

**SASAKAWA PEACE FOUNDATION USA, INC.**

**FINANCIAL STATEMENTS**

**FOR THE TWELVE MONTHS ENDED**

**MARCH 31, 2004 AND**

**FOR THE FIFTEEN MONTHS ENDED**

**MARCH 31, 2003**

**(SEE ACCOUNTANTS' REVIEW REPORT)**

**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 March 31, 2004 and 2003 and the related statements of activities and cash flows for the twelve and fifteen months 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 the 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**

July 21, 2004

**SASAKAWA PEACE FOUNDATION USA, INC.**

**STATEMENTS OF FINANCIAL POSITION**  
(See Accountants' Review Report)

**ASSETS**

	<b>Twelve Months Ended March 31, 2004</b>	<b>Fifteen Months Ended March 31, 2003</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$1,535,838	\$1,404,003
Certificate of deposit	13,742	13,543
Accounts receivable	26,625	8,389
Grants receivable	<u>5,000</u>	<u>-</u>
<b>TOTAL CURRENT ASSETS</b>	<u>1,581,205</u>	<u>1,425,935</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	1,200,000	1,200,000
Buildings and improvements	2,905,706	2,905,706
Furniture and equipment	404,527	396,503
Collections of books and art work	<u>488,358</u>	<u>486,276</u>
	4,998,591	4,988,485
Less: Accumulated depreciation	<u>(1,751,194)</u>	<u>(1,626,347)</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<u>3,247,397</u>	<u>3,362,138</u>
<b>TOTAL ASSETS</b>	<u>\$4,828,602</u>	<u>\$4,788,073</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 19,525	\$ 19,056
Grant payable	6,350	-
Deferred rental income	<u>-</u>	<u>18,802</u>
<b>TOTAL CURRENT LIABILITIES</b>	25,875	37,858
<b>OTHER LIABILITIES</b>		
Security deposits	<u>180,470</u>	<u>143,394</u>
<b>TOTAL LIABILITIES</b>	206,345	181,252
<b>NET ASSETS - UNRESTRICTED</b>	<u>4,622,257</u>	<u>4,606,821</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$4,828,602</u>	<u>\$4,788,073</u>

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

**SASAKAWA PEACE FOUNDATION USA, INC.**

**STATEMENTS OF ACTIVITIES**  
**(See Accountants' Review Report)**

	<b>Twelve Months Ended March 31, 2004</b>	<b>Fifteen Months Ended March 31, 2003</b>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
Revenues and other support		
Rental	\$1,477,355	\$1,682,492
Grants	20,000	49,676
D.C. real estate tax refund - Note 6	-	337,221
Interest	7,085	15,166
Salary reimbursement	36,000	135,000
Miscellaneous	<u>-</u>	<u>709</u>
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<b><u>1,540,440</u></b>	<b><u>2,220,264</u></b>
Expenses		
Program services		
Library	93,208	114,123
Seminars	242,654	261,838
Grants	126,278	203,000
General and administrative	199,357	413,720
Fund raising - 1819 L Street management	<u>863,507</u>	<u>995,001</u>
<b>TOTAL EXPENSES</b>	<b><u>1,525,004</u></b>	<b><u>1,987,682</u></b>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<b>15,436</b>	<b>232,582</b>
Net assets - Beginning of year	<u>4,606,821</u>	<u>4,374,239</u>
<b>NET ASSETS - END OF YEAR</b>	<b><u>\$4,622,257</u></b>	<b><u>\$4,606,821</u></b>

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

**SASAKAWA PEACE FOUNDATION USA, INC.**

**STATEMENTS OF CASH FLOWS**  
(See Accountants' Review Report)

	<b>Twelve Months Ended March 31, 2004</b>	<b>Fifteen Months Ended March 31, 2003</b>
<b>OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 15,436	\$ 232,582
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	124,847	162,190
(Increase) decrease in accounts receivable	(18,236)	19,833
(Increase) decrease in grants receivable	(5,000)	-
Increase (decrease) in accounts payable and accrued expenses	469	13,070
Increase (decrease) in grants payable	6,350	-
Increase (decrease) in security deposits	37,076	(16,696)
Increase (decrease) in deferred rental income	(18,802)	(15,414)
Increase (decrease) in deferred revenue	<u>-</u>	<u>(17,676)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>142,140</u>	<u>377,889</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of certificate of deposit	(199)	(451)
Purchase of book and videos	(2,082)	(5,093)
Purchase of equipment	<u>(8,024)</u>	<u>(12,250)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(10,305)</u>	<u>(17,794)</u>
Increase (decrease) in cash and cash equivalents	131,835	360,095
Cash and cash equivalents - Beginning of year	<u>1,404,003</u>	<u>1,043,908</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$1,535,838</u>	<u>\$1,404,003</u>

**Supplemental Disclosures of Cash Flow Information**

Cash paid during the year for:

Excise taxes	\$ <u>3,620</u>	\$ <u>18,048</u>
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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 was 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.

The Foundation had operated on a calendar year from inception through December 31, 2001. Effective January 1, 2002, the Foundation elected to change to a March 31, fiscal year to more closely reflect the operating activities with SPF-Japan.

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)**  
**(Continued)**

**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). Estimates - The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**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. For the fifteen months ended March 31, 2003 and the twelve months ended March 31, 2004, the Foundation was awarded grants of \$49,676 and \$20,000 under this program for the periods from January 1, 2002 to March 31, 2003 and April 1, 2003 to March 31, 2004, respectively.

**SASAKAWA PEACE FOUNDATION USA, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**(See Accountants' Review Report)**  
**(Continued)**

**NOTE 4 - FEDERAL EXCISE TAXES**

The Foundation is subject to federal excise taxes on net investment income and had net investment income of \$474,775 and \$723,930 in 2003 and 2002, respectively. Under the Internal Revenue Code, the Foundation is also required to make certain minimum distributions.

Qualifying distributions of \$448,706 and \$514,114 exceeded the minimum distributable amounts of \$228,921 and \$227,304 for the periods ended March 31, 2004 and 2003, respectively. As of March 31, 2004 and 2003, the Foundation has an excess distributions carryover of \$827,162 and \$938,253, respectively.

**NOTE 5 - LEASE ARRANGEMENTS**

The Foundation is the lessor of retail space under operating leases expiring in various years through 2018. In addition to the base rent, the tenant generally pays an allocation of the property's real estate tax. The leases usually contain provisions for renewal options. The terms of the leases generally require basic rent payments at the beginning of each month.

Minimum future rentals to be received as of March 31, 2004 for each of the next five years and in the aggregate are as follows:

2005	\$1,151,891
2006	843,218
2007	585,458
2008	369,769
2009	168,084
Later years	<u>750,350</u>
TOTAL MINIMUM FUTURE RENTALS	<u>\$3,868,770</u>

**NOTE 6 - D.C. REAL ESTATE TAX REFUND**

The Foundation petitioned the Tax Division of the District of Columbia Superior Court to appeal the tax assessment for the tax years 1993 to 2001. A partial exemption of the art gallery/museum/library portion of the 1819 L Street property resulted in a reduction in the tax liability for those years.