

**SASAKAWA PEACE FOUNDATION USA, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
MARCH 31, 2007 AND 2006  
(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, 2007 and 2006 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**

August 2, 2007

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**SASAKAWA PEACE FOUNDATION USA, INC.**

**STATEMENTS OF FINANCIAL POSITION**  
**March 31, 2007 and 2006**

**SASAKAWA PEACE FOUNDATION USA, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**March 31,**

**(See Accountants' Review Report)**

**ASSETS**

	<u><b>2007</b></u>	<u><b>2006</b></u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 454,932	\$ 446,883
Accounts receivable	7,374	7,165
Prepaid excise taxes	3,169	-
Grants receivable	<u>5,000</u>	<u>5,000</u>
<b>TOTAL CURRENT ASSETS</b>	<u>470,475</u>	<u>459,048</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	1,200,000	1,200,000
Building and improvements	3,250,875	3,223,580
Furniture and equipment	307,339	313,514
Collections of books and art work	<u>145,267</u>	<u>491,379</u>
	4,903,481	5,228,473
Less: Accumulated depreciation and amortization	<u>(1,675,710)</u>	<u>(1,890,294)</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<u>3,227,771</u>	<u>3,338,179</u>
<b>OTHER ASSETS</b>		
Investments - Government bond fund	<u>1,184,132</u>	<u>1,031,726</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,882,378</u>	<u>\$ 4,828,953</u>

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

## LIABILITIES AND NET ASSETS

	<u>2007</u>	<u>2006</u>
CURRENT LIABILITIES		
Accounts payable	\$ 117,247	\$ 6,123
Accrued vacation	11,877	10,497
Excise taxes payable	-	6,464
Grants payable	66,816	-
Deferred rental income	<u>16,106</u>	<u>52,843</u>
TOTAL CURRENT LIABILITIES	<u>212,046</u>	<u>75,927</u>
OTHER LIABILITIES		
Security deposits	<u>104,348</u>	<u>122,503</u>
TOTAL LIABILITIES	316,394	198,430
NET ASSETS - UNRESTRICTED	<u>4,565,984</u>	<u>4,630,523</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>4,882,378</u></u>	\$ <u><u>4,828,953</u></u>

**SASAKAWA PEACE FOUNDATION USA, INC.**

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

	<u>2007</u>	<u>2006</u>
REVENUES, GAINS, AND OTHER SUPPORT		
Revenues and other support		
Rental	\$ 1,386,227	\$ 1,534,391
Grants - Note 3	20,000	20,000
Gains (losses) on asset disposals	(15,764)	-
Interest and dividends	<u>53,528</u>	<u>33,635</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>1,443,991</u>	<u>1,588,026</u>
EXPENSES		
Program services		
Library	97,888	95,806
Seminars	210,410	222,806
Grants	206,415	135,000
General and administrative	182,541	170,696
Fund raising - Rental property expenses	<u>811,276</u>	<u>740,347</u>
TOTAL EXPENSES	<u>1,508,530</u>	<u>1,364,655</u>
CHANGE IN NET ASSETS	(64,539)	223,371
Net assets - Beginning of year	<u>4,630,523</u>	<u>4,407,152</u>
NET ASSETS - END OF YEAR	<u>\$ 4,565,984</u>	<u>\$ 4,630,523</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>2007</u>	<u>2006</u>
<b>OPERATING ACTIVITIES</b>		
Change in unrestricted net assets	\$ (64,539)	\$ 223,371
Adjustments to reconcile change in unrestricted net assets to net cash provided (used) by operating activities		
(Gains) losses on asset disposals	15,764	-
Depreciation and amortization	140,495	128,652
(Increase) decrease in accounts receivable	(209)	(4,880)
(Increase) decrease in prepaid excise taxes	(3,169)	-
(Increase) decrease in grants receivable	-	(5,000)
Increase (decrease) in accounts payable	111,124	4,082
Increase (decrease) in accrued vacation	1,380	(640)
Increase (decrease) in excise taxes payable	(6,464)	(1,167)
Increase (decrease) in grants payable	66,816	(5,000)
Increase (decrease) in deferred rental income	(36,737)	(9,433)
Increase (decrease) in security deposits	<u>(18,155)</u>	<u>(50,016)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>206,306</u>	<u>279,969</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments - Government bond fund	(152,406)	(1,031,726)
Outlays for building improvements	(27,295)	(317,874)
Outlays associated with asset disposals	(15,748)	-
Purchase of book and videos	(1,778)	(1,130)
Purchase of equipment	<u>(1,030)</u>	<u>(7,486)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(198,257)</u>	<u>(1,358,216)</u>
Increase (decrease) in cash and cash equivalents	8,049	(1,078,247)
Cash and cash equivalents - Beginning of year	<u>446,883</u>	<u>1,525,130</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u>454,932</u>	\$ <u>446,883</u>

**Supplemental Disclosures of Cash Flow Information**

Cash paid during the year for:

Excise taxes	\$ <u>21,664</u>	\$ <u>16,351</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

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.
- (c). Investments - All investments in debt and equity securities are carried at fair value, with gains and losses included in a statement of activities. Gains and losses on investments reflected in the accompanying statement of activities include gains and losses realized upon sales and unrealized gains and losses resulting from fluctuations in market values of investments. Gains and losses upon sales are calculated using the first-in first-out method.
- (d). 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, 2007 and 2006.
- (e). 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, fifteen years for qualified building improvements and thirty-nine years for other property improvements.

**SASAKAWA PEACE FOUNDATION USA, INC.**

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

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

- (f). 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.
- (g). Revenue Recognition - Rent from the Foundation's building is recorded as revenue on a straight-line basis over the terms of the respective leases.
- (h). 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.
- (i). Commission Expense: Commission fees due to the property management company for locating tenants are amortized over the terms of the respective lease agreements.
- (j). 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.
- (k). Reclassifications - Certain items in the 2006 Statement of Financial Position have been reclassified to conform to the current year presentation. This reclassification does not affect net assets or the change in net assets.

**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.

The Foundation receives rental income from office space leased in Washington, DC and is subject to the normal fluctuations and risk associated with the real estate market in this area.

**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, 2007 and 2006, the Foundation was awarded grants of \$20,000.

**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. The Foundation reported net investment income of \$601,539 and \$759,183 and incurred excise taxes of \$12,031 and \$15,184 in 2007 and 2006, 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 \$572,461 were less than the minimum distributable amount of \$661,558 for the year ended March 31, 2007. Qualifying distributions of \$553,564 exceeded the minimum distributable amount of \$548,576 for the year ended March 31, 2006. As of March 31, 2007 and 2006, the Foundation had an excess distributions carryover of \$526,947 and \$616,044, respectively.

**NOTE 5 - LEASE ARRANGEMENTS**

The Foundation is the lessor of commercial space under operating leases expiring in various years through 2015. 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, 2007 for each of the next five years and in the aggregate are as follows:

2008	\$ 1,068,821
2009	803,252
2010	824,226
2011	808,950
2012	457,623
2013 and Thereafter	<u>372,814</u>
TOTAL MINIMUM FUTURE RENTALS	\$ <u>4,335,686</u>

**NOTE 6 - RETIREMENT PLAN**

Effective March 10, 2006, the Foundation adopted a retirement plan which is qualified under Section 401 of the Internal Revenue Code and which has a 401(k) provision. Employees with twelve months of service are eligible for participation in the plan. All employees are 100% vested in their contributions and vest in the discretionary employer contributions over a five year period at 20% a year. The Foundation provided no discretionary contributions to the plan for the years ended March 31, 2007 and 2006.