



**U.S. - JAPAN COUNCIL**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2018**

**U.S. - JAPAN COUNCIL**

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DECEMBER 31, 2018**

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## **Independent Auditors' Report**

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

We have audited the accompanying financial statements of U.S. - Japan Council (USJC), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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 audit. We conducted our audit 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' 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 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 U.S. - Japan Council as of December 31, 2018, 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.

To the Board of Directors  
U.S. - Japan Council

***Emphasis of Matter***

As noted in Note 3 of the financial statements, USJC adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

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

Bethesda, Maryland  
February 27, 2019

Certified Public Accountants

**U.S. - JAPAN COUNCIL**

**STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018**

<b>Assets</b>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 2,411,022	\$ 707,946	\$ 3,118,968
Certificates of Deposit	10,202	-	10,202
Investments	350,000	11,366,119	11,716,119
Grants and Contributions Receivable	131,123	1,176,542	1,307,665
Due from USJC - Japan	72,716	-	72,716
Prepaid Expenses	65,943	-	65,943
<b>Total Current Assets</b>	<b>3,041,006</b>	<b>13,250,607</b>	<b>16,291,613</b>
<b>Grants and Contributions Receivable, Net of Current Portion</b>	<b>-</b>	<b>330,000</b>	<b>330,000</b>
<b>Property and Equipment, Net</b>	<b>27,421</b>	<b>-</b>	<b>27,421</b>
<b>Total Assets</b>	<b><u>\$ 3,068,427</u></b>	<b><u>\$ 13,580,607</u></b>	<b><u>\$ 16,649,034</u></b>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 92,635	\$ -	\$ 92,635
Accrued Expenses	170,876	-	170,876
Accrued Vacation	116,860	-	116,860
Deferred Revenue	82,550	-	82,550
<b>Total Current Liabilities</b>	<b>462,921</b>	<b>-</b>	<b>462,921</b>
<b>Net Assets</b>	<b>2,605,506</b>	<b>13,580,607</b>	<b>16,186,113</b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 3,068,427</u></b>	<b><u>\$ 13,580,607</u></b>	<b><u>\$ 16,649,034</u></b>

*See accompanying Notes to Financial Statements.*

**U.S. - JAPAN COUNCIL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue</b>			
Grants and Contributions	\$ 551,970	\$ -	\$ 551,970
TOMODACHI Contributions	27,000	2,355,346	2,382,346
Program Revenue	1,648,145	-	1,648,145
Annual Conference	1,101,685	-	1,101,685
Investment Income (Loss)	161	(704,310)	(704,149)
Foreign Exchange Income	3,512	-	3,512
Miscellaneous Income	11,668	-	11,668
Donated Services	169,787	-	169,787
Net Assets Released from Restrictions	2,051,070	(2,051,070)	-
<b>Total Revenue</b>	<b>5,564,998</b>	<b>(400,034)</b>	<b>5,164,964</b>
<b>Expenses</b>			
Program Services			
General Education	3,131,824	-	3,131,824
TOMODACHI	1,692,285	-	1,692,285
Supporting Services			
General and Administration	243,014	-	243,014
Fundraising	121,468	-	121,468
<b>Total Expenses</b>	<b>5,188,591</b>	<b>-</b>	<b>5,188,591</b>
Change in Net Assets	376,407	(400,034)	(23,627)
Net Assets, Beginning of Year	2,229,099	13,980,641	16,209,740
<b>Net Assets, End of Year</b>	<b>\$ 2,605,506</b>	<b>\$ 13,580,607</b>	<b>\$ 16,186,113</b>

*See accompanying Notes to Financial Statements.*

**U.S. - JAPAN COUNCIL**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General Education</u>	<u>TOMODACHI</u>	<u>Total Programs</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Benefits	\$ 1,002,986	\$ 283,840	\$ 1,286,826	\$ 191,137	\$ 95,569	\$ 1,573,532
Program Implementation Services	1,770,871	1,310,982	3,081,853	-	-	3,081,853
Office Expenses	9,424	358	9,782	2,769	1,346	13,897
Travel	91,785	2,574	94,359	4,796	2,398	101,553
Meetings	62,820	-	62,820	4,533	2,267	69,620
Business and License Fees	5,021	1,293	6,314	1,434	717	8,465
Professional Services	26,674	14,876	41,550	6,677	3,338	51,565
Depreciation and Amortization	8,509	5,931	14,440	990	1,121	16,551
Rent	53,973	38,554	92,527	15,421	7,710	115,658
Facilities and Equipment	7,948	50	7,998	1,272	10	9,280
Computer Hosting and Maintenance	8,351	5,685	14,036	2,386	1,193	17,615
Supplies	5,479	4,033	9,512	830	415	10,757
Telecommunications	52,626	9,420	62,046	3,607	1,804	67,457
Printing	5,654	3,278	8,932	1,582	791	11,305
Insurance	3,720	4,855	8,575	1,063	531	10,169
Dues and Subscriptions	2,234	704	2,938	638	319	3,895
Fees	9,646	3,434	13,080	2,707	1,353	17,140
Education and Training	4,103	2,418	6,521	1,172	586	8,279
<b>Total</b>	<b>\$ 3,131,824</b>	<b>\$ 1,692,285</b>	<b>\$ 4,824,109</b>	<b>\$ 243,014</b>	<b>\$ 121,468</b>	<b>\$ 5,188,591</b>

*See accompanying Notes to Financial Statements.*

**U.S. - JAPAN COUNCIL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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<b>Cash Flows from Operating Activities</b>	
Change in Net Assets	\$ (23,627)
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities	
Depreciation and Amortization	16,551
Loss on Investments	627,203
<u>(Increase) Decrease in Assets</u>	
Grants and Contributions Receivable	(617,181)
Due from USJC - Japan	655,639
Prepaid Expenses	(41,616)
<u>Increase (Decrease) in Liabilities</u>	
Accounts Payable	(122,084)
Accrued Expenses	(39,545)
Accrued Vacation	23,041
Deferred Revenue	19,299
	497,680
 <b>Cash Flows from Investing Activities</b>	
Purchases of Fixed Assets	(15,124)
Purchases of Investments	(2,646,285)
Sales of Investments	3,163,499
	502,090
Net Cash Provided by Investing Activities	502,090
Net Increase in Cash and Cash Equivalents	999,770
Cash and Cash Equivalents, Beginning of Year	2,119,198
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 3,118,968</b>

*See accompanying Notes to Financial Statements.*



## U.S. - JAPAN COUNCIL

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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#### 1. ORGANIZATION

U.S. - Japan Council (USJC) is a not-for-profit corporation incorporated in the State of California in December 2008 that contributes to strengthening U.S. - Japan relations by bringing together diverse leadership, engaging stakeholders, and exploring issues that benefit communities, businesses, and government entities on both sides of the Pacific. USJC promotes people-to-people relations as crucial to a strong U.S. - Japan relationship. USJC has offices in Washington, DC, and Los Angeles, California.

In 2012, the U.S. - Japan Council (Japan) (USJC-J) was created to support the administration of the TOMODACHI Initiative (see Note 10), and is a Public Interest Corporation (*Koeki Zaidan Hojin*). USJC-J maintains an office in Tokyo, Japan.

USJC is supported primarily by contributions and contract revenue related to its programs.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### *Basis of Accounting*

The financial statements are prepared on the accrual basis of accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when incurred.

##### *Financial Statement Presentation*

USJC has presented its financial statements in accordance with *U.S. Generally Accepted Accounting Principles*. Under those principles, USJC is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* - resources that are available for general operations and resources designated by USJC's board of directors for approved expenditures.
- *Net Assets With Donor Restrictions* - resources that are subject to donor-imposed restrictions; temporary or permanent. Temporary restrictions are those that expire either by passage of time or fulfillment of purpose by actions of USJC. Permanent restrictions are that neither expire by passage of time nor fulfillment of purpose.

##### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### *Income Taxes*

USJC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Income Taxes (Continued)*

USJC requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. USJC does not believe its financial statements include, or reflect, any uncertain tax positions.

USJC’s IRS Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the taxing authorities, generally for three years after it was filed.

*Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand and other highly liquid instruments with initial maturities of less than three months when purchased.

*Grants and Contributions Receivable*

Grants and contributions receivable consist primarily of amounts due from organization and individual pledges that were not received by USJC at year end. Management reviews the collectability of the accounts on a regular basis. No reserve for doubtful accounts is deemed necessary as all amounts are deemed to be fully collectible.

*Investments*

Investments consist of mutual funds, exchange traded funds, and private investment funds which are stated at fair market value.

*Property and Equipment*

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of three years for furniture, fixtures, and office equipment. USJC capitalizes all furniture and equipment purchases over \$500.

Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

*Donated Services*

Donated services are recognized as contributions, at fair value, if the services (a) create nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by USJC.

*Grants and Contributions*

Grants and contributions are recognized when a donor makes an unconditional promise to give. Grants and contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends, or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation, benefits, and general expenses, which are allocated on the basis of estimates of time and effort by employees. Expenses directly identifiable to specific programs and supporting activities are allocated accordingly.

**3. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU made improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net assets classification requirements and the information presented about a not-for-profit's liquidity and availability of resources. The ASU became effective for fiscal years beginning after December 15, 2017. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. USJC implemented this ASU effective for its fiscal year ended December 31, 2018.

**4. CONCENTRATIONS**

USJC maintains cash balances at financial institutions in the Washington, DC, metropolitan area, California, and Tokyo, Japan. The accounts at the U.S. institutions are insured by the Federal Deposit Insurance Corporation (FDIC). At times during the year, USJC's cash balances exceeded the FDIC insurance amounts. Management believes the risk in these situations to be minimal.

**5. LIQUIDITY AND AVAILABILITY OF RESOURCES**

USJC's cash flows have seasonal variations due to the timing of grants, contributions, program revenues, and vendor payments. USJC manages its liquidity to meet general expenditures, liabilities, and other obligations as they become due. Excess cash flows not needed for day-to-day operations are invested in CDs or short-term investments.

The following reflects USJC's financial assets as of December 31, 2018, reduced by amounts not available for general operating expenditure within one year:

Total Assets	\$ 16,649,034
Less Amounts Not Available for General Operating Expenditure	
Grants and Contributions Receivable in Greater than One Year	(330,000)
Contributions Receivable Restricted for Purpose by Donors	(1,176,542)
Investments Designated for Endowment Fund	(11,366,119)
Investments Held in Private Investments	(350,000)
Fixed Assets, Net	(27,421)
	<hr/>
Total Financial Assets and Liquidity Resources Available within One Year	<u>\$ 3,398,952</u>

**U.S. - JAPAN COUNCIL**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**6. INVESTMENTS AND FAIR VALUE MEASUREMENTS**

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

*Level 1* - values are based on quoted prices for identical assets in an active market.

*Level 2* - values are based on quoted prices for similar assets in active or inactive markets.

*Level 3* - values are based on unobservable inputs to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Therefore, unobservable inputs reflected USJC's judgment about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

During 2017, USJC invested in certain investments of undivided interest in a fund of funds which invests in diversified interests. This partnership invests in private investment funds which have a variety of investment objectives. Each of these investments have certain restrictions with respect to rights of withdrawal by the partnership. At December 31, 2018, the balance in this fund was \$4,307,194.

Fair values of assets at December 31, 2018, are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Fund	\$ 218,887	\$ 218,887	\$ -	\$ -
Equity Funds	1,725,234	1,725,234	-	-
Exchange Traded Funds	354,830	354,830	-	-
Fixed Income Funds	4,759,973	4,759,973	-	-
Private Investments Funds	4,657,195	-	-	4,657,195
Total	<u>\$ 11,716,119</u>	<u>\$ 7,058,924</u>	<u>\$ -</u>	<u>\$ 4,657,195</u>

The preceding methods described may produce a fair value estimate that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although USJC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows:

	<u>Private Investment Funds</u>
Balance, January 1, 2018	\$ 5,074,462
Purchases of Investments	-
Total Net Unrealized Loss Included in Changes in Net Assets, in Net Investment Income, Attributable to Assets Held at Year End	<u>(417,267)</u>
Balance, December 31, 2018	<u>\$ 4,657,195</u>

USJC recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels during the year ended December 31, 2018.

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

Investment loss for the year ended December 31, 2018, is as follows:

	Amount
Interest and Dividends	\$ 145,251
Unrealized Loss	(792,364)
Investment Fees	(57,036)
Total Investment Loss	\$ (704,149)

**7. GRANTS AND CONTRIBUTIONS RECEIVABLE**

Unconditional promises to give are recorded as receivables and revenue when received. USJC distinguishes between grants and contributions received for each net asset category in accordance with donor-imposed restrictions. Grants and contributions receivable are recorded after being discounted to the anticipated net present value of the future cash flows.

Grants and contributions are expected to be realized in the following periods:

In One Year or Less	\$ 1,307,665
Between One Year and Five Years	330,000
	\$ 1,637,665

**8. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of December 31, 2018:

Description	Amount
Furniture and Fixtures	\$ 39,342
Office Equipment	65,370
	104,712
Less Accumulated Depreciation	(77,291)
Net	\$ 27,421

**9. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were available for the following purposes at December 31, 2018:

Description	Amount
<i>Temporarily Restricted</i>	
TOMODACHI	\$ 3,180,389
Watanabe Endowment Fund - Scholarships	400,218
<i>Permanently Restricted</i>	
Watanabe Endowment Fund - Scholarships	10,000,000
Total Net Assets With Donor Restrictions	\$ 13,580,607

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**9. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Net assets were released from donor restrictions during 2018 as follows:

<u>Description</u>	<u>Amount</u>
TOMODACHI	\$ 1,629,238
Watanabe Endowment - Scholarships	<u>421,832</u>
Total	<u>\$ 2,051,070</u>

**10. TOMODACHI**

USJC and the U.S. Embassy in Tokyo, with support from the government of Japan, formed a public-private partnership (TOMODACHI), to support the long-term recovery of Japan following the March 11, 2011 Great East Japan Earthquake. TOMODACHI supports programs in educational exchange and leadership development that invest in the next generation of young Japanese and Americans in ways that deepen the friendship between the United States and Japan.

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

**11. ANNUAL CONFERENCE**

In 2018, U.S. - Japan Council (US) and U.S. Japan Council (Japan) held a joint Annual Conference in Tokyo, Japan. Total conference revenue, expenses, and net proceeds were shared between the two entities based on the ratio of revenue received and expenses paid which were 50% (US) and 50% (Japan). These distributions were approved by both Boards of Directors.

**12. DONOR DESIGNATED ENDOWMENTS**

USJC's endowment consists of the donor-restricted Toshizo Watanabe Endowed Scholarship Fund (the Fund). The Fund was created to provide study abroad scholarships to American and Japanese students who demonstrate leadership potential and financial need. The scholarships assist in supporting the cost of tuition and/or living expenses for a student's academic study in Japan and the United States. The scholarship program seeks to promote cross-cultural education between the two countries.

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of USJC has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the District of Columbia as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, USJC classifies as permanently restricted net assets (a) the original value of gifts

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NOTES TO FINANCIAL STATEMENTS  
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**12. DONOR DESIGNATED ENDOWMENTS (CONTINUED)**

donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the Fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by USJC in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, USJC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of USJC, and (7) USJC's investment policies.

*Investment Return Objectives, Risk Parameters, and Strategies:* USJC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment assets. Endowment assets shall exist into perpetuity and therefore be invested with the objective of preserving its long-term real purchasing power while providing for the annual spending distribution. The primary investment objective of the Fund, measured over five to seven rolling periods, is to earn an annualized return of at least 4.0 percent, net of fees. The secondary investment objective of the Fund is to be competitive over the long term (defined as five- to seven-year rolling periods) relative to its market benchmark. The Fund will also be reviewed relative to a peer universe of endowment funds with recognition that the Fund is likely to have a different total return and risk profile than many of the endowments in universe comparisons.

*Spending Policy:* The Fund's annual minimum distribution requirement is \$200,000, less certain administrative fees. The Board has discretion to establish a prudent spending policy in excess of the minimum requirement. In any given year, the spending policy may range from not less than \$200,000 to approximately 4.0 percent of the market value of the Fund.

Composition and changes in endowment net assets for the year ended December 31, 2018, were as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Fund	\$ -	\$ 400,218	\$ 10,000,000	\$ 10,400,218
		With Donor Restrictions		
		Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 1,489,325	\$ 10,000,000	\$ 11,489,325
Investment Return	-	(667,275)	-	(667,275)
Contributions	-	-	-	-
Appropriation of Endowment Assets for Expenditure	-	(421,832)	-	(421,832)
Endowment Net Assets, End of Year	\$ -	\$ 400,218	\$ 10,000,000	\$ 10,400,218

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**NOTES TO FINANCIAL STATEMENTS  
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**13. DONATED SERVICES**

The value of donated services and facilities and the corresponding functional expense categories for the year ended December 31, 2018, are as follows:

Description	General Education	TOMODACHI	General and Administration	Fundraising	Total
Travel	\$ 75,000	\$ -	\$ -	\$ -	\$ 75,000
Printing	40,000	-	-	-	40,000
Meetings	46,953	-	-	-	46,953
Facilities and Equipment	7,834	-	-	-	7,834
Total	\$ 169,787	\$ -	\$ -	\$ -	\$ 169,787

**14. RETIREMENT PLAN**

USJC has a 401(k) retirement plan (the Plan). Employees may elect to defer a portion of compensation by enrolling in the Plan. All employees over the age of 21 and completing three months of service are eligible to receive an employer matching contribution equal to 100% of their deferrals up to 6% of their compensation. Employees' and USJC's contributions to the Plan are 100% vested upon participation. During the year ended December 31, 2018, USJC's contribution to the Plan was \$63,410.

**15. LEASES**

*Office Equipment Lease*

USJC has entered into a lease of certain office equipment and is obligated under the lease through April 2020.

*Office Lease*

USJC has a non-cancellable office lease that expires on January 31, 2022. The lease contains an annual increase of rent amounts and additional payments for operating charges.

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

For the Years Ending December 31,

2019	\$ 165,193
2020	170,510
2021	173,984
2022	14,528
Total Future Minimum Lease Payments	<u>\$ 524,215</u>

**16. COMMITMENTS**

USJC entered into a contract for hotel and venue for its annual conference in 2019. The contract contains a clause whereby USJC is liable for liquidated damages in the event of cancellation, based upon a percentage of the contract price determined by the length of time between the cancellation and the event date. Management does not believe any cancellation under this contract will occur and result in a material impact to the financial statements.



**U.S. - JAPAN COUNCIL**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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**17. SUBSEQUENT EVENTS**

Subsequent events were evaluated through February 27, 2019, which is the date the financial statements were available to be issued.