

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

**Consolidated Financial Statements
for the year ended
June 30, 2020
(With summarized comparative
information for 2019)**

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, 2020 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, 2020 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 2019 consolidated financial statements, and our report dated October 22, 2019, 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, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Condon O'Meara McCinty & Donnelly LLP

October 21, 2020

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

Consolidated Statement of Financial Position

Assets

	June 30	
	2020	2019
Cash and cash equivalents	\$ 2,016,572	\$ 3,029,872
Cash designated for Japan Earthquake Relief Fund	390,302	298,026
Investments, at fair value	65,469,115	66,393,201
Receivables and other assets	707,874	611,024
Due from investment managers	-	76,696
Land, building and equipment, net	<u>7,051,304</u>	<u>7,595,510</u>
Total assets	<u>\$ 75,635,167</u>	<u>\$ 78,004,329</u>

Liabilities and Net Assets

Liabilities

Contracts payable	\$ -	\$ 557,742
Accounts payable and accrued expenses	597,837	722,489
Deferred membership revenue	239,870	357,896
Loan payable	<u>903,200</u>	<u>-</u>
Total liabilities	<u>1,740,907</u>	<u>1,638,127</u>

Net assets

Net assets without donor restrictions		
Operating	8,420,814	10,083,882
Board-designated	<u>7,709,801</u>	<u>7,939,568</u>
Total without donor restrictions	<u>16,130,615</u>	<u>18,023,450</u>
Net assets with donor restrictions		
Program restricted	10,565,044	11,144,151
Endowment fund	<u>47,198,601</u>	<u>47,198,601</u>
Total with donor restrictions	<u>57,763,645</u>	<u>58,342,752</u>
Total net assets	<u>73,894,260</u>	<u>76,366,202</u>
Total liabilities and net assets	<u>\$ 75,635,167</u>	<u>\$ 78,004,329</u>

See notes to consolidated financial statements.

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

**Consolidated Statement of Activities
Year Ended June 30, 2020
(with Summarized Comparative Information for year ended June 30, 2019)**

	2020			2019		
	Net Assets Without Donor Restrictions		Net Assets With Donor Restrictions	Total		Total
	Operating	Board- Designated	Total			
Support and revenue						
Contributions, grants and membership	\$ 2,661,139	\$ -	\$ 2,661,139	\$ 1,947,200	\$ 4,608,339	\$ 6,294,308
Revenue from functions and activities	1,796,611	-	1,796,611	-	1,796,611	1,867,017
Allocated investment return	3,087,052	-	3,087,052	-	3,087,052	5,593,456
Operating investment return (loss)	(9,228)	-	(9,228)	-	(9,228)	36,818
Special events, net of direct expenses	988,931	-	988,931	-	988,931	1,067,467
Net assets released from restrictions	1,864,238	-	1,864,238	(1,864,238)	-	-
Total support and revenue	10,388,743	-	10,388,743	82,962	10,471,705	14,859,066
Operating Expenses						
Program services						
Talks+	302,776	-	302,776	-	302,776	344,716
Business and policy	526,500	-	526,500	-	526,500	592,048
Innovators network	290,000	-	290,000	-	290,000	422,102
Memberships	256,014	-	256,014	-	256,014	375,204
Film	416,864	-	416,864	-	416,864	494,776
Performing arts	1,444,341	-	1,444,341	-	1,444,341	1,387,990
Gallery	1,686,658	-	1,686,658	-	1,686,658	1,771,158
Media and marketing	1,003,153	-	1,003,153	-	1,003,153	1,026,587
Language center	954,026	-	954,026	-	954,026	1,052,442
Education	467,174	-	467,174	-	467,174	511,981
Japan Earthquake Relief Fund	99,584	-	99,584	-	99,584	90,575
Total program services	7,447,090	-	7,447,090	-	7,447,090	8,069,579
Supporting activities						
General	3,541,612	-	3,541,612	-	3,541,612	2,771,466
Development	881,283	-	881,283	-	881,283	1,261,285
Total supporting activities	4,422,895	-	4,422,895	-	4,422,895	4,032,751
Total expenses	11,869,985	-	11,869,985	-	11,869,985	12,102,330
Excess (deficiency) of revenue over expenses from operations before non-operating revenue	(1,481,242)	-	(1,481,242)	82,962	(1,398,280)	2,756,736
Non-operating revenue						
Total investment return, net of allocation to operations	(181,826)	(229,767)	(411,593)	(662,069)	(1,073,662)	(2,704,831)
Increase (decrease) in net assets	(1,663,068)	(229,767)	(1,892,835)	(579,107)	(2,471,942)	51,905
Net assets, beginning of the year	10,083,882	7,939,568	18,023,450	58,342,752	76,366,202	76,314,297
Net assets, end of year	\$ 8,420,814	\$ 7,709,801	\$ 16,130,615	\$ 57,763,645	\$ 73,894,260	\$ 76,366,202

See notes to consolidated financial statements.

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2020
(with Summarized Comparative Information for year ended June 30, 2019)**

	Program Services											Total Program Services
	Talks +	Business and Policy	Innovators Network	Membership	Film	Performing Arts	Gallery	Media and Marketing	Language Center	Education	Japan Earthquake Relief Fund	
Expenses												
Salaries, wages and fringe	\$ 253,659	\$ 415,551	\$ 254,429	\$ 209,707	\$ 200,634	\$ 596,108	\$ 522,414	\$ 707,095	\$ 699,855	\$ 279,838	\$ 23,825	\$ 4,163,115
Travel	19,574	16,677	10,578	289	92,824	349,036	33,952	206	-	60,522	2,547	586,205
Office services	763	6,980	49	9,526	1,006	4,030	10,385	40,073	1,573	535	2,255	77,175
Shipping	154	-	-	175	13,388	4,069	119,664	1	26	571	680	138,728
Printing	1,815	7,524	160	14,224	9,138	14,126	33,782	34,892	896	877	-	117,434
Professional services	6,009	8,008	6,328	164	26,885	234,816	291,056	84,969	2,347	50,459	44,472	755,513
Insurance	-	-	-	-	-	651	6,512	-	-	2,271	-	9,434
Equipment and fixtures	2,435	5,455	2,474	9	5,004	20,363	7,139	15,068	13,324	5,546	-	76,817
Supplies	1,760	231	223	502	498	10,057	59,435	781	4,571	6,055	1,315	85,428
Promotion	1,587	310	-	149	9,530	3,632	23,952	13,892	56	3,910	-	57,018
Facility costs	3,194	6,320	6,537	3,945	11,254	77,735	279,512	23,922	97,314	17,510	-	527,243
Event services	7,453	25,806	829	593	5,728	19,537	33,726	2,301	431	20,982	-	117,386
Grants	-	-	-	-	-	-	-	-	-	-	-	-
Other	1,316	27,379	1,770	13,237	33,988	34,890	64,364	55,499	35,343	6,526	22,500	22,500
Subtotal	299,719	520,241	283,377	252,520	409,877	1,369,050	1,485,893	978,699	855,736	455,602	99,584	7,010,298
Depreciation	3,057	6,259	6,623	3,494	6,987	75,291	200,765	24,454	98,290	11,572	-	436,792
Total expenses	\$ 302,776	\$ 526,500	\$ 290,000	\$ 256,014	\$ 416,864	\$ 1,444,341	\$ 1,686,658	\$ 1,003,153	\$ 954,026	\$ 467,174	\$ 99,584	\$ 7,447,090
Expenses												
Salaries, wages and fringe	\$ 2,119,960	\$ 768,594	\$ 2,888,554	\$ 7,051,669	\$ 6,267,009							
Travel	29,207	6,149	35,356	621,561	581,448							
Office services	80,202	3,660	83,862	161,037	156,168							
Shipping	1,330	809	2,139	140,867	154,394							
Printing	2,069	4,061	6,130	123,564	143,045							
Professional services	324,468	1,513	325,981	1,081,494	1,934,297							
Insurance	135,005	-	135,005	144,439	154,099							
Equipment and fixtures	176,424	1,307	177,731	254,548	266,331							
Supplies	21,900	1,409	23,309	108,737	125,988							
Promotion	16,458	-	16,458	73,476	108,811							
Facility costs	181,017	35,722	216,739	743,982	873,013							
Event services	22,246	9,246	31,492	148,878	181,027							
Grants	-	-	-	22,500	55,000							
Other	275,721	14,424	290,145	566,447	555,727							
Subtotal	3,386,007	846,894	4,232,901	11,243,199	11,556,357							
Depreciation	155,605	34,389	189,994	626,786	545,973							
Total expenses	\$ 3,541,612	\$ 881,283	\$ 4,422,895	\$ 11,869,985	\$ 12,102,330							

See notes to consolidated financial statements.

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**
Consolidated Statement of Cash Flows

	Year Ended June 30	
	2020	2019
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (2,471,942)	\$ 51,905
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) operating activities		
Depreciation expense	626,786	545,973
Donated stock	(58,813)	(35,812)
Proceeds from sale of donated stock	-	10,455
Net realized (gains) on sales of investments	(1,385,875)	(2,074,639)
Net change in unrealized value of investments	679,594	314,755
Changes in operating assets and liabilities		
(Increase) in receivables and other assets	(96,850)	(145,795)
(Increase) decrease in due from investment	76,696	(72,727)
Increase (decrease) in accounts payable and accrued liabilities	(124,652)	216,959
(Decrease) in deferred membership income	(118,026)	(23,045)
Net cash (used in) operating activities	<u>(2,873,082)</u>	<u>(1,211,971)</u>
Cash flows from investing activities		
Purchases of investments	(5,800,513)	(2,812,576)
Proceeds from sales of investments	7,595,334	7,472,111
Net change in money market funds	(105,641)	(133,478)
Acquisition of property and equipment	(82,580)	(4,300,510)
Increase (decrease) in contracts payable	(557,742)	557,742
Net cash provided by investing activities	<u>1,048,858</u>	<u>783,289</u>
Cash flows provided by financing activities		
Proceeds from loan payable	903,200	-
Net (decrease) in cash and cash equivalents	(921,024)	(428,682)
Cash and cash equivalents, beginning of the year	<u>3,327,898</u>	<u>3,756,580</u>
Cash and cash equivalents, end of the year	<u>\$ 2,406,874</u>	<u>\$ 3,327,898</u>
Consists of:		
Cash and cash equivalents – operating fund	\$ 2,016,572	\$ 3,029,872
Cash designated for Japan Earthquake Relief Fund	390,302	298,026
Total cash and cash equivalents	<u>\$ 2,406,874</u>	<u>\$ 3,327,898</u>

See notes to consolidated financial statements.

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements
June 30, 2020**

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) Innovators Network - The U.S.-Japan Innovators Network is a multidisciplinary network of emerging and established innovative leaders committed to creating a better world.

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2020**

Note 1 – Nature of organization (continued)

Description of program services (continued)

- d) 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.
- e) Film - The Film Program endeavors to increase access to Japanese film through diverse presentations, from classics to contemporary independent productions.
- f) 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 through more than 500 individual programs.
- g) Gallery - The Gallery is among the premier institutions in the U.S. for the exhibition, research and publication of Japanese art.
- h) 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 and radio, as well as leveraging social networking, blogs, video sharing, webcasting, social bookmarking, and forums.
- i) Language Center - The Toyota Language Center offers 12 comprehensive levels of Japanese, as well as a variety of specialized courses and workshops including shodō (Japanese calligraphy).
- j) Education - Through exciting online and on-site programming, Education and Family Programs bring Japan to American schools and communities and brings together Japanese and American students.

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, 2020**

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, 2020**

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 2020 and 2019 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, 2020**

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, 2020 and June 30, 2019, the Society wrote-off fully depreciated property and equipment no longer in use with an original cost basis of \$122,280 and \$4,562,754, respectively.

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.

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2020**

Note 2 – Summary of significant accounting policies (continued)

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, 2020 and 2019, advertising costs amounted to \$64,744 and \$88,407, 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.

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, 2019, from which the summarized information was derived.

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2020**

Note 2 – Summary of significant accounting policies (continued)

Risks and uncertainties

On March 13, 2020, President Trump declared a national emergency due to extraordinary circumstances resulting from coronavirus. As a direct result, the Society closed its facilities on March 18, 2020 and has yet to fully resume operations and programs which has resulted in decrease in revenue and support. 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, 2020, which is the date the consolidated financial statements were available to be issued.

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, 2020 and June 30, 2019, financial assets available within one year of the statement of financial position date for general expenditures were as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,406,874	\$ 3,327,898
Investments, at fair value	65,469,115	66,393,201
Accounts receivable	570,936	291,509
Due from investment managers	<u>-</u>	<u>76,696</u>
Total	68,446,925	70,089,304
Less: Net assets with perpetual donor restrictions	(47,198,601)	(47,198,601)
Net assets restricted for Japan Earthquake Relief Fund	<u>(390,302)</u>	<u>(298,026)</u>
Total	<u>\$ 20,858,022</u>	<u>\$ 22,592,677</u>

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2020**

Note 4 – Investments

As of June 30, 2020 and 2019, the cost and fair values of the investments were as follows:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 531,282	\$ 531,282	\$ 425,641	\$ 425,641
Mutual funds				
Fixed income	17,018,127	18,065,093	17,121,071	17,523,559
Equity	41,179,964	43,787,087	40,843,535	44,411,448
Limited partnerships and similar type investments				
U.S. equity	27,149	264,852	24,771	307,409
International equity	479,542	96,824	1,040,244	658,808
Fund of funds – real assets	2,012,212	2,639,405	2,038,446	2,972,636
Alternative investments				
Equity	86,070	84,572	85,130	93,700
Totals	<u>\$ 61,334,346</u>	<u>\$ 65,469,115</u>	<u>\$ 61,578,838</u>	<u>\$ 66,393,201</u>

For assets measured at fair value on a recurring basis as of June 30, 2020 and June 30, 2019, accounting standards require quantitative disclosures about the fair value measurements separately for each major class of assets as follows:

	2020			
Description	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	<u>531,282</u>			
Total investments	<u>\$ 65,469,115</u>			

**JAPAN SOCIETY, INC.
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**Notes to Consolidated Financial Statements (continued)
June 30, 2020**

Note 4 – Investments (continued)

<u>Description</u>	2019			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds				
Fixed income	\$ 17,523,559	\$ 17,523,559	\$ -	\$ -
Equity	44,411,448	44,411,448	-	-
Limited partnerships and similar type investments				
International equity	658,808	-	-	658,808
Fund of funds – real assets	2,972,636	-	-	2,972,636
Alternative investments				
Equity	<u>93,700</u>	<u>-</u>	<u>-</u>	<u>93,700</u>
Sub-total	<u>65,660,151</u>	<u>\$ 61,935,007</u>	<u>\$ -</u>	<u>\$ 3,725,144</u>
Limited partnership measured at NAV	307,409			
Cash and cash equivalents	<u>425,641</u>			
Total investments	<u>\$ 66,393,201</u>			

**JAPAN SOCIETY, INC.
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Notes to Consolidated Financial Statements (continued)
June 30, 2020

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, 2019 and 2020:

	Limited Partnerships and Similar Type Investments		Alternative Investments	Total
	International Equity	Fund of Funds- Real Assets	Equity	
Balance, June 30, 2018	\$ 1,060,699	\$ 3,260,171	\$ 96,782	\$ 4,417,652
Net realized gains	381,628	130,749	-	512,377
Net unrealized (losses)	(226,843)	(39,046)	(4,490)	(270,379)
Net investment return (loss)	(140,150)	(12,349)	1,408	(151,091)
Management and other fees	(7,346)	(79,015)	-	(86,361)
Capital contributions	-	561,480	-	561,480
Withdrawals/ distributions	(409,180)	(849,354)	-	(1,258,534)
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 (losses)	(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

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	N/A	Lockup period greater than 3 years
	Equity	N/A	Lockup period greater than 3 years

**JAPAN SOCIETY, INC.
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**Notes to Consolidated Financial Statements (continued)
June 30, 2020**

Note 4 – Investments (continued)

The following schedule summarizes the net investment return for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 1,429,760	\$ 1,424,260
Realized gains	1,385,875	2,074,639
Unrealized (losses)	(679,594)	(314,755)
Foreign currency exchange (losses)	<u>(28,492)</u>	<u>(117,740)</u>
Sub-total	2,107,549	3,066,404
Investment management and custodian fees	<u>(103,387)</u>	<u>(140,961)</u>
Net investment return	<u>\$ 2,004,162</u>	<u>\$ 2,925,443</u>

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.

Total net investment gain for the year ended June 30, 2019 was \$2,925,443 of which income of \$5,593,456 was allocated to operations, \$36,818 represented operating investment return and \$(2,704,831) was considered non-operating loss.

Note 5 – Contributions and grants receivable

Unconditional contributions and grants receivable as of June 30, 2020 and June 30, 2019, totaled \$65,000 and \$103,123, respectively, and were expected to be collected within one year of the consolidated statement of financial position date.

Note 6 – Land, building and equipment

As of June 30, 2020 and June 30, 2019, land, building and equipment and accumulated depreciation were as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,491,562	\$ 1,491,562
Building, gallery, auditorium and language center improvements	16,744,678	16,127,300
Equipment, furniture and fixtures	131,962	231,298
Work in progress	<u>-</u>	<u>557,742</u>
	18,368,202	18,407,902
Less: accumulated depreciation	<u>11,316,898</u>	<u>10,812,392</u>
Total land, building and equipment	<u>\$ 7,051,304</u>	<u>\$ 7,595,510</u>

**JAPAN SOCIETY, INC.
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**Notes to Consolidated Financial Statements (continued)
June 30, 2020**

Note 7 – Loan payable

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 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 2021 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, 2020 and June 30, 2019:

	Balance at June 30, 2019	Contributions and other Revenue	Investment (Loss)	Net Assets Released from Restrictions	Balance at June 30, 2020
Program purposes	\$ 10,846,125	\$ 1,832,424	\$ (662,069)	\$ 1,841,738	\$ 10,174,742
Japan Earthquake Relief Fund	<u>298,026</u>	<u>114,776</u>	<u>-</u>	<u>22,500</u>	<u>390,302</u>
Total	<u>\$ 11,144,151</u>	<u>\$ 1,947,200</u>	<u>\$ (662,069)</u>	<u>\$ 1,864,238</u>	<u>\$ 10,565,044</u>

Net assets with perpetual donor restrictions as of June 30, 2020 and 2019 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>2020</u>	<u>2019</u>
Revenue without donor restrictions	\$ 9,293,453	\$ 9,293,453
Revenue restricted for program		
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	<u>4,493,380</u>	<u>4,493,380</u>
Total endowment restricted net assets	<u>\$ 47,198,601</u>	<u>\$ 47,198,601</u>

**JAPAN SOCIETY, INC.
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**Notes to Consolidated Financial Statements (continued)
June 30, 2020**

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 2020 and 2019 fiscal years, the Society received contributions totaling approximately \$115,000 and \$22,000, 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 2020 and 2019 fiscal years totaling \$22,500 and \$55,000, respectively. Through June 30, 2020, the Society has made grants totaling \$14,310,909, 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.

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.

**JAPAN SOCIETY, INC.
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**Notes to Consolidated Financial Statements (continued)
June 30, 2020**

Note 10 – Endowments (continued)

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, 2020 and June 30, 2019:

	<u>June 30</u>	
	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 7,939,568	\$ 10,524,359
Investment (loss)	<u>(229,767)</u>	<u>(2,584,791)</u>
Balance, end of year	<u>\$ 7,709,801</u>	<u>\$ 7,939,568</u>

As of June 30, 2020 and 2019, 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 \$349,655 and \$349,440 for fiscal years 2020 and 2019, respectively.

Note 12 – In-kind contributions

For the fiscal years ended June 30, 2020 and 2019, the Society recorded in-kind contributions of:

	<u>2020</u>	<u>2019</u>
Travel	\$ 325,464	\$ 264,283
Strategic plan	-	1,100,000
Advertising, catering, other	<u>41,655</u>	<u>20,600</u>
	<u>\$ 367,119</u>	<u>\$ 1,384,883</u>

Note 13 – Contingencies

From time to time the Society is involved in legal proceedings, arbitrations, and claims arising in the ordinary course of business. The Society believes that the liabilities, if any, that may result from such actions will not have a materially adverse effect on the Society’s consolidated financial statements.