

*Financial Statements*

The Japan-America Society of Washington, Inc.

July 31, 2017

## CONTENTS

Independent Auditor's Report

### FINANCIAL STATEMENTS

EXHIBIT "A" - Statement of Financial Position  
as of July 31, 2017

EXHIBIT "B" - Statement of Activities  
for the year ended July 31, 2017

EXHIBIT "C" - Statement of Changes in Net Assets  
for the year ended July 31, 2017

EXHIBIT "D" - Statement of Cash Flows  
for the year ended July 31, 2017

EXHIBIT "E" - Statement of Expenses by Functional Areas  
for the year ended July 31, 2017

Notes to Financial Statements



CG DAVIS & ASSOCIATES, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
The Japan-America Society of Washington, Inc.  
Washington, D. C.

We have audited the accompanying financial statements of The Japan-America Society of Washington, Inc. (a nonprofit organization) which comprise the statement of financial position as of July 31, 2017, and the related statements of activities, changes in net assets, cash flows and expenses by functional areas 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.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Japan-America Society of Washington, Inc. as of July 31, 2017, 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.

*CG DAVIS + ASSOCIATES, P.A.*  
Certified Public Accountants

January 12, 2018

THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

STATEMENT OF FINANCIAL POSITION  
JULY 31, 2017

ASSETS

Current assets:

Cash	\$	187,475
Investment in mutual funds, at market value		<u>1,175,358</u>
Total current assets		<u>1,362,833</u>

Property and equipment, at cost:

Office furniture and fixtures		31,222
Artwork		4,877
Library		<u>4,662</u>
Total cost		40,761

Less: Accumulated depreciation		<u>28,775</u>
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Total cost less accumulated depreciation		<u>11,986</u>
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TOTAL ASSETS	\$	<u><u>1,374,819</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$	7,757
Accrued expenses		3,021
Deferred revenue		<u>30,925</u>
Total liabilities		<u>41,703</u>

Net assets:

<u>Unrestricted net assets:</u>		
Undesignated		199,787
Endowment funds		1,118,329
Temporarily restricted net assets		<u>15,000</u>

Total net assets		<u>1,333,116</u>
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TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>1,374,819</u></u>
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## THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JULY 31, 2017

	<u>Unrestricted</u>	<u>Endowment Funds</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenue:</u>				
Membership dues	\$ 55,100	\$ -	\$ -	\$ 55,100
Contributions	27,424	-	77,926	105,350
Program revenue	172,193	-	-	172,193
Registration fees	396,206	-	-	396,206
Grant revenue	-	-	158,966	158,966
Sponsorships	118,400	-	-	118,400
Administrative service fee	7,737	-	-	7,737
Net assets released due to satisfaction of program restrictions	221,892	-	(221,892)	-
<b>Total revenue</b>	<b>998,952</b>	<b>-</b>	<b>15,000</b>	<b>1,013,952</b>
<u>Expenses:</u>				
Program services:				
Sakura Matsuri	377,994	-	-	377,994
Japan Bowl	138,028	-	-	138,028
JASW school	70,914	-	-	70,914
Annual dinner	67,793	-	-	67,793
Cultural activities	60,235	-	-	60,235
Other programs	80,100	-	-	80,100
<b>Total program services</b>	<b>795,064</b>	<b>-</b>	<b>-</b>	<b>795,064</b>
Support services:				
Management and general	284,843	-	-	284,843
<b>Total support services</b>	<b>284,843</b>	<b>-</b>	<b>-</b>	<b>284,843</b>
<b>Total expenses</b>	<b>1,079,907</b>	<b>-</b>	<b>-</b>	<b>1,079,907</b>
Change in net assets from operations	(80,955)	-	15,000	(65,955)
<u>Other changes in net assets:</u>				
Dividend/Interest and capital gains	-	42,897	-	42,897
Unrealized gains on investments	-	59,943	-	59,943
<b>Total other changes in net assets</b>	<b>-</b>	<b>102,840</b>	<b>-</b>	<b>102,840</b>
<b>Change in net assets for the year</b>	<b>\$ (80,955)</b>	<b>\$ 102,840</b>	<b>\$ 15,000</b>	<b>\$ 36,885</b>

See Accompanying Notes to Financial Statements

THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JULY 31, 2017

	<u>Unrestricted</u>	Endowment <u>Funds</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Balance at July 31, 2016	\$ 257,742	\$ 1,038,489	\$ -	\$ 1,296,231
Change in net assets for the year ended July 31, 2017	(80,955)	102,840	15,000	36,885
<u>Other changes in net assets:</u>				
Scholarships awarded	<u>23,000</u>	<u>(23,000)</u>	<u>-</u>	<u>-</u>
Total other changes in net assets	<u>23,000</u>	<u>(23,000)</u>	<u>-</u>	<u>-</u>
Balance at July 31, 2017	<u>\$ 199,787</u>	<u>\$ 1,118,329</u>	<u>\$ 15,000</u>	<u>\$ 1,333,116</u>

See Accompanying Notes to Financial Statements

THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JULY 31, 2017

Cash flows from operating activities:

Change in net assets per EXHIBIT "B"	\$	36,885
Adjustments to reconcile change in net assets with net cash used in operating activities:		
Depreciation		1,559
Unrealized (gain) loss in value of investments		(59,943)
Changes in assets and liabilities:		
Prepaid expenses		6,241
Accounts payable		(13,453)
Accrued expenses		(618)
Deferred revenue		8,290
		8,290
Net cash used in operating activities		(21,039)

Cash flows from investing activities:

Investment in mutual funds		(42,771)
Acquisition of property and equipment		(1,072)
		(1,072)
Net cash used in investing activities		(43,843)
Net decrease in cash		(64,882)
Cash and cash equivalents at beginning of year		252,357
Cash and cash equivalents at end of year	\$	187,475

## THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

STATEMENT OF EXPENSES BY FUNCTIONAL AREAS  
FOR THE YEAR ENDED JULY 31, 2017

	Sakura Matsuri	Japan Bowl	JASW School	Annual Dinner	Cultural Activities	Other Programs	Total Program Services	Management and General	Total
Program expenses	\$ 217,273	\$ 65,017	\$ 1,918	\$ 52,049	\$ 24,995	\$ 39,846	\$ 401,098	\$ 28,977	\$ 430,075
Salaries and related benefits	44,213	22,969	11,252	10,774	20,704	19,444	129,356	85,464	214,820
Professional services	50,305	18,896	45,425	500	5,302	7,594	128,022	10,268	138,290
Rent	-	-	-	-	-	-	-	78,934	78,934
Travel	18,097	17,309	3,585	628	2,524	9,474	51,617	8,385	60,002
Other	14,341	980	2,828	-	499	937	19,585	33,556	53,141
Office supplies/expenses	23,072	8,624	5,663	3,044	2,089	769	43,261	8,146	51,407
Insurance	8,846	3,230	-	-	-	-	12,076	3,108	15,184
Bank charges	204	133	-	-	180	306	823	14,380	15,203
Communications	921	224	-	-	-	506	1,651	7,067	8,718
Equipment rental	391	441	224	749	104	372	2,281	4,295	6,576
Contributions	-	-	-	-	3,090	-	3,090	-	3,090
Postage/Shipping/Delivery	331	205	19	49	748	852	2,204	704	2,908
Depreciation	-	-	-	-	-	-	-	1,559	1,559
Total	\$ 377,994	\$ 138,028	\$ 70,914	\$ 67,793	\$ 60,235	\$ 80,100	\$ 795,064	\$ 284,843	\$ 1,079,907



THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization - The Japan-America Society of Washington, Inc. (the "Society") is a non-profit corporation organized under the District of Columbia Non-Profit Corporation Act in 1957. Its purpose is to promote friendship and understanding between the people of the United States and Japan.

The Society is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code.

The Society follows the guidance of the Financial Accounting Standards Board Accounting Standards Codification 740-10, *Accounting for Uncertainty in Income Taxes* which clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements, including those of non-profit organizations. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the financial statements.

The Society analyzes tax positions taken, including those related to the requirements set forth in IRS Sec. 501(c) to qualify as a tax exempt organization, activities performed by volunteers and board members, the reporting of unrelated business income, and its status as a tax-exempt organization under District of Columbia statute. The Society does not know of any tax benefits arising from uncertain tax positions and there was no effect on the Society's financial position or changes in net assets as a result of analyzing its tax positions. Tax years ending on or after December 31, 2014 remain subject to examination by federal and state authorities.

b. Basis of presentation - Net assets of the Society and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. The Board of Trustees will, at times, designate unrestricted net assets for a particular purpose of the Society. These net assets are shown separately on the statement of financial position.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Society and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Society. Generally, the donors of these assets permit the Society to use all or part of the income earned on related investments for general or specific purposes. The Society maintained no such net assets as of July 31, 2017.

c. Accounting year - The Society elected to change to a fiscal year accounting period beginning August 1 and ending on July 31. Previously the Society reported its financial activities on a calendar year accounting period.

d. Accounting method - The accompanying financial statements are presented on the accrual basis of accounting.

e. Cash and cash equivalents - For purposes of the statements of financial position and the statements of cash flows, the Society considers all short-term investments with an original maturity of three months or less to be cash equivalents. Certificates of deposit are considered, by their nature, to be cash equivalents.

f. Investments

Investments in debt and equity securities are classified as available-for-sale and stated at fair value with realized and unrealized gains and losses reported in the statement of activities.

THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Fair Value Measurements

The fair value of financial assets and liabilities is measured according to the *Fair Value Measurements and Disclosures* topic of the FASB Accounting Standards Codification 820-10. Fair value is required to be evaluated and adjusted according to the following valuation techniques:

Level 1 – Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2 – Fair value is determined using quoted market prices in active markets for similar assets and liabilities.

Level 3 – Fair value is determined using unobservable market prices in a market that is typically inactive.

All of the Society's investments are in securities of public companies that are measured using quoted prices in active markets.

h. Accounts receivable – Accounts receivable consists of amounts due to the Society in payment of activities which occurred during periods prior to July 31, 2017. Management has determined that these receivables are totally collectible and accordingly there is no allowance for estimated uncollectible accounts.

i. Depreciation - The Society has adopted the policy of capitalizing depreciable property which costs more than \$100. Furniture and equipment are recorded at cost or, if donated, at the approximate fair value at the date of the donation. Depreciation is provided generally over the estimated useful lives of the assets of five years on the straight-line basis. Artwork is not depreciated because, in management's opinion, the value of the assets does not decrease over future periods. Depreciation expense for the year ended July 31, 2017 was \$1,559.

j. Investment in mutual funds – Investment in mutual funds is reflected on the accompanying financial statements at market value. Any increase or decrease in market value is recorded as unrealized gain or loss in the value of investments and reflected in the statement of activities as a part of investment income.

k. Deferred membership dues – Deferred membership dues consists of unearned dues that relate to the subsequent year.

l. Management estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

m. Subsequent events - In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through January 12, 2018 which is the date the financial statements were available to be issued.

THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2017

2. PENSION PLAN

The Society has a defined contribution pension plan in which all full-time employees are eligible to participate. Employer contributions are based on a 5% annual contribution computed using each participant's base salary. Pension expense for the year ended July 31, 2017 was \$5,042.

3. INVESTMENTS IN MARKETABLE SECURITIES

Investments in securities classified as available-for-sale for July 31, 2017 are as follows:

	<u>Cost Basis</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Mutual Funds	<u>\$1,001,258</u>	<u>\$176,980</u>	<u>\$2,879</u>	<u>\$1,175,359</u>

4. CONCENTRATION OF CREDIT RISK

Cash balances held in banks are insured up to \$250,000 per equity institution by the Federal Depository Insurance Corporation. The Society may, at times, exceed the insured amount.

5. ENDOWMENT FUNDS

JASW established Endowment Funds for the purpose of providing scholarships, supporting arts programs and the Japan Bowl program. Contributions so designated by the donors are deposited in a distinct investment account established for those purposes. The net assets attributable to the Endowment Funds are however, unrestricted and can be used for purposes to be determined by the Board of Directors. The Board has established an earnings objective of 5% of the value of the funds per year, which is the amount the Board designated to be used each year depending on the value of the fund. The Board must vote and approve any withdrawals from any of the Fidelity funds. During 2013 JASW performed an extensive review of prior year contributions and endowment fund allocations and determined that \$523,567 should be transferred from the Unrestricted fund to the Endowment funds.