



THE JAPAN-AMERICA SOCIETY
OF WASHINGTON DC

THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

FINANCIAL STATEMENTS

JULY 31, 2020 AND 2019

THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

TABLE OF CONTENTS
JULY 31, 2020 AND 2019

	<u>Pages</u>
Independent Auditors' Report	3
Financial Statements	
Statements of Financial Position.....	4
Statements of Activities	5-6
Statements of Functional Expenses	7-8
Statements of Cash Flows.....	9
Notes to Financial Statements	10-17

Independent Auditors' Report

To the Board of Trustees
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. (the Society), which comprise the statements of financial position as of July 31, 2020 and 2019, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 The Japan-America Society of Washington, Inc., as of July 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Councilor, Buchanan & Mitchell, P.C.

Bethesda, Maryland
August 25, 2021

Certified Public Accountants

THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

STATEMENTS OF FINANCIAL POSITION
JULY 31, 2020 AND 2019

Assets	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and Cash Equivalents	\$ 121,063	\$ 247,981
Investments	1,385,051	1,282,754
Accounts Receivable	36,877	25
Prepaid Expenses	<u>15,153</u>	<u>2,394</u>
Total Current Assets	1,558,144	1,533,154
Property and Equipment, Net	8,628	2,729
Collections	<u>9,539</u>	<u>9,539</u>
Total Assets	<u><u>\$ 1,576,311</u></u>	<u><u>\$ 1,545,422</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 20,289	\$ 7,993
Accrued Expenses	11,993	12,973
Deferred Revenues	119,259	53,697
Refundable Advance	<u>71,200</u>	<u>-</u>
Total Current Liabilities	222,741	74,663
Noncurrent Liabilities		
Deferred Rent	<u>6,091</u>	<u>-</u>
Total Liabilities	228,832	74,663
Net Assets		
Without Donor Restrictions		
Undesignated	-	182,845
Board Designated	1,347,479	1,287,914
With Donor Restrictions	<u>-</u>	<u>-</u>
Total Net Assets	<u>1,347,479</u>	<u>1,470,759</u>
Total Liabilities and Net Assets	<u><u>\$ 1,576,311</u></u>	<u><u>\$ 1,545,422</u></u>

See accompanying Notes to Financial Statements.

THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>
Revenue			
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
Membership Dues	97,403	-	97,403
Miscellaneous Revenue	3,482	-	3,482
Investment Return, Net	144,624	-	144,624
Administrative Service Fees	-	-	-
Net Assets Released from Restrictions	20,800	(20,800)	-
Total Revenue	864,483	-	864,483
Expenses			
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	652,247	-	652,247
Supporting Services			
Management and General	335,517	-	335,517
Total Expenses	987,763	-	987,763
Change in Net Assets	(123,280)	-	(123,280)
Net Assets, Beginning of Year	1,470,759	-	1,470,759
Net Assets, End of Year	\$ 1,347,479	\$ -	\$ 1,347,479

See accompanying Notes to Financial Statements.

THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
Revenue			
Registrations	\$ 456,789	\$ -	\$ 456,789
Language School	196,015	-	196,015
Sponsorships	190,139	-	190,139
In-Kind Contributions	144,549	-	144,549
Contributions	55,011	83,600	138,611
Membership Dues	75,515	-	75,515
Miscellaneous Revenue	9,394	-	9,394
Investment Return, Net	69,187	-	69,187
Administrative Service Fees	7,896	-	7,896
Net Assets Released from Restrictions	<u>83,600</u>	<u>(83,600)</u>	<u>-</u>
 Total Revenue	 1,288,095	 -	 1,288,095
Expenses			
Program Services			
Sakura Matsuri	587,886	-	587,886
National Japan Bowl	138,018	-	138,018
JASW School	104,288	-	104,288
Annual Dinner	83,567	-	83,567
Cultural Activities	41,964	-	41,964
Other Programs	<u>93,266</u>	<u>-</u>	<u>93,266</u>
 Total Program Services	 1,048,989	 -	 1,048,989
Supporting Services			
Management and General	<u>239,943</u>	<u>-</u>	<u>239,943</u>
 Total Expenses	 <u>1,288,932</u>	 <u>-</u>	 <u>1,288,932</u>
 Change in Net Assets	 (837)	 -	 (837)
 Net Assets, Beginning of Year	 <u>1,471,596</u>	 <u>-</u>	 <u>1,471,596</u>
 Net Assets, End of Year	 <u><u>\$ 1,470,759</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 1,470,759</u></u>

See accompanying Notes to Financial Statements.

THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2020**

	Program Services						Total Program Services	Supporting Services	2020 Total
	Sakura Matsuri	National Japan Bowl	JASW School	Annual Dinner	Cultural Activities	Other Programs		Management and General	
Salaries and Related Benefits	\$ 30,842	\$ 41,560	\$ 37,894	\$ 14,026	\$ 8,944	\$ 60,272	\$ 193,538	\$ 146,933	\$ 340,471
Occupancy	12,152	16,374	14,931	5,526	3,524	23,747	76,254	57,892	134,146
Legal	9,371	6,498	8,679	7,599	1,494	11,409	45,051	48,062	93,112
Consultants	57,546	940	-	-	117	-	58,603	590	59,193
Event Venue and Equipment Rental	781	826	1,184	50,236	179	2,144	55,350	2,056	57,406
Other Professional Fees	-	-	45,763	-	5,067	-	50,830	-	50,830
Accounting	-	-	-	-	-	-	-	37,968	37,968
Meals and Entertainment	4,320	285	110	438	-	23,143	28,296	5,160	33,456
Travel and Transportation	728	1,144	2,820	14,201	37	7,600	26,530	4,059	30,589
Office Supplies and Expenses	3,161	6,221	7,985	923	836	4,234	23,360	6,684	30,044
Scholarships	-	-	-	-	-	21,000	21,000	-	21,000
Other	2,948	2,789	-	12,437	50	820	19,044	986	20,030
Bank Charges	1,712	1,866	2,534	1,001	385	2,597	10,095	6,331	16,426
Information Technology	1,153	1,697	1,513	2,549	324	2,565	9,801	5,330	15,131
Dues, Subscriptions, and Publications	6,105	815	743	275	175	1,182	9,295	5,381	14,676
Speakers and Panelists	-	9,250	-	200	-	1,575	11,025	-	11,025
Communications	790	1,081	971	359	229	1,954	5,384	3,765	9,149
Insurance	3,251	579	528	195	125	839	5,517	2,046	7,563
Postage, Shipping, and Delivery	320	2,152	-	52	150	-	2,674	-	2,674
Depreciation	-	-	-	-	-	-	-	1,601	1,601
Charitable Contributions	500	-	-	-	-	-	500	105	605
Taxes, Licenses, and Permits	-	-	-	-	-	-	-	568	568
Advertisement and Promotions	-	-	-	-	-	100	100	-	100
Totals	\$ 135,680	\$ 94,077	\$ 125,655	\$ 110,017	\$ 21,636	\$ 165,181	\$ 652,247	\$ 335,517	\$ 987,763

See accompanying Notes to Financial Statements.

THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2019**

	Program Services						Total Program Services	Supporting Services	2019 Total
	Sakura Matsuri	National Japan Bowl	JASW School	Annual Dinner	Cultural Activities	Other Programs		Management and General	
Salaries and Related Benefits	\$ 74,268	\$ 45,273	\$ 30,849	\$ 21,601	\$ 25,747	\$ 38,347	\$ 236,085	\$ 156,608	\$ 392,693
Event Venue and Equipment Rental	169,267	58,581	3,980	46,135	1,439	(355)	279,047	1,130	280,177
Consultants	76,214	9,762	46,114	1,680	549	1,603	135,922	14,379	150,301
Legal	79,149	-	-	-	-	-	79,149	-	79,149
Occupancy	14,425	8,794	5,992	4,196	5,001	7,448	45,856	30,419	76,275
Office Supplies and Expenses	36,220	3,801	9,777	7,129	1,202	1,796	59,925	6,180	66,105
Taxes, Licenses, and Permits	56,036	400	-	-	-	-	56,436	78	56,514
Meeting Expenses	10,494	3,174	122	472	4,215	17,331	35,808	8,977	44,785
Travel and Transportation	43,269	2,010	4,395	393	831	2,160	53,058	4,479	57,537
Scholarships	-	-	-	-	-	22,000	22,000	-	22,000
Promotions	17,601	70	800	-	1,095	95	19,661	-	19,661
Bank Charges	2,703	1,494	1,001	1,040	835	1,277	8,350	5,082	13,432
Insurance	5,095	3,339	417	292	348	519	10,010	2,120	12,130
IT and Communications	2,385	901	614	430	513	764	5,607	3,118	8,725
Dues, Subscriptions, and Publications	496	302	206	144	172	256	1,576	5,904	7,480
Depreciation	-	-	-	-	-	-	-	1,255	1,255
Postage, Shipping, and Delivery	264	117	21	55	17	25	499	104	603
Miscellaneous	-	-	-	-	-	-	-	110	110
Totals	\$ 587,886	\$ 138,018	\$ 104,288	\$ 83,567	\$ 41,964	\$ 93,266	\$ 1,048,989	\$ 239,943	\$ 1,288,932

See accompanying Notes to Financial Statements.

THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (123,280)	\$ (837)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities		
Depreciation	1,601	1,255
Investment Return	(144,624)	(42,163)
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(36,852)	(25)
Prepaid Expenses	(12,759)	3,995
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable	12,296	3,936
Accrued Expenses	(980)	3,492
Deferred Revenue	65,562	18,624
Refundable Advance	71,200	-
Deferred Rent	6,091	-
	<u>(161,745)</u>	<u>(11,723)</u>
Cash Flows from Investing Activities		
Sale of Investments	42,327	(26,634)
Purchase of Equipment	-	(2,580)
Donations of Furniture and Equipment	(7,500)	-
	<u>34,827</u>	<u>(29,214)</u>
Net Cash Provided by (Used in) Investing Activities		
Net Decrease in Cash	(126,918)	(40,937)
Cash and Cash Equivalents, Beginning of Year	<u>247,981</u>	<u>288,918</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 121,063</u></u>	<u><u>\$ 247,981</u></u>

See accompanying Notes to Financial Statements.

THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

1. NATURE OF THE 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 of 1957. The Society's purpose is to promote friendship and understanding between the people of the United States and Japan.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are presented on the accrual basis of accounting.

Net Assets Classification

The Society reports its net assets according to two classes as follows:

- *Net Assets Without Donor Restrictions* consist of net assets available for general use that are currently available to support the Society's general operations. The Board of Trustees will, at times, designate net assets without donor restrictions for a particular purpose of the Society. These net assets are shown separately on the statements of financial position.

THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets Classification (Continued)

- *Net Assets With Donor Restrictions* consist of amounts that are subject to donor-imposed stipulations. Restrictions expire by passage of time or fulfillment of purpose by actions of the Society.

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.

Cash and Cash Equivalents

The Society considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Investments

Investments include mutual funds in debt and equity securities with readily determinable fair values and are reported at fair value. Unrealized gains and losses are included in the statements of activities.

Accounts Receivable

Accounts receivable are recorded at their net realizable value. All accounts receivable are considered fully collectible by management, therefore no allowance for doubtful accounts is made.

Property and Equipment

Property and equipment purchased with a cost of \$1,000 or more are capitalized and recorded at cost, or at fair market value if contributed. Depreciation is computed using the straight-line method over the estimated useful life of the assets.

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 Revenues

Deferred revenues represent cash collections received by the end of the fiscal year for language courses, the annual dinner, and membership dues, for which services will be provided in the next fiscal year.

THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Society recognizes course registration/tuition fees, festival sponsorships and annual dinner revenue in the period when such events take place. Membership dues are recognized on a pro-rata basis over the annual membership period. Contributions are reported as revenue when payments are received and/or unconditional promises are made. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or specific purpose by the donor are reported as contributions with donor restrictions.

Conditional grants and contributions are not recorded as revenue until the related conditions have been satisfied. Amounts received for conditional grants are recorded as refundable advances until the conditions have been met. Grants and contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Functional Expense Allocation

The costs of providing the Society's programs and other activities have been summarized on a functional basis in the statements 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 rent, professional fees, communications, insurance, and office supplies. The basis of the allocation is direct salary costs which have been allocated to programs and supporting functions based on documentation of employee time and effort. Expenses directly identifiable to specific programs and supporting activities are allocated accordingly.

Income Taxes

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Society may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Management has analyzed the tax positions taken by the Society, and has concluded that as of July 31, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

The Society's Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by taxing authorities, generally for three years after filing.

THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Services

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

Board Designated Funds

The Society's Board has established a board designated fund invested in mutual and money market funds for the purpose of supporting the Society's programs as determined by the Board. The value of the fund at July 31, 2020 and 2019, was \$1,353,570 and \$1,287,914, respectively.

3. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2018-08

During the year ended July 31, 2020, the Society adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides additional guidance in (1) evaluating whether transactions should be accounted for as contributions (within the scope of ASC 958) or as exchange (reciprocal) transactions (subject to ASC 606); and (2) distinguishing between conditional and unconditional contributions. Management believes that the adoption of this ASU enhances the comparability of financial information among not-for-profit entities. This change in accounting principle was adopted on a modified prospective basis in 2020. The impact of adoption was not material to the financial statements.

4. CONCENTRATIONS AND FINANCIAL RISK

The Society maintains cash balances at a financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. The Society has not experienced any loss in such accounts. The Society believes it is not exposed to any significant credit risk on its cash balances.

Financial Risk

The Society invests in various investment securities. Investment securities are exposed to various risks such as interest rates, 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 changes could materially affect the amounts reported in the accompanying financial statements.

5. LIQUIDITY AND AVAILABILITY OF RESOURCES

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 JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

5. LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

The Society maintains adequate cash reserves for general operations and a board-designated endowment fund for the purpose of providing scholarships and supporting arts programs, and the Japan Bowl program. Upon Board approval, the endowment fund is drawn upon to supplement operational funds. Financial assets available for general operating expenditure are without donor restriction.

As of July 31, 2020, the following financial assets and liquidity sources were available for general operating expenditures in the year ending July 31, 2021:

	Amount
<i>Financial Assets</i>	
Cash and Cash Equivalents	\$ 121,063
Investments	1,385,051
Accounts Receivable	36,877
Total Financial Assets Available	1,542,991
Less Board Designated Net Assets	(1,347,479)
Total Financial Assets and Liquidity Available within One Year	\$ 195,512

As of July 31, 2019, the following financial assets and liquidity sources were available for general operating expenditures in the year ended July 31, 2020:

	Amount
<i>Financial Assets</i>	
Cash and Cash Equivalents	\$ 247,981
Investments	1,282,754
Total Financial Assets Available	1,530,735
Less Board Designated Net Assets	(1,287,914)
Total Financial Assets and Liquidity Available within One Year	\$ 242,821

6. FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities);

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include certificates of deposit);

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities and split-interest agreements).

THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

**NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019**

6. FAIR VALUE MEASUREMENTS (CONTINUED)

The following presents the Society's assets measured at fair value as of July 31, 2020:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds (<i>Stock Funds</i>)	\$ 760,906	\$ 760,906	\$ -	\$ -
Mutual Funds (<i>Bond Funds</i>)	624,145	624,145	-	-
Total Investments Measured at Fair Value	\$ 1,385,051	\$ 1,385,051	\$ -	\$ -

The following presents the Society's assets measured at fair value as of July 31, 2019:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds (<i>Stock Funds</i>)	\$ 678,902	\$ 678,902	\$ -	\$ -
Mutual Funds (<i>Bond Funds</i>)	603,852	603,852	-	-
Total Investments Measured at Fair Value	\$ 1,282,754	\$ 1,282,754	\$ -	\$ -

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of July 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Office Furniture and Computers	\$ 41,302	\$ 33,802
Less Accumulated Depreciation	(32,674)	(31,073)
Property and Equipment, Net	\$ 8,628	\$ 2,729

Depreciation expense for the years ended July 31, 2020 and 2019, was \$1,601 and \$1,255, respectively.

8. COLLECTIONS

Collections consisted of the following as of July 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Artwork	\$ 4,877	\$ 4,877
Library	4,662	4,662
Collections	\$ 9,539	\$ 9,539

9. OPERATING LEASE

In 2004, the Society signed a lease for new office space. This lease commenced in September 2004 for 15 months. The lease agreement was subsequently amended on March 22, 2006, October 15, 2007, January 24, 2011, and December 12, 2012, providing approximately 2,400 rentable square feet of office space through December 31, 2017. From January 1, 2018 through September 31, 2019, the Society was on a monthly rent arrangement of \$6,070 per month.

At the end of September 2019, the Society entered into a new lease agreement (Fifth Amendment to Lease) commencing on October 1, 2019 and ending September 30, 2024. The terms specify

THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

9. OPERATING LEASE (CONTINUED)

monthly payments of \$11,882 with escalations at each anniversary date. Under accounting principles generally accepted in the United States of America (GAAP), all rental payments, including fixed rent increases, are recognized on a straight-line basis as an offset to rent expense. The difference between the GAAP rent expense and the required lease payments would be reflected as deferred rent in the accompanying statements of financial position. Accordingly, there is a liability recorded for deferred rent for the year ended July 31, 2020. For the year ended July 31, 2019, the Society was on a monthly rent arrangement and therefore no deferred rent was recorded.

Minimum future annual rental payments under the lease agreement as of July 31, 2020, are as follows:

For the Years Ending July 31,

2021	\$ 144,659
2022	148,276
2023	151,983
2024	<u>155,782</u>
Total	<u>\$ 600,700</u>

10. RETIREMENT PLAN

The Society has a defined contribution retirement plan covering all employees. 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 \$7,347 and \$9,927 into the retirement plan for the years ended July 31, 2020 and 2019, respectively.

11. IN-KIND CONTRIBUTIONS

Trustees of the Board provide legal and compliance expertise to the Society without charge for the Society's program activities and related management decisions. Members and sponsors of the Society also provide products and services to the Society without charge for use of in its program activities. These in-kind contributions are recorded at their estimated fair values and recognized as revenue. In-kind contributions for the year ended July 31, 2020, were approximately \$90,000 in legal services. In-kind contributions for the year ended July 31, 2019, were approximately \$79,000 in legal services, \$30,000 in airfare, and \$35,000 for beverages, food, and event space, respectively.

THE JAPAN-AMERICA SOCIETY OF WASHINGTON, INC.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

12. NET ASSETS WITH DONOR RESTRICTIONS

The Society had no net assets with donor restrictions at July 31, 2020 and 2019. During the years ended July 31, 2020 and 2019, net assets released from donor restrictions were as follows:

<u>Embassy of Japan (Event Sponsorship) Purpose</u>	<u>2020</u>	<u>2019</u>
Embassy of Japan (Event Sponsorship)	\$ 8,400	\$ 10,300
Embassy of Japan (Bi-Annual Program)	8,400	-
NAJAS (Honorarium, Speaker Series, and Jump)	4,000	13,992
USJF (2019 Japan Bowl)	-	35,000
Japan Bowl Supporters Group (2019 Japan Bowl)	-	15,000
32nd Annual Dinner	-	6,038
Other	-	3,270
	<u>\$ 20,800</u>	<u>\$ 83,600</u>

13. CONTINGENCIES

The spread of COVID-19 (coronavirus disease) has had a disruptive impact on the daily life and operations of individuals, businesses, and not-for-profits around the world. There is uncertainty about financial and economic impacts in all sectors of the economy. The financial markets have experienced significant volatility, and this may continue for an extended period of time. In light of these circumstances, management continues to assess how best to adapt to changed circumstances.

14. SUBSEQUENT EVENTS

The Society has evaluated subsequent events through August 25, 2021, the date on which the financial statements were available to be issued.