

SASAKAWA PEACE FOUNDATION USA, INC.

REVIEWED FINANCIAL STATEMENTS

**(SEE ACCOUNTANT'S REVIEW REPORT)
FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000**

MURRAY, JONSON, WHITE & ASSOCIATES, LTD., P.C.
Certified Public Accountants
Falls Church, Virginia

SASAKAWA PEACE FOUNDATION USA, INC.

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**Board of Directors
Sasakawa Peace Foundation USA, Inc.**

We have reviewed the accompanying statements of financial position of the Sasakawa Peace Foundation USA, Inc. as of December 31, 2001 and 2000 and the related statements of activities and cash flows for the years then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of management of Sasakawa Peace Foundation USA, Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Murray, Jonson, White & Associates, Ltd., P.C.

Certified Public Accountants

May 3, 2002

SASAKAWA PEACE FOUNDATION USA, INC.

STATEMENTS OF FINANCIAL POSITION
December 31,
(See Accountants' Review Report)

ASSETS

	<u>2001</u>	<u>2000</u>
CURRENT ASSETS		
Cash and cash equivalents, including restricted cash of \$17,676 and \$32,692, respectively	\$1,043,908	\$ 757,362
Certificate of deposit	13,092	12,228
Accounts receivable	<u>28,222</u>	<u>30,066</u>
TOTAL CURRENT ASSETS	<u>1,085,222</u>	<u>799,656</u>
PROPERTY AND EQUIPMENT		
Land	1,200,000	1,200,000
Buildings and improvements	2,905,706	2,905,706
Furniture and equipment	384,253	377,774
Collections of books and art work	<u>481,183</u>	<u>477,787</u>
	4,971,142	4,961,267
Less: Accumulated depreciation	<u>(1,464,157)</u>	<u>(1,337,021)</u>
NET PROPERTY AND EQUIPMENT	<u>3,506,985</u>	<u>3,624,246</u>
TOTAL ASSETS	<u>\$4,592,207</u>	<u>\$4,423,902</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 5,986	\$ 34,113
Accrued salary expense	-	3,870
Deferred revenue	17,676	32,692
Deferred rental income	<u>34,216</u>	<u>40,433</u>
TOTAL CURRENT LIABILITIES	57,878	111,108
OTHER LIABILITIES		
Security deposits	<u>160,090</u>	<u>126,454</u>
TOTAL LIABILITIES	217,968	237,562
NET ASSETS - UNRESTRICTED	<u>4,374,239</u>	<u>4,186,340</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$4,592,207</u>	<u>\$4,423,902</u>

The accompanying notes to financial statements
are an integral part of this statement.

SASAKAWA PEACE FOUNDATION USA, INC.

STATEMENTS OF ACTIVITIES
December 31,
(See Accountants' Review Report)

	<u>2001</u>	<u>2000</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues and other support		
Rental	\$1,319,144	\$1,045,081
Grants	73,163	117,130
Contribution	-	32,588
Interest	18,682	10,413
Salary reimbursement	90,750	106,250
Miscellaneous	<u>1,986</u>	<u>-</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>1,503,725</u>	<u>1,311,462</u>
Expenses		
Program services		
Library	84,398	102,191
Grants	98,311	78,797
General and administrative	263,209	215,310
Fund raising - 1819 L Street management	<u>869,908</u>	<u>792,538</u>
TOTAL EXPENSES	<u>1,315,826</u>	<u>1,188,836</u>
INCREASE IN UNRESTRICTED NET ASSETS	187,899	122,626
Net assets - Beginning of year	<u>4,186,340</u>	<u>4,063,714</u>
NET ASSETS - END OF YEAR	<u>\$4,374,239</u>	<u>\$4,186,340</u>

The accompanying notes to financial statements are an integral part of this statement.

SASAKAWA PEACE FOUNDATION USA, INC.

STATEMENTS OF CASH FLOWS
December 31,
(See Accountants' Review Report)

	<u>2001</u>	<u>2000</u>
OPERATING ACTIVITIES		
Increase in net assets	\$ 187,899	\$122,626
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	127,136	128,515
(Increase) decrease in accounts receivable	1,844	(28,976)
(Increase) decrease in grants receivable	-	19,274
(Increase) decrease in advance payment	-	14,192
(Increase) decrease in other assets	-	877
Increase (decrease) in accounts payable and accrued expenses	(28,127)	18,295
Increase (decrease) in accrued salary expense	(3,870)	226
Increase (decrease) in security deposits	33,636	78,477
Increase (decrease) in deferred rental income	(6,217)	39,983
Increase (decrease) in deferred revenue	<u>(15,016)</u>	<u>27,412</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>297,285</u>	<u>420,901</u>
INVESTING ACTIVITIES		
Purchase of certificate of deposit	(864)	(12,228)
Purchase of book and videos	(3,395)	(2,277)
Purchase of equipment	<u>(6,480)</u>	<u>-</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(10,739)</u>	<u>(14,505)</u>
Increase (decrease) in cash and cash equivalents	286,546	406,396
Cash and cash equivalents - Beginning of year	<u>757,362</u>	<u>350,966</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$1,043,908</u>	<u>\$757,362</u>

The accompanying notes to financial statements are an integral part of this statement.

SASAKAWA PEACE FOUNDATION USA, INC.

NOTES TO FINANCIAL STATEMENTS
(See Accountants' Review Report)

NOTE 1 - ORGANIZATION, PURPOSE, AND SIGNIFICANT ACCOUNTING POLICIES

The Sasakawa Peace Foundation USA, Inc. (the Foundation) was incorporated on September 24, 1990 as a not-for-profit private Foundation and commenced operations in March 1991. The Foundation's initial program emphasis is on fostering a better understanding of contemporary Japan in the United States by providing a library of research, survey and other noncommercial publications, and by maintaining an art gallery. In October 1996, after the re-evaluation of its activities, the Foundation terminated the art gallery operations and has initiated new programs to promote better understanding and dialogue between the U.S. and Asia.

The Foundation received a grant from the Sasakawa Peace Foundation Japan (SPF-Japan) in order to accomplish the initial program goal, and the Foundation invested the grant, as required by SPF-Japan, to acquire a building in Washington, DC (the building) to house a library and an art gallery. The library and art gallery opened on December 2, 1992 after extensive renovation to the acquired building. The Foundation derives income from renting space in the building to commercial tenants and uses the income to maintain the building and support the Foundation's activities.

In 2002, the Foundation expects to receive contributions, amounts which have not yet been determined, from SPF-Japan sufficient to continue its operations.

The following is a summary of significant accounting policies followed in the preparation of these financial statements:

- (a). Financial Statement Presentation - The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There are currently no temporarily or permanently restricted net assets.
- (b). Cash and Cash Equivalents - The Foundation considers substantially all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents consist of money market funds and certificates of deposit.
- (c). Property and Equipment - Property and equipment are carried at cost, less accumulated depreciation. Depreciation is recorded as an expense using the straight-line method based on the estimated useful lives of the assets, which are five years for furniture and equipment and 31.5 years for buildings and improvements.
- (d). Collections of Books and Artwork - Collections of books and artwork that are exhaustible are capitalized and depreciated over an estimated useful life of five years.
- (e). Revenue Recognition - Rent from the Foundation's building is recorded as revenue on a straight-line basis over the terms of the respective leases.

SASAKAWA PEACE FOUNDATION USA, INC.

NOTES TO FINANCIAL STATEMENTS
(See Accountants' Review Report)

NOTE 1 - ORGANIZATION, PURPOSE, AND SIGNIFICANT ACCOUNTING POLICIES: Continued

- (f). Income Taxes - The Foundation is classified as a private foundation by the Internal Revenue Service under Sections 501(c)(3) and 509(a) of the Internal Revenue Code. Accordingly, the Foundation is exempt from federal income tax, but subject to certain excise taxes on any net investment income. The Foundation is also exempt from the District of Columbia income and franchise, personal property, and sales and use taxes.
- (g). Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 2 - CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Foundation to concentration of credit risk consist principally of temporary cash investments. The Foundation places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of Federal Deposit Insurance. The Foundation does not consider its credit risk to be significant.

NOTE 3 - GRANTS

In March 1991, the Foundation received an initial grant from SPF-Japan of 2,970,000,000 Japanese Yen (\$21,655,122) for the purpose of acquiring an office building at 1819 L Street in Washington, DC . The building was acquired in May 1991 at a cost of \$19,074,660, and the remaining balance of the grant was used to renovate the building and fund the initial program. The Foundation's Board of Directors has approved that the rental income be applied to fund current operations for the library and other programs of the Foundation.

Since 1999, the Foundation has been awarded grants for the seminar program titled "Asian Voices: Promoting Dialogue Between the U.S. and Asia" from SPF-Japan. The grants have been awarded to provide a forum for Asia specialists on a diverse range of current topics. In 2001 and 2000, the Foundation was awarded grants of \$65,000 and \$90,000 under this program for the periods from April 1, 2001 to February 28, 2002 and July 1, 2000 to February 28, 2001, respectively. On December 31, 2001 and 2000, the Foundation had restricted cash and deferred revenue of \$17,676 and \$32,692, respectively, relative to this grant.

NOTE 4 - FEDERAL EXCISE TAXES

The Foundation is subject to federal excise taxes on net investment income and had net investment income of \$381,246 and \$185,065 in 2001 and 2000, respectively. Under the Internal Revenue Code, the Foundation is also required to make certain minimum distributions.

Qualifying distributions of \$265,366 and \$210,263 exceeded the minimum distributable amounts of \$209,153 and \$204,888 for the years ended December 31, 2001 and 2000, respectively. As of December 31, 2001 and 2000, the Foundation has an excess distributions carryover of \$828,826 and \$4,224,426, respectively.