

UNITED STATES-JAPAN FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

UNITED STATES-JAPAN FOUNDATION

TABLE OF CONTENTS
DECEMBER 31, 2023 AND 2022

	<u>Pages</u>
Independent Auditor's Report	3-4
Financial Statements	
Statements of Financial Position.....	5
Statements of Activities and Changes in Net Assets	6
Statements of Functional Expenses.....	7-8
Statements of Cash Flows.....	9
Notes to Financial Statements	10-20

Independent Auditor's Report

The Board of Trustees
United States-Japan Foundation
Washington, DC

Opinion

We have audited the accompanying financial statements of United States-Japan Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 United States-Japan Foundation as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the Foundation'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 the Foundation'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 the Foundation'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.

Other Matters

The financial statements of United States-Japan Foundation as of December 31, 2022, were audited by other auditors whose report dated December 13, 2023, expressed an unmodified opinion on those statements. The comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Councilor, Buchanan & Mitchell, P.C.

Bethesda, Maryland
November 14, 2024

Certified Public Accountants

UNITED STATES-JAPAN FOUNDATION

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 939,872	\$ 1,105,907
Accrued Interest Receivable	114,202	15,223
Prepaid Expenses	166,232	192,394
Deferred Excise Tax Asset	-	235,222
Other Assets	<u>34,808</u>	<u>35,348</u>
Total Current Assets	1,255,114	1,584,094
Investments	96,308,932	85,989,796
Operating Lease Right-of-Use Assets	27,446	1,055,314
Net Property and Equipment	<u>70,631</u>	<u>32,164</u>
Total Assets	<u><u>\$ 97,662,123</u></u>	<u><u>\$ 88,661,368</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 182,539	\$ 373,130
Grants Payable	231,214	311,939
Operating Lease Liability	<u>26,138</u>	<u>1,118,696</u>
Total Current Liabilities	439,891	1,803,765
Deferred Excise Tax Liability	72,718	-
Operating Lease Liability, Net of Current Portion	<u>-</u>	<u>29,463</u>
Total Liabilities	512,609	1,833,228
Net Assets		
Without Donor Restrictions	<u>97,149,514</u>	<u>86,828,140</u>
Total Net Assets	<u>97,149,514</u>	<u>86,828,140</u>
Total Liabilities and Net Assets	<u><u>\$ 97,662,123</u></u>	<u><u>\$ 88,661,368</u></u>

See accompanying Notes to Financial Statements.

UNITED STATES-JAPAN FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Revenue (Expense)		
Contributions	\$ 650	\$ 500
Investment Income (Loss)		
Interest and Dividends	2,066,877	1,572,838
Net Appreciation (Depreciation) in Fair Value of Investments	12,297,322	(16,130,112)
Investment Expenses	<u>(119,141)</u>	<u>(178,130)</u>
Net Investment Income (Loss)	14,245,058	(14,735,404)
Other Income	<u>1,419</u>	<u>-</u>
Total Revenue (Expense)	14,247,127	(14,734,904)
Operating Expenses		
Program Services	3,033,791	3,302,948
Management and General	<u>536,639</u>	<u>952,867</u>
Total Operating Expenses	3,570,430	4,255,815
Income Tax Expense (Benefit)	<u>355,323</u>	<u>(308,974)</u>
Change in Net Assets Without Donor Restrictions	10,321,374	(18,681,745)
Net Assets, Beginning of Year	<u>86,828,140</u>	<u>105,509,885</u>
Net Assets, End of Year	<u><u>\$ 97,149,514</u></u>	<u><u>\$ 86,828,140</u></u>

See accompanying Notes to Financial Statements.

UNITED STATES-JAPAN FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services			Management and General			Grand Total
	US Japan Relations	US Japan Leadership Program	Total	Administration	Investment Related Activities	Total	
Grant Expenses, Net	\$ 407,579	\$ -	\$ 407,579	\$ -	\$ -	\$ -	\$ 407,579
Salaries	277,376	242,200	519,576	148,965	28,374	177,339	696,915
Payroll Taxes and Employee Benefits	70,772	35,962	106,734	38,008	7,240	45,248	151,982
Occupancy	88,659	-	88,659	4,433	234	4,667	93,326
Office Expenses	73,423	40,310	113,733	5,687	299	5,986	119,719
Travel, Meetings, and Conferences	186,129	474,240	660,369	57,040	57,040	114,080	774,449
Professional Fees	180,258	-	180,258	61,950	61,949	123,899	304,157
Depreciation and Amortization	7,883	-	7,883	3,541	-	3,541	11,424
Other Expenses	86,552	823	87,375	16,531	-	16,531	103,906
Loss on Lease Termination	861,625	-	861,625	43,081	2,267	45,348	906,973
Total	\$ 2,240,256	\$ 793,535	\$ 3,033,791	\$ 379,236	\$ 157,403	\$ 536,639	\$ 3,570,430

See accompanying Notes to Financial Statements.

UNITED STATES-JAPAN FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services			Management and General			
	US Japan Relations	US Japan Leadership Program	Total	Administration	Investment Related Activities	Total	Grand Total
Grant Expenses, Net	\$ 857,381	\$ -	\$ 857,381	\$ -	\$ -	\$ -	\$ 857,381
Salaries	518,640	168,574	687,214	360,544	15,023	375,567	1,062,781
Payroll Taxes and Employee Benefits	129,473	52,410	181,883	90,006	3,750	93,756	275,639
Occupancy	243,108	-	243,108	61,393	3,231	64,624	307,732
Office Expenses	135,672	31,323	166,995	52,642	2,771	55,413	222,408
Travel, Meetings, and Conferences	150,075	827,451	977,526	45,990	45,990	91,980	1,069,506
Professional Fees	131,832	-	131,832	64,451	96,676	161,127	292,959
Depreciation and Amortization	9,125	-	9,125	4,100	-	4,100	13,225
Other Expenses	47,454	430	47,884	106,300	-	106,300	154,184
Total	\$ 2,222,760	\$ 1,080,188	\$ 3,302,948	\$ 785,426	\$ 167,441	\$ 952,867	\$ 4,255,815

See accompanying Notes to Financial Statements.

UNITED STATES-JAPAN FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash Flows from Operating Activities		
Change in Net Assets	\$ 10,321,374	\$ (18,681,745)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used in Operating Activities		
Depreciation and Amortization	11,424	13,225
Loss on Termination of Lease	906,975	-
Loss on Disposals of Property and Equipment	10,619	1,244
Net (Appreciation) Depreciation on Investments	(12,297,322)	15,415,696
Operating Lease Expense	72,449	278,337
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(98,979)	(15,223)
Prepaid Expenses	26,162	57,760
Deferred Excise Tax Asset	235,222	(235,222)
Other Assets	540	-
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	(190,591)	287,459
Grants Payable	(80,725)	(53,969)
Deferred Excise Tax Payable	72,718	(114,295)
Operating Lease Liability	(1,073,577)	(284,117)
Net Cash Used in Operating Activities	(2,083,711)	(3,330,850)
Cash Flows from Investing Activities		
Purchases of Investments	(61,677,316)	(52,078,713)
Purchases of Property and Equipment	(60,510)	(1,239)
Proceeds from Sale or Maturity of Investments	63,655,502	43,269,090
Net Cash Provided by (Used in) Investing Activities	1,917,676	(8,810,862)
Net Decrease in Cash and Cash Equivalents	(166,035)	(12,141,712)
Cash and Cash Equivalents, Beginning of Year	1,105,907	13,247,619
Cash and Cash Equivalents, End of Year	\$ 939,872	\$ 1,105,907
Noncash Transactions from Investing Activities		
Establishment of Right-of-Use Operating Lease Asset	\$ -	\$ 1,315,364
Establishment of Operating Lease Liability	-	1,413,989

See accompanying Notes to Financial Statements.

UNITED STATES-JAPAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

1. ORGANIZATION

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

The 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 (US GAAP), as applicable to not-for-profit organizations. Under the accrual method, revenues are recognized when earned and expenses are recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with US GAAP 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.

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 amounts held as part of the investment portfolio.

Investments

The Foundation's investments in equity securities and mutual funds are reported at their fair values in the statements of financial position based on quoted market prices. Cash and cash equivalents held as part of the Foundation's investment portfolio are also included in the balances reported as investments.

The Foundation also has investments 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 the alternative investments has been estimated based on the respective net asset value (NAV) per share (or its equivalent unit) of each investment, as reported by the particular investment manager. Because of the complex management structures and nature of the underlying investments and the inherent uncertainty of the valuation of the alternative 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 their fair value. However, such estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed.

UNITED STATES-JAPAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Certain of the Foundation's portfolio managers for the alternative investments enter into derivative contracts held or issued for trading purposes. These investments are subject to various market risks, which arise from changes in securities values and other market conditions. As part of their overall trading strategies, the investment managers may engage in the purchases and sales of index and equity options, for the purpose of generating profit and/or mitigating market risk. 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 financial statements.

The Foundation's investments, in general, are subject to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, 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 financial statements.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless their use is restricted through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost of acquisition to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

Investment expenses include the services of investment managers and custodians. The balances of investment management fees disclosed in the statements of activities and changes in net assets 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.

Translation of Foreign Currency

Any cash accounts and investments denominated in foreign currencies are translated at the closing rates of exchange at the end of the reporting period. Foreign transactions occurring during the year, including purchases and sales and income and expenses, are translated at the prevailing exchange rate on the dates of the transactions, and are reported within realized gains and losses on the statements of activities and changes in net assets.

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, net of accumulated depreciation and amortization. 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, whereas minor costs of repairs and maintenance are expensed as incurred. Depreciation is calculated using the straight-line method over the assets' estimated useful lives. Equipment is depreciated over five to seven years; and furniture and fixtures are depreciated over five to fifteen years. Leasehold improvements are amortized over the term of the lease or useful life, whichever is shorter.

UNITED STATES-JAPAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

Financial statement presentation follows the recommendations of US generally accepted accounting principles in accordance with Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) *Topic Not-for-Profit Entities-Presentation of Financial Statements*. Under those principles, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions

These net assets are available to finance the general operations of the Foundation. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, and the purposes specified in its organizing documents.

Net Assets With Donor Restrictions

These net assets result from contributions and other inflows of assets, the use of which by the Foundation is limited by donor-imposed time or purpose restrictions that are either temporary or perpetual.

As of December 31, 2023 and 2022, the Foundation did not have any net assets with donor restrictions.

Revenue Recognition

Contributions to the Foundation are recognized as revenue upon the receipt of cash or other assets, or unconditional pledges. Contributions are reported as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use. Conditional contributions are recognized when the donor's conditions have been met by requisite actions of the Foundation's management or necessary events have taken place. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

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 statements of financial position. Grants are expected to be paid within the upcoming year. Grant funds that have been awarded and that have been returned to, or withdrawn by, the Foundation are reported net with total grant expense.

Operating 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.

UNITED STATES-JAPAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating 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 the Foundation'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.

The Foundation 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, the Foundation does not separate non-lease components from lease components (if any) when determining the payments for leases of office equipment.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets and the statements of functional expenses. Management considers certain investment-related expenses to be included in the management and general functional allocation which are allocated indirect costs specifically related to overseeing the Foundation's investment portfolio. Accordingly, direct costs have been allocated among the program and supporting services based on the nature of the expense. Indirect costs have been functionalized on the basis of time and space usage among employees. The Foundation incurs no significant fundraising expenses.

Reclassification

Certain reclassifications have been made to the 2022 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Adoption of Accounting Standards Update 2016-02

During the year ended December 31, 2022, The Foundation adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes the leasing guidance in *Topic 840*. USJC also adopted the following ASUs, which amend and clarify *Leases (Topic 842)*: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2021-05, *Leases (Topic 842): Lessors -*

UNITED STATES-JAPAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Standards Update 2016-02 (Continued)

Certain Leases with Variable Lease Payments; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. The most significant change in the new lease guidance is the requirement to recognize right-of-use assets and lease liabilities for operating leases on the statements of financial position.

The Foundation adopted the leasing standards effective January 1, 2022, using the modified retrospective approach with January 1, 2022, as the initial date of application. Management has elected to apply all practical expedients available under the new guidance.

The most significant impact was the recognition of right-of-use assets and lease liabilities for all leases with terms greater than twelve months. Accordingly, an operating lease asset and lease liability totaling \$1,315,364 and \$1,413,989, respectively, was recognized as of January 1, 2022.

3. TAX STATUS AND INCOME TAXES

The Foundation qualifies as a tax-exempt private foundation 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 of 1.39% for 2023 and 2022, on net investment income, including realized gains, as defined in the IRC. The Foundation was subject to an excise tax of \$44,333 and \$37,543 in 2023 and 2022, 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 IRC allows for an organization to distribute any under-distributed income over the subsequent year. The required minimum qualifying distributions for 2023 and 2022 were \$2,269,129 and \$4,794,000, respectively. During 2023, the Foundation made qualifying distributions of \$3,120,531 thereby satisfying the distribution requirement and leaving a remaining distribution carryover to future years of \$3,642,251. During 2022, the Foundation made qualifying distributions of approximately \$3,309,000 thereby satisfying the distribution requirement and leaving a remaining distribution carryover to future years of approximately \$2,269,000.

The Foundation is also subject to the Financial Accounting Standards Board's (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, management believes 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, 2023 and 2022, the Foundation had not recorded a liability for any unrecognized tax uncertainties.

UNITED STATES-JAPAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

4. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of its current requirements in a portfolio of investments designed to maximize long-term earning with acceptable risk to investment principal.

The following reflects the Foundation's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general operating expenditure within one year:

Description	2023	2022
Cash and Cash Equivalents	\$ 939,872	\$ 1,105,907
Accrued Interest Receivable	114,202	15,223
Investments	96,308,932	85,989,796
Total Financial Assets and Liquidity Resources Available in One Year	97,363,006	87,110,926
Less Amounts Unavailable for General Expenditures within One Year Due to Investments Subject to Redemption Restrictions	10,963,086	12,058,979
Financial Assets and Liquidity Resources Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 86,399,920</u>	<u>\$ 75,051,947</u>

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

At December 31, 2023 and 2022, investments consisted of the following:

	2023		2022	
	Fair Value	Cost	Fair Value	Cost
Short-Term Cash Investments	\$ 45	\$ 45	\$ 45	\$ 45
US Government Securities	12,012,417	12,003,028	7,823,771	7,837,146
Mutual Funds				
Domestic Equity	38,140,388	28,200,061	35,714,857	32,085,918
Foreign Equity	35,192,996	33,477,265	30,392,144	32,957,221
Alternative Investments				
Private Credit Fund	145,061	161,099	182,178	201,338
Private Equity Fund	10,516,089	10,551,745	11,294,678	6,535,046
Private Real Estate Funds	301,936	2,139,410	582,123	693,007
	<u>\$ 96,308,932</u>	<u>\$ 86,532,653</u>	<u>\$ 85,989,796</u>	<u>\$ 80,309,721</u>

Accounting standards provide the framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

UNITED STATES-JAPAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 - Inputs to the valuation methodology include other significant observable inputs including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following table sets forth, by level within the fair value hierarchy, the Foundation's investment assets at fair value as of December 31, 2023:

	2023			
	Fair Value	Level 1	Level 2	Level 3
Short-Term Cash Investments	\$ 45	\$ 45	\$ -	\$ -
US Government Securities	12,012,417	-	12,012,417	-
Mutual Funds	73,333,384	73,333,384	-	-
Total	85,345,846	\$ 73,333,429	\$ 12,012,417	\$ -
Investments Measured at NAV *	10,963,086			
Investments at Fair Value	<u>\$ 96,308,932</u>			

* Investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

UNITED STATES-JAPAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth, by level within the fair value hierarchy, the Foundation's investment assets at fair value as of December 31, 2022:

	2022			
	Fair Value	Level 1	Level 2	Level 3
Short-Term Cash Investments	\$ 45	\$ 45	\$ -	\$ -
US Government Securities	7,823,771	-	7,823,771	-
Mutual Funds	66,107,001	66,107,001	-	-
Total	73,930,817	\$ 66,107,046	\$ 7,823,771	\$ -
Investments Measured at NAV *	12,058,979			
Investments at Fair Value	\$ 85,989,796			

* Investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

Level 1 - Mutual funds are traded in active markets on national and international securities exchanges and are valued at closing prices on the last business day of each period.

Short-term cash investments are valued at cost which approximates fair value.

Level 2 - Most US government securities are generally valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. To the extent that quoted prices are not available, fair value is determined based on a valuation model that includes inputs such as interest rate yield curves and credit spreads. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Investments in Investment Entities

Authoritative guidance on fair value measurements permits the Foundation to measure the fair value of an investment in an investment entity that does not have a readily determinable fair value based upon the NAV of the investment. This guidance does not apply if it is probable that the investment will be sold at a value different than NAV. The net asset value per share is the amount of the investee's net assets attributable to each unit share of ownership interest.

The Foundation's investment in investment entities is subject to the terms of the respective private placement memoranda and governing agreements. Income or loss from investments in these investment entities is net of the Foundation's proportionate share of fees and expenses incurred or charged by these investment entities.

The Foundation's risk of loss in these entities is limited to its investment. The Foundation may increase or decrease its level of investment in these entities at its discretion.

UNITED STATES-JAPAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Investments in Investment Entities (Continued)

The following table summarizes the Foundation's investments in certain entities that calculate NAV per share as fair value measurement as of December 31, 2023 and 2022, by investment strategy:

	2023		2022			
	Fair Value (in millions)	Unfunded Commitments (in millions)	Fair Value (in millions)	Unfunded Commitments (in millions)	Redemption Frequency	Redemption Notice Period
Private Credit Funds	\$ 0.15	\$ 0.99	\$ 0.18	\$ 0.14	Upon Liquidation	*
Private Equity Funds	10.52	7.91	11.30	3.08	Upon Liquidation	*
Private Real Estate Funds	0.30	0.70	0.58	0.70	Upon Liquidation	*

* The Foundation's investments in investment entities are in fixed duration funds in which individual partners are not permitted a redemption once invested. Redemptions are made at the discretion of the General Partner per the terms of the partnership agreement.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2023 and 2022:

Description	2023	2022
Leasehold Improvements	\$ 5,841	\$ 249,581
Furniture and Fixtures	2,104	16,105
Equipment	79,559	105,040
Website	80,900	22,400
	168,404	393,126
Less Accumulated Depreciation	(97,773)	(360,962)
Net Property and Equipment	\$ 70,631	\$ 32,164

7. EXCISE TAXES

The provision for excise taxes for the Foundation is as follows:

	2023	2022
Current Expense	\$ 47,383	\$ 40,543
Deferred Expense (Benefit)	307,940	(349,517)
Net Expense (Benefit)	\$ 355,323	\$ (308,974)

The Foundation's deferred excise tax is calculated based on the excise tax on unrealized gains and losses on investments.

8. GRANT EXPENSES

The Foundation provides grants to a number of organizations each year, whose goal is to bring awareness and strengthen US-Japan relations through education, research, and special programs. In 2023, grants were awarded to Globalize DC (Washington, DC), US JET Program Alumni Association (Washington, DC), The National Bureau of Asian Research (Seattle, WA), International Student Conferences (Washington, DC), The Asia Society (New York, NY), Chicago Council on Global Affairs (Chicago, IL), Human Security Forum (Tokyo, Japan), Knox English Network (Tokyo, Japan), Sumter County Schools (Americus, GA), Woodland Hills

UNITED STATES-JAPAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

8. GRANT EXPENSES (CONTINUED)

High School (North Braddock, PA), and University of Tokyo (Tokyo, Japan). The Foundation provided grants totaling \$407,579 and \$857,381 for 2023 and 2022, respectively.

9. US-JAPAN LEADERSHIP PROGRAM

US-Japan Leadership Program (USJLP) is a signature program of the Foundation. The purpose of the USJLP is to develop a network of communication, friendship, and understanding among the next generation of leaders in each country. Annual conferences are held, alternating between Japan and the United States, for young leaders from each country to discuss a wide range of topics relevant to both countries and the world and to be exposed to a variety of experiential learning opportunities. In 2023 and 2022, the Foundation held annual conferences in Kyoto, Hiroshima, and Tokyo, Japan, and Seattle, Washington, respectively.

10. RETIREMENT PLAN

The Foundation's United States office has a defined-contribution retirement plan, established under Section 403(b) of the IRC. Under the terms of the plan, after one year of service, the Foundation provided a discretionary contribution of 17% of an employee's annual salary in 2022. In 2023, the Foundation revised the policy not to contribute to the plan. The Foundation's Tokyo office has a National Pension Plan and Nomura Security Pension Plan. The Foundation's total contributions to the plans were \$1,356 and \$36,861 for 2023 and 2022, respectively.

11. OPERATING LEASES

The Foundation is obligated under conditionally cancelable operating leases for office space in New York City and Tokyo, Japan. The New York City office lease is effective through February 28, 2027, and the Tokyo, Japan, office lease is effective through November 30, 2024. Both leases are subject to escalation clauses and contain an option to extend the lease term for an additional period or terminate the lease at the expiration. The Foundation terminated the New York office lease effective March 31, 2023, and paid a \$981,360 early termination fee per the terms of the agreement resulting in a loss on lease termination of \$906,973 included on the statement of functional expenses for the year ended December 31, 2023. Subsequent to year end, on October 9, 2024, the Foundation renewed the Tokyo lease through November 30, 2029.

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, 2023 and 2022, were \$72,449 and \$278,337, respectively, and is included in occupancy on the statements of functional expenses.

Maturity of the operating lease liability as of December 31, 2023, is as follows:

For the Year Ending December 31,

2024	\$ 26,251
Total Undiscounted Minimum Lease Payments	26,251
Less Discount to Present Value	(113)
Total Operating Lease Liability	<u>\$ 26,138</u>

UNITED STATES-JAPAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

11. OPERATING LEASES (CONTINUED)

The supplementary qualitative operating lease information is as follows:

Supplementary Qualitative Operating Lease Information

Weighted-Average Remaining Lease Term	.92 Years
Weighted-Average Discount Rate	1.04%

12. CONCENTRATIONS

The Foundation maintains cash balances at financial institutions in the US and Japan. The accounts at the US institutions are insured by the Federal Deposit Insurance Corporation (FDIC), and the accounts at Japanese institutions are insured by Deposit Insurance Corporation of Japan up to the maximum amount allowed by laws in each country. While the amounts, at times, exceed the amount insured by the agencies and, therefore, bear some risk, the Foundation has not experienced, nor does it anticipate, any loss of funds.

13. COMMITMENTS AND CONTINGENCIES

Future Commitments

The Foundation entered into various agreements for events and programs for future years. In the event of cancellations of these agreements by the Foundation, the Foundation would be responsible for certain fees. Management does not anticipate cancellation of these events and programs.

14. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through November 14, 2024, the date on which the financial statements were available to be issued.