

**SASAKAWA PEACE FOUNDATION USA, INC.**  
**(A Nonprofit Organization)**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED MARCH 31, 2022 AND 2021**

**SASAKAWA PEACE FOUNDATION USA, INC.**  
**(A Nonprofit Organization)**  
**FOR THE YEARS ENDED MARCH 31, 2022 AND 2021**

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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, 2022 and 2021, 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.

We are required to be independent of Sasakawa Peace Foundation USA, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

### 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 31, 2022

**SASAKAWA PEACE FOUNDATION USA, INC.**  
**(A Nonprofit Organization)**  
**STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 3,212,393	\$ 1,547,002
Restricted cash - endowment fund	9,396,563	9,582,288
Grants receivable	25,372	5,290
Accounts receivable	-	163,558
Tenant rents and other receivable	67,288	344,664
Prepaid expenses	5,742	33,384
Prepaid taxes	<u>273</u>	<u>947</u>
Total current assets	<u>12,707,631</u>	<u>11,677,133</u>
Property and equipment, net	<u>4,246,581</u>	<u>4,466,651</u>
Other assets:		
Deferred leasing commissions, net of accumulated amortization of \$742,768 in 2022 and \$676,057 in 2021	115,064	164,992
Deferred rent assets	144,513	-
Restricted cash - tenant security deposits	<u>28,333</u>	<u>65,383</u>
Total other assets	<u>287,910</u>	<u>230,375</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 17,242,122</u></b>	<b><u>\$ 16,374,159</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accounts payable	\$ 23,343	\$ 39,878
Credit card payable	20,788	3,088
Accrued vacation	43,884	36,262
Deferred income	35,879	34,790
Refundable advances	<u>1,122,380</u>	<u>386,047</u>
Total current liabilities	<u>1,246,274</u>	<u>500,065</u>
Long-term liabilities:		
Deferred rent liabilities	-	25,181
Tenant security deposits	<u>28,333</u>	<u>40,998</u>
Total long-term liabilities	<u>28,333</u>	<u>66,179</u>
Total liabilities	<u>1,274,607</u>	<u>566,244</u>
Commitments and contingencies (Note 13)		
Net assets:		
Without donor restrictions	6,570,952	6,225,627
With donor restrictions	<u>9,396,563</u>	<u>9,582,288</u>
Total net assets	<u>15,967,515</u>	<u>15,807,915</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 17,242,122</u></b>	<b><u>\$ 16,374,159</u></b>

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, 2022 AND 2021**

	<u>2022</u>			<u>2021</u>		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Contribution income	\$ 1,618,822	\$ -	\$ 1,618,822	\$ 1,461,531	\$ 9,580,293	\$ 11,041,824
Rental income	1,652,166	-	1,652,166	2,045,748	-	2,045,748
Interest and dividends	290	4,792	5,082	346	1,995	2,341
Other income	46,214	-	46,214	1,644	-	1,644
Net assets released from purpose restrictions	<u>190,517</u>	<u>(190,517)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support revenue	<u>3,508,009</u>	<u>(185,725)</u>	<u>3,322,284</u>	<u>3,509,269</u>	<u>9,582,288</u>	<u>13,091,557</u>
Expenses:						
Programs:						
Policy research and education	1,201,932	-	1,201,932	959,626	-	959,626
JUMP	146,398	-	146,398	110,500	-	110,500
Grants	<u>189,321</u>	<u>-</u>	<u>189,321</u>	<u>159,653</u>	<u>-</u>	<u>159,653</u>
Total programs	1,537,651	-	1,537,651	1,229,779	-	1,229,779
General and administrative	334,036	-	334,036	350,405	-	350,405
Rental operations	<u>1,290,997</u>	<u>-</u>	<u>1,290,997</u>	<u>1,475,369</u>	<u>-</u>	<u>1,475,369</u>
Total expenses	<u>3,162,684</u>	<u>-</u>	<u>3,162,684</u>	<u>3,055,553</u>	<u>-</u>	<u>3,055,553</u>
Change in net assets	345,325	(185,725)	159,600	453,716	9,582,288	10,036,004
Net assets - beginning	<u>6,225,627</u>	<u>9,582,288</u>	<u>15,807,915</u>	<u>5,771,911</u>	<u>-</u>	<u>5,771,911</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 6,570,952</u>	<u>\$ 9,396,563</u>	<u>\$ 15,967,515</u>	<u>\$ 6,225,627</u>	<u>\$ 9,582,288</u>	<u>\$ 15,807,915</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, 2022**

	Programs			Total Programs	General and Administrative	Rental Operations	Total
	Policy Research and Education	JUMP	Grants				
Personnel	\$ 852,352	\$ 75,344	\$ -	\$ 927,696	\$ 243,357	\$ 264,061	\$ 1,435,114
Assistance provided to others	-	-	189,321	189,321	-	-	189,321
Travel	87,402	10,878	-	98,280	1,428	30	99,738
Depreciation and amortization	17,351	5,059	-	22,410	24,127	323,115	369,652
Professional fees	80,076	2,375	-	82,451	32,880	125,628	240,959
Repairs and maintenance	32,663	1,931	-	34,594	4,022	165,213	203,829
Taxes and licenses	-	-	-	-	6,711	250,224	256,935
Meetings	16,223	18,800	-	35,023	6,391	19	41,433
Utilities	3,570	833	-	4,403	1,012	113,590	119,005
Communication and delivery	39,794	17,342	-	57,136	4,166	13,875	75,177
Honorarium	19,800	3,000	-	22,800	330	-	23,130
Insurance	8,653	1,030	-	9,683	2,603	31,387	43,673
Payroll processing fees	15,131	1,883	-	17,014	3,862	1,883	22,759
Printing	4,969	4,946	-	9,915	54	-	9,969
Dues and subscriptions	9,558	1,824	-	11,382	1,129	107	12,618
Equipment rental	8,618	509	-	9,127	1,055	-	10,182
Office supplies	5,351	623	-	5,974	667	1,001	7,642
Miscellaneous	421	21	-	442	242	864	1,548
<b>TOTAL EXPENSES</b>	<b><u>\$ 1,201,932</u></b>	<b><u>\$ 146,398</u></b>	<b><u>\$ 189,321</u></b>	<b><u>\$ 1,537,651</u></b>	<b><u>\$ 334,036</u></b>	<b><u>\$ 1,290,997</u></b>	<b><u>\$ 3,162,684</u></b>

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
Assistance provided to others	-	-	159,653	159,653	-	-	159,653
Travel	26,364	768	-	27,132	520	36	27,688
Depreciation	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
<b>TOTAL EXPENSES</b>	<b><u>\$ 959,626</u></b>	<b><u>\$ 110,500</u></b>	<b><u>\$ 159,653</u></b>	<b><u>\$ 1,229,779</u></b>	<b><u>\$ 350,405</u></b>	<b><u>\$ 1,475,369</u></b>	<b><u>\$ 3,055,553</u></b>

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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 159,600	\$ 10,036,004
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	369,652	383,278
Endowment fund contributions	-	(9,580,293)
Changes in assets and liabilities:		
Grants receivable	(20,082)	113,517
Accounts receivable	163,558	(161,473)
Tenant rents and other receivable	277,376	(319,860)
Prepaid expenses	27,642	54,754
Prepaid taxes	674	6,827
Deferred leasing commissions	(16,783)	(22,661)
Deferred rent assets	(144,513)	-
Accounts payable	(16,536)	(383,164)
Refundable advances	736,334	386,046
Credit card payable	17,700	(15,222)
Accrued vacation	7,622	15,419
Deferred income	1,089	17,509
Deferred rent liabilities	<u>(25,181)</u>	<u>(137,674)</u>
Net cash provided by operating activities	<u>1,538,152</u>	<u>393,007</u>
Cash used in investing activities:		
Acquisitions of property and equipment	<u>(82,871)</u>	<u>(297,542)</u>
Cash flows from financing activities:		
Endowment fund contributions	-	9,580,293
Repayments of tenant security deposits	<u>(12,665)</u>	<u>(13,953)</u>
Net cash provided by (used in) financing activities	<u>(12,665)</u>	<u>9,566,340</u>
Net increase in cash, cash equivalents and restricted cash	1,442,616	9,661,805
Cash, cash equivalents and restricted cash - beginning	<u>11,194,673</u>	<u>1,532,868</u>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH - ENDING</b>	<b><u>\$ 12,637,289</u></b>	<b><u>\$ 11,194,673</u></b>

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, 2022 AND 2021**

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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,212,393	\$ 1,547,002
Restricted cash - endowment fund	9,396,563	9,582,288
Restricted cash - tenant security deposits	<u>28,333</u>	<u>65,383</u>
Total cash, cash equivalents and restricted cash shown in statements of cash flows	<u>\$ 12,637,289</u>	<u>\$ 11,194,673</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, 2022 AND 2021**

**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 strengthen the U.S.-Japan relationship.

*Grants* - awarding grants to organizations to support projects promoting dialogue and strengthening the U.S.-Japan relationship.

*Congressional Engagement* - engaging with Congress to build a greater understanding of the U.S.-Japan relationship through legislative exchange programs conducted by the Congressional Study Group on Japan and Congressional Program on U.S.-Japan and the Indo-Pacific, a semester-long certificate program to educate U.S. Congressional staffers on important issues in Asia that affect the United States.

See independent accountant's review report.

**SASAKAWA PEACE FOUNDATION USA, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2022 AND 2021**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting

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. The governing board has designated, from net assets without donor restrictions, net assets for various purposes, see Note 9.

*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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

Cash and cash equivalents

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

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, 2022 and 2021, all of its receivables were collectible, and that no allowance for doubtful accounts was required.

See independent accountant's review report.

**SASAKAWA PEACE FOUNDATION USA, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2022 AND 2021**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 2022 and 2021, there were no contributions of non-cash assets or contributed services meeting the requirements for recognition in the financial statements.

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, 2022 and 2021.

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.

See independent accountant's review report.

**SASAKAWA PEACE FOUNDATION USA, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2022 AND 2021**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 2022 and 2021, management has determined that the Foundation had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements.

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, 2022 and 2021, amortization of the leasing commissions totaled \$66,711 and \$80,235, respectively.

Refundable advances

Transfers of assets that are conditional contributions are recorded as refundable advances until the conditions have been substantially met or explicitly waived by the donor.

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, 2022 AND 2021**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Functional allocation of expenses (continued)

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and employee benefits	Time and effort
General administrative	Time and effort
Depreciation and amortization	Square footage
Occupancy expenses	Square footage

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 and disclosures in the financial statements. Actual results could differ from those estimates.

Recently issued but not yet effective accounting pronouncements

*Leases*

In February 2016, FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). The amendments to the ASU revise the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases. In June 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)* ("ASU 2020-05"). ASU 2020-05 provided for the deferral of the effective date for ASU 2016-02 and related amendments for an additional year. As a result, ASU 2016-02 will be effective for the Foundation beginning on April 1, 2022, with early adoption permitted, and should be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements.

*Contributed nonfinancial assets*

In September 2020, FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)* ("ASU 2020-07"). ASU 2020-07 requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial assets. ASU 2020-07 is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted and should be applied on a retrospective basis.

Reclassifications

Certain accounts in the 2021 financial statements were reclassified for comparative purposes to conform with the presentation in the 2022 financial statements. Total assets, liabilities, net assets, and net loss are unchanged due to these reclassifications.

Subsequent events

Subsequent events have been evaluated through October 31, 2022, the date on which these financial statements were available to be issued.

See independent accountant's review report.

**SASAKAWA PEACE FOUNDATION USA, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2022 AND 2021**

**NOTE 3. LIQUIDITY AND AVAILABILITY**

As of March 31, 2022 and 2021, the following financial assets could readily be made available within one year of the statements of financial position date to meet general expenditures:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 3,212,393	\$ 1,547,002
Restricted cash - endowment fund	9,396,563	9,582,288
Grants receivable	25,372	5,290
Accounts receivable	-	163,558
Tenant rents and other receivable	<u>67,288</u>	<u>344,664</u>
Total financial assets at year end	12,701,616	11,642,802
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	<u>9,396,563</u>	<u>9,582,288</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,305,053</u>	<u>\$ 2,060,514</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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,200,000	\$ 1,200,000
Building and improvements	7,202,842	7,132,576
Furniture and equipment	<u>265,977</u>	<u>253,372</u>
Total cost	8,668,819	8,585,948
Less: accumulated depreciation	<u>4,422,238</u>	<u>4,119,297</u>
Property and equipment, net	<u>\$ 4,246,581</u>	<u>\$ 4,466,651</u>

Depreciation expense was \$302,941 and \$303,043 for the years ended March 31, 2022 and 2021, respectively.

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**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, 2022 and 2021, the Foundation recognized grant revenue totaling \$1,427,620 and \$1,313,954, respectively, from SPF-Japan (Tokyo) to assist with operating activities. As of March 31, 2022 and 2021 there was no grants receivable from SPF-Japan (Tokyo).

**NOTE 6. RENTAL INCOME**

The Foundation is the lessor of commercial space under operating leases expiring periodically through 2027. 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, 2022, are as follows:

<u>Year ending March 31:</u>	<u>Amount</u>
2023	\$ 1,238,519
2024	739,480
2025	536,755
2026	342,328
2027	<u>151,990</u>
	<u>\$ 3,009,072</u>

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

At March 31, 2022 and 2021, the cost of the property subject to rental operations amounted to \$8,402,842 and \$8,332,576, respectively. At March 31, 2022 and 2021, the accumulated depreciation for the rental property amounted to \$4,240,763 and \$3,961,279, respectively.

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**NOTE 7. GRANTS**

The Foundation awarded the following grants during the years ended March 31, 2022 and 2021, to support projects with a purpose to promote dialogue and strengthen the U.S.-Japan relationship:

	<u>2022</u>	<u>2021</u>
Strengthening the U.S.-Japan Relationship		
from U.S. Perspectives	\$ 33,378	\$ 27,302
JUMP	50,632	40,028
Other grants	<u>105,311</u>	<u>92,323</u>
Total	<u>\$ 189,321</u>	<u>\$ 159,653</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 two and three grant recipients for the years ended March 31, 2022 and 2021, respectively.

*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 three and two grant recipients for the years ended March 31, 2022 and 2021, 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, 2022 and 2021.

**NOTE 8. NET ASSETS**

Net assets with donor restrictions

As of March 31, 2022 and 2021, net assets with donor restrictions subject to expenditure for specific purpose are available for the following program:

	<u>2022</u>	<u>2021</u>
Endowment restricted by donor for:		
Strengthening the U.S.-Japan Relationship in partner with The Nippon Foundation	\$ <u>9,396,563</u>	\$ <u>9,582,288</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 funds are to be used for the operation of the program, as specified by the donor.

During the year ended March 31, 2021 the Foundation received a grant in the amount of \$ 9,580,293. An analysis of changes in endowment funds for the years ended March 31, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets -			
March 31, 2021	\$ -	\$ 9,582,288	\$ 9,582,288
Investment return, net	-	4,792	4,792
Amounts appropriated for expenditure	<u>-</u>	<u>(190,517)</u>	<u>(190,517)</u>
Endowment net assets -			
March 31, 2022	<u>\$ -</u>	<u>\$ 9,396,563</u>	<u>\$ 9,396,563</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.

Endowment activity

Utilizing the endowment funds the Foundation launched a program “US-Japan NEXT Alliance Initiative.” US-Japan NEXT Alliance Initiative in October 2021. Through this project, the Foundation worked to connect US-Japan policy makers and issue area specialists via five in-person, virtual, and hybrid roundtable events related to economic security and bilateral defense cooperation for the year ended March 31, 2022. The Foundation also composed not-for-attribution summaries of the roundtables for broader dissemination, and published six volumes of the bi-weekly US-Japan Alliance Digest. During the years ended March 31, 2022 and 2021 the project incurred costs of \$190,517 and \$- respectively.

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**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 \$11,890,028 and \$10,378,775 as of March 31, 2022 and 2021, 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).

**NOTE 11. FEDERAL EXCISE TAX**

The Foundation is subject to federal excise tax on net investment income. During the years ended March 31, 2022 and 2021, the Foundation earned net investment income of \$349,549 and \$435,046, respectively. Federal excise tax incurred during the years ended March 31, 2022 and 2021, amounted to \$4,859 and \$6,047, respectively. At March 31, 2022 and 2021, prepaid taxes amounted to \$273 and \$947, respectively.

Additionally, the Code requires minimum qualifying distributions of funds related to their exempt purpose. During the years ended March 31, 2022 and 2021, the Foundation made qualifying distributions of \$1,763,485 and \$1,565,650, respectively, which were in excess of the minimum distributable amounts of \$1,123,503 and \$1,236,340, respectively. The Code allows for excess distributions to be carried forward to reduce the minimum distributions required in future years. At March 31, 2022, the Foundation had excess distribution carryforwards of \$8,864,015.

**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 \$29,910 and \$26,286 to the plan for the years ended March 31, 2022 and 2021, respectively.

**NOTE 13. RISK AND UNCERTAINTY**

**COVID-19**

During 2020, the World Health Organization declared the outbreak of a strain of coronavirus ("COVID-19") to constitute a "Public Health Emergency of International Concern." In 2021 and 2020, the COVID-19 pandemic impacted the Foundation's operations as the need for office space has declined significantly. However the Foundation's operations have grown during the latter part of the pandemic as the foundation was able to obtain a large grant and expand operations in a remote work environment as needed. No adjustments or provisions were made in these financial statements related to COVID-19.

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