

U.S. - Japan Council

Financial Statements For The Year Ended
December 31, 2010 and Independent
Auditors' Report

INDEPENDENT AUDITORS' REPORT

Board of Directors
U.S.-Japan Council

We have audited the accompanying statement of financial position of U.S.-Japan Council (a nonprofit corporation) as of December 31, 2010, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of U.S.-Japan Council at December 31, 2010, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

March 1, 2011

U.S.-JAPAN COUNCIL

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

<u>ASSETS</u>	<u>Notes</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CURRENT ASSETS:				
Cash and cash equivalents	2	\$ 296,178	\$ 14,156	\$ 310,334
Time certificates of deposit	2	10,179		10,179
Grants and pledges receivable		4,500		4,500
Prepaid expenses		6,818		6,818
Total current assets		<u>317,675</u>	<u>14,156</u>	<u>331,831</u>
PROPERTY AND EQUIPMENT, net of accumulated depreciation				
	2,3	392		392
DEPOSITS				
		<u>3,300</u>		<u>3,300</u>
TOTAL ASSETS		<u>\$ 321,367</u>	<u>\$ 14,156</u>	<u>\$ 335,523</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable		\$ 19,070		\$ 19,070
Deferred revenue	2	25,000		25,000
Accrued expenses		1,161		1,161
Accrued vacation		11,532		11,532
Total current liabilities		<u>56,763</u>	<u>0</u>	<u>56,763</u>
COMMITMENTS				
	4			
NET ASSETS	2	<u>264,604</u>	<u>\$ 14,156</u>	<u>278,760</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 321,367</u>	<u>\$ 14,156</u>	<u>\$ 335,523</u>

See notes to financial statements.

U.S.-JAPAN COUNCIL

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Notes</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Support:				
Donations	2	\$ 408,642	\$ 25,000	\$ 433,642
Revenue:				
Programs		331,877		331,877
Fundraising		25,250		25,250
Interest income		155		155
In-kind contributions		29,233		29,233
Other income		50		50
Net assets released from restriction:				
Restriction satisfied by performance	2	<u>10,844</u>	<u>(10,844)</u>	
Total support and revenue		<u>806,051</u>	<u>14,156</u>	<u>820,207</u>
FUNCTIONAL EXPENSES (see statement of functional expense):				
Program services		546,370		546,370
Management and general		73,157		73,157
Fundraising		<u>73,618</u>		<u>73,618</u>
Total functional expenses		<u>693,145</u>	<u>0</u>	<u>693,145</u>
Change in net assets		112,906	14,156	127,062
NET ASSETS, DECEMBER 31, 2009		<u>151,698</u>	<u>0</u>	<u>151,698</u>
NET ASSETS, DECEMBER 31, 2010		\$ <u>264,604</u>	\$ <u>14,156</u>	\$ <u>278,760</u>

See notes to financial statements.

U.S.-JAPAN COUNCIL

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

INCREASE IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$	127,062
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization		92
Changes in:		
Grants and pledges receivable		(3,500)
Receivable, other		1,017
Prepaid expenses		(4,114)
Deposits		(1,000)
Accounts payable		16,596
Deferred revenue		25,000
Accrued expenses		(2,688)
Accrued vacations		1,678
Net cash provided by operating activities		<u>160,143</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Increase in time certificates of deposit		<u>(111)</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS 160,032

CASH AND CASH EQUIVALENTS, JANUARY 1, 2010 150,302

CASH AND CASH EQUIVALENTS, DECEMBER 31, 2010 \$ 310,334

See notes to financial statements.

U.S.-JAPAN COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

1. GENERAL

The U.S.-Japan Council (USJC) is a nonprofit, public benefit corporation incorporated in the state of California in December 2008 to promote people-to-people relations on national and community levels between the United States of America and Japan. The USJC has offices in Washington, DC and Los Angeles, California with operations commencing in April 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Recognition of donor restrictions - Contributions received are recorded as unrestricted or temporarily restricted support depending on the existence or nature of donor restrictions. The two net asset classes are based solely on the existence or absence of donor-imposed restrictions.

- a. Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by USJC's actions. USJC currently has no permanently restricted net assets.
- b. Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of USJC pursuant to these stipulations. The net assets may be temporarily restricted for various purposes, such as use in future periods or use for specific purposes. USJC currently has no temporarily restricted net assets.
- c. In the absence of donor-imposed restrictions, net assets are classified as unrestricted.

Cash and cash equivalents - USJC considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. USJC maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. USJC believes it is not exposed to any significant credit risk on these cash deposits.

Property and equipment - Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is determined on the straight-line method over the estimated useful lives of the assets. Repairs and maintenance are charged as expense when incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes - The Internal Revenue Service has classified the organization as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Under the statute of limitations, USJC is open to examination by the Internal Revenue Service for the year ended December 31, 2009.

Deferred revenue - Deferred revenue represents temporarily restricted funds received from grantors and foundations that are received in advance and will benefit subsequent periods.

Functional expenses - USJC allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classifications. Other expenses that are common to several functions are allocated by direct labor costs.

In-kind contributions - The Terasaki Foundation provided the Los Angeles office space to the USJC during the year. Based on fair market value provided by the Terasaki Foundation, approximately \$7,100 of in-kind donations are included in revenues and expenses in the financial statements. In-kind donations also includes donations of other rental space, food and beverages for meetings and receptions.

Use of estimates - Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported public support revenues and expenses. Actual results could differ from those estimates and assumptions.

Accounting Standards Codification - Effective September 30, 2009, the Financial Accounting Standards Board ("FASB") established the FASB Accounting Standards Codification ("ASC") as the source of authoritative accounting to be applied by nongovernmental entities in the preparation of financial statements in conformity with accounting principles generally accepted in the United States. Except for newly issued standards that have not been codified, references to codified have been updated to reflect this change. Adoption of the ASC did not have an impact on the USJC's statement of financial position, statement of activities or cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments - Fair Value Determination - The fair value of the USJC's financial instruments as of December 31, 2010 represent management's best estimates of the amounts that would be received to sell those assets in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there are little, if any, observable inputs, management's own judgments about the assumptions of market participants were used in pricing the asset. Those judgments are developed by management based on the best information available in the circumstances. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used for fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to measurements involving significant unobservable inputs (Level III measurements). The three levels of the fair hierarchy are as follows: Level I inputs are quoted prices (unadjusted) in active markets for identical assets that the entity has the ability to access at the measurement date. Level II inputs other than quoted prices included within Level I that are observable for the assets, either directly or indirectly, such as quoted prices for similar assets or liabilities quoted prices in markets that are not active, or other observable inputs that can be corroborated by observable market data. Level III inputs are unobservable inputs that are supported by little or no market activity and are significant to the fair value of the asset. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

3. PROPERTY AND EQUIPMENT

The major classes of property and equipment and the estimated useful lives in computing depreciation are as follows:

	<u>Amount</u>	<u>Lives</u>
Office equipment	\$ 634	3 years
Less accumulated depreciation	<u>242</u>	
	<u>\$ 392</u>	

Depreciation expense for property and equipment amounted to \$92 for the year.

4. COMMITMENTS

The USJC has a noncancelable lease for its office facilities which expires May 2011. The minimum future lease payments is \$14,850. Rent expense for the year amounted to \$46,742, which includes \$7,142 of donated office space.

5. SUBSEQUENT EVENTS

USJC had no reportable subsequent events for the period ended December 31, 2010 through the issuance of the financial statements.

U.S.-JAPAN COUNCIL

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Program Services	Management And General	Fundraising	Total
Bank charges	\$ 885	\$ 8	\$ 319	\$ 1,212
Depreciation	64	14	14	92
Dues and subscriptions	696	182	137	1,015
Events and programs	224,180		15,186	239,366
Employee benefits	5,585	1,195	1,114	7,894
Insurance	3,463	911	682	5,056
Meetings	2,872	493	458	3,823
Office supplies	10,982	929	826	12,737
Outside service	30,300	8,137	5,493	43,930
Payroll taxes	13,758	3,521	2,706	19,985
Postage	910	137	137	1,184
Printing	1,460	359	296	2,115
Professional services	14,540	4,557	2,604	21,701
Rent	31,919	8,612	6,211	46,742
Salaries	178,447	41,409	33,213	253,069
Taxes and licenses	59	38	13	110
Telephone and internet	11,928	2,151	2,091	16,170
Travel	14,322	504	2,118	16,944
TOTAL	\$ <u>546,370</u>	\$ <u>73,157</u>	\$ <u>73,618</u>	\$ <u>693,145</u>

See notes to financial statements.
