



U.S.-JAPAN COUNCIL
FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

U.S.-JAPAN COUNCIL
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DECEMBER 31, 2024 AND 2023

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Independent Auditor's Report

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, 2024 and 2023, and the related statements of activities and changes in net assets, 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, 2024 and 2023, 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 may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

Misstatements 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
June 30, 2025

Certified Public Accountants

U.S.-JAPAN COUNCIL

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024**

| Assets | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|----------------------|
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 1,248,587 | \$ 2,363,305 | \$ 3,611,892 |
| Investments | 1,379,830 | 32,759,593 | 34,139,423 |
| Promises to Give | 25,500 | 1,679,833 | 1,705,333 |
| Prepaid Expenses | 304,822 | - | 304,822 |
| Due from USJC-Japan | 198,316 | - | 198,316 |
| Other Receivables | 54,835 | - | 54,835 |
| Total Current Assets | 3,211,890 | 36,802,731 | 40,014,621 |
| Promises to Give, Long-Term | - | 3,632,269 | 3,632,269 |
| Operating Lease Asset | 144,223 | - | 144,223 |
| Finance Lease Asset, Net of Accumulated Amortization of \$3,343 | 5,572 | - | 5,572 |
| Total Assets | <u>\$ 3,361,685</u> | <u>\$ 40,435,000</u> | <u>\$ 43,796,685</u> |
| Liabilities and Net Assets | | | |
| Current Liabilities | | | |
| Accounts Payable | \$ 82,141 | \$ - | \$ 82,141 |
| Accrued Expenses | 76,334 | - | 76,334 |
| Accrued Vacation | 109,701 | - | 109,701 |
| Deferred Revenue | 100,886 | - | 100,886 |
| Operating Lease Liability | 75,008 | - | 75,008 |
| Finance Lease Liability | 3,391 | - | 3,391 |
| Total Current Liabilities | 447,461 | - | 447,461 |
| Operating Lease Liability, Net of Current Portion | 84,770 | - | 84,770 |
| Finance Lease Liability, Net of Current Portion | 2,346 | - | 2,346 |
| Total Liabilities | 534,577 | - | 534,577 |
| Net Assets | | | |
| Without Donor Restrictions | | | |
| Undesignated | 2,327,108 | - | 2,327,108 |
| Board Designated - Operating Reserve Fund | 500,000 | - | 500,000 |
| Total Without Donor Restrictions | 2,827,108 | - | 2,827,108 |
| With Donor Restrictions | - | 40,435,000 | 40,435,000 |
| Total Net Assets | 2,827,108 | 40,435,000 | 43,262,108 |
| Total Liabilities and Net Assets | <u>\$ 3,361,685</u> | <u>\$ 40,435,000</u> | <u>\$ 43,796,685</u> |

See accompanying Notes to Financial Statements.

U.S.-JAPAN COUNCIL

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023**

| Assets | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|----------------------|
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 748,031 | \$ 3,099,561 | \$ 3,847,592 |
| Investments | 1,093,762 | 24,680,764 | 25,774,526 |
| Promises to Give | 48,333 | 371,666 | 419,999 |
| Prepaid Expenses | 200,047 | - | 200,047 |
| Due from USJC-Japan | 299,894 | - | 299,894 |
| Other Receivables | 82,830 | - | 82,830 |
| Total Current Assets | 2,472,897 | 28,151,991 | 30,624,888 |
| Promises to Give, Long-Term | - | 381,359 | 381,359 |
| Operating Lease Asset | 210,461 | - | 210,461 |
| Finance Lease Asset, Net of Accumulated Amortization of \$1,114 | 10,029 | - | 10,029 |
| Total Assets | \$ 2,693,387 | \$ 28,533,350 | \$ 31,226,737 |
| Liabilities and Net Assets | | | |
| Current Liabilities | | | |
| Accounts Payable | \$ 97,895 | \$ - | \$ 97,895 |
| Accrued Expenses | 59,770 | - | 59,770 |
| Accrued Vacation | 101,401 | - | 101,401 |
| Deferred Revenue | 100,000 | - | 100,000 |
| Operating Lease Liability | 71,747 | - | 71,747 |
| Finance Lease Liability | 3,423 | - | 3,423 |
| Total Current Liabilities | 434,236 | - | 434,236 |
| Operating Lease Liability, Net of Current Portion | 159,779 | - | 159,779 |
| Finance Lease Liability, Net of Current Portion | 5,736 | - | 5,736 |
| Total Liabilities | 599,751 | - | 599,751 |
| Net Assets | | | |
| Without Donor Restrictions | 2,093,636 | - | 2,093,636 |
| With Donor Restrictions | - | 28,533,350 | 28,533,350 |
| Total Net Assets | 2,093,636 | 28,533,350 | 30,626,986 |
| Total Liabilities and Net Assets | \$ 2,693,387 | \$ 28,533,350 | \$ 31,226,737 |

See accompanying Notes to Financial Statements.

U.S.-JAPAN COUNCIL

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2024**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|---------------------------------|
| Revenue | | | |
| Program Revenue | \$ 2,231,832 | \$ 1,649,250 | \$ 3,881,082 |
| Contributions | 427,088 | - | 427,088 |
| Grants | 792,876 | 11,255,821 | 12,048,697 |
| Other Income | 42,002 | - | 42,002 |
| Donated Services | 78,218 | - | 78,218 |
| Loss on Promises to Give | - | (80,000) | (80,000) |
| Net Assets Released from Restrictions | <u>3,489,741</u> | <u>(3,489,741)</u> | <u>-</u> |
| Total Revenue | 7,061,757 | 9,335,330 | 16,397,087 |
| Expenses | | | |
| Program Services | | | |
| General Education | 3,792,658 | - | 3,792,658 |
| TOMODACHI | 898,297 | - | 898,297 |
| Supporting Services | | | |
| General and Administration | 1,151,943 | - | 1,151,943 |
| Fundraising | <u>490,289</u> | <u>-</u> | <u>490,289</u> |
| Total Expenses | <u>6,333,187</u> | <u>-</u> | <u>6,333,187</u> |
| Change in Net Assets from Operations | 728,570 | 9,335,330 | 10,063,900 |
| Investment Return, Net | <u>4,902</u> | <u>2,566,320</u> | <u>2,571,222</u> |
| Change in Net Assets | 733,472 | 11,901,650 | 12,635,122 |
| Net Assets, Beginning of Year | <u>2,093,636</u> | <u>28,533,350</u> | <u>30,626,986</u> |
| Net Assets, End of Year | <u><u>\$ 2,827,108</u></u> | <u><u>\$ 40,435,000</u></u> | <u><u>\$ 43,262,108</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, 2023**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|----------------------|
| Revenue | | | |
| Program Revenue | \$ 1,881,197 | \$ 1,066,576 | \$ 2,947,773 |
| Contributions | 292,918 | - | 292,918 |
| Grants | 92,267 | 1,564,927 | 1,657,194 |
| Administrative Fees | 2,000 | - | 2,000 |
| Other Income | 101,361 | - | 101,361 |
| Donated Services | 91,919 | - | 91,919 |
| Net Assets Released from Restrictions | 2,392,853 | (2,392,853) | - |
| Total Revenue | 4,854,515 | 238,650 | 5,093,165 |
| Expenses | | | |
| Program Services | | | |
| General Education | 2,959,926 | - | 2,959,926 |
| TOMODACHI | 860,052 | - | 860,052 |
| Supporting Services | | | |
| General and Administration | 995,466 | - | 995,466 |
| Fundraising | 472,598 | - | 472,598 |
| Total Expenses | 5,288,042 | - | 5,288,042 |
| Change in Net Assets from Operations | (433,527) | 238,650 | (194,877) |
| Investment Return, Net | (12,957) | 3,107,126 | 3,094,169 |
| Change in Net Assets | (446,484) | 3,345,776 | 2,899,292 |
| Net Assets, Beginning of Year | 2,540,120 | 25,187,574 | 27,727,694 |
| Net Assets, End of Year | \$ 2,093,636 | \$ 28,533,350 | \$ 30,626,986 |

See accompanying Notes to Financial Statements.

U.S.-JAPAN COUNCIL

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024**

| | <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 | \$ 977,483 | \$ 213,367 | \$ 1,190,850 | \$ 850,093 | \$ 433,010 | \$ 2,473,953 |
| Professional Services | 148,114 | 200 | 148,314 | 159,868 | 24 | 308,206 |
| Facilities and Equipment | 43,722 | 10,202 | 53,924 | 13,117 | 5,830 | 72,871 |
| Grant Expense | 333,000 | - | 333,000 | - | - | 333,000 |
| Scholarships | 285,250 | - | 285,250 | - | - | 285,250 |
| Program Implementation Fees | 513,644 | 619,936 | 1,133,580 | 19,455 | - | 1,153,035 |
| General and Office Expenses | 77,190 | 38,161 | 115,351 | 1,067 | 7,531 | 123,949 |
| Telecommunication | 10,038 | 1,731 | 11,769 | 43,636 | 10,971 | 66,376 |
| Travel and Meetings | 1,298,862 | 10,444 | 1,309,306 | 35,075 | 20,103 | 1,364,484 |
| In-Kind | 75,550 | - | 75,550 | 2,668 | - | 78,218 |
| Bank and Other Fees | 12,861 | 302 | 13,163 | 21,880 | 10,561 | 45,604 |
| Depreciation and Amortization | 2,006 | 468 | 2,474 | 602 | 267 | 3,343 |
| Insurance | 14,938 | 3,486 | 18,424 | 4,482 | 1,992 | 24,898 |
| Total | <u>\$ 3,792,658</u> | <u>\$ 898,297</u> | <u>\$ 4,690,955</u> | <u>\$ 1,151,943</u> | <u>\$ 490,289</u> | <u>\$ 6,333,187</u> |

See accompanying Notes to Financial Statements.

U.S.-JAPAN COUNCIL

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

| | <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 | \$ 1,048,687 | \$ 201,169 | \$ 1,249,856 | \$ 691,016 | \$ 426,705 | \$ 2,367,577 |
| Professional Services | 160,595 | 900 | 161,495 | 165,249 | 685 | 327,429 |
| Facilities and Equipment | 39,689 | 12,268 | 51,957 | 13,782 | 6,495 | 72,234 |
| Grant Expense | 287,308 | 2,660 | 289,968 | - | - | 289,968 |
| Scholarships | 178,990 | - | 178,990 | - | - | 178,990 |
| Program Implementation Fees | 83,617 | 509,235 | 592,852 | 2,133 | 19 | 595,004 |
| General and Office Expenses | 55,006 | 27,252 | 82,258 | 3,650 | 1,876 | 87,784 |
| Telecommunication | 9,258 | 124 | 9,382 | 56,326 | 1,257 | 66,965 |
| Travel and Meetings | 994,990 | 100,801 | 1,095,791 | 19,322 | 21,692 | 1,136,805 |
| In-Kind | 75,119 | - | 75,119 | 16,800 | - | 91,919 |
| Bank and Other Fees | 9,671 | 374 | 10,045 | 20,262 | 11,079 | 41,386 |
| Depreciation and Amortization | 3,072 | 965 | 4,037 | 1,131 | 511 | 5,679 |
| Insurance | 13,924 | 4,304 | 18,228 | 5,795 | 2,279 | 26,302 |
| Total | <u>\$ 2,959,926</u> | <u>\$ 860,052</u> | <u>\$ 3,819,978</u> | <u>\$ 995,466</u> | <u>\$ 472,598</u> | <u>\$ 5,288,042</u> |

See accompanying Notes to Financial Statements.

U.S.-JAPAN COUNCIL

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

| | <u>2024</u> | <u>2023</u> |
|---|----------------------------|----------------------------|
| Cash Flows from Operating Activities | | |
| Change in Net Assets | \$ 12,635,122 | \$ 2,899,292 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities | | |
| Depreciation and Amortization | 3,343 | 5,679 |
| Gain on Investments | (960,577) | (2,200,258) |
| Operating Lease Expense | 66,238 | 68,692 |
| <u>(Increase) Decrease in Assets</u> | | |
| Promises to Give | (4,536,244) | (474,746) |
| Prepaid Expenses | (104,775) | (179,820) |
| Due from USJC-Japan | 101,578 | (299,894) |
| Other Receivables | 27,995 | (82,830) |
| <u>Increase (Decrease) in Liabilities</u> | | |
| Accounts Payable | (15,754) | 68,660 |
| Accrued Expenses | 16,564 | (71,515) |
| Accrued Vacation | 8,300 | (13,652) |
| Deferred Revenue | 886 | (175,000) |
| Operating Lease Liability | (70,492) | (70,492) |
| Net Cash Provided by (Used in) Operating Activities | <u>7,172,184</u> | <u>(525,884)</u> |
| Cash Flows from Investing Activities | | |
| Purchases of Investments | (16,672,207) | (4,206,707) |
| Sales of Investments | <u>9,267,887</u> | <u>1,643,520</u> |
| Net Cash Used in Investing Activities | <u>(7,404,320)</u> | <u>(2,563,187)</u> |
| Cash Flows from Financing Activities | | |
| Principal Payments on Finance Lease Liability | <u>(3,564)</u> | <u>(5,577)</u> |
| Net Cash Used in Financing Activities | <u>(3,564)</u> | <u>(5,577)</u> |
| Net Decrease in Cash and Cash Equivalents | <u>(235,700)</u> | <u>(3,094,648)</u> |
| Cash and Cash Equivalents, Beginning of Year | <u>3,847,592</u> | <u>6,942,240</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$ 3,611,892</u></u> | <u><u>\$ 3,847,592</u></u> |
| Supplementary Disclosures of Cash Flow Information | | |
| Cash and Cash Equivalents | \$ 1,248,587 | \$ 748,031 |
| Restricted Cash | <u>2,363,305</u> | <u>3,099,561</u> |
| Total Cash and Cash Equivalents and Restricted Cash | <u><u>\$ 3,611,892</u></u> | <u><u>\$ 3,847,592</u></u> |

See accompanying Notes to Financial Statements.

U.S.-JAPAN COUNCIL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

1. ORGANIZATION

U.S.-Japan Council (USJC) cultivates and connects leaders at every level in the United States and Japan who are committed to a strong and enduring global partnership. Founded by Japanese Americans in 2009, USJC is now the premier organization dedicated to strengthening U.S.-Japan relations through people-to-people connections. Through its transformative leadership initiatives, innovative exchange programs, and impactful in-person and virtual events, USJC brings together leaders at every level to address key bilateral issues. USJC's community of members and staff across the United States and Japan is a vibrant and diverse professional and personal network that fosters deep connections and opportunities to make meaningful contributions.

In 2012, U.S.-Japan Council (Japan) (USJC-J) was created to support USJC's mission, including the administration of the TOMODACHI Initiative (see Note 9) 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

USJC has presented its financial statements in accordance with accounting principles generally accepted in the United States of America.

Adoption of Accounting Standards Codification Topic 326

During the year ended December 31, 2023, USJC adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. All assets that fall within the scope of ASU 2016-13 were evaluated to determine if the measurement of expected credit losses is material. USJC adopted ASU 2016-13 and the effect of the adoption was not material to the financial statements.

Financial Statement Presentation

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. In 2024, USJC established a board designated operating reserve. As of December 31, 2024, board designated net assets totaled \$500,000. There were no board designated assets as of December 31, 2023.

U.S.-JAPAN COUNCIL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

- *Net Assets With Donor Restrictions* - resources that are subject to donor-imposed restrictions; temporary or permanent. Temporary restrictions are those that expire either by actions of USJC or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Permanently restricted net assets represent funds contributed to USJC, whereby principal may not be used and income or capital gains from these funds are to be used for purposes specified by the donor.

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.

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

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are to be received. Present value discounts are amortized over the life of the pledge. Accretion of the discounts is included in contributions in the statements of activities.

The allowance method is used to determine the uncollectible amounts. The allowance is based upon prior years’ experience and management’s analysis of subsequent collections. Allowances are recorded on promises to give that are past due when circumstances indicate collection is doubtful for particular promises to give or as a general reserve for all promises to give. Promises to give are written off if reasonable collection efforts prove unsuccessful. As of December 31, 2024 and 2023, all promises to give were deemed to be collectible.

U.S.-JAPAN COUNCIL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due from USJC-Japan

USJC has a mutual service agreement with USJC-J under which counterparties supply staff and resources timely in the United States or in Japan, where joint annual conferences and various programs are conducted. The parties maintain due from and due to accounts to maintain receivables and liabilities and transfer money to pay off outstanding balances after offsetting due from and due to account balances.

Due from USJC-J consists of amounts due within one year related to interorganizational services that are presented at the net amount. Furthermore, due from USJC-J is presented in the statements of financial position at the net of credit losses. USJC uses the loss-rate method to estimate expected credit losses based on historical experience, current conditions, and reasonable and supportable forecasts about collectability.

Historical credit loss experience provides the basis for the estimation of expected credit losses and adjustments are made for differences in current and forecasted risk characteristics and economic conditions. In addition, allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. Due from USJC-J accounts that do not share risk characteristics are evaluated on an individual basis.

USJC writes-off due from USJC-J amounts from the allowance in the period the receivable is considered uncollectible. Any recoveries of amounts that were previously written off are recorded when the cash is received. During the years ended December 31, 2024 and 2023, USJC had no write-offs or recoveries.

Investments

Marketable equity securities consist of money market fund, equity funds and fixed income mutual funds. Investments are recorded at fair value based on quotations on national exchanges for identical or similar investments.

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.

As of December 31, 2024 and 2023, all property and equipment were fully depreciated.

Lease Assets and Lease Liabilities

The determination of whether an arrangement is a lease is made at the lease's inception. Under the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

U.S.-JAPAN COUNCIL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease Assets and Lease Liabilities (Continued)

Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Lease liabilities are initially measured at the present value of minimum lease payments using a risk-free rate that approximates the remaining term of the lease. The right-of-use asset is the lease liability adjusted for other lease-related accounts. Management considers the likelihood of exercising renewal or termination clauses (if any) in measuring USJC's right-of-use assets and lease liabilities. Operating lease expense and finance lease amortization expense is allocated over the remaining lease term on a straight-line basis. Finance lease interest expense is calculated using a risk-free rate that approximates the remaining term of the lease multiplied by the outstanding finance lease liability.

USJC considers leases with initial terms of twelve months or less, and no option to purchase the underlying asset, to be short-term leases. Accordingly, short-term lease costs are expensed over the remaining lease term, with no corresponding right-of-use asset or lease liability. In addition, USJC does not separate non-lease components from lease components (if any) when determining the payments for leases of office equipment.

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 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.

Revenue Recognition

Program revenue includes membership dues and sponsorships. Membership dues are recognized as revenue over time, on a pro-rata basis over the term of the membership period. Sponsorships and events are recognized as revenue at the point in time when the related event occurs. Amounts received in advance are included in deferred revenue.

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NOTES TO FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

USJC had deferred revenue of \$275,000 at January 1, 2023. For the year ended December 31, 2023, USJC had deferred membership dues of \$100,000, all of which was recognized as revenue in 2024. For the year ended December 31, 2024, dues and registrations received of \$100,886 were deferred to future periods.

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 salaries and benefits, and general and office 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 2023 amounts have been reclassified for comparative purposes.

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 and liquidity resources available for general expenditures within one year as of December 31, 2024 and 2023:

| Description | 2024 | 2023 |
|--|--------------|--------------|
| Cash and Cash Equivalents | \$ 3,611,892 | \$ 3,847,592 |
| Investments | 34,139,423 | 25,774,526 |
| Promises to Give within One Year | 1,705,333 | 419,999 |
| Due from USJC-Japan | 198,316 | 299,894 |
| Other Receivables | 54,835 | 82,830 |
| Plus Amount Expected to be Appropriated by the Endowment Fund | 600,000 | 800,000 |
| Total Financial Assets and Liquidity Resources Available in One Year | 40,309,799 | 31,224,841 |
| Less Amounts Unavailable for General Expenditures within One Year Due to | | |
| Restricted Cash and Cash Equivalents | 2,363,305 | 3,099,561 |
| Investments Subject to Donor Restrictions | 32,759,593 | 24,680,764 |
| Promises to Give within One Year with Donor Restrictions | 1,679,833 | 371,666 |
| Board Designated - Operating Reserve Fund | 500,000 | - |
| Financial Assets and Liquidity Resources Available to Meet | | |
| Cash Needs for General Expenditures within One Year | \$ 3,007,068 | \$ 3,072,850 |

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**NOTES TO FINANCIAL STATEMENTS
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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 maintains a professionally managed portfolio of various investment securities. Investments are exposed to market and credit risks and may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets in active markets;

Level 2 - inputs to the valuation methodology include quoted prices for similar assets in active markets, and inputs that are observable for the asset other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment.

The following presents USJC's assets measured at fair value on a recurring basis as of December 31, 2024.

| | 2024 | | | |
|---|----------------------|----------------------|-------------|-------------|
| | Fair Value | Level 1 | Level 2 | Level 3 |
| Money Market Fund | \$ 3,258,089 | \$ 3,258,089 | \$ - | \$ - |
| Stocks | 1,184 | 1,184 | - | - |
| Equity Funds | 22,287,705 | 22,287,705 | - | - |
| Fixed Income Funds | 8,592,445 | 8,592,445 | - | - |
| Total Investments Measured at Fair Value | \$ 34,139,423 | \$ 34,139,423 | \$ - | \$ - |

The following presents USJC's assets measured at fair value on a recurring basis as of December 31, 2023.

| | 2023 | | | |
|---|----------------------|----------------------|-------------|-------------|
| | Fair Value | Level 1 | Level 2 | Level 3 |
| Money Market Fund | \$ 2,814,011 | \$ 2,814,011 | \$ - | \$ - |
| Equity Funds | 16,420,264 | 16,420,264 | - | - |
| Fixed Income Funds | 6,540,251 | 6,540,251 | - | - |
| Total Investments Measured at Fair Value | \$ 25,774,526 | \$ 25,774,526 | \$ - | \$ - |

U.S.-JAPAN COUNCIL

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Investment return for the years ended December 31, 2024 and 2023, is as follows:

| Description | 2024 | 2023 |
|---|---------------------|---------------------|
| Interest and Dividends | \$ 1,610,645 | \$ 893,913 |
| Unrealized Gains on Investments, Net | 1,003,704 | 2,685,726 |
| Realized Gains (Losses) on Investments, Net | 18,031 | (432,575) |
| Investment Fees | <u>(61,158)</u> | <u>(52,895)</u> |
| Net Investment Return | <u>\$ 2,571,222</u> | <u>\$ 3,094,169</u> |

6. 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, if any. Promises to give which have not been received are recorded after being discounted to the anticipated net present value of the future cash flows.

Promises to give for the program at December 31, 2024 and 2023, represent unconditional pledges receivable as follows:

| | 2024 | 2023 |
|-----------------------|---------------------|-------------------|
| Unconditional Pledges | \$ 5,638,500 | \$ 878,333 |
| Unamortized Discount | <u>(300,898)</u> | <u>(76,975)</u> |
| Promises to Give, Net | <u>\$ 5,337,602</u> | <u>\$ 801,358</u> |

As of December 31, 2024 and 2023, promises to give are expected to be realized in the following periods:

| | 2024 | 2023 |
|-----------------------------|---------------------|-------------------|
| In One Year or Less | \$ 1,705,333 | \$ 419,999 |
| Within Two Years | 1,607,667 | 458,334 |
| Within Three Years | 1,225,500 | - |
| Within Four Years | <u>1,100,000</u> | <u>-</u> |
| Total Unconditional Pledges | <u>\$ 5,638,500</u> | <u>\$ 878,333</u> |

The applicable rates at December 31, 2024 and 2023, were 4.29% - 4.38% and 4.09% - 4.33%, respectively. Amortization of the discount is recorded as interest income and reported in contributions revenue in the statements of activities and changes in net assets.

7. ANNUAL CONFERENCE

In 2024 and 2023, USJC and USJC-J held a joint Annual Conference in Tokyo, Japan, and Washington, D.C., respectively. 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 USJC and USJC-J.

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**NOTES TO FINANCIAL STATEMENTS
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8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes at December 31, 2024 and 2023:

| Description | 2024 | 2023 |
|---|-----------------------------|-----------------------------|
| <i>With Temporary Donor Restrictions</i> | | |
| TOMODACHI | \$ 2,678,532 | \$ 3,459,698 |
| Watanabe Endowment Fund - Scholarships | 4,526,335 | 2,978,002 |
| Silicon Valley Japan Platform (SVJP) | 1,452,656 | 2,095,531 |
| Mineta Ambassadors Program (MAP) | 77,775 | - |
| Restricted by Time | 778,000 | - |
| <i>With Permanent Donor Restrictions</i> | | |
| Watanabe Endowment Fund - Scholarships | 20,000,000 | 20,000,119 |
| Mineta Ambassadors Program (MAP) | 10,921,702 | - |
| Total Net Assets With Donor Restrictions | <u><u>\$ 40,435,000</u></u> | <u><u>\$ 28,533,350</u></u> |

The temporarily restricted portion of the Watanabe Endowment Fund reflects the accumulation of market activity over time.

Net assets were released from donor restrictions during 2024 and 2023 as follows:

| Description | 2024 | 2023 |
|--|----------------------------|----------------------------|
| TOMODACHI | \$ 1,136,047 | \$ 803,937 |
| Watanabe Endowment Fund - Scholarships | 816,180 | 595,864 |
| Silicon Valley Japan Platform (SVJP) | 1,514,126 | 993,052 |
| Mineta Ambassadors Program (MAP) | 23,388 | - |
| Total | <u><u>\$ 3,489,741</u></u> | <u><u>\$ 2,392,853</u></u> |

9. STUDENT EXCHANGE PROGRAMS

USJC's student exchange work includes several key programs:

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

Toshizo Watanabe Endowed Scholarship Fund, the TOMODACHI Toshizo Watanabe Leadership Program, and the Mineta Ambassadors Program (together, the Funds), some of which are endowed, were created to provide study abroad scholarships and experiences to American and Japanese students who demonstrate leadership potential and financial need.

10. SILICON VALLEY JAPAN PLATFORM

The Silicon Valley Japan Platform (SVJP) is an initiative of USJC and the International House of Japan. SVJP aims to connect the technological dynamism of the Silicon Valley with current and future needs of economic revitalization in Japan. 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 Silicon Valley.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

11. ENDOWMENTS

USJC has the donor-restricted Toshizo Watanabe Endowed Scholarship Fund and the TOMODACHI Toshizo Watanabe Leadership Program (together, the Watanabe Funds). The Watanabe Funds were 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.

USJC has the donor-restricted Mineta Ambassadors Program (the MAP Fund). The MAP Fund was created to provide student exchange opportunities between Japan and the United States by supporting high school and university-level exchanges, with a focus on underserved communities. The program's name honors the legacy of former U.S. Secretary of Transportation and U.S. Secretary of Commerce, the Honorable Norman Y. Mineta, who was a Member of the USJC Board of Directors when he passed away in 2022. In the spirit of Secretary Mineta's legacy of public service, the MAP Fund will assist students with financial need who will "map" the future of the U.S.- Japan alliance.

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 endowment funds. The remaining portion of the donor-restricted endowment funds that are 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 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.

U.S.-JAPAN COUNCIL

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

11. ENDOWMENTS (CONTINUED)

The primary investment objective of the endowment funds, measured over five to seven rolling periods, is to earn an annualized return of at least 4%, net of fees.

The secondary investment objective of the endowment funds are to be competitive over the long term (defined as five- to seven-year rolling periods) relative to its market benchmark. The endowment funds will also be reviewed relative to a peer universe of endowment funds with recognition that the endowment funds are 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 changes 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, 2024 and 2023, were as follows:

| | With Donor Restrictions | | Total |
|--|-------------------------|---------------------------|----------------------|
| | Purpose Restricted | Permanently Restricted | |
| Endowment Net Assets, January 1, 2023 | \$ 535,945 | \$ 20,000,000 | \$ 20,535,945 |
| Investment Return | 3,037,921 | - | 3,037,921 |
| Contributions | - | 119 | 119 |
| Appropriation of Endowment Assets for Expenditure | (595,864) | - | (595,864) |
| Endowment Net Assets, December 31, 2023 | 2,978,002 | 20,000,119 | 22,978,121 |
| Investment Return | 2,465,556 | - | 2,465,556 |
| Contributions | - | 10,921,702 | 10,921,702 |
| Appropriation of Endowment Assets for Expenditure | (839,567) | - | (839,567) |
| Endowment Net Assets, December 31, 2024 | \$ 4,603,991 | \$ 30,921,821 | \$ 35,525,812 |

12. DONATED SERVICES

During the years ended December 31, 2024 and 2023, USJC received donated services of \$78,218 and \$91,919, respectively, which was valued based on current market rates. The value of donated services and facilities and the corresponding functional expense categories for the years ended December 31, 2024 and 2023, are as follows:

| Description | 2024 | 2023 |
|-----------------------------------|------------------|------------------|
| <i>General Education</i> | | |
| Contributed Flights | \$ 75,000 | \$ 75,119 |
| Services | 550 | - |
| <i>General and Administrative</i> | | |
| Meetings | 2,668 | - |
| Facilities and Equipment | - | 16,800 |
| Total In-Kind | \$ 78,218 | \$ 91,919 |

All donated services received by USJC were considered without donor restrictions and able to be used by USJC as determined by the Board of Directors and management.

U.S.-JAPAN COUNCIL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

13. RELATED PARTY TRANSACTIONS

Board members of USJC made contributions to support USJC. USJC obtained insurance policies through an insurance brokerage of which the owner is a board member of USJC. These transactions occurred in the normal course of USJC business and the members did not receive economic benefits in return of the transactions.

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 are eligible after completing three months of service 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, 2024 and 2023, USJC's contributions to the Plan were \$104,613 and \$116,643, respectively.

15. LEASES

Operating Lease under Topic 842

USJC is obligated under a non-cancelable operating lease for office space. The office lease commenced in February 2019 as a fourth amendment to the lease, and it was scheduled to expire in January 2022. The lease was amended in December 2021, commenced on February 1, 2022, and expires on January 31, 2027. The lease includes a 2.5% annual rent escalation and four months of rent abatement. The lease contains an option to extend the lease term for an additional 5-year period or terminate the lease at the end of 2027. Neither option is considered reasonably certain for the calculation of the related right-of-use asset and lease liability, which are presented in the statements of financial position as of December 31, 2024 and 2023.

Under accounting principles generally accepted in the United States of America (GAAP), operating lease expense is recognized on a straight-line basis over the remaining lease term. Operating lease expense for the years ended December 31, 2024 and 2023, were approximately \$66,000 and \$69,000, respectively, and is included in facilities and equipment on the statements of functional expenses. USJC had no variable or short-term lease expense in 2024 or 2023.

Maturity of the operating lease liability as of December 31, 2024, is as follows:

For the Years Ending December 31,

| | | |
|---|----|----------------|
| 2025 | \$ | 76,951 |
| 2026 | | 78,877 |
| 2027 | | 6,587 |
| Total Undiscounted Minimum Lease Payments | | 162,415 |
| Less Discount to Present Value | | (2,637) |
| Total Operating Lease Liability | \$ | <u>159,778</u> |

The supplementary qualitative operating lease information is as follows:

Supplementary Qualitative Operating Lease Information

| | |
|---|-----------|
| Weighted-Average Remaining Lease Term (Years) | 2.0 Years |
| Weighted-Average Discount Rate | 1.63% |

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

15. LEASES (CONTINUED)

Finance Lease under Topic 842

USJC was obligated under a non-cancelable finance lease for office equipment commencing January 2022 through September 2024. In September 2023, USJC entered into a non-cancelable finance lease through August 2026 by terminating the first lease agreement. Amortization on the finance right-of-use asset totaled \$3,343 and \$4,706, respectively, and are included in depreciation and amortization expense on the statements of functional expenses for the years ended December 31, 2024 and 2023. The accumulated amortization on the finance right-of-use asset was approximately \$4,457 and \$1,144, respectively, as of December 31, 2024 and 2023. Interest expense on the finance lease liability totaled \$321 and \$186, respectively, for the years ended December 31, 2024 and 2023.

Maturity of the finance lease liability as of December 31, 2024, is as follows:

For the Years Ending December 31,

| | | |
|---|----|--------------|
| 2025 | \$ | 3,564 |
| 2026 | | 2,376 |
| Total Undiscounted Minimum Lease Payments | | 5,940 |
| Less Discount to Present Value | | (203) |
| Total Finance Lease Liability | \$ | <u>5,737</u> |

The supplementary qualitative finance lease information is as follows:

Supplementary Qualitative Finance Lease Information

| | | |
|---|----|-----------|
| Cash Paid for Amounts Included in the Measurement of Finance Lease Liabilities - Operating Cash Flows | \$ | 333 |
| Cash Paid for Amounts Included in the Measurement of Finance Lease Liabilities - Financing Cash Flows | | 3,231 |
| Weighted-Average Remaining Lease Term (Years) | | 1.6 Years |
| Weighted-Average Discount Rate | | 4.45% |

16. COMMITMENTS AND CONTINGENCIES

USJC entered into various contracts for events and programs for future years. In case of cancellations, USJC would be responsible for certain fees. For the year ended December 31, 2024, USJC has future commitments through 2025 of \$369,204.

17. SUBSEQUENT EVENTS

USJC has evaluated subsequent events through June 30, 2025, the date on which the financial statements were available to be issued.