

**THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**JULY 31, 2021 AND 2020**

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the Japan - America Society of Washington, Inc. (a non-profit organization), which comprise the statement of financial position as of July 31, 2021, and the related statements of activities, functional expenses, and cash flows for the years 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, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note B to the financial statements, during the year ended July 31, 2021, Japan - America Society of Washington, Inc. adopted new accounting guidance, Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to this matter.

### **Prior Period Financial Statements**

The financial statements of Japan - America Society of Washington, Inc. as of July 31, 2020, were audited by other auditors whose report dated August 25, 2021, expressed an unmodified opinion on those statements.



Washington, DC  
May 19, 2022

**THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JULY 31, 2021 AND 2020**

	2021	2020
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 169,609	\$ 121,063
Investments	1,541,556	1,385,051
Accounts Receivable	18,000	36,877
Prepaid Expenses	10,121	15,153
Total Current Assets	1,739,286	1,558,144
<b>PROPERTY AND EQUIPMENT, NET</b>	6,138	8,628
<b>COLLECTIONS</b>	9,539	9,539
<b>TOTAL ASSETS</b>	\$ 1,754,963	\$ 1,576,311
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 26,388	\$ 20,289
Accrued expenses	12,254	11,993
Deferred revenue	107,827	119,259
PPP loan	70,729	71,200
Total Current Liabilities	217,198	222,741
<b>NON-CURRENT LIABILITIES</b>		
Deferred rent	10,430	6,091
Total Liabilities	227,628	228,832
<b>NET ASSETS</b>		
Without donor restrictions:		
Board designated	1,512,335	1,347,479
With donor restrictions	15,000	-
Total Net Assets	1,527,335	1,347,479
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 1,754,963	\$ 1,576,311

The accompanying notes are an integral part of these financial statements.

**THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JULY 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Registrations	\$ 129,506	\$ -	\$ 129,506
Language school	187,106	-	187,106
Sponsorships	45,500	-	45,500
In-kind contributions	80,733	-	80,733
Contributions	155,020	56,394	211,414
Member dues	106,441	-	106,441
Miscellaneous Revenue	9,037	-	9,037
Investment income, net	277,985	-	277,985
Net assets released from restrictions	41,394	(41,394)	-
Total Revenue and Support	1,032,722	15,000	1,047,722
<b>EXPENSES</b>			
Program Services:			
Sakura Matsuri	75,587	-	75,587
National Japan Bowl	135,847	-	135,847
JASW School	104,262	-	104,262
Annual Dinner	89,123	-	89,123
Cultural Activities	43,660	-	43,660
Other Programs	58,275	-	58,275
Total Program Services	506,754	-	506,754
Supporting Services:			
Management and general	339,693	-	339,693
Fundraising	21,419	-	21,419
Total Supporting Services	361,112	-	361,112
Total Expenses	867,866	-	867,866
<b>CHANGE IN NET ASSETS</b>	164,856	15,000	179,856
<b>NET ASSETS</b>			
Beginning of year	1,347,479	-	1,347,479
End of year	\$ 1,512,335	\$ 15,000	\$ 1,527,335

The accompanying notes are an integral part of these financial statements.

**THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JULY 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Registrations	\$ 146,742	\$ -	\$ 146,742
Language school	220,472	-	220,472
Sponsorships	34,673	-	34,673
In-kind contributions	90,101	-	90,101
Contributions	106,186	20,800	126,986
Member dues	97,403	-	97,403
Miscellaneous Revenue	3,482	-	3,482
Investment income, net	144,624	-	144,624
Net assets released from restrictions	20,800	(20,800)	-
Total Revenue and Support	864,483	-	864,483
<b>EXPENSES</b>			
Program Services:			
Sakura Matsuri	135,680	-	135,680
National Japan Bowl	94,077	-	94,077
JASW School	125,655	-	125,655
Annual Dinner	110,017	-	110,017
Cultural Activities	21,636	-	21,636
Other Programs	165,181	-	165,181
Total Program Services	652,246	-	652,246
Supporting Services:			
Management and general	335,517	-	335,517
Total Expenses	987,763	-	987,763
<b>CHANGE IN NET ASSETS</b>	(123,280)	-	(123,280)
<b>NET ASSETS</b>			
Beginning of year	1,470,759	-	1,470,759
End of year	\$ 1,347,479	\$ -	\$ 1,347,479

The accompanying notes are an integral part of these financial statements.

THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JULY 31, 2021

	Program Services						Supporting Services			TOTAL	
	Sakura Matsuri	National Japan Bowl	JASW School	Annual Dinner	Cultural Activities	Other Programs	Total Program Services	Management And General	Fundraising		Total Supporting Services
Salaries and related benefits	\$ 41,010	\$ 51,299	\$ 28,222	\$ 35,953	\$ 22,123	\$ 26,200	\$ 204,807	\$ 148,703	\$ 10,209	\$ 158,912	\$ 363,719
Accounting	-	-	-	-	-	-	-	30,438	-	30,438	30,438
Advertisement and promotions	-	-	-	-	-	-	-	170	-	170	170
Bank Charges	242	969	6,482	45	4,017	99	11,854	317	-	317	12,171
Charitable contributions	-	-	-	-	-	-	-	1,005	-	1,005	1,005
Communications	764	956	526	670	412	488	3,816	2,771	190	2,961	6,777
Consultants	6,000	15,334	-	-	176	365	21,875	-	-	-	21,875
Depreciation	-	-	-	-	-	-	-	2,490	-	2,490	2,490
Dues, subscriptions, and publications	-	-	-	-	-	250	250	3,033	-	3,033	3,283
Event Venue and equipment rental	3,807	12,997	1,795	13,395	2,365	8,023	42,382	1,589	106	1,695	44,077
Information Technology	2,757	5,494	1,897	2,417	1,487	5,751	19,803	10,028	686	10,714	30,517
Insurance	504	630	347	442	272	322	2,517	1,828	125	1,953	4,470
Legal	-	8,615	-	-	-	-	8,615	72,118	-	72,118	80,733
Meals and entertainment	1,672	94	-	18,075	2,264	3,600	25,705	695	336	1,031	26,736
Occupancy	16,870	21,102	11,609	14,789	9,100	10,777	84,247	61,169	4,200	65,369	149,616
Office supplies and expenses	295	1,306	1,074	504	36	-	3,215	-	1,511	1,511	4,726
Other	1,155	735	175	2,674	830	-	5,569	1,618	2,990	4,608	10,177
Other professional fees	-	-	51,680	-	-	-	51,680	-	-	-	51,680
Postage, shipping, and delivery	-	3,634	14	77	-	-	3,725	-	-	-	3,725
Speakers and panelists	500	12,500	-	-	568	2,400	15,968	-	-	-	15,968
Travel and transportation	11	182	441	82	10	-	726	1,721	1,066	2,787	3,513
<b>Total</b>	<b>\$ 75,587</b>	<b>\$ 135,847</b>	<b>\$ 104,262</b>	<b>\$ 89,123</b>	<b>\$ 43,660</b>	<b>\$ 58,275</b>	<b>\$ 506,754</b>	<b>\$ 339,693</b>	<b>\$ 21,419</b>	<b>\$ 361,112</b>	<b>\$ 867,866</b>

The accompanying notes are an integral part of these financial statements.



**THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JULY 31, 2020**

	<b>Program Services</b>							<b>Supporting Services</b>	<b>TOTAL</b>
	<b>Sakura Matsuri</b>	<b>National Japan Bowl</b>	<b>JASW School</b>	<b>Annual Dinner</b>	<b>Cultural Activities</b>	<b>Other Programs</b>	<b>Total Program Services</b>	<b>Management And General</b>	
Salaries and related benefits	\$ 30,842	\$ 41,560	\$ 37,894	\$ 14,026	\$ 8,944	\$ 60,272	\$ 193,538	\$ 146,933	\$ 340,471
Accounting	-	-	-	-	-	-	-	37,968	37,968
Advertisement and promotions	-	-	-	-	-	100	100	-	100
Bank Charges	1,712	1,866	2,534	1,001	385	2,597	10,095	6,331	16,426
Charitable contributions	500	-	-	-	-	-	500	105	605
Communications	790	1,081	971	359	229	1,954	5,384	3,765	9,149
Consultants	57,546	940	-	-	117	-	58,603	590	59,193
Depreciation	-	-	-	-	-	-	-	1,601	1,601
Dues, subscriptions, and publications	6,105	815	743	275	175	1,182	9,295	5,381	14,676
Event Venue and equipment rental	781	826	1,184	50,236	179	2,144	55,350	2,056	57,406
Information Technology	1,153	1,697	1,513	2,549	324	2,565	9,801	5,330	15,131
Insurance	3,251	579	528	195	125	839	5,517	2,046	7,563
Legal	9,371	6,498	8,679	7,599	1,494	11,409	45,050	48,062	93,112
Meals and entertainment	4,320	285	110	438	-	23,143	28,296	5,160	33,456
Occupancy	12,152	16,374	14,931	5,526	3,524	23,747	76,254	57,892	134,146
Office supplies and expenses	3,161	6,221	7,985	923	836	4,234	23,360	6,684	30,044
Other	2,948	2,789	-	12,437	50	820	19,044	986	20,030
Other professional fees	-	-	45,763	-	5,067	-	50,830	-	50,830
Postage, shipping, and delivery	320	2,152	-	52	150	-	2,674	-	2,674
Scholarships	-	-	-	-	-	21,000	21,000	-	21,000
Speakers and panelists	-	9,250	-	200	-	1,575	11,025	-	11,025
Taxes, licenses, and permits	-	-	-	-	-	-	-	568	568
Travel and transportation	728	1,144	2,820	14,201	37	7,600	26,530	4,059	30,589
<b>Total</b>	<b>\$ 135,680</b>	<b>\$ 94,077</b>	<b>\$ 125,655</b>	<b>\$ 110,017</b>	<b>\$ 21,636</b>	<b>\$ 165,181</b>	<b>\$ 652,246</b>	<b>\$ 335,517</b>	<b>\$ 987,763</b>

The accompanying notes are an integral part of these financial statements.

**THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.**  
**STATEMENTS OF CASH FLOW**  
**YEARS ENDED JULY 31, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 179,856	\$ (123,280)
Adjustments to reconcile change in net assets to net cash		
Used for operating activities:		
Depreciation	2,490	1,601
Forgiveness of Debt - PPP loan	(71,200)	-
Donations of property and equipment	-	(7,500)
Investment income, net	(277,985)	(144,624)
Decrease (increase) in Assets		
Accounts receivable	18,877	(36,852)
Prepaid expenses	5,032	(12,759)
Increase (decrease) in liabilities		
Accounts payable	6,099	12,296
Accrued expenses	261	(980)
Deferred revenue	(11,432)	65,562
Deferred rent	4,339	6,091
Net Cash Used for Operating Activities	(143,663)	(240,445)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales of investments	121,480	42,327
Net Cash Provided By Investing Activities	121,480	42,327
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP loan	70,729	71,200
Net Cash Provided By Financing Activities	70,729	71,200
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	48,546	(126,918)
 <b>CASH AND CASH EQUIVALENTS, beginning of year</b>	121,063	247,981
 <b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 169,609	\$ 121,063

The accompanying notes are an integral part of these financial statements.

**THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2021 AND 2020**

**NOTE A – NATURE OF THE ORGANIZATION**

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

Program Services

The Society carries out various program activities designed to promote friendship and understanding between the people of the United States and Japan.

The Society has the following program services

*The Sakura Matsuri - Japanese Street Festival*

The largest one-day celebration of Japanese culture in the United States and the grand finale of the National Cherry Blossom Festival in Washington, D.C. Performers and vendors share Japanese culture and traditions with the festival attendees.

*National Japan Bowl®*

The Society organizes the National Japan Bowl each spring and supports other Japan Bowls across the country to recognize and encourage high school students who have chosen Japanese as a foreign language.

*Japanese Language School*

The Society operates the oldest and largest Japanese language school for adults in the Washington, D.C. area. The program includes different levels from beginning to advanced preparatory classes in the summer and fall for the Japanese Language Proficiency Test, and culture classes.

*US-Japan Capital Gala*

The Society's Annual US-Japan Capital Gala and Silent Auction supports the Society's many educational and cultural activities and is an opportunity to gather and honor some of United States of America's and Japan's most distinguished leaders.

*Cultural Activities and Other Programs*

Throughout the year, the Society offers a variety of Japanese and American activities including cultural events, social gatherings, book club, and public speaking.

**THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2021 AND 2020**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The Society prepares its financial statements on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligation is incurred.

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, *Not-for-Profit-Entities*. In accordance with the topic, the Society is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Society and changes therein, are classified and reported as follows:

*Net Assets without Donor Restrictions* – Net assets not subject to donor-imposed restrictions or stipulations.

*Net Assets with Donor Restrictions* – Net assets subject to donor-imposed stipulations that may or will be met by either actions of the Society and/or the passage of time, or that must be maintained in perpetuity by the Society. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

Adoption of New Accounting Pronouncement

The Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all revenue recognition guidance for accounting principles generally accepted in the United States of America. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Society has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. Topic 606 has been applied retrospectively with no effect on net assets.

Cash and Cash Equivalents

The Society considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents include any cash on hand, checking account balances, and money market accounts. The Society maintains its cash in bank deposit accounts which may, at times, exceed federally insured limits. The Society believes it is not exposed to any significant credit risk on cash and cash equivalents.

**THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2021 AND 2020**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Investments

The Society's investments consist principally of investments in equities and fixed income mutual funds that are held for investment purposes. Investments are reported at fair value based on quoted market prices, if available. Unrealized gains and losses are included in the change in net assets. Dividends are recorded on the ex-dividend date. Interest is recognized when earned. Purchases and sales of investments are reflected on a trade-date basis. Net appreciation or depreciation in fair value of investments is recognized in the statements of activities in the period in which the changes occur.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection of information and existing economic conditions. Accounts deemed uncollectible are charged off. As of July 31, 2021 and 2020, management had determined that all receivables are collectible within one year or less; therefore an allowance for doubtful accounts has not been established. Accounts receivable as of August 1, 2019 totaled \$25.

Property and Equipment

The Society capitalizes property and equipment acquisitions greater than \$1,000 at cost or estimated fair value at the time of donation and depreciates these items using the straight-line method of depreciation over their estimated useful lives, which range from 3 - 5 years. Expenditures for repairs and maintenance that do not extend the useful life of an asset are expensed as incurred.

Collections

The Society does not depreciate its collections received as donations, which are held for exhibit in the Society's office and not for financial gain.

Deferred Revenue

The Society recognizes revenue when earned in accordance with the accrual basis of accounting. Accordingly, deferred revenue consists principally of amounts for language courses, the annual dinner, and membership dues received in advance of the applicable program activity. Deferred revenue as of August 1, 2019 totaled \$53,697.

**THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2021 AND 2020**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Revenue Recognition

*Registrations, Language School, and Sponsorships*

The Society recognizes registrations, language school tuition, and sponsorships revenue in the at a point in time in the period when such events take place. Registration, tuition and sponsorships are based on published fixed rates. Amounts collected in advance of the event result in a deferred revenue balance.

*Member dues*

Member dues are received from individual and corporate members. The Society recognizes membership revenue by allocating the membership price to the related performance obligations and recognizing the related revenue as these obligations are accomplished.

*Contributions*

The Society recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor stipulations are recorded as contributions with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as contributions without donor restrictions. Contributions with donor restrictions that are met in the same reporting period as the contribution is received are reported as contributions without donor restrictions support. Cash received in excess of revenue recognized is recorded as deferred revenue on the statements of financial position.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Society. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, consultants, communications, insurance, and office supplies and expenses. The basis of the allocation is direct salary costs, which have been allocated to program and supporting functions based on documentation of employee time and effort. Expenses directly identifiable to specific programs and supporting activities are allocated accordingly.

**THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2021 AND 2020**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

In-Kind Contributions

The Society receives donated time from volunteers in support of its programs and operations. Trustees of the Board provide legal and compliance expertise to the Society without charge for the Society's program activities and related management decisions. The time donated for programs has not been reflected in these financial statements unless they meet the criteria for recognition under generally accepted accounting principles, whereby contributed services create or enhance non-financial assets or required specialized skills that would typically need to be purchased if not provided. For the years ended July 31, 2021 and 2020, the Society received donated legal services of \$80,733 and \$90,101, respectively.

Reclassifications

Certain amounts in the statement of cash flows for the year ended July 31, 2020 have been reclassified to conform to the presentation for the year ended July 31, 2021. These reclassifications had no effect on net assets.

**NOTE C – INCOME TAXES**

The Society is a 501(c)(3) entity exempt from federal income tax under Section 501(a) of the Internal Revenue Code. The Society is, however, subject to tax on business income unrelated to their exempt purpose.

The Society believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

The Society's information returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. The Society's information returns for the years ended July 31, 2018 through 2020 are open for a tax examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

**THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2021 AND 2020**  
(continued)

**NOTE D – AVAILABLE RESOURCES AND LIQUIDITY**

The Society regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Society’s cash flows have seasonal variations that correspond to the timing of major events. Typically, the pattern is intensive spending during the planning phase of events and a reduction in cash on hand, followed by a replenishment of cash at the end of events. The Society manages its liquidity to meet general expenditures, liabilities, and other obligations as they become due.

The Society maintains adequate cash reserves for general operations and a board-designated fund for the purpose of providing scholarships, supporting arts programs, and the Japan Bowl program. Upon Board approval, the board-designated funds can be drawn upon to supplement operational funds. Financial assets available for general operating expenditure are without donor restriction. In addition to financial assets available to meet general expenditures, the Society operates with a budget plan to result in a positive change in net assets and anticipates collecting sufficient revenue to cover general expenditures.

The following table reflects the Society’s financial assets as of July 31, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statements of financial position date because of contractual restrictions or internal board designations:

	2021	2020
Cash and cash equivalents	\$ 169,609	\$ 121,063
Investments	1,541,556	1,385,051
Accounts Receivable	18,000	36,877
 Total financial assets	 1,729,165	 1,542,991
 Less: Board designated net assets - reserves	 (1,513,335)	 (1,347,479)
Less: Net assets with donor restrictions - purpose	(15,000)	-
Financial assets available to meet cash needs for general expenditures within one year	 \$ 200,830	 \$ 195,512



**THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2021 AND 2020**  
(continued)

**NOTE E – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of July 31:

	2021	2020
Office Furniture and Computers	\$ 41,302	\$ 41,302
Less: Accumulated Depreciation	(35,164)	(32,674)
Property and equipment, net	\$ 6,138	\$ 8,628

Depreciation expense for the years ended July 31, 2021 and 2020 was \$2,490 and \$1,601, respectively.

**NOTE F – COLLECTIONS**

Collections consisted of the following as of July 31:

	2021	2020
Artwork	\$ 4,877	\$ 4,877
Library	4,662	4,662
Collections	\$ 9,539	\$ 9,539

**NOTE G – INVESTMENTS AND FAIR VALUE MEASUREMENT**

FASB ASC Topic 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Level 1 of the fair value hierarchy under FASB ASC Topic 820 is described as inputs to the valuation methodology that are unadjusted quoted prices for identical assets or liabilities in an active market that the Society has the ability to access.

*Level 1* – Inputs are based on unadjusted quoted prices for identical assets traded in an active market that the Society has the ability to access.

*Level 2* – Inputs are based on quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data.

*Level 3* – Inputs are unobservable and significant to the overall fair value measurement.

**THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE G – INVESTMENTS AND FAIR VALUE MEASUREMENT – continued**

All of the Society’s investments for the years ended July 31, 2021 and 2020, are in mutual funds. The Society’s investments in mutual funds are based on observable market quotations and are considered Level 1 items.

The preceding valuation methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Society’s management 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.

Investment securities are exposed 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 investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

The following table presents the Society’s fair value hierarchy for financial instruments measured at fair value on a recurring basis as of July 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
Equities	\$ 936,612	\$ -	\$ -	\$ 936,612
Fixed income	604,944	-	-	604,944
Total	<u>\$ 1,541,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,541,556</u>

The following table presents the Society’s fair value hierarchy for financial instruments measured at fair value on a recurring basis as of July 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
Equities	\$ 760,906	\$ -	\$ -	\$ 760,906
Fixed income	624,145	-	-	624,145
Total	<u>\$ 1,385,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,385,051</u>

**THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE H – PPP LOAN**

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) was signed into law. The CARES Act, among other things, appropriated funds for the Small Business Administration’s Paycheck Protection Program (“PPP”) loans that are forgivable in certain situations to promote continued employment.

On May 7, 2020, the Society secured a \$71,200 loan with PNC Bank (the “Lender”) under the PPP loan program that authorized forgivable loans to small businesses. The loan can be used to cover certain expenses during the COVID-19 crisis. The loan amounts will be forgiven as long as the loan proceeds are used to cover payroll costs, rent, certain mortgage interest and utility costs over a period specified in the loan document after the loan is made. If not used for the described purpose, the loan is due on May 7, 2022, along with interest calculated at a rate of 1% per annum.

The Society met the requirements to achieve loan forgiveness and the loan was forgiven by the Small Business Administration on April 14, 2021 and therefore the related loan forgiveness is reflected as revenue in the accompanying statements of activities for the year ended July 31, 2021.

On February 3, 2021, the Society secured a second PPP loan of \$70,729 with PNC Bank and as of July 31, 2021, the full amount of the loan remained outstanding. The Society met the requirements to achieve loan forgiveness and the second loan was forgiven by the Small Business Administration on February 18, 2022.

**NOTE I – LEASE COMMITMENTS**

In September 2019, the Society entered into a five year lease agreement through September 30, 2024, for office space located in Washington, DC. The lease requires total minimum monthly payments of \$11,882 with escalations at each anniversary date. Occupancy expense incurred by the Society on the operating lease totaled \$149,616 and \$134,146, respectively, for the years ended July 31, 2021 and 2020, including other operating expenses.

Future minimum lease payments due under the leases are as follows for the years ended July 31:

2022	\$ 149,189
2023	152,919
2024	156,742
2025	<u>26,230</u>
Total	<u><u>\$ 485,080</u></u>

**THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.**  
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**NOTE J – RETIREMENT PLAN**

The Society has a contributory tax-deferred annuity retirement plan under IRC Section 403(b). Employees that have completed one year of service and work over 1,000 hours per year are eligible to receive discretionary contributions from the Society. In addition, employees may make elective contributions. The Society paid \$11,444 and \$7,347 into the retirement plan for the years ended July 31, 2021 and 2020, respectively.

**NOTE K – NET ASSETS WITH DONOR RESTRICTIONS**

The Society had the following donor restricted net assets for the following purposes as of July 31:

	2021	2020
SMILES Donations	\$ 4,000	\$ -
Scholarships	11,000	-
Total donor restricted net assets	\$ 15,000	\$ -

**NOTE L – BOARD DESIGNATED ASSETS**

Board designated net assets are net assets without donor restrictions that have been earmarked by the Board of Trustees for future reserves. As of July 31, 2021 and 2020, board designated net assets totaled \$1,513,335 and \$1,347,479, respectively.

**NOTE M – SUBSEQUENT EVENTS**

In preparing these financial statements, the Society’s management has evaluated events and transactions for potential recognition or disclosure through May 19, 2022, the date the financial statements were available to be issued. There were no additional events or transactions, other than the forgiveness of the second PPP loan as mentioned in Note H, that were discovered during the evaluation that required further recognition or disclosure.