



**U.S. - JAPAN COUNCIL**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**U.S. - JAPAN COUNCIL**

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DECEMBER 31, 2019**

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## Independent Auditors' Report

To the Board of Directors  
U.S. - Japan Council  
Washington, D.C.

We have audited the accompanying financial statements of U.S. - Japan Council (USJC), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *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.

### *Auditors' Responsibility*

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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of U.S. - Japan Council as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Councilor, Buchanan + Mitchell, P.C.*

Bethesda, Maryland  
February 24, 2020

Certified Public Accountants

**U.S. - JAPAN COUNCIL**

**STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 2,331,027	\$ 1,056,846	\$ 3,387,873
Investments	350,000	12,796,597	13,146,597
Promises to Give	98,167	1,184,959	1,283,126
Due from USJC - Japan	493,564	-	493,564
Prepaid Expenses	20,149	-	20,149
Total Current Assets	<u>3,292,907</u>	<u>15,038,402</u>	<u>18,331,309</u>
<b>Property and Equipment, Net</b>	<u>82,643</u>	<u>-</u>	<u>82,643</u>
<b>Total Assets</b>	<u><u>\$ 3,375,550</u></u>	<u><u>\$ 15,038,402</u></u>	<u><u>\$ 18,413,952</u></u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 15,566	\$ -	\$ 15,566
Accrued Expenses	349,494	-	349,494
Accrued Vacation	128,622	-	128,622
Deferred Revenue	20,501	-	20,501
Total Current Liabilities	<u>514,183</u>	<u>-</u>	<u>514,183</u>
<b>Net Assets</b>			
Without Donor Restrictions	2,861,367	-	2,861,367
With Donor Restrictions	<u>-</u>	<u>15,038,402</u>	<u>15,038,402</u>
Total Net Assets	<u>2,861,367</u>	<u>15,038,402</u>	<u>17,899,769</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 3,375,550</u></u>	<u><u>\$ 15,038,402</u></u>	<u><u>\$ 18,413,952</u></u>

*See accompanying Notes to Financial Statements.*

**U.S. - JAPAN COUNCIL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue</b>			
Grants and Contributions	\$ 425,164	\$ -	\$ 425,164
TOMODACHI Contributions	37,680	1,852,723	1,890,403
Program Revenue	1,653,697	-	1,653,697
Annual Conference	1,388,886	-	1,388,886
Investment Income	40,728	1,828,917	1,869,645
Foreign Exchange Gain (Loss)	(3,580)	-	(3,580)
Miscellaneous Income	11,225	-	11,225
Donated Services	151,111	-	151,111
Net Assets Released from Restrictions	<u>2,223,845</u>	<u>(2,223,845)</u>	<u>-</u>
 Total Revenue	 5,928,756	 1,457,795	 7,386,551
<b>Expenses</b>			
Program Services			
General Education	3,309,326	-	3,309,326
TOMODACHI	1,858,725	-	1,858,725
Supporting Services			
General and Administration	312,626	-	312,626
Fundraising	<u>192,218</u>	<u>-</u>	<u>192,218</u>
 Total Expenses	 <u>5,672,895</u>	 <u>-</u>	 <u>5,672,895</u>
 Change in Net Assets	 255,861	 1,457,795	 1,713,656
 Net Assets, Beginning of Year	 <u>2,605,506</u>	 <u>13,580,607</u>	 <u>16,186,113</u>
 <b>Net Assets, End of Year</b>	 <u><u>\$ 2,861,367</u></u>	 <u><u>\$ 15,038,402</u></u>	 <u><u>\$ 17,899,769</u></u>

*See accompanying Notes to Financial Statements.*

**U.S. - JAPAN COUNCIL**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General Education</u>	<u>TOMODACHI</u>	<u>Total Program Services</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Benefits	\$ 1,169,794	\$ 315,319	\$ 1,485,113	\$ 265,732	\$ 163,976	\$ 1,914,821
Program Implementation Services	1,769,791	1,444,828	3,214,619	-	-	3,214,619
Office Expenses	6,422	1,759	8,181	1,033	94	9,308
Travel	80,919	2,398	83,317	2,540	6,054	91,911
Meetings	44,152	-	44,152	2,255	-	46,407
Business and License Fees	1,743	1,122	2,865	747	-	3,612
Professional Services	23,639	13,146	36,785	5,243	2,622	44,650
Depreciation and Amortization	8,690	5,184	13,874	1,994	997	16,865
Rent	53,580	41,727	95,307	15,309	7,654	118,270
Facilities and Equipment	7,898	323	8,221	411	205	8,837
Computer Hosting and Maintenance	21,726	4,728	26,454	3,976	1,988	32,418
Supplies	24,824	2,128	26,952	2,587	1,539	31,078
Telecommunications	52,129	10,086	62,215	3,862	1,931	68,008
Printing	17,429	4,202	21,631	1,807	947	24,385
Insurance	6,162	4,943	11,105	1,760	880	13,745
Dues and Subscriptions	3,522	153	3,675	-	370	4,045
Fees	11,047	3,180	14,227	1,703	2,128	18,058
Education and Training	5,859	3,499	9,358	1,667	833	11,858
<b>Total</b>	<b>\$ 3,309,326</b>	<b>\$ 1,858,725</b>	<b>\$ 5,168,051</b>	<b>\$ 312,626</b>	<b>\$ 192,218</b>	<b>\$ 5,672,895</b>

*See accompanying Notes to Financial Statements.*

U.S. - JAPAN COUNCIL

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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<b>Cash Flows from Operating Activities</b>	
Change in Net Assets	\$ 1,713,656
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities	
Depreciation and Amortization	16,865
Gain on Investments	(1,818,594)
<u>(Increase) Decrease in Assets</u>	
Promises to Give	354,539
Due from USJC - Japan	(420,848)
Prepaid Expenses	45,794
<u>Increase (Decrease) in Liabilities</u>	
Accounts Payable	(77,069)
Accrued Expenses	178,618
Accrued Vacation	11,762
Deferred Revenue	(62,049)
	<hr/>
Net Cash Used in Operating Activities	(57,326)
 <b>Cash Flows from Investing Activities</b>	
Purchases of Fixed Assets	(72,087)
Purchases of Investments	(7,498,207)
Sales of Investments	7,896,525
	<hr/>
Net Cash Provided by Investing Activities	326,231
	<hr/>
Net Increase in Cash and Cash Equivalents	268,905
Cash and Cash Equivalents, Beginning of Year	<hr/>
	3,118,968
	<hr/>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 3,387,873</b>

*See accompanying Notes to Financial Statements.*

## U.S. - JAPAN COUNCIL

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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#### 1. ORGANIZATION

U.S. - Japan Council (USJC) is a not-for-profit corporation incorporated in the State of California in December 2008 that contributes to strengthening U.S. - Japan relations by bringing together diverse leadership, engaging stakeholders, and exploring issues that benefit communities, businesses, and government entities on both sides of the Pacific. USJC promotes people-to-people relations as crucial to a strong U.S. - Japan relationship. USJC has offices in Washington, D.C., and Los Angeles, California.

In 2012, the U.S. - Japan Council (Japan) (USJC-J) was created to support the administration of the TOMODACHI Initiative (see Note 10), and is a Public Interest Corporation (*Koeki Zaidan Hojin*). USJC-J maintains an office in Tokyo, Japan.

USJC is supported primarily by contributions and contract revenue related to its programs.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of accounting policies followed in the preparation of USJC's financial statements.

##### *Basis of Accounting*

The financial statements are prepared on the accrual basis of accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when incurred.

##### *Financial Statement Presentation*

USJC has presented its financial statements in accordance with *U.S. Generally Accepted Accounting Principles*. Under those principles, USJC is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* - resources that are available for general operations and resources designated by USJC's Board of Directors for approved expenditures.
- *Net Assets With Donor Restrictions* - resources that are subject to donor-imposed restrictions; temporary or permanent. Temporary restrictions are those that expire either by passage of time or fulfillment of purpose by actions of USJC. Permanent restrictions are that neither expire by passage of time nor fulfillment of purpose.

##### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### *Income Taxes*

USJC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.



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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Income Taxes (Continued)*

USJC requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. USJC does not believe its financial statements include, or reflect, any uncertain tax positions.

USJC’s IRS Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the taxing authorities, generally for three years after filing.

*Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand and other highly liquid instruments with initial maturities of less than three months when purchased.

*Promises to Give*

Promises to give consist primarily of amounts due from organization and individual pledges that were not received by USJC at year end. Management reviews the collectability of the accounts on a regular basis. No reserve for doubtful accounts is deemed necessary as all amounts are deemed to be fully collectible.

*Investments*

Marketable equity securities consist of investments in equity and fixed income mutual funds, and other investment funds. Investments in equity securities and investment funds with readily determinable fair values and all investments in debt securities are carried at their fair values in the statement of financial position.

USJC invests non-marketable equity securities which consists of an investment in one privately held company with no readily determinable market value. USJC accounts for this non-marketable equity security at cost less impairment, with realized gains and losses on non-marketable securities sold or impaired recognized in the statement of activities as increases or decreases in net assets.

As of December 31, 2019, non-marketable equity securities accounted for under the method had a carrying value of \$350,000.

*Property and Equipment*

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of three years for furniture, fixtures, and office equipment. USJC capitalizes all furniture and equipment purchases over \$500.

Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

U.S. - JAPAN COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

*Donated Services*

Donated services are recognized as contributions, at fair value, if the services (a) create nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by USJC.

*Grants and Contributions*

Grants and contributions are recognized when a donor makes an unconditional promise to give or when a donor makes a conditional promise to give, and the condition is met. Grants and contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends, or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

*Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation, benefits, and general expenses, which are allocated on the basis of estimates of time and effort by employees. Expenses directly identifiable to specific programs and supporting activities are allocated accordingly.

**3. ADOPTION OF ACCOUNTING STANDARDS**

For the year ended December 31, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. Management believes that the adoption of this standard provides better consistency and comparability across non-profit and for-profit entities. The standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard replaces most existing revenue recognition guidance in U.S. GAAP. This change in accounting principle was adopting the standard on January 1, 2019.

For the year ended December 31, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides additional guidance in (1) evaluating whether transactions should be accounted for as contributions (within the scope of ASC 958) or as

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

3. ADOPTION OF ACCOUNTING STANDARDS (CONTINUED)

exchange (reciprocal) transactions (subject to ASC 606); and (2) distinguishing between conditional and unconditional contributions. Management believes that the adoption of this ASU enhances the comparability of financial information among not-for-profit entities.

These new principles did not have a significant effect on the financial statements for the year ended December 31, 2019.

4. LIQUIDITY AND AVAILABILITY OF RESOURCES

USJC's cash flows have seasonal variations due to the timing of grants, contributions, program revenues, and vendor payments. USJC manages its liquidity to meet general expenditures, liabilities, and other obligations as they become due.

The following reflects USJC's financial assets as of December 31, 2019, reduced by amounts not available for general operating expenditure within one year:

Description	Amount
Cash and Cash Equivalents	\$ 3,387,873
Investments	13,146,597
Promises to Give within One Year	1,637,665
Due from USJC - Japan	493,564
Less Amount Restricted by Donors for Purpose (including Endowment)	(15,038,402)
Plus Amount Expected to Appropriated by Endowment Fund	430,000
Total Financial Assets and Liquidity Resources Available within One Year	<u>\$ 4,057,297</u>

5. CONCENTRATIONS

USJC maintains cash balances at financial institutions in the Washington, D.C., metropolitan area, California, and Tokyo, Japan. The accounts at the U.S. institutions are insured by the Federal Deposit Insurance Corporation (FDIC). At times during the year, USJC's cash balances exceeded the FDIC insurance amounts. Management believes the risk in these situations to be minimal.

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS

USJC has categorized its financial instruments based on fair value hierarchy as follows:

*Level 1* - values are based on quoted prices for identical assets in an active market.

*Level 2* - values are based on quoted prices for similar assets in active or inactive markets.

*Level 3* - values are based on unobservable inputs to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. The fair value measurement objective is to determine an exit price from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflected USJC's judgment about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances, which might include USJC's own data.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis as of December 31, 2019.

*Registered investment companies (Mutual Funds):* Valued at the net asset value (NAV) of shares held by USJC at year end.

*Other Investment Funds:* Value at the fair market value of the underlying assets of the fund as determined by the fund managers.

USJC invests in other investment funds that follow a fund-of-funds format. The investment funds are described as follows:

*Global Equity Opportunities Fund:* Allows investors to gain global equity exposure through an efficient and diversified structure. The fund seeks to generate higher risk-adjusted returns than broad global equity markets by investing in skilled managers along with fewer constraints in portfolio construction. The fund is diversified across regions, market capitalizations, and styles among a concentrated group of managers.

*Diversified Income Fund:* Allows investors to gain global fixed income exposure through an efficient and diversified structure. The fund seeks to achieve higher returns than broad fixed-income markets by investing in skilled managers and applying fewer constraints in portfolio construction. The fund is diversified across regions and sectors among a concentrated group of managers.

*Absolute Return Fund:* Allows investors to gain hedge fund exposure through an efficient and diversified structure. The goal of the fund is to generate superior risk-adjusted returns with moderate volatility by investing in funds sponsored by historically successful managers pursuing a cross-section of absolute return strategies, mitigate losses in failing markets, exhibit relatively low correlation to traditional asset classes, and provide a range of exposure across sectors, regions, strategies, and managers.

The preceding methods described may produce a fair value estimate that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although USJC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

Fair values of assets at December 31, 2019, are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Fund	\$ 195,683	\$ 195,683	\$ -	\$ -
Equity Funds	1,044	1,044	-	-
Fixed Income Funds	1,054,800	1,054,800	-	-
Global Opportunities Equity Fund	7,994,441	-	-	7,994,441
Diversified Income Fund	2,518,694	-	-	2,518,694
Absolute Return Fund	1,031,935	-	-	1,031,935
Total Investments Measured at Fair Value	<u>12,796,597</u>	<u>\$ 1,251,527</u>	<u>\$ -</u>	<u>\$ 11,545,070</u>
Non-Marketable Investments Valued at Cost	<u>350,000</u>			
Total Investments	<u>\$ 13,146,597</u>			

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows:

	<u>Other Investment Funds</u>
Balance at January 1, 2019	\$ 4,657,195
Purchases of Investments	7,025,000
Sales of Investments	(1,405,000)
Net Investment Income, Attributable to Assets Held at Year End	<u>1,195,640</u>
Balance at December 31, 2019	<u>\$ 11,472,835</u>

USJC recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels during the year ended December 31, 2019.

Investment income for the year ended December 31, 2019, is as follows:

<u>Description</u>	<u>Amount</u>
Interest and Dividends	\$ 3,375
Realized and Unrealized Gains on Investments	1,920,843
Investment Fees	<u>(54,573)</u>
Total Investment Income	<u>\$ 1,869,645</u>

**7. CONTRIBUTIONS AND PROMISES TO GIVE**

USJC was awarded major contributions, which included conditional contributions and unconditional promises to give.

One contribution is conditioned for measurable performance related to TOMODACHI program and right of release of the contributor from its obligation. The fund is given to USJC annually after the program performance is approved by the donor and is recorded as a promise to give at that time. This conditional promise to give is approximately \$1,700,000 as of December 31, 2019, and will not be recorded as revenue until the conditions are met.

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NOTES TO FINANCIAL STATEMENTS  
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**7. CONTRIBUTIONS AND PROMISES TO GIVE (CONTINUED)**

Two unconditional promises to give are recorded as receivables and revenue when received. USJC distinguishes promises to give between each net asset category in accordance with donor-imposed restrictions. Promises to give which have not been received is recorded after being discounted to the anticipated net present value of the future cash flows.

Contribution receivables are expected to be realized in the following periods:

Description	Amount
In One Year or Less	\$ 1,184,959
Between One Year and Five Years	98,167
	\$ 1,283,126

**8. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of December 31, 2019:

Description	Amount
Furniture and Fixtures	\$ 39,342
Office Equipment	142,916
	182,258
Less Accumulated Depreciation	(99,615)
Net	\$ 82,643

**9. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were available for the following purposes at December 31, 2019:

Description	Amount
<i>With Temporary Donor Restrictions</i>	
TOMODACHI	\$ 3,297,651
Watanabe Endowment Fund - Scholarships	1,740,751
<i>With Permanent Donor Restrictions</i>	
Watanabe Endowment Fund - Scholarships	10,000,000
Total Net Assets With Donor Restrictions	\$ 15,038,402

Net assets were released from donor restrictions during 2019 as follows:

Description	Amount
TOMODACHI	\$ 1,792,505
Watanabe Endowment Fund - Scholarships	431,340
Total	\$ 2,223,845

**10. TOMODACHI**

USJC and the U.S. Embassy in Tokyo, with support from the government of Japan, formed a public-private partnership (TOMODACHI), to support the long-term recovery of Japan following the March 11, 2011 Great East Japan Earthquake. TOMODACHI supports

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**NOTES TO FINANCIAL STATEMENTS  
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**10. TOMODACHI (CONTINUED)**

programs in educational exchange and leadership development that invest in the next generation of young Japanese and Americans in ways that deepen the friendship between the United States and Japan.

TOMODACHI raises funds from contributors in the U.S. and Japan. Donors have the option of contributing to the U.S. - Japan Council (US) or to a separate and independent public benefit corporation, U.S. - Japan Council (Japan). Management and program services are provided to U.S. - Japan Council (US) through a Management Agreement to support TOMODACHI activities in Japan.

**11. ANNUAL CONFERENCE**

In 2019, U.S. - Japan Council (US) and U.S. Japan Council (Japan) held a joint Annual Conference in Los Angeles, California. Total conference revenue, expenses, and net proceeds were shared between the two entities based on the ratio of revenue received and expenses paid which were 70% (US) and 30% (Japan). These distributions were approved by both Boards of Directors.

**12. DONOR RESTRICTED ENDOWMENTS**

USJC's endowment consists of the donor-restricted Toshizo Watanabe Endowed Scholarship Fund (the Fund). The Fund was created to provide study abroad scholarships to American and Japanese students who demonstrate leadership potential and financial need. The scholarships assist in supporting the cost of tuition and/or living expenses for a student's academic study in Japan and the United States. The scholarship program seeks to promote cross-cultural education between the two countries.

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of USJC has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the District of Columbia as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, USJC classifies as net assets with permanent donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the Fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with permanent donor restrictions are classified as net assets with temporary donor restrictions until those amounts are appropriated for expenditure by USJC in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, USJC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and

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NOTES TO FINANCIAL STATEMENTS  
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**12. DONOR RESTRICTED ENDOWMENTS (CONTINUED)**

preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of USJC, and (7) USJC's investment policies.

*Investment Return Objectives, Risk Parameters, and Strategies:* USJC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment assets. Endowment assets shall exist into perpetuity and therefore be invested with the objective of preserving its long-term real purchasing power while providing for the annual spending distribution. The primary investment objective of the Fund, measured over five to seven rolling periods, is to earn an annualized return of at least 4.0 percent, net of fees. The secondary investment objective of the Fund is to be competitive over the long term (defined as five- to seven-year rolling periods) relative to its market benchmark. The Fund will also be reviewed relative to a peer universe of endowment funds with recognition that the Fund is likely to have a different total return and risk profile than many of the endowments in universe comparisons.

*Spending Policy:* The Fund's annual minimum distribution requirement is \$200,000, less certain administrative fees. The Board has discretion to establish a prudent spending policy in excess of the minimum requirement. In any given year, the spending policy may range from not less than \$200,000 to approximately 4.0 percent of the market value of the Fund.

Composition and changes in endowment net assets for the year ended December 31, 2019, were as follows:

	With Donor Restrictions		
	Purpose Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Fund	\$ 1,740,751	\$ 10,000,000	\$ 11,740,751
	With Donor Restrictions		
	With Purpose Restricted	With Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ 400,218	\$ 10,000,000	\$ 10,400,218
Investment Return	1,771,873	-	1,771,873
Contributions	-	-	-
Appropriation of Endowment Assets for Expenditure	(431,340)	-	(431,340)
Endowment Net Assets, End of Year	\$ 1,740,751	\$ 10,000,000	\$ 11,740,751



**U.S. - JAPAN COUNCIL**

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**13. DONATED SERVICES**

The value of donated services and facilities and the corresponding functional expense categories for the year ended December 31, 2019, are as follows:

Description	General Education	TOMODACHI	General and Administration	Fundraising	Total
Supplies	\$ 22,207	\$ -	\$ -	\$ -	\$ 22,207
Travel	75,000	-	-	-	75,000
Printing	35,000	-	-	-	35,000
Meetings	11,070	-	-	-	11,070
Facilities and Equipment	7,834	-	-	-	7,834
Total	<u>\$ 151,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,111</u>

**14. RETIREMENT PLAN**

USJC has a 401(k) retirement plan (the Plan). Employees may elect to defer a portion of compensation by enrolling in the Plan. All employees over the age of 21 and completing three months of service are eligible to receive an employer matching contribution equal to 100% of their deferrals up to 6% of their compensation. Employees' and USJC's contributions to the Plan are 100% vested upon participation. During the year ended December 31, 2019, USJC's contribution to the Plan was \$57,906.

**15. LEASES**

*Office Equipment Lease*

USJC has entered into a lease of certain office equipment and is obligated under the lease through April 2020.

*Office Lease*

USJC has a non-cancellable office lease that expires on January 31, 2022. The lease contains an annual increase of rent amounts and additional payments for operating charges.

The minimum future lease payments under the above leases are as follows:

For the Years Ending December 31,

2020	\$ 170,510
2021	173,984
2022	<u>14,528</u>
Total Future Minimum Lease Payments	<u>\$ 359,022</u>

**16. SUBSEQUENT EVENTS**

Subsequent events were evaluated through February 24, 2020, which is the date the financial statements were available to be issued.