u>\$ 5,771,911</u></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, 2021

	Programs			Total Programs	General and Administrative	Rental Operations	Total
	Policy Research and Education	JUMP	Grants				
Personnel	\$ 720,150	\$ 76,540	\$ -	\$ 796,690	\$ 226,145	\$ 298,234	\$ 1,321,069
Grants	-	-	159,653	159,653	-	-	159,653
Travel	26,364	768	-	27,132	520	36	27,688
Depreciation and amortization	10,069	2,517	-	12,586	12,587	358,105	383,278
Professional fees	44,148	975	-	45,123	58,684	98,577	202,384
Repairs and maintenance	32,071	2,299	-	34,370	6,134	279,332	319,836
Taxes and licenses	-	-	-	-	12,239	279,975	292,214
Meetings	7,795	-	-	7,795	1,765	162	9,722
Utilities	3,149	735	-	3,884	892	100,198	104,974
Communication and delivery	54,970	19,838	-	74,808	9,582	25	84,415
Honorarium	18,950	-	-	18,950	-	-	18,950
Insurance	8,885	1,055	-	9,940	1,191	52,478	63,609
Payroll processing fees	12,988	2,095	-	15,083	4,691	1,732	21,506
Printing	1,100	-	-	1,100	40	-	1,140
Dues and subscriptions	8,845	2,528	-	11,373	1,137	725	13,235
Equipment rental	6,007	400	-	6,407	1,702	-	8,109
Office supplies	3,875	737	-	4,612	12,846	1,195	18,653
Miscellaneous	260	13	-	273	250	4,595	5,118
TOTAL EXPENSES	\$ 959,626	\$ 110,500	\$ 159,653	\$ 1,229,779	\$ 350,405	\$ 1,475,369	\$ 3,055,553

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, 2020

	Programs			Total Programs	General and Administrative	Rental Operations	Total
	Policy Research and Education	JUMP	Grants				
Personnel	\$ 981,485	\$ 81,260	\$ -	\$ 1,062,745	\$ 367,569	\$ 297,708	\$ 1,728,022
Grants	-	-	575,978	575,978	-	-	575,978
Travel	365,707	15,229	-	380,936	43,975	-	424,911
Depreciation and amortization	4,462	1,116	-	5,578	13,760	363,251	382,589
Professional fees	184,432	500	-	184,932	38,569	79,674	303,175
Repairs and maintenance	29,529	1,931	-	31,460	8,440	219,932	259,832
Taxes and licenses	-	-	-	-	9,190	307,577	316,767
Meetings	136,818	18,838	-	155,656	4,920	426	161,002
Utilities	5,919	1,036	-	6,955	2,664	138,368	147,987
Communication and delivery	46,008	21,031	-	67,039	10,719	488	78,246
Honorarium	34,500	-	-	34,500	-	-	34,500
Insurance	7,366	2,125	-	9,491	2,282	29,257	41,030
Payroll processing fees	12,824	4,134	-	16,958	4,372	1,471	22,801
Printing	12,286	4,027	-	16,313	-	-	16,313
Dues and subscriptions	11,124	2,299	-	13,423	1,110	1,070	15,603
Equipment rental	10,089	673	-	10,762	2,991	-	13,753
Office supplies	3,469	302	-	3,771	1,484	400	5,655
Miscellaneous	<u>2,203</u>	<u>98</u>	<u>-</u>	<u>2,301</u>	<u>3,591</u>	<u>10,141</u>	<u>16,033</u>
TOTAL EXPENSES	<u>\$ 1,848,221</u>	<u>\$ 154,599</u>	<u>\$ 575,978</u>	<u>\$ 2,578,798</u>	<u>\$ 515,636</u>	<u>\$ 1,449,763</u>	<u>\$ 4,544,197</u>

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 10,036,004	\$ 427,281
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	383,278	382,589
Endowment fund contributions	(9,580,293)	-
Changes in assets and liabilities:		
Grants receivable	113,517	(8,137)
Accounts receivable	(161,473)	24,826
Tenant rents and other receivable	(319,860)	(4,175)
Prepaid expenses	54,754	(62,273)
Prepaid taxes	6,827	(7,774)
Deferred leasing commissions	(22,661)	(34,978)
Accounts payable	2,882	(62,298)
Credit card payable	(15,222)	3,222
Accrued vacation	15,419	(6,979)
Accrued taxes	-	(6,291)
Deferred income	17,509	(19,939)
Deferred rent liabilities	<u>(137,674)</u>	<u>(90,321)</u>
Net cash provided by operating activities	<u>393,007</u>	<u>534,753</u>
Cash used in investing activities:		
Acquisitions of property and equipment	<u>(297,542)</u>	<u>(181,394)</u>
Cash flows from financing activities:		
Endowment fund contributions	9,580,293	-
Repayments of tenant security deposits	<u>(13,953)</u>	<u>(8,492)</u>
Net cash provided by (used in) financing activities	<u>9,566,340</u>	<u>(8,492)</u>
Net increase in cash, cash equivalents and restricted cash	9,661,805	344,867
Cash, cash equivalents and restricted cash - beginning	<u>1,532,868</u>	<u>1,188,001</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - ENDING	<u>\$ 11,194,673</u>	<u>\$ 1,532,868</u>

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, 2021 AND 2020

Reconciliation of cash, cash equivalents and restricted cash:

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,547,002	\$ 1,467,558
Restricted cash - endowment fund	9,582,288	-
Restricted cash - tenant security deposits	<u>65,383</u>	<u>65,310</u>
Total cash, cash equivalents and restricted cash shown in statements of cash flows	<u>\$ 11,194,673</u>	<u>\$ 1,532,868</u>
Supplemental disclosures of non-cash investing activities:		
Acquisitions of property and equipment on account	<u>\$ -</u>	<u>\$ 194,080</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, 2021 AND 2020

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, 2021 AND 2020

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.

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, 2021 and 2020, 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, 2021 AND 2020

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.

Cash received as endowment contribution from donor (see Note 9) is maintained in a separate restricted cash account at a financial institution.

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, 2021 and 2020, 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.

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, 2021 and 2020, 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, 2021 AND 2020

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, 2021 and 2020, amortization of the leasing commissions totaled \$80,235 and \$83,801, 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 5 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.

As construction commenced, project costs were included in the "construction in progress" account and consisted of materials, labor, and other direct overhead costs.

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, 2021 and 2020.

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. The Foundation incurs expenses that directly relate, and can be assigned, to a specific program or supporting activity. The Foundation also conducts a number of activities which benefit both its program objectives as well as supporting services.

The statements 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.

See independent accountant's review report.

SASAKAWA PEACE FOUNDATION USA, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional allocation of expenses (continued)

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and employee benefits	Time and effort
General administration	Direct allocation and 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 direction of the Foundation.

Recently issued but not yet effective accounting pronouncements

In February 2016, FASB issued Accounting Standards Update ("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 lease 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 provides 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 revenues and expenses lessor costs paid directly to a third party by lessees, 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, 2021, and the Foundation is evaluating the effect, if any, on its financial statements and related disclosures.

Subsequent events

Subsequent events have been evaluated through October 27, 2021, the date on which these financial statements were available to be issued. Except as discussed in Note 14, there were no material subsequent events or transactions that required recognition or additional disclosure in these financial statements.

See independent accountant's review report.

SASAKAWA PEACE FOUNDATION USA, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

NOTE 3. LIQUIDITY AND AVAILABILITY

As of March 31, 2021 and 2020, the following financial assets could readily be made available within one year of the statements of financial position date to meet general expenditures:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,547,002	\$ 1,467,558
Restricted cash - endowment fund	9,582,288	-
Grants receivable	5,290	118,807
Accounts receivable	163,558	2,085
Tenant rents and other receivable	<u>344,664</u>	<u>24,804</u>
Total financial assets at year end	11,642,802	1,613,254
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	<u>9,582,288</u>	<u>-</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,060,514</u>	<u>\$ 1,613,254</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.

The Foundation manages its liquidity and reserves by 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 at least 30 days of operating expenses.

NOTE 4. PROPERTY AND EQUIPMENT

The Foundation's property and equipment consisted of the following at March 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 1,200,000	\$ 1,200,000
Building and improvements	7,132,576	6,735,102
Furniture and equipment	253,372	164,176
Construction in progress	<u>-</u>	<u>189,128</u>
Total cost	8,585,948	8,288,406
Less: accumulated depreciation	<u>4,119,297</u>	<u>3,816,254</u>
Property and equipment, net	<u>\$ 4,466,651</u>	<u>\$ 4,472,152</u>

See independent accountant's review report.

SASAKAWA PEACE FOUNDATION USA, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

NOTE 4. PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense was \$303,043 and \$298,414 for the years ended March 31, 2021 and 2020, 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, 2021 and 2020, the Foundation received grants totaling \$1,313,954 and \$2,709,030, respectively, from SPF-Japan (Tokyo) to assist with operating activities. Grants receivable from SPF-Japan (Tokyo) were \$- and \$33,752 at March 31, 2021 and 2020, respectively.

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, 2021, are as follows:

<u>Year ending March 31:</u>	<u>Amount</u>
2022	\$ 1,807,630
2023	1,021,494
2024	486,529
2025	276,538
2026	<u>171,103</u>
	<u>\$ 3,763,294</u>

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

At March 31, 2021 and 2020, the cost of the property subject to rental operations amounted to \$8,332,576 and \$7,935,102, respectively. At March 31, 2021 and 2020, the accumulated depreciation for the rental property amounted to \$3,961,279 and \$3,683,409, respectively.

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NOTE 7. GRANTS

The Foundation awarded the following grants during the years ended March 31, 2021 and 2020, to support projects with a purpose to promote dialogue and strengthen the U.S.-Japan relationship:

	<u>2021</u>	<u>2020</u>
Strengthening the U.S.-Japan Relationship from U.S. Perspectives	\$ 27,302	\$ 40,759
JUMP	40,028	101,467
Other grants	<u>92,323</u>	<u>433,752</u>
Total	<u>\$ 159,653</u>	<u>\$ 575,978</u>

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 three grant recipients for each of the years ended March 31, 2021 and 2020.

JUMP - Grants 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. There were two and three grant recipients for the years ended March 31, 2021 and 2020, respectively.

Other grants - Grants were awarded to support projects to organize events and delegation trips to Japan for congressional members and staff. There was one grant recipient for each of the years ended March 31, 2021 and 2020.

NOTE 8. NET ASSETS

Net assets with donor restrictions

As of March 31, 2021 and 2020, net assets with donor restrictions subject to expenditure for specific purpose are available for the following program:

	<u>2021</u>	<u>2020</u>
Endowment restricted by donor for: Strengthening the U.S.-Japan Relationship in partner with The Nippon Foundation	\$ <u>9,582,288</u>	\$ <u>-</u>

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NOTE 9. ENDOWMENT FUNDS

The Foundation's endowment consists of funds received from The Nippon Foundation on October 29, 2020, which are donor-restricted but not in perpetuity. This endowment was established to support the Foundation's program to strengthen the U.S.-Japan relationship within the Asia-Pacific context, placing emphasis on security and diplomacy, through exchanges, dialogue, research, and networking. In accordance with U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The interest and dividends earned on the endowment fund are to be used for the operation of the program, as specified by the donor.

An analysis of changes in endowment fund for the year ended March 31, 2021, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - March 31, 2020	\$ -	\$ -	\$ -
Contributions	-	9,580,293	9,580,293
Investment return, net	<u>-</u>	<u>1,995</u>	<u>1,995</u>
Endowment net assets - March 31, 2021	<u>\$ -</u>	<u>\$ 9,582,288</u>	<u>\$ 9,582,288</u>

Spending policy and use of endowment

The Foundation shall appropriate for use the endowment and its interest and/or dividends solely for the purpose of enhancing program function to deepen the understanding and strengthen the relationship between the U.S. and Japan within the Asia-Pacific context.

Risk parameter

The endowment is administered by an outside professional investment firm and resides in a separate account.

NOTE 10. 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 limits were \$10,378,775 and \$798,642 as of March 31, 2021 and 2020, respectively.

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

The Foundation received a significant portion of its grant income from SPF-Japan (Tokyo) (see Note 5) and The Nippon Foundation (see Note 9).

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NOTE 11. FEDERAL EXCISE TAX

The Foundation is subject to federal excise tax on net investment income. During the years ended March 31, 2021 and 2020, the Foundation earned net investment income of \$435,046 and \$450,309, respectively. Federal excise tax incurred during the years ended March 31, 2021 and 2020, amounted to \$6,047 and \$9,006, respectively. At March 31, 2021 and 2020, prepaid taxes amounted to \$947 and \$7,774, respectively.

Additionally, the Code requires minimum qualifying distributions of funds related to their exempt purpose. During the years ended March 31, 2021 and 2020, the Foundation made qualifying distributions of \$1,565,650 and \$3,070,874, respectively, which were in excess of the minimum distributable amounts of \$1,236,340 and \$831,710, respectively. The Code allows for excess distributions to be carried forward to reduce the minimum distributions required in future years. At March 31, 2021, the Foundation had excess distribution carryforwards of \$11,411,545.

NOTE 12. RETIREMENT PLAN

The Foundation has a defined contribution 401(k) plan. Substantially all employees are eligible to participate. The Foundation made contributions of \$26,286 and \$31,397 to the plan for the years ended March 31, 2021 and 2020, respectively.

NOTE 13. RISK AND UNCERTAINTY

COVID-19

During 2020, the World Health Organization declared COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy.

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on business and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the Foundation operates and the related impact on consumer confidence and spending, all of which are highly uncertain. No adjustments or provisions were made in these financial statements related to uncertainties which have arisen or which may arise in the future due to COVID-19.

NOTE 14. SUBSEQUENT EVENTS

The Foundation is a party to a legal claim against a tenant for a breach of lease. On July 6, 2021, the parties signed a settlement agreement, and all amounts due at March 31, 2021 will be fully collected.