



# UNITED STATES-JAPAN FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2013 and 2012

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
United States-Japan Foundation  
New York, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the United States-Japan Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2013 and 2012 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

The Foundation's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States-Japan Foundation as of December 31, 2013 and 2012, 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.



New York, New York  
October 14, 2014

# UNITED STATES-JAPAN FOUNDATION

## Statements of Financial Position

	December 31,	
	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 740,079	\$ 3,457,503
Investments	87,131,954	78,527,003
Due from broker	112,890	
Accrued income receivable	14,087	99,337
Pledges receivable	155,098	245,666
Property and equipment, net	437,588	438,827
Prepaid federal excise taxes	77,619	123,395
Security deposits and other assets	<u>47,199</u>	<u>47,966</u>
	<b><u>\$ 88,716,514</u></b>	<b><u>\$ 82,939,697</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 41,874	\$ 53,891
Grants payable	134,598	180,496
Deferred excise taxes payable	<u>153,205</u>	<u>96,794</u>
	<b><u>329,677</u></b>	<b><u>331,181</u></b>
Commitments (Note H)		
Net assets:		
Unrestricted	88,231,739	82,362,850
Temporary restricted	<u>155,098</u>	<u>245,666</u>
	<b><u>88,386,837</u></b>	<b><u>82,608,516</u></b>
	<b><u>\$ 88,716,514</u></b>	<b><u>\$ 82,939,697</u></b>

# UNITED STATES-JAPAN FOUNDATION

## Statements of Activities

	Year Ended December 31,			
	2013		2012	
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted
<b>Revenue:</b>				
Contributions	\$ 20,236		\$ 20,236	\$ 86,675
Investment income:				
Dividends	1,178,047		1,178,047	1,544,741
Interest	420,620		420,620	10,965
Net undistributed share of ordinary earnings from partnership investments	46,669		46,669	(2,010)
	1,645,336		1,645,336	1,553,696
Investment expenses	(1,005,034)		(1,005,034)	(795,376)
Federal tax expense	(16,769)		(16,769)	(22,909)
Net investment income	623,533		623,533	735,411
Total revenues before net assets released from restrictions	643,769		643,769	822,086
Net assets released from restrictions	90,568	\$ (90,568)	0	\$ (25,214)
Total revenues	734,337	(90,568)	643,769	847,300
Expenses:				
Grants	1,222,171		1,222,171	1,045,523
US-Japan Leadership Program	544,231		544,231	579,507
Other programs	1,441,968		1,441,968	1,516,364
Administrative	404,067		404,067	393,602
Total expenses	3,612,437		3,612,437	3,534,996
Excess of expenses over contribution and net investment income before net realized and unrealized gains on investments	(2,878,100)	(90,568)	(2,968,668)	(2,687,696)
Realized gains on investments (net of foreign exchange losses of \$27,044 and \$24,464 in 2013 and 2012, respectively)	976,100		976,100	1,532,580
Net unrealized appreciation in fair value of investments (net of deferred excise taxes expense of \$56,411 and \$50,053 in 2013 and 2012, respectively)	7,770,889		7,770,889	4,789,635
<b>Change in net assets</b>	5,868,889	(90,568)	5,778,321	3,634,519
Net assets, beginning of year	82,362,850	245,666	82,608,516	78,728,331
<b>Net assets, end of year</b>	88,231,739	155,098	88,386,837	82,362,850
				\$ 245,666
				\$ 82,608,516

See notes to financial statements

# UNITED STATES-JAPAN FOUNDATION

## Statements of Cash Flows

	Year Ended December 31,	
	2013	2012
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 5,778,321	\$ 3,609,305
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized gains on investments	(8,830,444)	(6,398,742)
Net undistributed share of ordinary earnings from partnership investments		2,010
Depreciation and amortization	41,477	37,035
Changes in:		
Due from broker	(112,890)	4,082,284
Accrued income receivable	85,250	(34,732)
Pledges receivable	90,568	(74,786)
Prepaid federal excise taxes	45,776	(39,430)
Security deposits and other assets	767	11,021
Grants payable	(45,898)	42,370
Accounts payable and accrued expenses	(12,017)	10,353
Deferred tax liability	56,411	50,053
Net cash (used in) provided by operating activities	<u>(2,902,679)</u>	<u>1,296,741</u>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(33,404,897)	(20,263,812)
Proceeds from sales of investments	33,630,390	12,377,296
Purchases of property and equipment	<u>(40,238)</u>	<u>(35,946)</u>
Net cash provided by (used in) investing activities	<u>185,255</u>	<u>(7,922,462)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,717,424)</b>	<b>(6,625,721)</b>
Cash and cash equivalents, beginning of year	<u>3,457,503</u>	<u>10,083,224</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ <u>740,079</u></b>	<b>\$ <u>3,457,503</u></b>
<b>Supplemental information:</b>		
Cash paid for excise tax	<u>\$ -</u>	<u>\$ 10,000</u>

# UNITED STATES-JAPAN FOUNDATION

## Notes to Financial Statements December 31, 2013 and 2012

### NOTE A - THE FOUNDATION AND ITS SIGNIFICANT ACCOUNTING POLICIES

#### [1] The Foundation:

The United States-Japan Foundation (the "Foundation") is a private foundation incorporated in New York in 1980 for the purpose of promoting understanding and cooperation between the peoples and institutions of the United States and Japan.

#### [2] Tax status and income taxes:

The Foundation qualifies as a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, accordingly, is not subject to either federal or state income taxes, except on income from unrelated activities. The Foundation is, however, subject to a federal excise tax, not to exceed 2%, on net investment income, including realized gains, as defined in the Code. The Foundation was subject to a 1% excise tax in 2013 and 2012.

In addition, the Foundation must make certain minimum qualifying distributions, in the form of grants and expenses spent for charitable purposes, in an amount equal to 5% of the average fair value of its assets held during the year. At December 31, 2013, the Foundation had approximately \$1,448,000 of undistributed income. The Foundation made the required distribution for 2012.

The Foundation is also subject to the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes, which sets forth a threshold for financial statement recognition, measurement, and disclosure of a tax position taken, or expected to be taken, on a tax return. Such guidance requires the Foundation to determine whether a tax position of the Foundation is more likely than not to be sustained upon examination by the applicable taxing authority based on the technical merits of the position. Since the Foundation has always recorded the potential tax liability for excise and unrelated business income taxes, and due to its general not-for-profit status, ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Foundation's financial statements. As of December 31, 2013 and 2012, the Foundation has not recorded a liability for any unrecognized tax benefits.

The annual compliance and tax filings of the Foundation are subject to examination by the Internal Revenue Service, as well as by other various state and local authorities, generally for three years after they are submitted.

#### [3] Basis of accounting:

The accompanying financial statements of the Foundation have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

#### [4] Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

#### [5] Cash and cash equivalents:

For financial reporting purposes, the Foundation considers highly liquid investments with maturities of three months or less when purchased to be cash equivalents, except for those held as part of the investment portfolio.

# UNITED STATES-JAPAN FOUNDATION

## Notes to Financial Statements December 31, 2013 and 2012

### NOTE A - THE FOUNDATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [6] Investments:

Investments in equity securities with readily determinable fair values are reported at their fair values in the accompanying statements of financial position, with realized and unrealized gains and losses included in the accompanying statements of activities. The Foundation's mutual funds, consisting of equity and fixed-income funds, are also reported at their fair values, as determined by the related investment manager or advisor.

The Foundation has investments in certain not-readily-marketable securities which are ownership interests in limited partnerships, limited liability companies, private equity securities and hedge funds, which are considered to be "alternative" investments, for which market values are not readily obtainable. Because of the inherent uncertainty of the valuation of these investments, the Foundation and its various investment managers monitor their positions to reduce the risk of potential losses due to changes in fair values or the failures of counterparties to perform. The estimated values provided by these managers may differ from actual values had a ready market for these investments existed.

Certain of the Foundation's alternative investment portfolio managers enter into various financial investments in the normal course of their operations, including derivatives held or issued for trading purposes. These investments are subject to market risk, which arises from changes in securities values and other market conditions. The Foundation believes that its various managers monitor their positions continuously to reduce risk of losses due to changes in market values or the failures of third parties to perform.

Investment transactions are recorded on a trade-date basis. The underlying cost basis of investments is the purchase price, except for the cost bases of limited partnerships, limited liability companies, and hedge funds, which are adjusted for recognized income and losses, and capital additions and withdrawals. Realized gains or losses on investments are determined by comparison of the average cost of acquisition to proceeds at the time of disposition. The earnings from dividends and interest are recognized when earned.

Any investments denominated in foreign currencies are translated at the closing rates of exchange at the end of the reporting period. Transactions during the year, including purchases and sales and income and expenses, are translated at the rate of exchange prevailing on the dates of the transactions and are included in realized gains or losses in the accompanying statements of activities.

Investment expenses include the services of investment managers and custodians. The balances of investment management fees are those specific fees charged by the Foundation's various investment managers in each fiscal year; however, they do not include those fees that are embedded in various other investment accounts and transactions.

#### [7] Property and equipment:

Property and equipment are stated at their costs at the dates of acquisition. The Foundation capitalizes items of property and equipment that have a cost of \$2,000 or more and useful lives of greater than one year. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, which range from five to ten years. Likewise, leasehold improvements are amortized over the remaining lease term, or the useful lives of the leasehold improvements, whichever is shorter.

#### [8] Contributions and pledges receivable:

Contributions are recognized as revenue upon the receipt of cash or unconditional pledges. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions to be received after one year are discounted to present value at an appropriate discount rate commensurate with the risk involved. Conditional promises to give are not included as revenue until such time as the conditions are substantially met.

# UNITED STATES-JAPAN FOUNDATION

## Notes to Financial Statements December 31, 2013 and 2012

### NOTE A - THE FOUNDATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [8] Contributions and pledges receivable: (continued)

The Foundation reports contributions in the temporarily restricted net asset classification if they are received with donor stipulations or time considerations as to their use. When a donor's restriction is met, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

#### [9] Grants:

Grants are recognized as obligations at the time of approval by the Board of Directors. Grants approved by the Board, but unpaid as of year-end, are reported as liabilities in the accompanying statements of financial position. Grants are generally paid within the upcoming year.

#### [10] Net assets:

The net assets of the Foundation are classified as follows:

(i) *Unrestricted:*

Unrestricted net assets represent resources available for current operations, as there are no donor restrictions as to their use.

(ii) *Temporary restricted:*

Temporarily restricted net assets represent those resources that have been restricted by donors for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statements of activities as "net assets released from restrictions."

#### [11] Functional allocation of expenses:

The costs of providing the Foundation's programs and activities have been summarized on a functional basis in the accompanying statements of activities. Program and administrative expenses represent costs associated with the grant-making and operational activities of the Foundation and have been allocated using appropriate measurement methodologies developed by management. The Foundation incurs no significant fund-raising expenses.

#### [12] Fair-value of financial measurement:

The Foundation reports a fair-value measurement of all applicable financial assets and liabilities, including investments, receivables, short-term payables, and grants payable.

#### [13] Subsequent events:

The Foundation considers the accounting treatments and the related disclosures in the current fiscal-year's financial statements that may be required as the result of all events or transactions that occur after year-end through the date of the independent auditors' report.

## UNITED STATES-JAPAN FOUNDATION

### Notes to Financial Statements December 31, 2013 and 2012

#### NOTE B - INVESTMENTS

At each year-end, investments consisted of the following:

	December 31,			
	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Money-market and other temporary investments	\$ 1,661,804	\$ 1,661,804	\$ 969,424	\$ 969,424
Equity securities	10,291,618	6,962,776	10,440,248	7,659,170
Mutual and fixed-income funds	32,758,708	27,915,995	34,083,949	32,972,883
Limited partnerships and limited liability companies	25,527,616	22,738,389	13,895,938	12,303,583
Private equity securities	3,436,605	3,121,231	3,289,866	3,668,307
Hedge funds	<u>13,455,603</u>	<u>9,411,295</u>	<u>15,847,578</u>	<u>13,460,472</u>
Total investments	<u>\$ 87,131,954</u>	<u>\$ 71,811,490</u>	<u>\$ 78,527,003</u>	<u>\$ 71,033,839</u>

The FASB's ASC Topic 820, *Fair Value Measurement and Disclosures*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for those investments, or similar investments, at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for those investments, or similar investments, in active markets, or (ii) quoted prices for those investments, or similar investments, in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include those investments or similar investments that are redeemable at or near the statement of financial position date and for which a model was derived for valuation.
- Level 3: Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued, or (iii) the investments cannot be immediately redeemed at or near the fiscal year-end.

Most investments classified in Level 3 consist of shares or units in investment funds, as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value ("NAV") reported by each fund is used as a practical expedient to estimate fair value of the Foundation's interest therein, its classification in Level 3 is based on the Foundation's ability to redeem its interest at or near its fiscal year-end. If the interest can be redeemed in the near term, the investment is classified as Level 2. The classification of investments in the fair-value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The preceding methods described may produce a fair-value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation 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.

# UNITED STATES-JAPAN FOUNDATION

## Notes to Financial Statements December 31, 2013 and 2012

### NOTE B - INVESTMENTS (CONTINUED)

The following tables summarize the fair values of the Foundation's assets at each year-end, in accordance with the FASB's ASC Topic 820 valuation levels:

	December 31, 2013			Total
	Level 1	Level 2	Level 3	
Money-market and other temporary investments	\$ 1,661,804			\$ 1,661,804
Equity securities	10,291,618			10,291,618
Mutual and fixed-income funds	16,346,359	\$ 16,412,349		32,758,708
Limited partnerships and limited liability companies	2,748,994	3,059,972	\$ 19,718,650	25,527,616
Private equity securities			3,436,605	3,436,605
Hedge funds			13,455,603	13,455,603
Total investments	<u>\$ 31,048,775</u>	<u>\$ 19,472,321</u>	<u>\$ 36,610,858</u>	<u>\$ 87,131,954</u>

	December 31, 2012			Total
	Level 1	Level 2	Level 3	
Money-market and other temporary investments	\$ 969,424			\$ 969,424
Equity securities	10,440,248			10,440,248
Mutual and fixed-income funds	23,869,868	\$ 10,214,081		34,083,949
Limited partnerships and limited liability companies	2,637,781	2,115,352	\$ 9,142,805	13,895,938
Private equity securities			3,289,866	3,289,866
Hedge funds			15,847,578	15,847,578
Total investments	<u>\$ 37,917,321</u>	<u>\$ 12,329,433</u>	<u>\$ 28,280,249</u>	<u>\$ 78,527,003</u>

The following tables summarize the activity for financial instruments classified within Level 3:

	Year Ended December 31, 2013			Total
	Limited Partnerships and Limited Liability Companies	Private Equity Securities	Hedge Funds	
Balance - January 1, 2013	\$ 9,142,805	\$ 3,289,866	\$ 15,847,578	\$ 28,280,249
Net purchases	12,349,517	616,578	-	12,966,095
Net sales	(2,618,400)	(931,191)	(4,256,132)	(7,805,723)
Realized gains	558,788	(232,463)	206,955	533,280
Unrealized gains	<u>285,940</u>	<u>693,815</u>	<u>1,657,202</u>	<u>2,636,957</u>
Balance - December 31, 2013	<u>\$ 19,718,650</u>	<u>\$ 3,436,605</u>	<u>\$ 13,455,603</u>	<u>\$ 36,610,858</u>

## UNITED STATES-JAPAN FOUNDATION

### Notes to Financial Statements December 31, 2013 and 2012

#### NOTE B - INVESTMENTS (CONTINUED)

	Year Ended December 31, 2012			
	Limited Partnerships and Limited Liability Companies	Private Equity Securities	Hedge Funds	Total
Balance - January 1, 2012	\$ 9,931,897	\$ 3,933,821	\$ 15,886,553	\$ 29,752,271
Net purchases	1,862,990	2,343	575,693	2,441,026
Net sales	(3,254,272)	(892,388)	(2,556,720)	(6,703,380)
Realized gains	652,835	167,029	56,720	876,584
Unrealized (losses) gains	<u>(50,645)</u>	<u>79,061</u>	<u>1,885,332</u>	<u>1,913,748</u>
Balance - December 31, 2012	<u>\$ 9,142,805</u>	<u>\$ 3,289,866</u>	<u>\$ 15,847,578</u>	<u>\$ 28,280,249</u>

The FASB provides accounting guidance on measuring the fair value of certain investments, such as private equity funds and hedge funds, to offer investors a practical expedient for measuring the fair value of investments in certain entities that calculate net asset value NAV. Under this practical expedient, entities are permitted to use NAV without adjustment for certain investments that qualify under the guidance. The Foundation's investments in funds fitting this description, classified within Level 3 of the fair-value hierarchy, are carried at fair value based on NAV. Investments in these types of funds are subject to withdrawal restrictions, and, for these Level 3 investments, the Foundation does not have the ability to withdraw at reported NAV at December 31, 2013 or within a reasonable period of time. The Foundation's investments in limited partnerships and limited liability companies are valued based on the valuation policies and procedures of the general partner. The general partner performs oversight of the underlying managers' material positions both on an investment level and from a risk perspective. The general partner is responsible for ensuring that investments are valued according to the policies and procedures adopted by the partnership. The Foundation places reliance upon those procedures and records these investments at fair value, as determined by the general partner.

## UNITED STATES-JAPAN FOUNDATION

### Notes to Financial Statements December 31, 2013 and 2012

#### NOTE B - INVESTMENTS (CONTINUED)

The following table lists investments in other investment companies by major category:

	<b>December 31, 2013</b>			
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Private equity securities	\$ 3,436,605	\$ 569,191	None	N/A
Limited partnerships and limited liability companies	\$ 4,514,864		Liquidated subsequent to year-end	N/A
	3,016,308		Annually	90 days
	3,059,972		Semi-Annually	45 days
	2,748,994		Monthly	9-45 days
	<u>12,187,478</u>		Unknown	Unknown
	<u>\$ 25,527,616</u>			
Hedge funds	\$ 6,275,309		Annually	90 days
	3,331,648		Semi-Annually	60-65 days
			Rolling 2-year lock-up; afterward 1/8 redemption of capital account allowed quarterly	65 days
	<u>3,848,646</u>			
	<u>\$ 13,455,603</u>			

#### NOTE C - PLEDGES RECEIVABLE

The pledges receivable at each year-end represent amounts promised to the Foundation's capital campaign for its US-Japan Leadership Program, but which had not yet been collected as of that date. Such pledges are classified as temporarily restricted.

At each year-end, receivables were estimated to be due as follows:

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
Less than one year	\$ 64,866	\$ 64,751
One to five years	<u>103,818</u>	<u>194,501</u>
	<b>168,684</b>	259,252
Reduction of pledges due in excess of one year to present value at 3.00%	<u>(13,586)</u>	<u>(13,586)</u>
	<u>\$ 155,098</u>	<u>\$ 245,666</u>

Management expects to fully collect the balance of pledges receivable, and accordingly, has not established an allowance for doubtful accounts.

## UNITED STATES-JAPAN FOUNDATION

### Notes to Financial Statements December 31, 2013 and 2012

#### NOTE D - PROPERTY AND EQUIPMENT

The costs of a cooperative apartment owned by the Foundation (including subsequent improvements), office furnishings, equipment and leasehold improvements have been capitalized and are being depreciated over their anticipated useful lives. The apartment and related improvements are being depreciated over forty years. Office furnishings and equipment are being depreciated over five years. Leasehold improvements are being amortized over the life of the underlying leases.

At each year-end, property and equipment consisted of the following:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Cooperative apartment	\$ 790,725	\$ 790,725
Cooperative apartment improvements	241,370	241,370
Leasehold improvements	245,635	230,685
Equipment	149,044	138,324
Furniture and fixtures	<u>241,490</u>	<u>286,452</u>
	1,668,264	1,687,556
Less accumulated depreciation and amortization	<u>(1,230,676)</u>	<u>(1,248,729)</u>
	<u>\$ 437,588</u>	<u>\$ 438,827</u>

The Foundation disposed of fully depreciated property and equipment of \$51,962 during 2013. Depreciation and amortization expense was \$41,477 and \$37,035 for 2013 and 2012, respectively.

The maintenance and utility charges on the cooperative apartment were \$57,893 and \$52,892 for 2013 and 2012, respectively.

#### NOTE E - DEFERRED FEDERAL EXCISE TAXES

For 2013 and 2012, the Foundation provided for deferred excise taxes on the total unrealized appreciation in fair value over the original cost of its investments. Deferred excise taxes payable at December 31, 2013 and 2012 were \$153,205 and \$96,794, respectively.

#### NOTE F - US-JAPAN LEADERSHIP PROGRAM

The Foundation manages the US-Japan Leadership Program (the "Program"), which develops a network of communication, friendship and understanding among the next generation of leaders in each country. The Program brings selected young leaders together through annual conferences, a dedicated website, a semiannual newsletter and frequent reunions. The Program had total costs of \$544,231 and \$579,507 for 2013 and 2012, respectively.

#### NOTE G - RETIREMENT PLAN

The Foundation has a defined-contribution retirement plan, established under section 403(b) of the Code. Eligible employees may contribute a portion of their annual salaries after one year of service. Under the terms of the plan, after one year of service, the Foundation may provide a discretionary contribution of 17% of an employee's annual salary. The Foundation's contributions to the plan were \$129,798 and \$139,279 for 2013 and 2012, respectively.

## UNITED STATES-JAPAN FOUNDATION

### Notes to Financial Statements December 31, 2013 and 2012

#### NOTE H - COMMITMENTS

At December 31, 2013, future minimum lease payments under noncancellable leases (with expirations through 2017) are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 236,733
2015	206,153
2016	212,337
2017	<u>35,562</u>
	<u>\$ 690,785</u>

Rent expense was \$233,873 and \$254,406 in 2013 and 2012, respectively.

#### NOTE I - CONCENTRATION OF CREDIT RISK

The Foundation's balances in money-market funds and temporary investments frequently exceed federally insured limits. The Foundation places its investments with large, high-quality financial institutions and diversifies its investments in hedge funds, mutual funds, and the equity securities of financially strong corporations. Management believes the Foundation is not exposed to the risk of any significant loss due to the failure of any of the financial institutions.

#### NOTE J - RESTRICTED NET ASSETS

Temporarily restricted net assets relate to the Foundation's US-Japan Leadership Program. During 2013 and 2012, \$90,568 and \$25,214, respectively, of such restrictions were satisfied.

# UNITED STATES-JAPAN FOUNDATION

## Notes to Financial Statements December 31, 2013 and 2012

### NOTE K - GRANT ACTIVITY

The Foundation's grant activity for 2013 was as follows:

Recipient Name and Purpose	Unpaid January 1, 2013	Net Grants Authorized 2013	Paid	Unpaid December 31, 2013
<b>Precollege Education</b>				
<b>AmerAsian School in Okinawa (Okinawa, Japan)</b> To support the salary for a qualified teacher at the school.	\$ 31,313	\$ (5,742)	\$ 25,571	
<b>American School in Japan (Tokyo, Japan)</b> To support fieldwork in Tohoku for students at the American School in Japan and as a part of the 2013 Elgin Heinz Outstanding Teacher Award.		5,000	5,000	
<b>Association for Asian Studies (Ann Arbor, MI)</b> To support the publication of Japan-focused articles to appear in the fall 2013 issue of <i>Education About Asia</i> (EAA) special section on "Maritime Asia."		32,000	32,000	
<b>Association of American Geographers (Washington, DC)</b> To support the development of online educational resources that support teaching collaborations between high schools in the United States and Japan.		20,850	20,850	
<b>Creative Connections (Norwalk, CT)</b> To support an arts-related cultural exchange project for students at K-12 schools in the US and Japan.		20,820	20,820	
<b>Foundation for International School in Asia, Karuizawa (Tokyo, Japan)</b> To support scholarships for American junior high school students to attend the International School of Asia's 2013 summer school and to support their international negotiation and leadership classes.		24,373	24,373	
<b>Global Film Network (East Chatham, NY)</b> The support educational use and promotion of the film <i>Live Your Dream: The Taylor Anderson Story</i> .		10,000	10,000	
<b>Global Fund for Educational Assistance (Beyond Tomorrow) (Tokyo, Japan)</b> To support a summer leadership program that provides opportunities for highly motivated high school students from Tohoku, Japan to experience various leadership and educational modules in the United States.	50,000	(3,840)	46,160	
<b>Grace Church School (New York, NY)</b> To support the Yukuhashi-Grace Church School sister school program.		10,000	10,000	
<b>Lincoln Memorial University (Harrogate, TN)</b> To support the LMU-Kanto Program, an innovative study-abroad program that brings Japanese high school students to Lincoln Memorial University for six weeks in the spring.		7,000	7,000	
<b>Mercy College (Dobbs Ferry, NY)</b> To support a Japan-focused professional development program for in-service and pre-service middle school teachers in four school districts in Westchester County, New York.		74,701	74,701	
<b>Michigan State University (East Lansing, MI)</b> To support the 2013 Michigan Japanese Quiz Bowl.		12,000	12,000	
<b>Michigan State University (East Lansing, MI)</b> To support a high school science exchange and curriculum development program between students and teachers in Michigan and Shiga Prefecture, Japan.		72,098		\$ 72,098
<b>Midori Foundation (Midori &amp; Friends) (New York, NY)</b> To support Midori and Friends' music education programs in underprivileged elementary schools in the New York City area, including their Journey to Japan program.		50,000	50,000	
(carried forward)	81,313	329,260	338,475	72,098

# UNITED STATES-JAPAN FOUNDATION

## Notes to Financial Statements December 31, 2013 and 2012

### NOTE K - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2013	Net Grants Authorized 2013	Paid	Unpaid December 31, 2013
(brought forward)	\$ 81,313	\$ 329,260	\$ 338,475	\$ 72,098
<b>Precollege Education (continued)</b>				
<b>Ohio Northern University (Ada, OH)</b> To support the sixth annual U.S.-Japan Camp, which offers an innovative, academically oriented immersion program to American high school students interested in Japanese language and culture.		30,000	30,000	
<b>President and Fellows of Middlebury College (Monterey, CA)</b> To support an education program designed to promote awareness of nonproliferation and international peace and security issues and the development of critical thinking skills among high school students in the US and Japan.		56,709	56,709	
<b>Primary Source (Watertown, MA)</b> To support a year-long project designed to engage K-12 educators - via an online platform - in better understanding the history, culture, and people of Japan.		24,686	24,686	
<b>Sand Lake Elementary School (Anchorage, AK)</b> To support the enhanced understanding of Japanese language and culture at the K-12 level in the Anchorage School District as part of the 2013 Elgin Heinz Outstanding Teacher Award Program.		5,000	5,000	
<b>The Board of Trustees of the Leland Stanford Junior University (Stanford, CA)</b> To support the Ambassador Shinichi Nishimiya Memorial Fund at the Inter-University Center for Japanese Language Studies in Yokohama, Japan.		10,000	10,000	
<b>The Japan-America Society of Washington, DC (Washington, DC)</b> To support a national Japanese language and culture competition for high school students.		50,490	50,490	
<b>The Japanese American Charitable Fund (New York, NY)</b> To support the Shinichi Nishimiya Charitable Fund.		10,000	10,000	
<b>White River Rotary Charitable Fund (White River Junction, VT)</b> To support a vocational technical education program that will engage students from Vermont and New Hampshire in a two-week study program in Japan.		27,500	27,500	
<b>Youth Arts New York (New York, NY)</b> To support Hibakusha Stories, a project that brings atomic bomb survivors into high school classrooms where students and educators learn about the history of the relationship of the United States and Japan from the atomic bombing of Hiroshima and Nagasaki to current dangers regarding nuclear weapons.		20,000	20,000	
<b>Subtotal for Precollege Education</b>	<u>81,313</u>	<u>563,645</u>	<u>572,860</u>	<u>72,098</u>
<b>US-Japan Policy</b>				
<b>Council on Foreign Relations (New York, NY)</b> To support the third year of a study to analyze domestic political change in Japan and its effect on the U.S.-Japan alliance.		46,683	46,683	
<b>Japan Center for International Exchange (New York, NY)</b> To support the Tadashi Yamamoto Memorial Fund, which will honor his life and legacy and support substantive policy dialogues directed by the Japan Center for International Exchange.		10,000	10,000	
<b>Meiji University (Tokyo, Japan)</b> To support a research project on maritime security conducted in cooperation with the Asia-Pacific Center for Security Studies (APCSS) in Honolulu, Hawaii.		28,046	28,046	
(carried forward)	46,683	38,046	84,729	

# UNITED STATES-JAPAN FOUNDATION

## Notes to Financial Statements December 31, 2013 and 2012

### NOTE K - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2013	Net Grants Authorized 2013	Paid	Unpaid December 31, 2013
(brought forward)	\$ 46,683	\$ 38,046	\$ 84,729	
<b>US-Japan Policy (continued)</b>				
<b>National Committee on American Foreign Policy (New York, NY)</b> To support conferences and meetings to identify the common interests of the United States, Japan, China and the ROK and to come up with practical ideas for exploiting these common interests.		50,000	50,000	
<b>Rebuild Japan Initiative Foundation (Tokyo, Japan)</b> To review Japan's lost decade.	20,000	(3,168)	16,832	
<b>Rebuild Japan Initiative Foundation (Tokyo, Japan)</b> To support a critical review of the political efforts and national strategic visions that did not bear fruit during the 1990s and 2000s, the era of Japan's so-called "Lost Decades" in an effort to learn from the past in order to rebuild contemporary Japan.		49,905	49,905	
<b>Subtotal for US-Japan Policy</b>	<u>66,683</u>	<u>134,783</u>	<u>201,466</u>	<u>0</u>
<b>Communications/Public Opinion</b>				
<b>Artspire, a Program of NYFA (Brooklyn, NY)</b> To support Hand in Hand, a program that will bring high school students from Tohoku, Japan to perform in Rose Theater at Jazz at Lincoln Center in March.		50,000	50,000	
<b>Artspire, a Program of NYFA (Brooklyn, NY)</b> To support the completion of the film titled, Touching the Sound: The Improbable Journey of Nobuyuki Tsujii produced by Peter Rosen.		30,000		\$ 30,000
<b>Chicago Council on Global Affairs (Chicago, IL)</b> To support an in-depth examination of U.S. perceptions of Japan and the U.S.-Japan alliance as part of the Council's 2014 Chicago Council survey.		30,000	30,000	
<b>Frist Center for the Visual Arts (Nashville, TN)</b> To support educational and outreach programs associated with the Frist Center's Exhibition <i>Looking East: Western Artists and the Allure of Japan</i> .		15,000	15,000	
<b>International Arts &amp; Artists (Washington, DC)</b> To support a project that will bring master bamboo artists featured in the traveling exhibition Modern Twist: Contemporary Bamboo Art from Japan to share their culturally rich and visually innovative art form with U.S. museum audiences on the national exhibition tour.		19,300	19,300	
<b>International Center for Journalists (Washington, DC)</b> To support a media fellowship that will prepare and send three selected U.S. journalists on 12-day reporting tours to Japan.		50,000	50,000	
<b>Japan Center for International Exchange (New York, NY)</b> To support an intensive program for U.S. journalists that will bring them to Japan to expose them to the dynamics of Japan's politics and its economic and foreign policymaking.		115,823	115,823	
<b>Japanese Medical Society of America (New York, NY)</b> To support travel to Tohoku for a group of 9/11 survivors, Rotarians, and trauma experts to share post disaster recovery experiences with victims in Japan, to foster self-motivation in communities toward recovery, and to encourage sustainable long-term community support in Tohoku.		50,000	50,000	
<b>(carried forward)</b>		360,123	330,123	30,000

# UNITED STATES-JAPAN FOUNDATION

## Notes to Financial Statements December 31, 2013 and 2012

### NOTE K - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2013	Net Grants Authorized 2013	Paid	Unpaid December 31, 2013
(brought forward)		\$ 360,123	\$ 330,123	\$ 30,000
<b>Communications/Public Opinion (continued)</b>				
<b>Japanese Medical Support Network (New York, NY)</b> To support the JAMSNET/Consortium for Japan Relief 2013 program titled, "The Great East Japan Earthquake: Creative Responses & Social Imagination."		5,500	5,500	
<b>John Manjiro-Whitfield Commemorative Center for International Exchange (New York, NY)</b> To support the development of a secretariat for the U.S. arm of the John Manjiro-Whitfield Commemorative Center for International Exchange (CIE), at the National Association of Japan-America Societies.		25,000	25,000	
<b>Michigan-Shiga Sister State Board (East Lansing, MI)</b> To support the production and distribution of a catalogue for the Michigan-Shiga artists exchange project titled Art from the Lakes that will take place from August 1 to September 30, 2013.		5,300	5,300	
<b>New York Botanical Garden (Bronx, NY)</b> To support the Fall Flowers of Japan Poetry Tour.		25,000	25,000	
<b>Pacific Historic Parks (Waipahu, HI)</b> To support the design and installation of an exhibit at the Pearl Harbor Visitor Center focusing on the end of the war with Japan and the ensuing peace treaty that will feature a tiny origami crane donated by Sadako Sasaki.		10,000	10,000	
<b>Rector and Visitors of the University of Virginia (Charlottesville, VA)</b> To support scriptwriting and research for a documentary film tentatively titled The Slow Way Home that asks what the divergence in the way American and Japanese children get to school tells us about both societies.		39,941	39,941	
<b>San Francisco Film Society (San Francisco, CA)</b> To support a documentary film about Japanese artist Yayoi Kusama titled Kusama: Princess of Polka Dots.		15,000	15,000	
<b>Shelburne Art Center (Shelburne, VT)</b> To support the production of a book on traditional Japanese boat building by Mr. Douglas Brooks, an American who has apprenticed with four master boat builders in Japan.	\$ 32,500			32,500
<b>The Maureen and Mike Mansfield Foundation (Washington, DC)</b> To support the Asian Opinion Poll Database, an online reference tool for researchers in the United States to monitor and access public opinion trends in Japan and other Asian nations.		10,000	10,000	
<b>The University Corporation, San Francisco State (San Francisco, CA)</b> To support the Voices from Japan: Tanka - After the Tsunami project		10,000	10,000	
<b>Whitfield-Manjiro Friendship Society, Inc. (Acushnet, MA)</b> To support an updated DVD for the Whitfield-Manjiro house and museum.		10,000	10,000	
<b>Subtotal Communications/Public Opinion</b>	<u>32,500</u>	<u>515,864</u>	<u>485,864</u>	<u>62,500</u>
Subtotal	\$ 180,496	\$1,214,292	\$ 1,260,190	\$ 134,598
Prior-year's awards withdrawn/returned in current year		(7,493)	(7,493)	
Currency exchange gains		15,372	15,372	
<b>Total</b>	<u>\$ 180,496</u>	<u>\$1,222,171</u>	<u>\$ 1,268,069</u>	<u>\$ 134,598</u>

- (a) Unexpended funds returned in the current year are netted against payments.  
(b) Grants authorized reflect a reduction of net currency gains of \$15,372 for 2013.