

**JAPAN SOCIETY, INC.  
AND SUBSIDIARY**

**Consolidated Financial Statements  
for the year ended  
June 30, 2021  
(With summarized comparative  
information for 2020)**

**Independent Auditor's Report**

To the Board of Directors  
Japan Society, Inc.

We have audited the accompanying consolidated financial statements of the Japan Society, Inc. and Subsidiary which comprise the consolidated statement of financial position as of June 30, 2021 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements referred to in the first paragraph on the previous page present fairly, in all material respects, the consolidated financial position of the Japan Society, Inc. and Subsidiary as of June 30, 2021 and the results of their activities and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited the Society's 2020 consolidated financial statements, and our report dated October 21, 2020, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Condon O'Meara McIntyre & Donnelly LLP

October 21, 2021

**JAPAN SOCIETY, INC.  
AND SUBSIDIARY**

**Consolidated Statement of Financial Position**

**Assets**

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 2,701,244	\$ 2,016,572
Cash designated for Japan Earthquake Relief Fund	100,384	390,302
Investments, at fair value	81,882,888	65,469,115
Receivables and other assets	453,247	707,874
Due from investment manager	4,023	-
Land, building and equipment, net	6,635,046	7,051,304
<b>Total assets</b>	<b>\$ 91,776,832</b>	<b>\$ 75,635,167</b>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable and accrued expenses	\$ 751,877	597,837
Deferred membership revenue	274,357	239,870
Loan payable	903,200	903,200
Total liabilities	1,929,434	1,740,907

**Net assets**

Net assets without donor restrictions		
Operating	11,394,914	8,420,814
Board-designated	9,605,460	7,709,801
Total without donor restrictions	21,000,374	16,130,615
Net assets with donor restrictions		
Program restricted	21,598,423	10,565,044
Endowment fund	47,248,601	47,198,601
Total with donor restrictions	68,847,024	57,763,645
Total net assets	89,847,398	73,894,260
<b>Total liabilities and net assets</b>	<b>\$ 91,776,832</b>	<b>\$ 75,635,167</b>

See notes to consolidated financial statements.

**JAPAN SOCIETY, INC.  
AND SUBSIDIARY**

**Consolidated Statement of Activities  
Year Ended June 30, 2021  
(with Summarized Comparative Information for year ended June 30, 2020)**

	2021			2020					
	Net Assets Without Donor Restrictions		Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions		Net Assets With Donor Restrictions			
	Operating	Board- Designated		Total	Total				
<b>Support and revenue</b>	\$	2,614,042	-	\$	2,614,042	\$	4,326,711	\$	4,608,339
Contributions, grants and membership		1,228,187	-		1,228,187		1,228,187		1,796,611
Revenue from functions and activities		2,976,450	-		2,976,450		2,976,450		3,087,052
Allocated investment return		5,271	-		5,271		5,271		(9,228)
Operating investment return (loss)		1,171,704	-		1,171,704		1,171,704		988,931
Special events, net of direct expenses		2,021,115	-		2,021,115		(2,021,115)		-
Net assets released from restrictions		10,016,769	-		10,016,769		(308,446)		10,471,705
Total support and revenue									
<b>Operating Expenses</b>									
Program services									
Talks+		332,106	-		332,106		-		302,776
Business and policy		669,136	-		669,136		-		526,500
Innovators network		-	-		-		-		290,000
Membership		354,961	-		354,961		-		256,014
Film		379,559	-		379,559		-		416,864
Performing arts		945,556	-		945,556		-		1,444,341
Gallery		1,236,631	-		1,236,631		-		1,686,658
Media and marketing		1,267,408	-		1,267,408		-		1,003,153
Language center		985,237	-		985,237		-		954,026
Education		370,732	-		370,732		-		467,174
Japan Earthquake Relief Fund		304,500	-		304,500		-		99,584
Total program services		6,845,826	-		6,845,826		-		7,447,090
Supporting activities									
General		2,383,089	-		2,383,089		-		3,541,612
Development		831,436	-		831,436		-		881,283
Total supporting activities		3,214,525	-		3,214,525		-		4,422,895
Total expenses		10,060,351	-		10,060,351		-		11,869,985
(Deficiency) of revenue over expenses		(43,582)	-		(43,582)		(308,446)		(1,398,280)
from operations before non-operating revenue									
Non-operating revenue									
Total investment return, net of allocation to operations		3,017,682	1,895,659		4,913,341		11,391,825		16,305,166
Increase (decrease) in net assets		2,974,100	1,895,659		4,869,759		11,083,379		15,953,138
Net assets, beginning of the year		8,420,814	7,709,801		16,130,615		57,763,645		76,366,202
Net assets, end of year		\$ 11,394,914	\$ 9,605,460		\$ 21,000,374		\$ 68,847,024		\$ 73,894,260

See notes to consolidated financial statements.

JAPAN SOCIETY, INC.  
AND SUBSIDIARY

Consolidated Statement of Functional Expenses  
Year Ended June 30, 2021  
(with Summarized Comparative Information for year ended June 30, 2020)

Expenses	Program Services											Total Program Services
	Talks +	Business and Policy	Membership	Film	Performing Arts	Gallery	Media and Marketing	Language Center	Education	Earthquake Relief Fund	Japan	
Salaries, wages and fringe	\$ 306,099	\$ 543,132	\$ 239,341	\$ 224,113	\$ 658,384	\$ 596,496	\$ 1,037,844	\$ 794,033	\$ 282,853	\$ -	\$ -	\$ 4,682,295
Travel	50	554	-	105	2,257	3,408	30	35	-	-	-	6,439
Office services	6	48	6,971	624	138	571	36,448	140	518	-	-	45,464
Shipping	15	1	90	483	1,365	43,016	1	325	265	-	-	45,561
Printing	-	-	6,391	-	28	17,423	152	116	959	-	-	25,069
Professional services	15,556	78,085	281	38,982	115,642	143,007	75,050	1,498	56,062	-	-	524,163
Insurance	-	-	-	-	-	7,494	-	-	-	-	-	7,494
Equipment and fixtures	2,610	5,266	10	19,494	8,993	16,667	24,957	19,015	5,238	-	-	102,250
Supplies	457	1,130	758	209	2,263	18,549	913	5,978	1,369	-	-	31,626
Bad debt	-	-	-	-	-	-	-	-	-	-	-	-
Promotion	1,372	98	400	21,724	568	297	19,728	-	3,062	-	-	47,249
Facility costs	1,456	10,968	1,664	3,327	34,024	146,012	11,644	46,800	5,510	-	-	261,405
Event services	-	1,805	-	-	274	1,654	-	-	82	-	-	3,815
Grants	-	-	-	-	-	-	-	-	-	304,500	-	304,500
Other	1,451	5,190	95,588	63,565	56,978	42,805	36,374	19,757	3,330	-	-	325,038
Subtotal	329,072	646,277	351,494	372,826	880,914	1,037,399	1,243,141	887,697	359,248	304,500	-	6,412,368
Depreciation	3,034	22,859	3,467	6,933	64,642	199,252	24,267	97,540	11,484	-	-	433,458
Total expenses	\$ 332,106	\$ 669,136	\$ 354,961	\$ 379,559	\$ 945,556	\$ 1,256,651	\$ 1,267,408	\$ 985,237	\$ 370,732	\$ 304,500	\$ -	\$ 6,845,826

Supporting Activities

Expenses	Supporting Activities		2021 Total Expenses	2020 Total Expenses
	General	Development		
Salaries, wages and fringe	\$ 1,311,172	\$ 752,252	\$ 2,063,424	\$ 7,051,669
Travel	2,928	76	3,004	621,561
Office services	74,458	100	74,558	161,037
Shipping	742	238	980	140,867
Printing	1,256	136	1,392	123,564
Professional services	248,180	232	248,412	1,081,494
Insurance	138,517	-	138,517	144,439
Equipment and fixtures	135,105	94	135,199	254,548
Supplies	13,879	1,725	15,604	108,737
Bad debt	143,417	-	143,417	-
Promotion	4,357	-	4,357	73,476
Facility costs	85,359	16,374	101,733	743,982
Event services	4,118	377	4,495	148,878
Grants	-	-	-	22,500
Other	65,182	25,705	90,887	566,447
Subtotal	2,228,670	797,309	3,025,979	11,243,199
Depreciation	154,419	34,127	188,546	626,786
Total expenses	\$ 2,383,089	\$ 831,436	\$ 3,214,525	\$ 11,869,985

See notes to consolidated financial statements.

**JAPAN SOCIETY, INC.  
AND SUBSIDIARY**

**Consolidated Statement of Cash Flows**

	Year Ended June 30	
	2021	2020
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ 15,953,138	\$ (2,471,942)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) operating activities		
Depreciation	622,004	626,786
Donated stock	(39,846)	(58,813)
Net realized (gains) on sales of investments	(1,689,448)	(1,385,875)
Net change in unrealized value of investments	(15,628,362)	679,594
Forgiveness of loan payable	(903,200)	-
Changes in operating assets and liabilities		
(Increase) decrease in receivables and other assets	254,627	(96,850)
(Increase) decrease in due from investment manager	(4,023)	76,696
Increase (decrease) in accounts payable and accrued expenses	154,040	(124,652)
Increase (decrease) in deferred membership revenue	34,487	(118,026)
<b>Net cash (used in) operating activities</b>	<b>(1,246,583)</b>	<b>(2,873,082)</b>
<b>Cash flows from investing activities</b>		
Purchases of investments	(2,879,498)	(5,800,513)
Proceeds from sales of investments	3,958,128	7,595,334
Net change in money market funds	(134,747)	(105,641)
Acquisition of property and equipment	(205,746)	(82,580)
(Decrease) in contracts payable	-	(557,742)
<b>Net cash provided by investing activities</b>	<b>738,137</b>	<b>1,048,858</b>
<b>Cash flows provided by financing activities</b>		
Proceeds from loan payable	903,200	903,200
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>394,754</b>	<b>(921,024)</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>2,406,874</b>	<b>3,327,898</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 2,801,628</b>	<b>\$ 2,406,874</b>
<b>Consists of:</b>		
Cash and cash equivalents – operating fund	\$ 2,701,244	\$ 2,016,572
Cash designated for Japan Earthquake Relief Fund	100,384	390,302
<b>Total cash and cash equivalents</b>	<b>\$ 2,801,628</b>	<b>\$ 2,406,874</b>

See notes to consolidated financial statements.

**JAPAN SOCIETY, INC.  
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements  
June 30, 2021**

**Note 1 – Nature of organization**

The Japan Society, Inc. (the “Society”) is a nonprofit corporation founded in New York. The Society is the leading U.S. organization committed to deepening mutual understanding between the United States and Japan in a global context. Now in its second century, the Society serves audiences across the United States and abroad through innovative programs in arts and culture, public policy, business, language and education.

The Society is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the “Code”) and, accordingly, is not subject to federal income taxes. In addition, the Society has been determined by the Internal Revenue Service to be a publicly supported organization and not a private foundation within the meaning of Section 509(a)(1) of the Code. As a nonprofit organization, the Society is also exempt from New York State and New York City income tax.

During the 2016 fiscal year, the Society established Ippan-shadan-hojin Japan Society, a wholly-owned subsidiary in Tokyo, Japan (the “Subsidiary”) to enhance the Society’s mission and presence in Japan and expand the Society’s outreach through programs and initiatives in Japan. The Subsidiary was registered with the Legal Affairs Bureau of Japan as a general incorporated association. In principle, the Subsidiary shall have no duty to pay corporation tax and donors to the Subsidiary receive no tax benefit.

**Principles of consolidation**

The consolidated financial statements include the accounts of Japan Society, Inc. and Ippan-shadan-hojin Japan Society (collectively, the “Society”). All material intercompany accounts and transactions have been eliminated in consolidation.

**Description of program services**

- a) Talks+ - brings together leading thinkers and practitioners to provide provocative discussions on diverse topics including social issues, aesthetics, consumer culture and technology.
- b) Business and Policy - hosts public and invitation-only programs for the international business and policy community covering the people and issues that define the U.S.-Japan relationship in a regional and global context.
- c) Membership - Japan Society support includes revenue from individual and corporate members. In return for their support, Japan Society provides corporate members with networking, knowledge-sharing and business development opportunities, as well as exclusive access to business and policy leaders and unique benefits for employees. Individual members benefit from free admission to our gallery, exclusive access to member events and special offers, and discounts on films, lectures, classes and performing arts events.



**JAPAN SOCIETY, INC.  
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)  
June 30, 2021**

**Note 1 – Nature of organization (continued)**

Description of program services (continued)

- d) Film - Japan Society Film screens a diverse selection of classic and contemporary Japanese cinema throughout the year — including retrospectives of seminal directors, thematic series, and special screenings of international, U.S. and NY premieres — and organizes *JAPAN CUTS: Festival of New Japanese Film*, the largest festival of its kind in North America.
- e) Performing Arts - Established in 1953, the Performing Arts Program has introduced audiences to Japan's contemporary performance scene as well as its traditional dance, music and theater.
- f) Gallery - Japan Society Gallery is among the premier institutions in the U.S. for the exhibition of Japanese art. Extending in scope from prehistory to the present, the Gallery's exhibitions since 1971 have covered topics as diverse as classical Buddhist sculpture and calligraphy, contemporary photography and ceramics, samurai swords, export porcelain, and masterpieces of painting from the thirteenth to the twenty-first century.
- g) Media and Marketing - The Media and Marketing department drives new and existing initiatives to build awareness of Japan Society and its programs via the web and in print. Outreach includes using traditional media such as print, as well as leveraging social networking, blogs, video sharing, webcasting, social bookmarking, and forums.
- h) Language Center - The Toyota Language Center offers a variety of comprehensive levels of Japanese, as well as a variety of specialized courses and workshops including shodō (Japanese calligraphy), English for native Japanese speakers (ESL), and Japanese-Language Teacher Training.
- i) Education - Through exciting online and on-site programming, Education and Family Programs bring together diverse communities to experience Japanese culture.

**Note 2 – Summary of significant accounting policies**

The consolidated financial statements of the Society have been prepared on the accrual basis. The significant accounting policies followed are described below.

Net assets

The Society reports information regarding its consolidated financial position and activities according to two classes of net assets: net assets with donor restrictions which includes the program restricted and endowment fund and net assets without donor restrictions which include the operating fund and Board-designated fund.

**JAPAN SOCIETY, INC.  
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)  
June 30, 2021**

**Note 2 – Summary of significant accounting policies (continued)**

Net assets (continued)

- Program restricted net assets contain temporary donor-imposed restrictions that permit the Society to use or expend the assets including any revenue earned as specified. The restrictions are satisfied either by the passage of time or by action of the Society.
- Endowment fund net assets contain perpetual donor imposed restrictions that stipulate that resources be maintained permanently, but permit the Society to use all or part of the revenue earned on these assets for either specified or unspecified purposes.
- Operating fund net assets are not restricted by donors or the donor-imposed restrictions have expired, nor have they been designated by the Society's Board of Directors.
- The Society's Board of Directors has also established a Board-designated fund which shall be utilized for long-term investment and to support Society's programs as authorized by the Board, from time-to-time.

Revenues are reported as increases in the operating fund unless use of the related assets is limited by donor-imposed restrictions and such restrictions are not met within the same fiscal year. Expenses are reported as decreases in the operating fund. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in the operating fund unless their use is restricted by explicit donor stipulation or by law. Expirations of program restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as a reclassification between the applicable classes of net assets.

Cash and cash equivalents

Cash consists of demand deposits and money market mutual funds, which are on deposit with one financial institution. Cash equivalents include investments in highly liquid instruments with original maturities of three months or less.

Investments and investment return

All investments in equity securities with readily determinable fair values and all debt securities are recorded at fair values determined on the basis of quoted market prices. For investments in mutual funds, the fair value per share, or unit, is the value that is determined by the fund manager. The value of limited partnerships and similar type investments and alternative investments, adjusted for unrealized gains and losses, are based upon the most recent available information provided by management of those investments and may differ from the value that would have been used had a ready market for these investments existed.

The Society's investment securities are exposed to various risks, such as interest rate, market volatility, liquidity and credit. Due to the level of risk associated with investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the aforementioned risks in the near term could materially affect the amounts reported in the consolidated statement of financial position and the consolidated statement of activities.

**JAPAN SOCIETY, INC.  
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)  
June 30, 2021**

**Note 2 – Summary of significant accounting policies (continued)**

Investments and investment return (continued)

The Society's investments in limited partnerships and similar type investments and alternative investments are subject to lockup periods and withdrawal restrictions as outlined in the agreements. The lock-up periods for these investments expire at various times and are all greater than three years from the date of the consolidated financial statements. Other such investments are subject to lock-up periods in excess of three years. At the expiration of the various lock-up periods, withdrawals from such funds require written notice of such withdrawal requests ranging from five to ninety-five days.

Fair value measurements

Fair value refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. Fair value measurements are required to be separately disclosed by level within the fair value hierarchy. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Observable inputs other than level 1 prices such as quoted prices of similar assets; quoted prices in markets with insufficient volume or infrequent transactions (less than active markets).
- Level 3 – Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets.

The fair value of the Society's investment in a limited partnership in 2021 and 2020 was determined using the net asset value (NAV) per share and is not included in the valuation hierarchy. This investment is reflected as a reconciling item between the total amount of investments classified within the fair value hierarchy and the total investments measured at fair value on the face of the consolidated statement of financial position.

Investment return spending rate policy

For many of its restricted net asset groups the Society has adopted the total return concept for the purpose of drawing earnings from its investments. The budgeted annual return has been established as a maximum of 5 percent of the average fair value of the investment pool for the past 5 years, and is reflected as operating investment return. Total investment return in excess or deficiency of this budgeted return is treated as non-operating investment return or loss.

**JAPAN SOCIETY, INC.  
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)  
June 30, 2021**

**Note 2 – Summary of significant accounting policies (continued)**

Contributions and grants receivable

Contributions and grants including unconditional promises to give (“pledges”) are recognized as revenue in the period received and when the conditions on which they depend have been substantially met. Pledges that are expected to be collected within one year are recorded at net realizable value. Those expected to be collected in future years are recorded at the present value of future cash flows. Discount rates are computed using risk free interest rates applicable to the years in which the promises were received.

Bequests are recorded as revenue when a legally binding obligation is received and when a fair value can be determined.

In-kind services

Organizations are required to recognize contributions of services if they create or enhance non-financial assets, or require specialized skills, are provided by individuals possessing those skills and typically would have been purchased if not provided in-kind. Board members and other individuals volunteer their time and perform a variety of tasks that assist the Society. These services do not meet the criteria to be recorded and have not been included in the accompanying consolidated financial statements.

Allowance for doubtful accounts

The Society has determined that an allowance for doubtful accounts is not required for its contributions and grants receivable. Such estimate is based on management’s experience, the aging of the receivables, subsequent receipts and current economic conditions.

Land, building and equipment

Land is carried at its appraised value as of the date it was donated, and building, gallery, auditorium and language center improvements, equipment, furniture and fixtures are carried at cost. The Society capitalizes all significant expenditures for land, building and equipment. Depreciation of building and equipment is provided on a straight line basis over the estimated useful lives of the assets as follows: building - 40 years; auditorium and language center building improvements – 10 to 15 years; gallery improvements - 10 to 15 years; general building improvements – 5 to 25 years; equipment, furniture and fixtures - 5 years. For the years ended June 30, 2021 and June 30, 2020, the Society wrote-off fully depreciated property and equipment no longer in use with an original cost basis of \$113,516 and \$122,280, respectively.

**JAPAN SOCIETY, INC.  
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)  
June 30, 2021**

**Note 2 – Summary of significant accounting policies (continued)**

Land, building and equipment (continued)

The City of New York (the “City”) appropriated \$1,593,000 pursuant to the terms and conditions of a capital grant to subsidize eligible project costs of the Society’s upgrade and replacement of its HVAC system. In connection with the grant, on May 1, 2021, the Society agreed to certain restrictive covenants to its premises. The restrictive covenants include the following: the Society is not permitted to destroy, remove or alter any real or personal property paid for in whole or in part with City funds without the City’s prior written consent and the Society is not permitted to sell, transfer, mortgage, or assign any interest to its premises without the approval of the City. The restrictive covenants expire in twenty years.

Deferred revenue

Membership dues for individual and corporate membership categories are recognized ratably as revenue over the membership period. Amounts not yet earned as of the consolidated statement of financial position date are reported as deferred membership revenue. Tuition payments received prior to the fiscal year end for courses to be conducted during the next fiscal year are recognized when the course is conducted.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting activities benefited. Expenses attributable to more than one functional expense category are allocated using an estimate of time and effort spent.

Advertising

Advertising costs are expensed as incurred. For the years ended June 30, 2021 and 2020, advertising costs amounted to \$42,501 and \$64,744, respectively.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**JAPAN SOCIETY, INC.  
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)  
June 30, 2021**

**Note 2 – Summary of significant accounting policies (continued)**

Concentrations of credit risk

The Society's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, cash equivalents, investments and receivables. The Society places its cash and cash equivalents with what it believes to be quality financial institutions. At times during the year, cash balances were in excess of the FDIC insurance limit. However, the Society has not experienced any losses in these accounts to date. The Society invests in mutual funds, limited partnerships and similar type investments and alternative investments. The Society routinely assesses the financial strength and diversity of the holdings in its investment portfolio. The Society monitors the collectability of its receivables. As a consequence, management believes that concentrations of credit risk are limited.

Comparative information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Society's consolidated financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Risks and uncertainties

On March 13, 2020, a national emergency was declared due to the extraordinary circumstances resulting from the coronavirus. The economic impact of the coronavirus on the Society's future financial operations is not readily determinable.

Subsequent events

The Society has evaluated events and transactions for potential recognition or disclosure through October 21, 2021, which is the date the consolidated financial statements were available to be issued.

**JAPAN SOCIETY, INC.  
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)  
June 30, 2021**

**Note 3 – Liquidity and availability of financial assets**

The Society's cash flows are subject to seasonal fluctuations due to the timing of collection of contributions, grants and memberships and other revenue items.

As of June 30, 2021 and June 30, 2020, financial assets available within one year of the statement of financial position date for general expenditures were as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,801,628	\$ 2,406,874
Investments, at fair value	81,882,888	65,469,115
Accounts receivable	344,672	570,936
Due from investment managers	<u>4,023</u>	<u>-</u>
Total	85,033,211	68,446,925
Less: Net assets with perpetual donor restrictions	(47,248,601)	(47,198,601)
Net assets restricted for Japan Earthquake Relief Fund	<u>(100,384)</u>	<u>(390,302)</u>
Total	<u>\$ 37,684,226</u>	<u>\$ 20,858,022</u>

**Note 4 – Investments**

As of June 30, 2021 and 2020, the cost and fair values of the investments were as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 666,029	\$ 666,029	\$ 531,282	\$ 531,282
Mutual funds				
Fixed income	18,076,507	18,716,965	17,018,127	18,065,093
Equity	41,098,854	59,463,097	41,179,964	43,787,087
Limited partnerships and similar type investments				
U.S. equity	27,149	215,581	27,149	264,852
International equity	378,498	8,626	479,542	96,824
Fund of funds – real assets	1,786,599	2,719,577	2,012,212	2,639,405
Alternative investments				
Equity	<u>86,121</u>	<u>93,013</u>	<u>86,070</u>	<u>84,572</u>
Totals	<u>\$ 62,119,757</u>	<u>\$ 81,882,888</u>	<u>\$ 61,334,346</u>	<u>\$ 65,469,115</u>

**JAPAN SOCIETY, INC.  
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)  
June 30, 2021**

**Note 4 – Investments (continued)**

For assets measured at fair value on a recurring basis as of June 30, 2021 and June 30, 2020, accounting standards require quantitative disclosures about the fair value measurements separately for each major class of assets as follows:

Description	2021			
	Total	Level 1	Level 2	Level 3
Mutual funds				
Fixed income	\$ 18,716,965	\$ 18,716,965	\$ -	\$ -
Equity	59,463,097	59,463,097	-	-
Limited partnerships and similar type investments				
International equity	8,626	-	-	8,626
Fund of funds – real assets	2,719,577	-	-	2,719,577
Alternative investments				
Equity	93,013	-	-	93,013
Sub-total	81,001,278	<u>\$ 78,180,062</u>	<u>\$ -</u>	<u>\$ 2,821,216</u>
Limited partnership measured at NAV	215,581			
Cash and cash equivalents	666,029			
Total investments	<u>\$ 81,882,888</u>			
Description	2020			
	Total	Level 1	Level 2	Level 3
Mutual funds				
Fixed income	\$ 18,065,093	\$ 18,065,093	\$ -	\$ -
Equity	43,787,087	43,787,087	-	-
Limited partnerships and similar type investments				
International equity	96,824	-	-	96,824
Fund of funds – real assets	2,639,405	-	-	2,639,405
Alternative investments				
Equity	84,572	-	-	84,572
Sub-total	64,672,981	<u>\$ 61,852,180</u>	<u>\$ -</u>	<u>\$ 2,820,801</u>
Limited partnership measured at NAV	264,852			
Cash and cash equivalents	531,282			
Total investments	<u>\$ 65,469,115</u>			



**JAPAN SOCIETY, INC.  
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)  
June 30, 2021**

**Note 4 – Investments (continued)**

The following is a summary of changes in the fair value of the Society's Level 3 investments for the years ended June 30, 2020 and 2021:

	Limited Partnerships and Similar Type Investments		Alternative Investments		Total
	International Fund of Funds- Equity	Real Assets	Fund of Funds- Equity	Investments Equity	
Balance, June 30, 2019	\$ 658,808	\$ 2,972,636	\$ 93,700	\$ 3,725,144	
Net realized gains (losses)	(9,069)	125,643	-	116,574	
Net unrealized (loss)	(1,282)	(306,998)	(10,068)	(318,348)	
Net investment return (loss)	438	(4,997)	940	(3,619)	
Management and other fees	(2,393)	(46,594)	-	(48,987)	
Capital contributions	-	336,241	-	336,241	
Withdrawals/ distributions	(549,678)	(436,526)	-	(986,204)	
Balance, June 30, 2020	96,824	2,639,405	84,572	2,820,801	
Net realized gains (losses)	(7,746)	139,390	-	131,644	
Net unrealized gain	12,846	305,787	8,389	327,022	
Net investment return (loss)	(11,586)	19,892	52	8,358	
Management and other fees	(287)	(98,920)	-	(99,207)	
Capital contributions	-	291,182	-	291,182	
Withdrawals/ distributions	(81,425)	(577,159)	-	(658,584)	
Balance, June 30, 2021	\$ 8,626	\$ 2,719,577	\$ 93,013	\$ 2,821,216	

The Society uses NAV, or its equivalent, to determine the fair value of all the underlying investments which: (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists level 3 investments as well as investments measured at NAV by major class:

Type/fund	Strategies	Redemption Terms	Redemption Restrictions
Limited partnerships and similar type investments – 8	U.S. and International Equities – 3	N/A	Lockup periods greater than 3 years
Alternative investments – 1	Fund of Funds – 5 Equity	N/A N/A	Lockup periods greater than 3 years Lockup period greater than 3 years

**JAPAN SOCIETY, INC.  
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)  
June 30, 2021**

**Note 4 – Investments (continued)**

The following schedule summarizes the net investment return for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 2,136,315	\$ 1,429,760
Realized gains	1,689,448	1,385,875
Unrealized gain (loss)	15,628,362	(679,594)
Foreign currency exchange (losses)	<u>(9,414)</u>	<u>(28,492)</u>
Sub-total	19,444,711	2,107,549
Investment management and custodian fees	<u>(157,824)</u>	<u>(103,387)</u>
Net investment return	<u>\$ 19,286,887</u>	<u>\$ 2,004,162</u>

Total net investment gain for the year ended June 30, 2021 was \$19,286,887 of which income of \$2,976,450 was allocated to operations, \$5,271 represented operating investment income and \$16,305,166 was considered non-operating gain.

Total net investment gain for the year ended June 30, 2020 was \$2,004,162 of which income of \$3,087,052 was allocated to operations, \$(9,228) represented operating investment (loss) and \$(1,073,662) was considered non-operating loss.

**Note 5 – Contributions and grants receivable**

Unconditional contributions and grants receivable as of June 30, 2020, totaled \$65,000 and were received in the 2021 fiscal year.

**Note 6 – Land, building and equipment**

As of June 30, 2021 and June 30, 2020, land, building and equipment and accumulated depreciation were as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 1,491,562	\$ 1,491,562
Building, gallery, auditorium and language center improvements	16,775,160	16,744,678
Equipment, furniture and fixtures	<u>193,710</u>	<u>131,962</u>
	18,460,432	18,368,202
Less: accumulated depreciation	<u>11,825,386</u>	<u>11,316,898</u>
Total land, building and equipment	<u>\$ 6,635,046</u>	<u>\$ 7,051,304</u>

**JAPAN SOCIETY, INC.  
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)  
June 30, 2021**

**Note 7 – Loan payable**

2020 Paycheck protection program loan

During the 2020 fiscal year, the Society applied for and received \$903,200 under the Paycheck Protection Program (“PPP”) which is a business loan program established under the Coronavirus Aid, Relief, and Economic Security Act. The Society has elected to record the proceeds as a liability until the loan is, in part or wholly, forgiven and the Society is legally released. The Society spent all of the proceeds in accordance with the terms of the PPP loan program and this loan was forgiven in full during March 2021.

2021 Paycheck protection program loan

During the 2021 fiscal year, the Society applied for and received a second draw loan under the PPP totaling \$903,200 at substantially the same terms as the first draw under the PPP. The Society has elected to record the proceeds as a liability until the loan is, in part or wholly, forgiven and the Society is legally released. The Society believes it has spent all of the proceeds in accordance with the terms of the PPP loan program and expects to have the loan forgiven in its entirety during the 2022 fiscal year. Any amounts not forgiven are subject to interest at a fixed rate of 1% for a two year-term.

**Note 8 – Net assets with donor restrictions**

Net assets with temporary donor restrictions are available for the following purposes as of June 30, 2021 and June 30, 2020:

	Balance at June 30, 2020	Contributions and other Revenue	Investment Gain	Net Assets Released from Restrictions	Balance at June 30, 2021
Program purposes	\$ 10,174,742	\$ 1,648,087	\$11,391,825	\$ 1,716,615	\$ 21,498,039
Japan Earthquake Relief Fund	390,302	14,582	-	304,500	100,384
Total	<u>\$ 10,565,044</u>	<u>\$ 1,662,669</u>	<u>\$11,391,825</u>	<u>\$ 2,021,115</u>	<u>\$ 21,598,423</u>

**JAPAN SOCIETY, INC.  
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)  
June 30, 2021**

**Note 8 – Net assets with donor restrictions (continued)**

Net assets with perpetual donor restrictions as of June 30, 2021 and 2020 are restricted to investments in perpetuity, revenue from which is expendable to support programs or net assets without donor restrictions for any activities of the Society.

	<u>2021</u>	<u>2020</u>
<b>Revenue without donor restrictions</b>	\$ 9,293,453	\$ 9,293,453
<b>Revenue restricted for program</b>		
Lila Acheson Wallace	31,816,006	31,816,006
MacEachron Policy Forum	188,983	188,983
Intellectual Interchange	100,000	100,000
Doris Duke Foundation	1,016,046	1,016,046
Doris Duke Appeal	474	474
Doris Duke Endowment Matching	202,005	202,005
Circle of Friends - Performing Arts	20,267	20,267
Friends of Performing Arts	16,528	16,528
Heck Lectures	51,459	51,459
Mary Griggs Burke Endowment Fund	4,493,380	4,493,380
Masako Mera and Koichi Mera, PhD Fund for Education and the Arts	<u>50,000</u>	<u>-</u>
Total endowment restricted net assets	<u>\$ 47,248,601</u>	<u>\$ 47,198,601</u>

**Note 9 – Japan Earthquake Relief Fund**

The Society established the Japan Earthquake Relief Fund (the “Fund”), a disaster relief fund to aid victims of the March 2011 northeastern Japan Earthquake and the April 2016 earthquakes which occurred in Kumamoto City in Japan. During the 2021 and 2020 fiscal years, the Society received contributions totaling approximately \$15,000 and \$115,000, respectively, in support of the Fund. One hundred percent of contributions to the Japan Earthquake Relief Fund go to organizations that directly help victims of the March 2011 and April 2016 disasters. Of the funds that have been generously donated so far, the Society made grants during the 2021 and 2020 fiscal years totaling \$304,500 and \$22,500, respectively. Through June 30, 2021, the Society has made grants totaling \$14,615,409, directly to organizations in Japan working in the relief efforts.

**Note 10 – Endowments**

The Society follows the New York Prudent Management of Institutional Funds Act (NYPMIFA), the provisions of which apply to endowment funds existing on or established after the date it was enacted. The Society’s endowment consists of several individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and a fund designated by the Board of Directors. The Society is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds. The Society classifies as endowment fund net assets the original value of gifts donated to the permanent endowment. The portion of the donor-restricted endowment fund that is not classified as endowment fund net assets is classified as net assets without donor restrictions or with donor restrictions based on donor stipulations.

**JAPAN SOCIETY, INC.  
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)  
June 30, 2021**

**Note 10 – Endowments (continued)**

The Society's long-term assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives of the Society, the Board of Directors has taken into account the financial needs and circumstances of the Society, the time horizon available for investment, the nature of the Society's cash flows and liabilities, and other factors that affect their risk tolerance.

The Society's spending policy, as approved by its Board, permits the Society to utilize for current operations and programs up to 5% of i) the lesser of the rolling five-year average of its endowment funds or ii) the current balance of its endowment funds. Such spending is generally required to be obtained from current and accumulated investment earnings on the endowment funds.

The Board of Directors of the Society has designated funds from the operating fund. The Board-designated fund will be used as determined by the Board of Directors. The following is the activity in the Board-designated fund for the years ended June 30, 2021 and June 30, 2020:

	June 30	
	2021	2020
Balance, beginning of year	\$ 7,709,801	\$ 7,939,568
Investment gain (loss)	<u>1,895,659</u>	<u>(229,767)</u>
Balance, end of year	<u>\$ 9,605,460</u>	<u>\$ 7,709,801</u>

As of June 30, 2021 and 2020, there were no restricted or designated endowment funds with deficiencies.

**Note 11 – Retirement plan**

The Society has a defined contribution plan ("Plan") covering substantially all of its employees. The Society's contributions to the Plan amounted to \$367,864 and \$349,655 for fiscal years 2021 and 2020, respectively.

**Note 12 – In-kind contributions**

For the fiscal years ended June 30, 2021 and 2020, the Society recorded in-kind contributions of:

	2021	2020
Travel	\$ -	\$ 325,464
Professional fees	5,500	-
Advertising, catering, other	<u>28,870</u>	<u>41,655</u>
	<u>\$ 34,370</u>	<u>\$ 367,119</u>