

SASAKAWA PEACE FOUNDATION USA, INC.

FINANCIAL STATEMENTS

**FOR THE FIFTEEN MONTHS ENDED
MARCH 31, 2003 AND THE
TWELVE MONTHS ENDED
DECEMBER 31, 2001
(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, 2003 and December 31, 2001 and the related statements of activities and cash flows for the fifteen and twelve 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

June 20, 2003

SASAKAWA PEACE FOUNDATION USA, INC.

STATEMENTS OF FINANCIAL POSITION
(See Accountants' Review Report)

ASSETS

	Fifteen Months Ended March 31, 2003	Twelve Months Ended December 31, 2001
CURRENT ASSETS		
Cash and cash equivalents, including restricted cash of \$- and \$17,676, respectively	\$1,404,003	\$1,043,908
Certificate of deposit	13,543	13,092
Accounts receivable	<u>8,389</u>	<u>28,222</u>
TOTAL CURRENT ASSETS	<u>1,425,935</u>	<u>1,085,222</u>
PROPERTY AND EQUIPMENT		
Land	1,200,000	1,200,000
Buildings and improvements	2,905,706	2,905,706
Furniture and equipment	396,503	384,253
Collections of books and art work	<u>486,276</u>	<u>481,183</u>
	4,988,485	4,971,142
Less: Accumulated depreciation	<u>(1,626,347)</u>	<u>(1,464,157)</u>
NET PROPERTY AND EQUIPMENT	<u>3,362,138</u>	<u>3,506,985</u>
TOTAL ASSETS	<u>\$4,788,073</u>	<u>\$4,592,207</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 19,056	\$ 5,986
Deferred revenue	-	17,676
Deferred rental income	<u>18,802</u>	<u>34,216</u>
TOTAL CURRENT LIABILITIES	37,858	57,878
OTHER LIABILITIES		
Security deposits	<u>143,394</u>	<u>160,090</u>
TOTAL LIABILITIES	181,252	217,968
NET ASSETS - UNRESTRICTED	<u>4,606,821</u>	<u>4,374,239</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$4,788,073</u>	<u>\$4,592,207</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)

	Fifteen Months Ended March 31, 2003	Twelve Months Ended December 31, 2001
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues and other support		
Rental	\$1,682,492	\$1,319,144
Grants	49,676	73,163
D.C. real estate tax refund - Note 6	337,221	-
Interest	15,166	18,682
Salary reimbursement	135,000	90,750
Miscellaneous	<u>709</u>	<u>1,986</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>2,220,264</u>	<u>1,503,725</u>
Expenses		
Program services		
Library	114,123	84,398
Seminars	261,838	98,311
Grants	203,000	-
General and administrative	413,720	263,209
Fund raising - 1819 L Street management	<u>995,001</u>	<u>869,908</u>
TOTAL EXPENSES	<u>1,987,682</u>	<u>1,315,826</u>
INCREASE IN UNRESTRICTED NET ASSETS	232,582	187,899
Net assets - Beginning of year	<u>4,374,239</u>	<u>4,186,340</u>
NET ASSETS - END OF YEAR	<u>\$4,606,821</u>	<u>\$4,374,239</u>

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)

	Fifteen Months Ended March 31, 2003	Twelve Months Ended December 31, 2001
OPERATING ACTIVITIES		
Increase in net assets	\$ 232,582	\$ 187,899
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	162,190	127,136
(Increase) decrease in accounts receivable	19,833	1,844
Increase (decrease) in accounts payable and accrued expenses	13,070	(28,127)
Increase (decrease) in accrued salary expense	-	(3,870)
Increase (decrease) in security deposits	(16,696)	33,636
Increase (decrease) in deferred rental income	(15,414)	(6,217)
Increase (decrease) in deferred revenue	<u>(17,676)</u>	<u>(15,016)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>377,889</u>	<u>297,285</u>
INVESTING ACTIVITIES		
Purchase of certificate of deposit	(451)	(864)
Purchase of book and videos	(5,093)	(3,395)
Purchase of equipment	<u>(12,250)</u>	<u>(6,480)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(17,794)</u>	<u>(10,739)</u>
Increase (decrease) in cash and cash equivalents	360,095	286,546
Cash and cash equivalents - Beginning of year	<u>1,043,908</u>	<u>757,362</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$1,404,003</u>	<u>\$1,043,908</u>

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for:

Excise taxes	\$ <u>18,048</u>	\$ <u>-</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 has operated on a December 31, calendar year from inception through December 31, 2001. 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 December 31, 2001, the Foundation was awarded grants of \$49,676 and \$65,000 under this program for the periods from January 1, 2002 to March 31, 2003 and April 1, 2001 to February 28, 2002, respectively. On March 31, 2003 and December 31, 2001, the Foundation had restricted cash and deferred revenue of \$-0- and \$17,676, respectively, relative to this grant.

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 \$723,930 and \$381,246 in 2002 and 2001, respectively. Under the Internal Revenue Code, the Foundation is also required to make certain minimum distributions.

Qualifying distributions of \$514,114 and \$265,366 exceeded the minimum distributable amounts of \$227,304 and \$209,153 for the periods ended March 31, 2003 and December 31, 2001, respectively. As of March 31, 2003 and December 31, 2001, the Foundation has an excess distributions carryover of \$938,253 and \$828,826, 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, 2003 for each of the next five years and in the aggregate are as follows:

2004	\$1,442,709
2005	1,231,415
2006	1,023,230
2007	677,138
2008	369,769
Later years	<u>918,434</u>
TOTAL MINIMUM FUTURE RENTALS	<u>\$5,662,695</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.