



**U.S.-JAPAN COUNCIL**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021 AND 2020**

U.S.-JAPAN COUNCIL

TABLE OF CONTENTS  
DECEMBER 31, 2021 AND 2020

---

	<u>Pages</u>
Independent Auditor's Report .....	3-4
Financial Statements	
Statements of Financial Position.....	5-6
Statements of Activities and Changes in Net Assets .....	7-8
Statements of Functional Expenses.....	9-10
Statements of Cash Flows.....	11
Notes to Financial Statements .....	12-22

## Independent Auditor's Report

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

### *Opinion*

We have audited the accompanying financial statements of U.S. Japan Council (USJC), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USJC as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of USJC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about USJC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud

*Auditor's Responsibilities for the Audit of the Financial Statements (Continued)*

may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 USJC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about USJC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

Bethesda, Maryland  
March 22, 2022

Certified Public Accountants

**U.S.-JAPAN COUNCIL**

**STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 3,097,459	\$ 3,129,793	\$ 6,227,252
Investments	357,710	15,058,164	15,415,874
Promises to Give	143,545	450,000	593,545
Prepaid Expenses	105,076	-	105,076
Total Current Assets	3,703,790	18,637,957	22,341,747
<b>Property and Equipment, Net</b>	<u>22,345</u>	<u>-</u>	<u>22,345</u>
<b>Total Assets</b>	<u><u>\$ 3,726,135</u></u>	<u><u>\$ 18,637,957</u></u>	<u><u>\$ 22,364,092</u></u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 31,726	\$ -	\$ 31,726
Accrued Expenses	46,765	-	46,765
Accrued Vacation	91,482	-	91,482
Due to USJC - Japan	38,249	-	38,249
Deferred Revenue	10,001	-	10,001
Total Current Liabilities	<u>218,223</u>	<u>-</u>	<u>218,223</u>
<b>Net Assets</b>			
Without Donor Restrictions	3,507,912	-	3,507,912
With Donor Restrictions	<u>-</u>	<u>18,637,957</u>	<u>18,637,957</u>
Total Net Assets	<u>3,507,912</u>	<u>18,637,957</u>	<u>22,145,869</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 3,726,135</u></u>	<u><u>\$ 18,637,957</u></u>	<u><u>\$ 22,364,092</u></u>

*See accompanying Notes to Financial Statements.*

**U.S.-JAPAN COUNCIL**

**STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 2,639,362	\$ 2,669,031	\$ 5,308,393
Investments	357,792	14,477,974	14,835,766
Promises to Give	68,423	-	68,423
Due from USJC - Japan	32,584	-	32,584
Prepaid Expenses	22,155	-	22,155
Total Current Assets	<u>3,120,316</u>	<u>17,147,005</u>	<u>20,267,321</u>
<b>Property and Equipment, Net</b>	<u>51,070</u>	<u>-</u>	<u>51,070</u>
<b>Total Assets</b>	<u><u>\$ 3,171,386</u></u>	<u><u>\$ 17,147,005</u></u>	<u><u>\$ 20,318,391</u></u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 20,565	\$ -	\$ 20,565
Accrued Expenses	64,017	-	64,017
Accrued Vacation	88,832	-	88,832
Deferred Revenue	10,001	-	10,001
Total Current Liabilities	<u>183,415</u>	<u>-</u>	<u>183,415</u>
<b>Net Assets</b>			
Without Donor Restrictions	2,987,971	-	2,987,971
With Donor Restrictions	<u>-</u>	<u>17,147,005</u>	<u>17,147,005</u>
Total Net Assets	<u>2,987,971</u>	<u>17,147,005</u>	<u>20,134,976</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 3,171,386</u></u>	<u><u>\$ 17,147,005</u></u>	<u><u>\$ 20,318,391</u></u>

*See accompanying Notes to Financial Statements.*

**U.S.-JAPAN COUNCIL**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Operating Activities</b>			
<b>Revenue</b>			
Program Revenue	\$ 603,180	\$ 1,951,932	\$ 2,555,112
Contributions	383,998	-	383,998
Grants	1,627,243	-	1,627,243
Administrative Fees	12,500	-	12,500
Other Income	74	6,645	6,719
Donated Services	32,086	-	32,086
Net Assets Released from Restrictions	<u>1,443,235</u>	<u>(1,443,235)</u>	<u>-</u>
 Total Revenue	 4,102,316	 515,342	 4,617,658
<b>Expenses</b>			
Program Services			
General Education	1,705,835	-	1,705,835
TOMODACHI	695,205	-	695,205
Supporting Services			
General and Administration	668,938	-	668,938
Fundraising	<u>501,927</u>	<u>-</u>	<u>501,927</u>
 Total Expenses	 <u>3,571,905</u>	 <u>-</u>	 <u>3,571,905</u>
 Change in Net Assets from Operations	 530,411	 515,342	 1,045,753
<b>Nonoperating Activities</b>			
Investment Income, Net	<u>(10,470)</u>	<u>975,610</u>	<u>965,140</u>
Total Nonoperating Activities	(10,470)	975,610	965,140
 Net Assets, Beginning of Year	 <u>2,987,971</u>	 <u>17,147,005</u>	 <u>20,134,976</u>
 <b>Net Assets, End of Year</b>	 <u><u>\$ 3,507,912</u></u>	 <u><u>\$ 18,637,957</u></u>	 <u><u>\$ 22,145,869</u></u>

*See accompanying Notes to Financial Statements.*

**U.S.-JAPAN COUNCIL**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Operating Activities</b>			
<b>Revenue</b>			
Program Revenue	\$ 1,409,404	\$ 1,466,579	\$ 2,875,983
Contributions	634,745	-	634,745
Grants and Contributions	406,400	-	406,400
Administrative Fees	217,496	-	217,496
Other Income	9,204	20,076	29,280
Net Assets Released from Restrictions	<u>1,863,795</u>	<u>(1,863,795)</u>	<u>-</u>
 Total Revenue	 4,541,044	 (377,140)	 4,163,904
<b>Expenses</b>			
Program Services			
General Education	1,405,031	-	1,405,031
TOMODACHI	1,476,939	-	1,476,939
Supporting Services			
General and Administration	507,457	-	507,457
Fundraising	<u>311,576</u>	<u>-</u>	<u>311,576</u>
 Total Expenses	 <u>3,701,003</u>	 <u>-</u>	 <u>3,701,003</u>
 Change in Net Assets from Operations	 840,041	 (377,140)	 462,901
<b>Nonoperating Activities</b>			
Investment Income, Net	<u>2,987</u>	<u>2,255,236</u>	<u>2,258,223</u>
Total Nonoperating Activities	2,987	2,255,236	2,258,223
 Net Assets, Beginning of Year	 <u>2,144,943</u>	 <u>15,268,909</u>	 <u>17,413,852</u>
 <b>Net Assets, End of Year</b>	 <u><u>\$ 2,987,971</u></u>	 <u><u>\$ 17,147,005</u></u>	 <u><u>\$ 20,134,976</u></u>

*See accompanying Notes to Financial Statements.*



**U.S.-JAPAN COUNCIL**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<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	\$ 1,022,187	\$ 261,329	\$ 1,283,516	\$ 294,639	\$ 430,251	\$ 2,008,406
Professional Services	260,425	98,287	358,712	178,688	6,462	543,862
Facilities and Equipment	64,806	42,587	107,393	46,290	31,477	185,160
Grant Expense	-	166,440	166,440	-	-	166,440
Scholarships	162,801	-	162,801	-	-	162,801
Program Implementation Fees	82,385	70,478	152,863	-	-	152,863
General and Office Expenses	44,352	41,873	86,225	55,704	1,451	143,380
Telecommunication	14,780	-	14,780	33,266	12,565	60,611
Travel and Meetings	21,455	2,996	24,451	7,840	5,629	37,920
In-Kind	12,209	-	12,209	19,877	-	32,086
Bank and Other Fees	4,076	684	4,760	20,854	6,309	31,923
Depreciation and Amortization	10,054	6,607	16,661	7,181	4,883	28,725
Insurance	6,305	3,924	10,229	4,599	2,900	17,728
<b>Total</b>	<u>\$ 1,705,835</u>	<u>\$ 695,205</u>	<u>\$ 2,401,040</u>	<u>\$ 668,938</u>	<u>\$ 501,927</u>	<u>\$ 3,571,905</u>

*See accompanying Notes to Financial Statements.*

**U.S.-JAPAN COUNCIL**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<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	\$ 913,754	\$ 374,261	\$ 1,288,015	\$ 339,157	\$ 278,115	\$ 1,905,287
Grant Expense	-	500,000	500,000	-	-	500,000
Professional Services	239,169	124,701	363,870	131,590	1,538	496,998
Program Implementation Fees	66,354	335,527	401,881	-	-	401,881
Facilities and Equipment	31,235	64,874	96,109	22,518	15,108	133,735
Travel and Meetings	62,034	1,092	63,126	355	919	64,400
General and Office Expenses	10,373	47,746	58,119	2,769	2,991	63,879
Scholarships	59,770	-	59,770	-	-	59,770
Depreciation and Amortization	6,015	11,767	17,782	4,097	2,749	24,628
Telecommunication	5,104	8,476	13,580	3,006	2,017	18,603
Insurance	4,157	6,823	10,980	2,997	2,011	15,988
Bank and Other Fees	7,066	1,672	8,738	968	6,128	15,834
<b>Total</b>	<b><u>\$ 1,405,031</u></b>	<b><u>\$ 1,476,939</u></b>	<b><u>\$ 2,881,970</u></b>	<b><u>\$ 507,457</u></b>	<b><u>\$ 311,576</u></b>	<b><u>\$ 3,701,003</u></b>

*See accompanying Notes to Financial Statements.*

U.S.-JAPAN COUNCIL

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 2,010,893	\$ 2,721,124
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	28,725	31,362
Loss on Disposals	-	3,077
(Gain) Loss on Investments	(421,142)	(2,253,332)
(Increase) Decrease in Assets		
Promises to Give	(525,122)	1,207,556
Due to/from USJC - Japan	70,833	460,980
Prepaid Expenses	(82,921)	(2,006)
Increase (Decrease) in Liabilities		
Accounts Payable	11,161	(473,771)
Accrued Expenses	(17,252)	(285,477)
Accrued Vacation	2,650	(39,790)
Deferred Revenue	-	(10,500)
	1,077,825	1,359,223
<b>Cash Flows from Investing Activities</b>		
Purchases of Fixed Assets	-	(2,866)
Purchases of Investments	(23,953,834)	(29,225)
Sales of Investments	23,794,868	593,388
	(158,966)	561,297
Net Cash (Used in) Provided by Investing Activities		
Net Increase in Cash and Cash Equivalents	918,859	1,920,520
Cash and Cash Equivalents, Beginning of Year	5,308,393	3,387,873
<b>Cash and Cash Equivalents, End of Year</b>	\$ 6,227,252	\$ 5,308,393

*See accompanying Notes to Financial Statements.*

## U.S.-JAPAN COUNCIL

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

---

#### 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 11) 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.

U.S.-JAPAN COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

---

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 statements 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 statements of activities and changes in net assets as increases or decreases in net assets. As of December 31, 2021 and 2020, non-marketable securities accounted for under the method had a carry value of \$350,000.

USJC invests in other investment funds that follow a fund of funds format. These funds are valued at fair value as practical expedient.

*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.

*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.

U.S.-JAPAN COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*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 statements of activities and changes in net assets 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 statements of activities and changes in net assets and the statements 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.

*Reclassification*

Certain reclassifications have been made to the December 31, 2020 financial statements to make them comparable with the December 31, 2021 financial statements.

3. 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, 2021 and 2020, reduced by amounts not available for general operating expenditure within one year:

Description	2021	2020
Cash and Cash Equivalents	\$ 6,227,252	\$ 5,308,393
Investments	15,415,874	14,835,766
Promises to Give within One Year	593,545	68,423
Due from USJC - Japan	-	32,584
Less Amount Restricted by Donors for Purpose (including Endowment)	(18,637,957)	(17,147,005)
Plus Amount Expected to be Appropriated by the Endowment Fund	436,687	385,000
Financial Assets and Liquidity Resources Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 4,035,401</u>	<u>\$ 3,483,161</u>

## U.S.-JAPAN COUNCIL

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

---

#### 4. 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) up to the maximum amount allowed by law. While the amounts, at times, exceed the amount insured by federal agencies and, therefore, bear some risk, USJC has not experienced, nor does it anticipate, any loss of funds.

USJC invests in professionally managed portfolios that contain mutual funds. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amount reported in the financial statements.

#### 5. 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.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis as of December 31, 2021 and 2020.

*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.

**U.S.-JAPAN COUNCIL**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

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

*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.

USJC utilizes Fair Value Measurement (Topic 820): *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to value the investments in these funds (collectively referred to as Other Investment Funds). This standard allows those assets measured using NAV to be excluded from the fair value hierarchy table. The total invested in these funds is \$1,461,181 and \$13,889,983 for 2021 and 2020, respectively.

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.

Fair values of assets at December 31, 2021 and 2020, are as follows:

	2021			
	Fair Value	Level 1	Level 2	Level 3
Money Market Fund	\$ 581,331	\$ 581,331	\$ -	\$ -
Equity Funds	9,216,495	9,216,495	-	-
Fixed Income Funds	3,806,867	3,806,867	-	-
Total Investments Measured at Fair Value	13,604,693	<u>\$ 13,604,693</u>	<u>\$ -</u>	<u>\$ -</u>
Other Investment Funds at NAV	1,461,181			
Non-Marketable Investments	350,000			
Total Investments	<u>\$ 15,415,874</u>			
	2020			
	Fair Value	Level 1	Level 2	Level 3
Money Market Fund	\$ 23,561	\$ 23,561	\$ -	\$ -
Fixed Income Funds	572,222	572,222	-	-
Total Investments Measured at Fair Value	595,783	<u>\$ 595,783</u>	<u>\$ -</u>	<u>\$ -</u>
Other Investment Funds	13,889,983			
Non-Marketable Investments Valued at Cost	350,000			
Total Investments	<u>\$ 14,835,766</u>			



**U.S.-JAPAN COUNCIL**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

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

Other Investment Funds activity for the years ended December 31, 2021 and 2020, is as follows:

Other Investment Funds	2021	2020
Balance at January 1	\$ 13,889,983	\$ 11,545,070
Transfer of Funds	(11,465,276)	50,000
Realized and Unrealized (Loss) Gain	(963,526)	2,294,913
Balance at December 31	<u>\$ 1,461,181</u>	<u>\$ 13,889,983</u>

USJC recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period.

Investment income for the years ended December 31, 2021 and 2020, is as follows:

Description	2021	2020
Interest and Dividends	\$ 543,289	\$ 4,891
Realized and Unrealized Gains on Investments, Net	472,793	2,310,507
Investment Fees	(50,942)	(57,175)
Total Investment Income	<u>\$ 965,140</u>	<u>\$ 2,258,223</u>

Investment securities are exposed to various risks such as interest rates, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

**6. CONTRIBUTIONS AND PROMISES TO GIVE**

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 are recorded after being discounted to the anticipated net present value of the future cash flows.

Certain contributions are restricted for use for the TOMODACHI program. At December 31, 2021, promises to give included \$450,000 of pledges restricted for this purpose.

As of December 31, 2021 and 2020, promises to give are expected to be realized in the following periods:

Description	2021	2020
In One Year or Less	\$ 493,545	\$ 68,423
Within Two Years	100,000	-
	<u>\$ 593,545</u>	<u>\$ 68,423</u>

**U.S.-JAPAN COUNCIL**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**7. ANNUAL CONFERENCE**

Traditionally U.S.-Japan Council (US) and U.S. Japan Council (Japan) hold a joint Annual Conference either in United States or Japan. Given the threat and impact of the coronavirus pandemic, USJC did not host the in-person Annual Conferences in 2020 and 2021. In lieu of a traditional in-person Annual Conference this year, USJC hosted series of virtual events and engagements throughout the remainder of the year to provide insights and exclusive content to the members and supporters. Total event revenue, expenses, and net proceeds were shared between the two entities based on the ratio of revenue received and expenses paid which were agreed by both U.S.-Japan Council (US) and U.S.-Japan Council (Japan).

**8. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2021 and 2020:

Description	2021	2020
Furniture and Fixtures	\$ 39,342	\$ 39,342
Office Equipment	142,109	142,109
	181,451	181,451
Less Accumulated Depreciation	(159,106)	(130,381)
Net	\$ 22,345	\$ 51,070

**9. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were available for the following purposes at December 31, 2021 and 2020:

Description	2021	2020
<i>With Temporary Donor Restrictions</i>		
TOMODACHI	\$ 2,709,622	\$ 2,243,885
Watanabe Endowment Fund - Scholarships	4,624,575	3,832,161
Silicon Valley Japan Platform (SVJP)	1,303,760	1,070,959
<i>With Permanent Donor Restrictions</i>		
Watanabe Endowment Fund - Scholarships	10,000,000	10,000,000
Total Net Assets With Donor Restrictions	\$ 18,637,957	\$ 17,147,005

Net assets were released from donor restrictions during 2021 and 2020 as follows:

Description	2021	2020
TOMODACHI	\$ 559,274	\$ 1,575,837
Watanabe Endowment Fund - Scholarships	181,728	124,439
Silicon Valley Japan Platform (SVJP)	702,233	163,519
Total	\$ 1,443,235	\$ 1,863,795

## U.S.-JAPAN COUNCIL

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

---

#### 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 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. SILICON VALLEY JAPAN PLATFORM

The Silicon Valley Japan Platform (SVJP) is an initiative of USJC and the Asia Pacific Initiative. SVJP aims to connect the technological dynamism of the Silicon Valley with current and future needs of economic revitalization in Japan. The SVJP holds regular programs featuring speakers on cutting-edge topics and organizes meetings with corporate leaders to discuss future trends and opportunities for partnerships between Japan and the Silicon Valley.

#### 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.

U.S.-JAPAN COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

**12. DONOR RESTRICTED ENDOWMENTS (CONTINUED)**

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 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.

In December 2019, the USJC Investment Committee discussed and approved change to the Endowment spending policy. The distribution shall be based on the average of the prior three years' investment portfolio, times the approved spending rate. The average will be calculated using the past 12 quarter ending balances as of September 30 of the year; the spending rate will be 4%, unless changed by action of the Board.

Composition and changes in endowment net assets for the years ended December 31, 2021 and 2020, were as follows:

	With Donor Restrictions		
	With Purpose Restricted	With Permanently Restricted	Total
Endowment Net Assets, January 1, 2020	\$ 1,718,779	\$ 10,000,000	\$ 11,718,779
Investment Return	2,237,821	-	2,237,821
Contributions			
Appropriation of Endowment Assets for Expenditure	(124,439)	-	(124,439)
<b>Endowment Net Assets, December 31, 2020, Restated</b>	<b>3,832,161</b>	<b>10,000,000</b>	<b>13,832,161</b>
<b>Investment Return</b>	<b>974,143</b>	<b>-</b>	<b>974,143</b>
<b>Expenditures of Endowment Assets</b>	<b>(181,729)</b>	<b>-</b>	<b>(181,729)</b>
<b>Endowment Net Assets, December 31, 2021</b>	<b>\$ 4,624,575</b>	<b>\$ 10,000,000</b>	<b>\$ 14,624,575</b>

U.S.-JAPAN COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

13. DONATED SERVICES

The value of donated services and facilities and the corresponding functional expense categories for the years ended December 31, 2021 and 2020, are as follows:

Description	2021	2020
<i>General Education</i>		
Services	\$ 10,000	\$ -
Meetings	12,086	-
Facilities and Equipment	10,000	-
Total	<u>\$ 32,086</u>	<u>\$ -</u>

14. RELATED PARTY TRANSACTIONS

Board members of USJC made contributions in the aggregated amount of approximately \$338,000 and \$152,000 to support USJC in the years ended December 31, 2021 and 2020, respectively. The members did not receive economic benefits in return of the contributions.

15. 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 years ended December 31, 2021 and 2020, USJC's contributions to the Plan were \$75,352 and \$90,055, respectively.

16. COMMITMENTS AND CONTINGENCIES

*Office Equipment Lease*

USJC has entered into a lease of certain office equipment and is obligated under the lease through April 2025.

*Office Lease*

On December 13, 2022, USJC entered into a non-cancellable office lease agreement which commences on February 1, 2022, and expires on January 31, 2027. The agreement contains an abatement of the first four calendar months after the commencement date, a provision of tenant improvement allowance by the landlord, an annual increase of rent amounts, and additional payments for operating charges.

U.S.-JAPAN COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

---

16. COMMITMENTS AND CONTINGENCIES (CONTINUED)

*Office Lease (Continued)*

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

For the Years Ending December 31,

2022	\$	61,221
2023		78,615
2024		80,455
2025		78,747
2026		78,877
2027		6,587
Total Future Minimum Lease Payments	\$	<u>384,502</u>

**COVID-19 Pandemic**

The spread of COVID-19 (coronavirus disease) has had a disruptive impact on the daily life and operations of individuals, businesses, and companies around the world. There is uncertainty about financial and economic impacts in all sectors of the economy. The financial markets have experienced significant volatility, and this may continue for an extended period of time. In light of these circumstances, management continues to assess how best to adapt to changed circumstances.

17. PAYCHECK PROTECTION PROGRAM LOAN

USJC has received Small Business Administration (SBA) loans under the Paycheck Protection Program (PPP) in the amount of \$365,520 and \$406,440 in 2020 and 2021, respectively. PPP provides up to eight weeks of cash-flow assistance through 100% federally guaranteed loans to eligible recipients to maintain payroll during the COVID-19 (coronavirus disease) public health emergency and cover certain other expenses. The first loan payment is deferred for six months. If USJC maintains its workforce, up to 100% of the loan is forgivable by the SBA if the loan proceeds are used to cover the first eight weeks of payroll, and certain other expenses. The Treasury Department anticipates that no more than 25% of the forgiven amount may be for non-payroll costs. Also, if USJC does not retain its entire workforce, the level of forgiveness is reduced by the percentage of the decrease. Loans under PPP have an interest rate of 1% and a maturity of two years.

USJC accounted the SBA loan as revenue since repayments have been waived as of December 31, 2021 and 2020, as such, the proceeds are reflected in grants in the statements of activities and changes in net assets in each year.

18. SUBSEQUENT EVENTS

USJC has evaluated subsequent events through March 22, 2022, the date on which the financial statements were available to be issued.