

SASAKAWA PEACE FOUNDATION USA, INC.
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2023 AND 2022



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**SASAKAWA PEACE FOUNDATION USA, INC.
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YEARS ENDED MARCH 31, 2023 AND 2022**

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of Sasakawa Peace Foundation USA, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2023, and the related statements of activities, 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 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.

Accountants' 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 American Institute of Certified Public Accountants. 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.

Accountants' 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.

Board of Directors
Sasakawa Peace Foundation USA, Inc.

Report on 2022 Financial Statements

The financial statements of Sasakawa Peace Foundation USA, Inc. as of and for the year ended March 31, 2022 were reviewed by other accountants whose report dated October 31, 2022, stated that, based on their review, they are not aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
October 10, 2023

SASAKAWA PEACE FOUNDATION USA, INC.
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2023 AND 2022

ASSETS	2023	2022
CURRENT ASSETS		
Cash and Cash Equivalents	2,551,438	3,212,393
Restricted Cash - Endowment Fund	8,942,508	9,396,563
Grants Receivable	30,470	25,372
Accounts Receivable	42,240	-
Tenant Rents and Other Receivable	7,812	67,288
Prepaid Expenses	8,964	5,742
Prepaid Taxes	-	273
Total Current Assets	11,583,432	12,707,631
PROPERTY AND EQUIPMENT, NET	4,190,071	4,246,581
OTHER ASSETS		
Deferred Leasing Commissions, Net of Accumulated Amortization of \$351,277 in 2023 and \$742,768 in 2022	105,735	115,064
Deferred Rent Assets	117,251	144,513
Restricted Cash - Tenant Security Deposits	28,633	28,333
Right-of-Use Asset - Operating, Net	1,499	-
Total Other Assets	253,118	287,910
Total Assets	\$ 16,026,621	\$ 17,242,122
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	154,037	\$ 23,344
Credit Card Payable	2,404	20,788
Accrued Vacation	44,950	43,883
Deferred Income	37,565	35,879
Refundable Advances	171,078	1,122,380
Lease Liability - Operating, Current Portion	1,499	-
Total Current Liabilities	411,533	1,246,274
LONG-TERM LIABILITIES		
Tenant Security Deposits	28,633	28,333
Total Long-Term Liabilities	28,633	28,333
Total Liabilities	440,166	1,274,607
NET ASSETS		
Without Donor Restrictions	6,664,355	6,570,952
With Donor Restrictions	8,922,100	9,396,563
Total Net Assets	15,586,455	15,967,515
Total Liabilities and Net Assets	\$ 16,026,621	\$ 17,242,122

See accompanying Notes to Financial Statements.

SASAKAWA PEACE FOUNDATION USA, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED MARCH 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Contribution Income	\$ 3,156,392	\$ -	\$ 3,156,392	\$ 1,618,822	\$ -	\$ 1,618,822
Rental Income	1,330,595	-	1,330,595	1,652,166	-	1,652,166
Interest and Dividends	14,311	217,379	231,690	290	4,792	5,082
Other Income	-	-	-	46,214	-	46,214
Net Assets Released from Purpose Restrictions	691,842	(691,842)	-	190,517	(190,517)	-
Total Revenue	<u>5,193,140</u>	<u>(474,463)</u>	<u>4,718,677</u>	<u>3,508,009</u>	<u>(185,725)</u>	<u>3,322,284</u>
EXPENSES						
Programs:						
Policy Research and Education	2,504,396	-	2,504,396	1,201,932	-	1,201,932
JUMP	196,442	-	196,442	146,398	-	146,398
Grants	862,337	-	862,337	189,321	-	189,321
Total Programs	<u>3,563,175</u>	<u>-</u>	<u>3,563,175</u>	<u>1,537,651</u>	<u>-</u>	<u>1,537,651</u>
General and Administrative	340,464	-	340,464	334,036	-	334,036
Rental Operations	1,196,098	-	1,196,098	1,290,997	-	1,290,997
Total Expenses	<u>5,099,737</u>	<u>-</u>	<u>5,099,737</u>	<u>3,162,684</u>	<u>-</u>	<u>3,162,684</u>
CHANGE IN NET ASSETS	93,403	(474,463)	(381,060)	345,325	(185,725)	159,600
Net Assets - Beginning of Year	<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>
NET ASSETS - END OF YEAR	<u><u>\$ 6,664,355</u></u>	<u><u>\$ 8,922,100</u></u>	<u><u>\$ 15,586,455</u></u>	<u><u>\$ 6,570,952</u></u>	<u><u>\$ 9,396,563</u></u>	<u><u>\$ 15,967,515</u></u>

See accompanying Notes to Financial Statements.

SASAKAWA PEACE FOUNDATION USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2023

	Programs			Total Programs	General and Administrative	Rental Operations	Total
	Policy Research and Education	JUMP	Grants				
Personnel	\$ 1,140,697	\$ 70,064	\$ -	\$ 1,210,761	\$ 275,828	\$ 247,582	\$ 1,734,171
Travel	840,830	43,727	-	884,557	2,423	45	887,025
Assistance Provided to Others	-	-	862,337	862,337	-	-	862,337
Depreciation and Amortization	14,873	4,307	-	19,180	19,180	323,290	361,650
Repairs and Maintenance	35,754	1,986	-	37,740	1,986	235,772	275,498
Meetings	161,974	44,377	-	206,351	6,659	346	213,356
Taxes and Licenses	-	-	-	-	2,913	206,963	209,876
Professional Fees	148,507	2,065	-	150,572	17,778	18,532	186,882
Utilities	3,813	890	-	4,703	1,080	121,332	127,115
Communication and Delivery	66,811	15,398	-	82,209	3,310	5	85,524
Insurance	10,555	817	-	11,372	1,952	31,727	45,051
Payroll Processing Fees	16,410	2,085	-	18,495	4,117	2,000	24,612
Honorarium	21,650	1,000	-	22,650	330	-	22,980
Printing	10,508	6,574	-	17,082	60	-	17,142
Dues and Subscriptions	9,901	1,935	-	11,836	1,738	1,435	15,009
Equipment Rental	9,059	503	-	9,562	503	-	10,065
Office Supplies	8,049	690	-	8,739	157	521	9,417
Miscellaneous	5,005	24	-	5,029	450	6,548	12,027
Total Expenses	<u>\$ 2,504,396</u>	<u>\$ 196,442</u>	<u>\$ 862,337</u>	<u>\$ 3,563,175</u>	<u>\$ 340,464</u>	<u>\$ 1,196,098</u>	<u>\$ 5,099,737</u>

See accompanying Notes to Financial Statements.

SASAKAWA PEACE FOUNDATION USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
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
Depreciation and Amortization	17,351	5,059	-	22,410	24,127	323,115	369,652
Taxes and Licenses	-	-	-	-	6,711	250,224	256,935
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
Assistance Provided to Others	-	-	189,321	189,321	-	-	189,321
Utilities	3,570	833	-	4,403	1,012	113,590	119,005
Travel	87,402	10,878	-	98,280	1,428	30	99,738
Communication and Delivery	39,794	17,342	-	57,136	4,166	13,875	75,177
Insurance	8,653	1,030	-	9,683	2,603	31,387	43,673
Meetings	16,223	18,800	-	35,023	6,391	19	41,433
Honorarium	19,800	3,000	-	22,800	330	-	23,130
Payroll Processing Fees	15,131	1,883	-	17,014	3,862	1,883	22,759
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
Printing	4,969	4,946	-	9,915	54	-	9,969
Office Supplies	5,351	623	-	5,974	667	1,001	7,642
Miscellaneous	421	21	-	442	242	864	1,548
Total Expenses	<u>\$ 1,201,932</u>	<u>\$ 146,398</u>	<u>\$ 189,321</u>	<u>\$ 1,537,651</u>	<u>\$ 334,036</u>	<u>\$ 1,290,997</u>	<u>\$ 3,162,684</u>

See accompanying Notes to Financial Statements.

SASAKAWA PEACE FOUNDATION USA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (381,060)	\$ 159,600
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	361,650	369,652
Amortization of Right-of-Use Asset - Operating	8,904	-
Loss on Retirement of Property and Equipment	534	-
Changes in Assets and Liabilities:		
Grants Receivable	(5,098)	(20,082)
Accounts Receivable	(42,240)	163,558
Tenant Rents and Other Receivable	59,476	277,376
Prepaid Expenses	(3,222)	27,642
Prepaid Taxes	273	674
Deferred Leasing Commissions	(50,212)	(16,783)
Deferred Rent Assets	27,262	(144,513)
Accounts Payable	130,693	(16,536)
Refundable Advances	(951,302)	736,334
Credit Card Payable	(18,384)	17,700
Accrued Vacation	1,067	7,622
Deferred Income	1,686	1,089
Lease Liability - Operating	(8,904)	-
Deferred Rent Liabilities	-	(25,181)
Net Cash Provided (Used) by Operating Activities	(868,877)	1,538,152
 CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of Property and Equipment	(246,133)	(82,871)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts (Repayments) of Tenant Security Deposits	300	(12,665)
Net Cash Provided (Used) by Financing Activities	300	(12,665)
 NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,114,710)	1,442,616
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	12,637,289	11,194,673
 CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 11,522,579	\$ 12,637,289

See accompanying Notes to Financial Statements.

**SASAKAWA PEACE FOUNDATION USA, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED MARCH 31, 2023 AND 2022**

	2023	2022
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Noncash Transactions Arising from ASC 842 Adoption:		
Recognition of Right-of-Use Asset - Operating	\$ 10,403	\$ -
Recognition of Lease Liability - Operating	(10,403)	-
Total	\$ -	\$ -
SUPPLEMENTAL DISCLOSURES OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Cash and Cash Equivalents	\$ 2,551,438	\$ 3,212,393
Restricted Cash - Endowment Fund	8,942,508	9,396,563
Restricted Cash - Tenant Security Deposits	28,633	28,333
Total Cash, Cash Equivalents, and Restricted Cash	\$ 11,522,579	\$ 12,637,289

See accompanying Notes to Financial Statements.

SASAKAWA PEACE FOUNDATION USA, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

NOTE 1 ORGANIZATION AND NATURE OF BUSINESS

Sasakawa Peace Foundation USA, Inc. (the Foundation) was incorporated on September 24, 1990, as a nonprofit 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-US. 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.

SASAKAWA PEACE FOUNDATION USA, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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:

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.

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

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

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

Receivables

Unconditional promises to give are recognized as grants and contributions receivable in the year the promises are made. Receivables also 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, 2023 and 2022, all of its receivables were collectible, and that no allowance for doubtful accounts was required.

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.

SASAKAWA PEACE FOUNDATION USA, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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, 2023 and 2022, amortization of the leasing commissions totaled \$59,541 and \$66,711, respectively.

Leases

The Foundation leases office equipment. The Foundation determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating on the statements of financial position.

The ROU asset represents the Foundation's right to use an underlying asset for the lease term and the lease liability represents the Foundation's obligation to make lease payments arising from the lease. The ROU asset and lease liability are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Foundation uses the risk-free rate based on information available at commencement date in determining the present value of lease payments. The ROU asset also includes the lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Foundation has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The Foundation's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Foundation considers factors such as if the Foundation has obtained substantially all of the rights to the underlying asset through exclusivity, if the Foundation can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The individual lease contract does not provide information about the discount rate implicit in the lease. Therefore, the Foundation has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liability.

SASAKAWA PEACE FOUNDATION USA, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023 and 2022.

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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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 those 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.

SASAKAWA PEACE FOUNDATION USA, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue from contributions and grants is recognized as income when it is unconditionally promised. The Foundation reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. The Foundation also reports investment income on funds with donor restrictions as revenue with donor restrictions. When expenses in accordance with the donors' restrictions are incurred, 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. Amounts that have not been collected as of year-end are included in grants and contributions receivable in the accompanying statements of financial position. Conditional contributions, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Conditional contributions amounted to \$171,078 and \$1,122,380 as of March 31, 2023 and 2022, respectively.

Contributions of noncash assets are recorded at their fair values in the period received. Contributions of services that create or enhance nonfinancial 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, 2023 and 2022, there were no contributions of noncash assets or contributed services meeting the requirements for recognition in the financial statements.

The Foundation recognizes rental revenue on the straight-line basis over the terms of the respective leases.

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 present 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:

<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

SASAKAWA PEACE FOUNDATION USA, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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(6)(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.

The Foundation files income tax returns in the U.S. federal jurisdiction. Its tax returns are subject to review and examination by federal authorities. As of March 31, 2023 and 2022, management has determined that the Foundation had no uncertain tax positions taken that require adjustment to or disclosure in the financial statements.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Foundation adopted the requirements of the guidance effective April 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The Foundation has elected to adopt the package of practical expedients available in the year of adoption. The Foundation has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Foundation's ROU assets.

As a result of the adoption of the new lease accounting guidance, SVA recognized on April 1, 2022 a lease liability of \$10,403, which represents the present value of the remaining operating lease payments of \$10,500 discounted using the risk free rate of 1.72%, and a right-of-use asset of \$10,403.

During the year ended March 31, 2023, the Foundation also adopted the requirements of FASB ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires not-for-profits to present contributed nonfinancial assets as a separate line in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. The adoption of this guidance did not have a significant impact on the financial statements.

SASAKAWA PEACE FOUNDATION USA, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Foundation has evaluated subsequent events for potential recognition or disclosure through October 10, 2023, the date the financial statements were available to be issued.

NOTE 3 LIQUIDITY AND AVAILABILITY

As of March 31, 2023 and 2022, the following financial assets could readily be made available within one year of the statements of financial position date to meet general expenditures:

	<u>2023</u>	<u>2022</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 2,551,438	\$ 3,212,393
Restricted Cash - Endowment Fund	8,942,508	9,396,563
Grants Receivable	30,470	25,372
Accounts Receivable	42,240	-
Tenant Rents and Other Receivable	7,812	67,288
Total Financial Assets at Year-End	<u>11,574,468</u>	<u>12,701,616</u>
Less: Amounts not Available to be Used		
Within One Year:		
Net Assets with Donor Restrictions	<u>8,922,100</u>	<u>9,396,563</u>
Financial Assets Available to Meet General		
Expenditures Within One Year	<u>\$ 2,652,368</u>	<u>\$ 3,305,053</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.

SASAKAWA PEACE FOUNDATION USA, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

NOTE 4 PROPERTY AND EQUIPMENT

The Foundation's property and equipment consisted of the following at March 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,200,000	\$ 1,200,000
Building and Improvements	7,439,742	7,202,842
Furniture and Equipment	226,857	265,977
Total	<u>8,866,599</u>	<u>8,668,819</u>
Less: Accumulated Depreciation	4,676,528	4,422,238
Property and Equipment, Net	<u>\$ 4,190,071</u>	<u>\$ 4,246,581</u>

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, 2023 and 2022, the Foundation recognized grant revenue totaling \$2,928,922 and \$1,427,620, respectively, from SPF-Japan (Tokyo) to assist with operating activities. As of March 31, 2023 and 2022 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 2029. 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.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 RENTAL INCOME (CONTINUED)

Future minimum lease payments expected to be received under the existing leases at March 31, 2023, are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2024	\$ 993,956
2025	703,085
2026	512,849
2027	326,782
2028	179,155
Thereafter	75,412
Total	<u>\$ 2,791,239</u>

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

At March 31, 2023 and 2022, the cost of the property subject to rental operations amounted to \$8,639,742 and \$8,402,842, respectively. At March 31, 2023 and 2022, the accumulated depreciation for the rental property amounted to \$4,523,352 and \$4,240,763, respectively.

NOTE 7 GRANTS

The Foundation awarded the following grants during the years ended March 31, 2023 and 2022, to support projects with a purpose to promote dialogue and strengthen the U.S.-Japan relationship:

	<u>2023</u>	<u>2022</u>
Delegation Travel and Events	\$ 757,760	\$ 105,311
JUMP	53,229	50,632
Strengthening the U.S. - Japan Relationship from U.S. Perspectives	50,848	33,378
Others	500	-
Total	<u>\$ 862,337</u>	<u>\$ 189,321</u>

**SASAKAWA PEACE FOUNDATION USA, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

NOTE 7 GRANTS (CONTINUED)

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

Delegation Travel and Events – 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, 2023 and 2022.

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, 2023 and 2022, 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, 2023 and 2022, respectively.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

As of March 31, 2023 and 2022, net assets with donor restrictions subject to expenditure for specific purpose are available for the following program:

	2023	2022
Endowment Restricted by Donor for:		
Strengthening the U.S. - Japan Relationship in		
Partner with The Nippon Foundation	\$ 8,922,100	\$ 9,396,563

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by the donors in the amounts of \$691,842 and \$190,517 for the years ended March 31, 2023 and 2022, respectively.

SASAKAWA PEACE FOUNDATION USA, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 ENDOWMENT FUNDS

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 Foundation's endowment funds consist of funds received from The Nippon Foundation, 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.

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

An analysis of changes in endowment funds for the years ended March 31, 2023 and 2022 is as follows:

	2023	2022
Endowment Net Assets, Beginning of Year	\$ 9,396,563	\$ 9,582,288
Investment Return, Net	217,379	4,792
Amounts Appropriated for Expenditure	(691,842)	(190,517)
Endowment Net Assets, End of Year	\$ 8,922,100	\$ 9,396,563

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 new program named the "US-Japan NEXT Alliance Initiative" in October 2021, and in March 2023, the program completed its first full fiscal year of activity. Throughout the year ended March 31, 2023, the Foundation worked to connect US-Japan policy makers and issue area specialists by organizing eleven invite-only roundtable dialogues (in-person, virtual, and hybrid) and one open public event related to economic security, technology, foreign policy, and bilateral defense cooperation. The Foundation also composed not-for-attribution summaries of the roundtables for broader public dissemination on the Foundation website, published eighteen articles and short policy papers by NEXT staff, non-resident scholars, and event participants, and published twenty-four editions of the bi-weekly US-Japan Alliance Digest. NEXT Senior Director Jim Schoff also spoke on US-Japan relations at sixteen events organized by other groups, and he engaged in nineteen interviews with media outlets. During the years ended March 31, 2023 and 2022, the project incurred costs of \$691,842 and of \$190,517, respectively.

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NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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 \$10,825,311 and \$11,890,028 as of March 31, 2023 and 2022, 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.

During the years ended March 31, 2023 and 2022, the Foundation received a significant portion of its grant income from SPF-Japan (Tokyo) (see Note 5).

NOTE 11 FEDERAL EXCISE TAX

The Foundation is subject to federal excise tax on net investment income. During the years ended March 31, 2023 and 2022, the Foundation earned net investment income of \$366,186 and \$349,549, respectively. Federal excise tax incurred during the years ended March 31, 2023 and 2022, amounted to \$5,090 and \$4,859, respectively. At March 31, 2023 excise tax liability amounted to \$159 and at March 31, 2022, prepaid taxes amounted to \$273.

Additionally, the Code requires minimum qualifying distributions of funds related to their exempt purpose. During the years ended March 31, 2023 and 2022, the Foundation made qualifying distributions of \$3,861,700 and \$1,763,485, respectively, which were in excess of the minimum distributable amounts of \$1,151,347 and \$1,123,503, respectively. The Code allows for excess distributions to be carried forward to reduce the minimum distributions required in future years. At March 31, 2023, the Foundation had excess distribution carryforwards of \$8,385,325.

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 \$37,528 and \$29,910 to the plan for the years ended March 31, 2023 and 2022, respectively.