

**SASAKAWA PEACE FOUNDATION USA, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
MARCH 31, 2005 AND 2004  
(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, 2005 and 2004 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 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**

May 18, 2005

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**SASAKAWA PEACE FOUNDATION USA, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**March 31,**

**(See Accountants' Review Report)**

**ASSETS**

	<u><b>2005</b></u>	<u><b>2004</b></u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,525,130	\$ 1,535,838
Certificate of deposit	-	13,742
Accounts receivable	2,285	26,625
Grants receivable	-	<u>5,000</u>
<b>TOTAL CURRENT ASSETS</b>	<u><b>1,527,415</b></u>	<u><b>1,581,205</b></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	306,028	404,527
Collections of books and art work	<u>490,249</u>	<u>488,358</u>
	4,901,983	4,998,591
Less: Accumulated depreciation	<u>(1,761,642)</u>	<u>(1,751,194)</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<u><b>3,140,341</b></u>	<u><b>3,247,397</b></u>
<b>TOTAL ASSETS</b>	<u><b>\$ 4,667,756</b></u>	<u><b>\$ 4,828,602</b></u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 13,178	\$ 19,525
Excise taxes payable	7,631	-
Grants payable	5,000	6,350
Deferred rental income	<u>62,276</u>	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>88,085</b>	<b>25,875</b>
<b>OTHER LIABILITIES</b>		
Security deposits	<u>172,519</u>	<u>180,470</u>
<b>TOTAL LIABILITIES</b>	<b>260,604</b>	<b>206,345</b>
<b>NET ASSETS - UNRESTRICTED</b>	<u><b>4,407,152</b></u>	<u><b>4,622,257</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 4,667,756</b></u>	<u><b>\$ 4,828,602</b></u>

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

**SASAKAWA PEACE FOUNDATION USA, INC.**

**STATEMENTS OF ACTIVITIES  
For the Years Ended March 31,  
(See Accountants' Review Report)**

	<u><b>2005</b></u>	<u><b>2004</b></u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
Revenues and other support		
Rental	\$ 1,300,708	\$ 1,477,355
Grants	20,000	20,000
Interest	8,545	7,085
Salary reimbursement	<u>-</u>	<u>36,000</u>
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>1,329,253</u>	<u>1,540,440</u>
Expenses		
Program services		
Library	100,586	93,208
Seminars	180,102	242,654
Grants	315,000	126,278
General and administrative	171,231	199,357
Fund raising - 1819 L Street management	<u>777,439</u>	<u>863,507</u>
<b>TOTAL EXPENSES</b>	<u>1,544,358</u>	<u>1,525,004</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	(215,105)	15,436
Net assets - Beginning of year	<u>4,622,257</u>	<u>4,606,821</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 4,407,152</u>	<u>\$ 4,622,257</u>

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

**SASAKAWA PEACE FOUNDATION USA, INC.**

**STATEMENTS OF CASH FLOWS  
For the Years Ended March 31,  
(See Accountants' Review Report)**

	<u>2005</u>	<u>2004</u>
<b>OPERATING ACTIVITIES</b>		
Change in unrestricted net assets	\$ (215,105)	\$ 15,436
Adjustments to reconcile change in unrestricted net assets to net cash provided (used) by operating activities		
Depreciation	113,857	124,847
(Increase) decrease in accounts receivable	24,340	(18,236)
(Increase) decrease in grants receivable	5,000	(5,000)
Increase (decrease) in accounts payable and accrued expenses	(6,347)	469
Increase (decrease) in excise taxes payable	7,631	-
Increase (decrease) in grants payable	(1,350)	6,350
Increase (decrease) in deferred rental income	62,276	(18,802)
Increase (decrease) in security deposits	<u>(7,951)</u>	<u>37,076</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(17,649)</u>	<u>142,140</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of certificate of deposit	(303,043)	(199)
Proceeds from redemption of certificate of deposit	316,785	-
Purchase of book and videos	(1,891)	(2,082)
Purchase of equipment	<u>(4,910)</u>	<u>(8,024)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>6,941</u>	<u>(10,305)</u>
Increase (decrease) in cash and cash equivalents	(10,708)	131,835
Cash and cash equivalents - Beginning of year	<u>1,535,838</u>	<u>1,404,003</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u>1,525,130</u>	\$ <u>1,535,838</u>

**Supplemental Disclosures of Cash Flow Information**

Cash paid during the year for:

Excise taxes	\$ <u>1,543</u>	\$ <u>3,620</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 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). Accounts Receivable – Receivables are carried at their estimated collectible amounts and primarily consist of outstanding rents, which may bear interest. Such amounts are periodically evaluated for collectibility based on the past credit history of the tenant. No allowance for doubtful accounts is considered necessary for the years ended March 31, 2005 and 2004.
- (d). 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.
- (e). 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.
- (f). Revenue Recognition - Rent from the Foundation's building is recorded as revenue on a straight-line basis over the terms of the respective leases.
- (g). 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.

**SASAKAWA PEACE FOUNDATION USA, INC.**

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

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

- (h). 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 years ended March 31, 2005 and 2004, the Foundation was awarded grants of \$20,000.

**NOTE 4 - FEDERAL EXCISE TAXES**

The Foundation is subject to federal excise taxes on net investment income. The Foundation reported net investment income of \$434,482 and \$474,775 and incurred excise taxes of \$8,690 and \$4,748 in 2005 and 2004, respectively.

Under the Internal Revenue Code, the Foundation is required to make certain minimum qualifying distributions of funds related to their exempt purpose. Qualifying distributions of \$642,741 and \$448,706 exceeded the minimum distributable amounts of \$571,603 and \$228,921 for the periods ended March 31, 2005 and 2004, respectively. As of March 31, 2005 and 2004, the Foundation had an excess distributions carryover of \$672,644 and \$827,162, 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.

**SASAKAWA PEACE FOUNDATION USA, INC.**

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

**NOTE 5 - LEASE ARRANGEMENTS: Continued**

Minimum future rentals to be received as of March 31, 2005 for each of the next five years and in the aggregate are as follows:

2006	\$ 1,244,258
2007	948,067
2008	684,622
2009	340,301
2010	349,701
Later years	<u>727,317</u>
<b>TOTAL MINIMUM FUTURE RENTALS</b>	<b>\$ <u>4,294,266</u></b>