



UNITED STATES-JAPAN FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2016 and 2015

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
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, 2016 and 2015, 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 auditors' judgments, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States-Japan Foundation as of December 31, 2016 and 2015 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
November 13, 2017

UNITED STATES-JAPAN FOUNDATION

Statements of Financial Position

	December 31,	
	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 121,276	\$ 144,146
Investments	77,740,543	80,768,498
Due from broker	795,689	0
Accrued income receivable	4,731	8,692
Pledges receivable	0	37,922
Prepaid federal excise taxes	46,005	532
Security deposits and other assets	56,918	55,317
Property and equipment, net	<u>356,612</u>	<u>358,894</u>
	<u>\$ 79,121,774</u>	<u>\$ 81,374,001</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 63,307	\$ 64,273
Grants payable	346,380	315,779
Deferred excise taxes payable	<u>59,724</u>	<u>36,194</u>
	<u>469,411</u>	<u>416,246</u>
Commitments (see Note G)		
Net assets:		
Unrestricted	78,652,363	80,919,833
Temporary restricted	<u>0</u>	<u>37,922</u>
	<u>78,652,363</u>	<u>80,957,755</u>
	<u>\$ 79,121,774</u>	<u>\$ 81,374,001</u>

UNITED STATES-JAPAN FOUNDATION

Statements of Activities

	Year Ended December 31,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue:						
Contributions	\$ 28,511		\$ 28,511	\$ 22,681		\$ 22,681
Investment income:						
Dividends	1,137,047		1,137,047	1,173,534		1,173,534
Interest	446,274		446,274	729,819		729,819
Net undistributed share of ordinary earnings from partnership investments	(138,365)		(138,365)	(181,071)		(181,071)
	1,444,956		1,444,956	1,722,282		1,722,282
Investment expenses	(1,017,224)		(1,017,224)	(1,075,305)		(1,075,305)
Federal tax expense	(3,802)		(3,802)	(75,490)		(75,490)
Net investment income	423,930		423,930	571,487		571,487
Total revenues before net assets released from restrictions	452,441		452,441	594,168		594,168
Net assets released from restrictions	37,922	\$ (37,922)	0	36,166	\$ (36,166)	0
Total revenue	490,363	(37,922)	452,441	630,334	(36,166)	594,168
Expenses:						
Grants	2,079,519		2,079,519	3,798,508		3,798,508
US-Japan Leadership Program	559,441		559,441	630,808		630,808
Other programs	1,788,405		1,788,405	1,565,829		1,565,829
Administrative	439,937		439,937	397,480		397,480
Total expenses	4,867,302		4,867,302	6,392,625		6,392,625
Excess of expenses over revenue before net realized and unrealized gains (losses) on investments	(4,376,939)	(37,922)	(4,414,861)	(5,762,291)	(36,166)	(5,798,457)
Realized (losses) gains on investments (net of foreign exchange gains (losses) of \$1,482 and (\$4,701) in 2016 and 2015, respectively)	(219,946)		(219,946)	6,812,334		6,812,334
Net unrealized change in fair value of investments (net of change in deferred excise tax of (\$23,530) and \$98,313 in 2016 and 2015, respectively)	2,329,415		2,329,415	(9,732,935)		(9,732,935)
Decrease in net assets	(2,267,470)	(37,922)	(2,305,392)	(8,682,892)	(36,166)	(8,719,058)
Net assets, beginning of year	80,919,833	37,922	80,957,755	89,602,725	74,088	89,676,813
Net assets, end of year	\$ 78,652,363	\$ 0	\$ 78,652,363	\$ 80,919,833	\$ 37,922	\$ 80,957,755

See notes to financial statements.

UNITED STATES-JAPAN FOUNDATION

Statements of Cash Flows

	Year Ended December 31,	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (2,305,392)	\$ (8,719,058)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Net realized and unrealized (gains) losses on investments	(2,131,517)	3,014,213
Net undistributed share of ordinary losses from partnership investments	138,365	181,071
Depreciation and amortization	48,861	47,452
Changes in:		
Due from broker	(795,689)	353,459
Accrued income receivable	3,961	4,189
Pledges receivable	37,922	36,166
Prepaid federal excise taxes	(45,473)	555
Security deposits and other assets	(1,601)	(6,369)
Grants payable	30,601	121,289
Accounts payable and accrued expenses	(966)	(5,146)
Deferred excise taxes payable	<u>23,530</u>	<u>(98,313)</u>
Net cash used in operating activities	<u>(4,997,398)</u>	<u>(5,070,492)</u>
Cash flows from investing activities:		
Purchases of investments	(18,446,538)	(30,208,005)
Proceeds from sales of investments	23,467,645	35,197,717
Purchases of property and equipment	<u>(46,579)</u>	<u> </u>
Net cash provided by investing activities	<u>4,974,528</u>	<u>4,989,712</u>
Net decrease in cash and cash equivalents	(22,870)	(80,780)
Cash and cash equivalents, beginning of year	<u>144,146</u>	<u>224,926</u>
Cash and cash equivalents, end of year	<u>\$ 121,276</u>	<u>\$ 144,146</u>
Supplemental disclosure of cash flow information:		
Excise taxes paid	<u>\$ 50,000</u>	<u>\$ 75,000</u>

See notes to financial statements.

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2016 and 2015

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 of \$3,802 and \$75,490 in 2016 and 2015, respectively.

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. The Code allows for an organization to distribute any under-distributed income over the subsequent year. The required minimum qualifying distributions for 2016 and 2015 were approximately \$3,843,000 and \$4,255,000, respectively. During 2016, the Foundation made qualifying distributions of approximately \$4,840,000, resulting in a distribution carryover to future years of approximately \$1,416,000. During 2015, the Foundation made qualifying distributions of approximately \$6,216,000 which included under-distributed income of approximately \$1,546,000 from 2014, resulting in a distribution carryover to future years of approximately \$415,000.

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, 2016 and 2015, the Foundation had not recorded a liability for any unrecognized tax benefits.

[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, 2016 and 2015

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 as of year-end 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 of year-end, as determined by management with the assistance of the related investment manager or advisor.

The Foundation has investments in certain not-readily-marketable securities which are ownership interests in limited partnerships and limited liability companies, which are considered to be "alternative" investments, for which readily determinable fair values do not exist. The fair value of these alternative investments have been estimated based on the respective net asset value per share ("NAV"), as a practical expedient to fair value as of year-end, as reported by the investment company's fund managers.

Because of the complex management structures and natures of the underlying investments and the inherent uncertainty of the valuation of the limited partnership investments, the Foundation's management and its various investment managers monitor their positions to reduce the risk of potential losses due to changes in fair values or the failure of counterparties to perform on a routine basis. Management believes the carrying amount of the investments in non-publicly traded securities is a reasonable estimate of fair value. Estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed. The Foundation's investments in limited partnerships are valued based on the valuation policies and procedures of the general partner. The general partner performs oversight of the underlying positions, both on an investment level and from a risk perspective. The general partner is also responsible for ensuring that the investments are valued according to the policies and procedures adopted by the partnership. The Foundation places reliance upon those procedures, and it records those investments at fair value as determined by the general partner.

Certain of the Foundation's portfolio managers for alternative investments 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.

The Foundation's investments are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

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 and limited liability companies, 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 cash accounts and 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. The currency translation related to grant payments is reflected in Note J.

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2016 and 2015

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

[6] Investments: (continued)

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 year; however, they do not include those fees that are embedded in various other investment accounts and transactions.

[7] Due from broker:

From time-to-time, investment transactions may be initiated prior to year-end, but may not be settled until the beginning of the following year. Accordingly, amounts to be received by the Foundation are reported as "due from investment managers" in the accompanying statements of financial position.

[8] Property and equipment:

Property and equipment are stated at their original costs at the date of acquisition, or, if contributed, at their fair values at the dates of donation. The Foundation capitalizes items of property and equipment that have a cost of \$2,000 or more and a useful life greater than one year. Depreciation is calculated using the straight-line method over the assets' estimated useful lives. Leasehold improvements are amortized over the term of the lease; equipment is depreciated over five to seven years; and furniture and fixtures are depreciated over five to fifteen years.

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of December 31, 2016 and 2015, respectively, and in the opinion of management, there were no impairments. However, it is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[9] Net assets:

The net assets of the Foundation are classified as follows:

(i) *Unrestricted:*

Unrestricted net assets represent those resources that are not subject to donor restrictions and are available for current operations.

(ii) *Temporary restricted:*

Temporarily restricted net assets represent those resources the use of which has been restricted by donors to specific purposes and/or the passage of time. 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 are reported in the accompanying statements of activities as "net assets released from restrictions." It is the Foundation's policy to report temporarily restricted contributions, the requirements of which are satisfied in the same year of donation in the unrestricted category.

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2016 and 2015

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

[10] Revenue recognition:

Contributions to the Foundation are recognized as revenue upon the receipt of cash or other assets, or unconditional pledges. Contributions are recorded as either temporarily or permanently restricted if they are received with donor stipulations or time considerations as to their use. Conditional contributions are recorded when the conditions have been met. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

[11] Grants:

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

[12] 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.

[13] Recent accounting pronouncement:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 will amend financial-statement presentations and disclosures, with the goal of assisting not-for-profit organizations in providing more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU No. 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, (iv) liquidity and availability of resources, and (v) the presentation of operating cash flows. The new standard is effective for annual reporting periods beginning after December 15, 2017. The Foundation will adopt this pronouncement when it becomes effective.

[14] Subsequent events:

The Foundation considers the accounting treatments, and the related disclosures in the current year's financial statements, that may be required as the result of all events or transactions that occur after the year-end through November 13, 2017, the date on which the financial statements were available to be issued.

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2016 and 2015

NOTE B - INVESTMENTS

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

	December 31,			
	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Money-market and other temporary investments	\$ 4,209,109	\$ 4,209,109	\$ 346,851	\$ 346,851
Equity securities - domestic	8,526,416	7,352,396	10,306,412	9,021,080
Equity securities - international	1,266,353	921,135	1,454,936	1,023,390
Mutual funds:				
Domestic equity	14,916,266	12,358,874	9,725,491	11,002,852
Foreign equity	12,415,469	14,151,214	12,754,815	11,073,604
Domestic fixed income	6,546,807	6,649,203	3,960,222	3,996,452
Alternative investments:				
Opportunistic fixed income	8,003,240	7,519,351	13,334,532	14,479,519
Equity securities - domestic			2,823,583	3,227,151
Equity securities - international	2,636,514	2,522,963	5,281,635	5,298,530
Equity securities - natural resources	2,487,464	1,971,270	1,651,225	1,927,974
Hedge funds	12,101,990	9,475,757	15,386,006	11,643,136
Private equity	4,630,915	4,636,895	3,742,790	4,108,528
	<u>\$ 77,740,543</u>	<u>\$ 71,768,167</u>	<u>\$ 80,768,498</u>	<u>\$ 77,149,067</u>

The FASB's ASC Topic 820, *Fair Value Measurements 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 identical investments, at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for 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 3: Valuations are based on pricing inputs that are unobservable and include situations where there is little, if any, market activity for the investments, or the investments cannot be independently valued.

Certain of the Foundation's investments are valued using NAV per share or its equivalent as a practical expedient of fair value. This applies to investments which (i) do not have a readily determinable fair value and (ii) whose financial statements were prepared by the respective investment manager consistent with the measurement principles of an investment company or have the attributes of an investment company. Investments that are valued using NAV are not required to be categorized within the fair value hierarchy. Accordingly, these investments and certain related tables have been properly excluded from the accompanying financial statements.

The available market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. For 2016 and 2015, there were no transfers among the fair-value hierarchy levels.

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2016 and 2015

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, 2016				
Amounts within Fair-Value Hierarchy				
	Level 1	Total	Valued at NAV	Total Investments
Money-market and other temporary investments	\$ 4,209,109	\$ 4,209,109		\$ 4,209,109
Equity securities	9,792,769	9,792,769		9,792,769
Mutual funds	33,878,542	33,878,542		33,878,542
Alternative investments			<u>\$ 29,860,123</u>	<u>29,860,123</u>
Total investments	<u>\$ 47,880,420</u>	<u>\$ 47,880,420</u>	<u>\$ 29,860,123</u>	<u>\$ 77,740,543</u>

December 31, 2015				
Amounts within Fair-Value Hierarchy				
	Level 1	Total	Valued at NAV	Total Investments
Money-market and other temporary investments	\$ 346,851	\$ 346,851		\$ 346,851
Equity securities	11,761,348	11,761,348		11,761,348
Mutual funds	26,440,528	26,440,528		26,440,528
Alternative investments			<u>\$ 42,219,771</u>	<u>42,219,771</u>
Total investments	<u>\$ 38,548,727</u>	<u>\$ 38,548,727</u>	<u>\$ 42,219,771</u>	<u>\$ 80,768,498</u>

The following table describes the funding commitment and redemption information for the Foundation's alternative investments:

December 31, 2016				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnerships and limited liability companies:	\$ 7,273,409	11,587,740	None	N/A
	5,531,826	None	Monthly	5-60 days
	14,036,582	None	Quarterly	35-90 days
	<u>3,018,306</u>	None	Annually	90 days
	<u>\$ 29,860,123</u>			

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2016 and 2015

NOTE C - PROPERTY AND EQUIPMENT

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

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Cooperative apartment	\$ 790,725	\$ 790,725
Cooperative apartment improvements	241,370	241,370
Leasehold improvements	246,267	245,635
Equipment	186,537	164,621
Furniture and fixtures	<u>252,347</u>	<u>241,490</u>
	1,717,246	1,683,841
Less accumulated depreciation and amortization	<u>(1,360,634)</u>	<u>(1,324,947)</u>
	<u>\$ 356,612</u>	<u>\$ 358,894</u>

During 2016, the Foundation wrote off fully depreciated property and equipment of \$13,174. The maintenance and utility charges on the cooperative apartment were \$65,573 and \$64,929 for 2016 and 2015, respectively.

NOTE D - DEFERRED EXCISE TAXES PAYABLE

For 2016 and 2015, the Foundation provided for deferred excise taxes at the 1% rate on the total unrealized appreciation in fair value over the original cost of its investments. Deferred excise taxes payable at December 31, 2016 and 2015 were \$59,724 and \$36,194, respectively.

NOTE E - 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 \$559,441 and \$630,808 for 2016 and 2015, respectively.

NOTE F - RETIREMENT PLAN

The Foundation's New York office has a defined-contribution retirement plan, established under Section 403(b) of the Code. 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 Tokyo office has a National Pension Plan and Nomura Security Pension Plan. The Foundation's total contributions to the plans were \$191,217 and \$171,797 for 2016 and 2015, respectively.

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2016 and 2015

NOTE G - COMMITMENTS

[1] Leases:

The Foundation leases office space in New York City and Tokyo, Japan. The leases are effective through February 28, 2027 and are subject to escalation clauses based on increases in the cost of living and real estate taxes.

At December 31, 2016, future minimum lease payments under noncancellable leases (with expirations through 2017) are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 257,239
2018	263,241
2019	266,161
2020	236,769
Thereafter	<u>1,620,328</u>
	<u>\$ 2,643,738</u>

Rent expense was \$254,142 and \$243,640 in 2016 and 2015, respectively.

[2] Other contracts:

In the normal course of business, the Foundation enters into various contracts for professional and other services, which are typically renewable on a year-to-year basis.

NOTE H- CONCENTRATION OF CREDIT RISK

The Foundation's cash balances 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 I - RESTRICTED NET ASSETS

Temporarily restricted net assets relate to the Foundation's US-Japan Leadership Program. During 2016 and 2015, \$37,922 and \$36,166, respectively, of such restrictions were satisfied.

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2016 and 2015

NOTE J - GRANT ACTIVITY

The Foundation's grant activity for 2016 was as follows:

Recipient Name and Purpose	Unpaid January 1, 2016	Net Grants Authorized 2016	Paid	Unpaid December 31, 2016
Precollege Education				
Abraham Lincoln High School To support a US-Japan cultural exchange program, guest speaker program and Japanese program as part of the 2016 Eigin Heinz Outstanding Teacher Awards.		\$ 5,000	\$ 5,000	
AmerAsian School in Okinawa (Ginowan, Japan) To support the salary for an Information Communication Technology Education teacher and to provide college scholarships for AmerAsian students.		36,717	36,717	
Board of Trustees of the Leland Stanford Junior University (Stanford, CA) To support the third year of a distance-learning course sponsored by the Stanford Program on International and Cross-Cultural Education (SPICE) that will annually enroll exceptional high school students from Japan to engage in an intensive study of the U.S. society and culture.		105,410		\$ 105,410
Concordia Language Villages of Concordia College (Moorhead, MN) To support a Japanese language scholarship program for middle and high school students in a 12-state region that aims to improve Japanese language study throughout the Midwest.		28,578	28,578	
Council for Educational Advancement (St. Louis, MO) To support a teacher professional development program titled, "Okinawa's Challenge: Remembering the Past - Shaping the Future" that will present American teachers and their students with an unusual opportunity to study a unique part of Japan with a long history unknown to most Americans.		38,031	38,031	
Creative Connections (Norwalk, CT) To support an arts-based cultural education project for students in Japan and the United States.		43,750	43,750	
Foreign Policy Research Institute (Philadelphia, PA) To support a teacher professional development program which focuses on the changing political and economic environment of Japan.		97,284	97,284	
Foundation for International School of Asia, Karuizawa (Nagano, Japan) To nurture the next generation of leaders by supporting scholarships for U.S. students to attend ISAK summer and high school.		105,563	105,563	
Global Fund for Educational Assistance (Beyond Tomorrow) (Tokyo, Japan) To support the 2017 Jiro Murase Scholarship Program, which brings Japanese students to the United States to learn about legal and political affairs.		91,434	91,434	
Global Kids (New York, NY) To support a GK Youth Ambassadors Program to engage a cohort of American students in an intensive study of US-Japan relations, including a trip to Japan that will include engaging in community service projects with Japanese youth.		75,000	75,000	
Globalize D.C. (Washington, D.C.) To support a Japanese language and culture program in Washington, D.C., for public school students.		88,605	88,605	
Hiroshima University (Higashi-Hiroshima, Japan) To support research on the impact of Mihara Junior High School's "Peace Project" on Japanese students and American teachers as well as to implement long-term school partnerships.	\$ 10,759	240	10,999	
(carried forward)	10,759	715,612	620,961	105,410

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2016 and 2015

NOTE J - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2015	Net Grants Authorized 2015	Paid	Unpaid December 31, 2015
(brought forward)	\$ 10,759	\$ 715,612	\$ 620,961	\$ 105,410
Precollege Education (continued)				
Japan Society (New York, NY) To support the Japan Society of New York's pre-college education programs including their educators study tour to Japan, their professional development program for teachers, and their junior fellows leadership program.		100,000	100,000	
Japan Society of Boston To support the creation of a set of units for the MIT Visualizing Cultures website based on James T. Ulak's 2014 exhibition of prints by Kobayashi Kiyochika at The Arthur M. Sackler Gallery in Washington, D.C., titled, "Master of the Night."		50,000	50,000	
Japan-America Society of Greater Philadelphia (Philadelphia, PA) To support educational programs associated with an archaeological excavation of the first Japanese garden in North America and to provide free educational outreach and field trips to the Title I public and charter schools in area.		20,000	20,000	
Japan-America Society of the State of Washington (Mercer Island, WA) To support America in the Schools, a new initiative that will develop the curriculum, tools and infrastructure to introduce American culture into Japanese elementary schools in a grassroots way.		124,346	124,346	
Japan-America Society of Washington, D.C. (Washington, D.C.) To support a national Japanese language and culture competition for high school students.		50,000	50,000	
Kizuna Across Cultures (Washington, D.C.) To support the Global Classmates program for high school students in the U.S, and Japan, which builds friendships, enhances language skills, and deepens cultural knowledge through dynamic online interaction.		71,000	71,000	
Michigan State University (East Lansing, MI) To support a bi-national, U.S. and Japan, environmental education project focused on water quality issues for high school students and teachers in the State of Michigan and the Prefecture of Shiga, Japan.	110,461		110,461	
Midori Foundation (Midori & Friends) (New York, NY) 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	
Midori Foundation (Midori & Friends) (New York, NY) To support a Koto residency in New York City.		4,000	4,000	
Mississippi State University Foundation (Mississippi State, MS) To support a professional development program on Japan for 28 secondary school teachers from the Golden Triangle area of Clay, Lowndes, and Okitbbeha counties.		34,000	34,000	
NPO Katariba (Tokyo, Japan) To support a research trip to the U.S. focused on Project-Based Learning for Japanese high school students and mentors.		54,893	54,893	
Onojo International Exchange Association (Onojo, Japan) To support a career and cultural study program in Vermont for high school students from Onojo City, Japan		17,084	17,084	
(carried forward)	155,220	1,256,935	1,306,745	105,410

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2016 and 2015

NOTE J - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2016	Net Grants Authorized 2016	Paid	Unpaid December 31, 2016
(brought forward)	\$ 155,220	\$1,256,935	\$ 1,306,745	\$ 105,410
Precollege Education (continued)				
President and Fellows of Middlebury (Monterey, CA) 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 U.S. and Japan.		80,000	80,000	
S&R Foundation (Washington, D.C.) To support a two-week U.S. study abroad program implemented by the S&R Foundation for Japanese undergraduate and graduate students that is designed to empower the next generation of leaders with the skills and networks they will need to thrive in an increasingly globalized society.		100,001	100,001	
Sumter County Schools (Americus, GA) To support an educational partnership and exchange between schools in Sumter County, Georgia, and Miyoshi, Japan, that was originally started by former President Jimmy Carter.	34,150		34,150	
Sumter County Schools (Americus, GA) To support an educational partnership and exchange between schools in Sumter County, Georgia, and Miyoshi, Japan, that was originally started by former President Jimmy Carter.		32,000		32,000
Table for Two USA (New York, NY) To support a Japanese inspired food education program for K-12 students in the U.S..		40,000	40,000	
Takata High School To support the continuing development of a sister school relationship between Del Norte High School and Takata High School.		20,361	20,361	
The Board of Trustees of the Leland Stanford Junior University (Palo Alto, CA) To support the second year of a distance-learning course sponsored by the Stanford Program on International and Cross-Cultural Education (SPICE) that will annually enroll exceptional high school students from Japan to engage in an intensive study of U.S. society and culture.		102,971	102,971	
University of Colorado Foundation (Denver, CO) To support an integrated program of professional development opportunities and resources for secondary social studies classrooms designed to raise the prominence of Japan in the secondary studies curriculum.		110,000		110,000
Us-Japan Technical Connections (South Royalton, VT) To support a technical education program in Fukuoka, Japan for high school students from Vermont.		32,333	32,333	
Us-Japan Technical Connections (South Royalton, VT) To support learning materials and scholarships for fellows of the Japan program to return to Japan as part of the 2016 Elgin Heinz Outstanding Teacher Awards.		5,000	5,000	
Subtotal for Precollege Education	<u>292,341</u>	<u>1,676,630</u>	<u>1,721,561</u>	<u>247,410</u>

UNITED STATES-JAPAN FOUNDATION

Notes to Financial Statements December 31, 2016 and 2015

NOTE J - GRANT ACTIVITY (CONTINUED)

Recipient Name and Purpose	Unpaid January 1, 2016	Net Grants Authorized 2016	Paid	Unpaid December 31, 2016
US-Japan Policy				
Council on Foreign Relations (New York, NY)				
To support the third year of a project that will look carefully at Japan's nationalist politics to examine their impact on the US-Japan alliance, and will engage leading experts from the U.S. and Japan in a conversation about how to manage these reactive nationalisms in Northeast Asia.		\$ 75,393	\$ 75,393	
National Committee on American Foreign Policy (New York, NY)				
To support Track II meetings that will consider ways to enhance trilateral and quadrilateral security cooperation in Northeast Asia.		<u>89,980</u>	<u>89,980</u>	
Subtotal for US-Japan Policy		<u>165,373</u>	<u>165,373</u>	
Communications/Public Opinion				
J-Win (Japan Women's Innovative Network) (Tokyo, Japan)				
To support a study tour of the U.S. for Diversity and Inclusion and HR professionals from Japan.	\$ 23,438	523	23,961	
Japan Center for International Exchange (New York, NY)				
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.		98,970		\$ 98,970
Japanese Medical Society of America (New York, NY)				
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	
National Association of Japan-America Societies (Washington, D.C.)				
To support the Secretariat for the Manjiro Center for International Exchange-U.S., which helps operate the annual Manjiro U.S.-Japan Grassroots Summit.		15,000	15,000	
Portland State University (Portland, OR)				
To support public lecture and performing arts programs focused on Japan at Portland State University's Center for Japanese Studies.		64,785	64,785	
The New York Botanical Garden (Bronx, NY)				
To support children's and public education programs highlighting Japanese culture as part of the Garden's upcoming exhibit, <i>Kiku: The Art of the Japanese Garden</i> .		<u>10,000</u>	<u>10,000</u>	
Subtotal for Communications/Public Opinion	<u>23,438</u>	<u>239,278</u>	<u>163,746</u>	<u>98,970</u>
Subtotal	315,779	2,081,281	2,050,680	346,380
Prior years' awards withdrawn/returned in current year		(14,138)	(14,138)	
Currency exchange gains		<u>12,376</u>	<u>12,376</u>	
Total	<u>\$ 315,779</u>	<u>\$2,079,519</u>	<u>\$ 2,048,918</u>	<u>\$ 346,380</u>

- (a) Unexpended funds returned in the current year are netted against payments.
(b) Grants authorized reflect a reduction of net currency gains of \$12,376 for 2016.