

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

**Consolidated Financial Statements
for the year ended
June 30, 2022
(With summarized comparative
information for 2021)**

Independent Auditor's Report

To the Board of Directors
Japan Society, Inc. and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of the Japan Society, Inc. and Subsidiary (collectively, the "Society") which comprise the consolidated statement of financial position as of June 30, 2022 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Society as of June 30, 2022 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Society's 2021 consolidated financial statements, and our report dated October 21, 2021, 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, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Condon O'Meara McIntyre & Donnelly LLP

November 1, 2022

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

Consolidated Statement of Financial Position

Assets

	June 30	
	2022	2021
Cash and cash equivalents	\$ 1,297,674	\$ 2,701,244
Cash designated for Japan Earthquake Relief Fund	9,595	100,384
Investments, at fair value	66,019,061	81,882,888
Receivables and other assets	600,303	457,270
Land, building and equipment, net	<u>6,153,907</u>	<u>6,635,046</u>
Total assets	<u>\$ 74,080,540</u>	<u>\$ 91,776,832</u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 721,800	\$ 751,877
Deferred membership revenue	271,471	274,357
Loan payable	<u>-</u>	<u>903,200</u>
Total liabilities	<u>993,271</u>	<u>1,929,434</u>

Net assets

Net assets without donor restrictions		
Operating	7,536,138	11,394,914
Board-designated	<u>7,730,561</u>	<u>9,605,460</u>
Total without donor restrictions	<u>15,266,699</u>	<u>21,000,374</u>
Net assets with donor restrictions		
Program restricted	10,521,969	21,598,423
Endowment fund	<u>47,298,601</u>	<u>47,248,601</u>
Total with donor restrictions	<u>57,820,570</u>	<u>68,847,024</u>
Total net assets	<u>73,087,269</u>	<u>89,847,398</u>
Total liabilities and net assets	<u>\$ 74,080,540</u>	<u>\$ 91,776,832</u>

See notes to consolidated financial statements.

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

**Consolidated Statement of Activities
Year Ended June 30, 2022
(with Summarized Comparative Information for year ended June 30, 2021)**

	2022			2021		
	Net Assets Without Donor Restrictions		Net Assets With Donor Restrictions	Total		Total
	Operating	Board- Designated	Total			
Support and revenue	\$ 2,997,791	\$ -	\$ 2,997,791	\$ 2,039,405	\$ 5,037,196	\$ 4,326,711
Contributions, grants and membership revenue from functions and activities	1,348,214	-	1,348,214	-	1,348,214	1,228,187
Allocated investment return	3,279,162	-	3,279,162	-	3,279,162	2,976,450
Operating investment return (loss)	(153,232)	-	(153,232)	-	(153,232)	5,271
Special events, net of direct expenses	1,329,609	-	1,329,609	-	1,329,609	1,171,704
Net assets released from restrictions	2,007,121	-	2,007,121	(2,007,121)	-	-
Total support and revenue	10,808,665	-	10,808,665	32,284	10,840,949	9,708,323
Operating Expenses						
Program services						
Gallery	1,789,952	-	1,789,952	-	1,789,952	1,236,631
Performing arts	1,314,425	-	1,314,425	-	1,314,425	945,556
Film	342,506	-	342,506	-	342,506	379,559
Talks	303,831	-	303,831	-	303,831	332,106
Business and policy	771,499	-	771,499	-	771,499	669,136
Language center	1,035,872	-	1,035,872	-	1,035,872	985,237
Education and Family	388,135	-	388,135	-	388,135	370,732
Media and marketing	1,240,976	-	1,240,976	-	1,240,976	1,267,408
Membership	298,650	-	298,650	-	298,650	354,961
Japan Earthquake Relief Fund	90,800	-	90,800	-	90,800	304,500
Total program services	7,576,646	-	7,576,646	-	7,576,646	6,845,826
Supporting activities						
General	2,820,311	-	2,820,311	-	2,820,311	2,383,089
Development	1,296,141	-	1,296,141	-	1,296,141	831,436
Total supporting activities	4,116,452	-	4,116,452	-	4,116,452	3,214,525
Total expenses	11,693,098	-	11,693,098	-	11,693,098	10,060,351
Excess (deficiency) of revenue over expenses from operations before non-operating revenue	(884,433)	-	(884,433)	32,284	(852,149)	(352,028)
Non-operating revenue						
Total investment return, net of allocation to operations	(2,974,343)	(1,874,899)	(4,849,242)	(11,058,738)	(15,907,980)	16,305,166
Increase (decrease) in net assets	(3,858,776)	(1,874,899)	(5,733,675)	(11,026,454)	(16,760,129)	15,953,138
Net assets, beginning of the year	11,394,914	9,605,460	21,000,374	68,847,024	89,847,398	73,894,260
Net assets, end of year	\$ 7,536,138	\$ 7,730,561	\$ 15,266,699	\$ 57,820,570	\$ 73,087,269	\$ 89,847,398

See notes to consolidated financial statements.

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2022
(with Summarized Comparative Information for year ended June 30, 2021)**

	Program Services										Total Program Services
	Gallery	Performing Arts	Film	Talks	Business and Policy	Language Center	Education and Family	Media and Marketing	Membership	Japan Earthquake Relief Fund	
Expenses											
Salaries, wages and fringe	\$ 553,294	\$ 679,185	\$ 168,806	\$ 266,486	\$ 613,073	\$ 787,819	\$ 282,197	\$ 1,006,936	\$ 252,648	\$ -	\$ 4,610,444
Travel	19,183	189,236	286	524	1	6	14,078	60	175	-	223,549
Office services	4,005	3,406	18	8	60	397	1,247	960	8,374	-	18,475
Shipping	139,320	3,815	7,795	13	-	2	147	14	204	-	151,310
Printing	30,269	9,665	320	7	1,372	129	1,085	2,832	11,387	-	57,066
Professional services	470,844	223,212	71,796	25,800	73,391	20,117	55,252	63,361	315	-	1,004,088
Insurance	3,747	-	-	-	-	-	-	-	-	-	3,747
Equipment and fixtures	4,252	23,933	7,559	26	199	10,696	100	15,467	30	-	62,262
Supplies	45,101	4,930	1,946	301	1,542	6,671	3,102	2,293	1,243	-	67,129
Bad debt	-	-	-	-	-	-	-	-	-	-	-
Promotion	3,056	3,087	21,208	3,924	1,397	1,916	750	14,350	-	-	49,688
Facility costs	234,874	62,838	9,588	2,644	20,146	85,001	10,370	21,148	3,134	-	449,743
Event services	9,639	8,214	6,168	90	3,335	539	4,576	426	1,016	-	34,003
Grants	-	-	-	-	-	-	-	-	-	90,800	90,800
Other	62,765	34,897	39,722	817	32,934	19,961	3,149	87,598	16,476	-	298,319
Subtotal	1,580,349	1,246,418	335,212	300,640	747,450	933,254	376,053	1,215,445	295,002	90,800	7,120,623
Depreciation	209,603	68,007	7,294	3,191	24,049	102,618	12,082	25,531	3,648	-	456,023
Total expenses	\$ 1,789,952	\$ 1,314,425	\$ 342,506	\$ 303,831	\$ 771,499	\$ 1,035,872	\$ 388,135	\$ 1,240,976	\$ 298,650	\$ 90,800	\$ 7,576,646
Supporting Activities											
	General			Direct Cost of Special Events		Total Supporting Activities		2022 Total Expenses		2021 Total Expenses	
	General	Development									
Expenses											
Salaries, wages and fringe	\$ 1,393,589	\$ 1,091,250	\$ -	\$ -	\$ 2,484,839	\$ 7,095,283	\$ 6,745,719				
Travel	11,719	2,035	1,187	1,187	14,941	238,490	9,467				
Office services	107,650	568	-	-	108,218	126,693	120,022				
Shipping	636	403	2,871	2,871	3,910	155,220	46,552				
Printing	845	2,677	9,088	9,088	12,610	69,676	26,461				
Professional services	243,565	96,483	20,792	20,792	360,840	1,364,928	886,386				
Insurance	150,108	-	-	-	150,108	153,855	146,011				
Equipment and fixtures	271,675	1,757	52,039	52,039	325,471	387,733	237,449				
Supplies	21,440	2,590	558	558	24,588	91,717	47,230				
Bad debt	-	-	-	-	-	-	143,417				
Promotion	13,322	-	-	-	13,322	63,010	51,606				
Facility costs	158,417	30,751	113	113	189,281	639,024	363,138				
Event services	23,174	8,842	253,084	253,084	285,100	319,103	10,544				
Grants	-	-	-	-	-	90,800	304,500				
Other	261,715	22,882	60	60	284,657	582,976	420,925				
Subtotal	2,657,855	1,260,238	339,792	339,792	4,257,885	11,378,508	9,559,427				
Depreciation	162,456	35,903	-	-	198,359	654,382	622,004				
Total expenses	2,820,311	1,296,141	339,792	339,792	4,456,244	12,032,890	10,181,431				
Less: expenses deducted directly on the statement of activities	-	-	(339,792)	(339,792)	(339,792)	(339,792)	(121,080)				
Total expenses reported by function on the statement of activities	\$ 2,820,311	\$ 1,296,141	\$ -	\$ -	\$ 4,116,452	\$ 11,693,098	\$ 10,060,351				

See notes to consolidated financial statements.

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

Consolidated Statement of Cash Flows

	Year Ended June 30	
	2022	2021
Cash flows from operating activities		
Increase (decrease) in net assets	\$(16,760,129)	\$ 15,953,138
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) operating activities		
Depreciation	654,382	622,004
Donated stock	(35,604)	(39,846)
Contributions restricted to perpetual endowment	(50,000)	(50,000)
Net realized (gains) on sales of investments	(8,338,820)	(1,689,448)
Net change in unrealized value of investments	22,055,423	(15,628,362)
Forgiveness of loan payable	(903,200)	(903,200)
Changes in operating assets and liabilities		
(Increase) decrease in receivables and other assets	(143,033)	250,604
Increase (decrease) in accounts payable and accrued expenses	(30,077)	154,040
Increase (decrease) in deferred membership revenue	(2,886)	34,487
Net cash (used in) operating activities	<u>(3,553,944)</u>	<u>(1,296,583)</u>
Cash flows from investing activities		
Purchases of investments	(34,860,365)	(2,879,498)
Proceeds from sales of investments	37,171,428	3,958,128
Net change in money market funds	(128,235)	(134,747)
Acquisition of property and equipment	(173,243)	(205,746)
Net cash provided by investing activities	<u>2,009,585</u>	<u>738,137</u>
Cash flows from by financing activities		
Proceeds from loan payable	-	903,200
Contributions restricted to perpetual endowment	50,000	50,000
Net cash provided by financing activities	<u>50,000</u>	<u>953,200</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,494,359)</u>	<u>394,754</u>
Cash and cash equivalents, beginning of the year	<u>2,801,628</u>	<u>2,406,874</u>
Cash and cash equivalents, end of the year	<u>\$ 1,307,269</u>	<u>\$ 2,801,628</u>
Consists of:		
Cash and cash equivalents – operating fund	\$ 1,297,674	\$ 2,701,244
Cash designated for Japan Earthquake Relief Fund	9,595	100,384
Total cash and cash equivalents	<u>\$ 1,307,269</u>	<u>\$ 2,801,628</u>

See notes to consolidated financial statements.

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements
June 30, 2022**

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) JAPAN SOCIETY GALLERY - Among the premier institutions in the U.S. for the exhibition of art from Japan and with Japanese themes, the Gallery presents major exhibitions each spring and fall.
- b) PERFORMING ARTS - Introduces performers from Japan’s contemporary and traditional music, dance and theater scenes and commissions international performing artists to create new works on themes relating to Japan.
- c) FILM - Screens a diverse selection of classic and contemporary Japanese cinema throughout the year, including retrospectives, thematic series, and premieres.
- d) TALKS - Introduces current developments and trends in Japanese culture, inviting experts to engage with and explore diverse topics including pop culture, cuisine, entertainment, and technology.

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2022**

Note 1 – Nature of organization (continued)

Description of program services (continued)

- a) **BUSINESS AND POLICY FORUM** - Hosts public and private programs and networking opportunities for the international business and policy community, helping to define U.S.-Japan relations within a global context. Convening key players and emerging leaders in both countries to address cutting-edge issues, the Forum is an opportunity for the exchange of ideas inspired by the Japanese concept of *kizuna* (絆), or togetherness. Annually, more than 4,000 executives participate in conferences, lectures, symposia, and receptions that are invaluable for helping participants better grasp the financial, business, and policy challenges that affect Japan and the U.S.
- b) **LANGUAGE CENTER** - Offers Japanese language classes as well as specialized courses and workshops, including shodo (Japanese calligraphy), English conversation (ESL), and a Japanese Language Teacher Training Program.
- c) **EDUCATION AND FAMILY** - Introduces Japanese culture and customs through family programs and festivals, provides professional development training for K-12 teachers, gallery tours for schools, and a culturally immersive leadership exchange program for Japanese and American high school students.
- d) **MEDIA AND MARKETING** - The Media and Marketing department drives new and existing initiatives to build awareness of the Society and its programs online and in print. Marketing outreach includes traditional media such as print and press, as well as leveraging programs and special initiatives digitally, through social media, video, live webcasting, cross promotions, and marketing partnerships.
- e) **MEMBERSHIP** - The Society support includes revenue from individual and corporate members. In return for their support, the 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, 2022**

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.

- 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.

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2022**

Note 2 – Summary of significant accounting policies (continued)

Investments and investment return (continued)

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.

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 2022 and 2021 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, 2022**

Note 2 – Summary of significant accounting policies (continued)

Contributions and grants receivable

Contributions and grants including unconditional promises to give are recognized as revenue in the period received and when the conditions on which they depend have been substantially met. Contributions 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 receivables. 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 - 25 years; auditorium and language center building improvements – 10 to 15 years; gallery improvements - 10 to 15 years; general building improvements – 10 to 20 years; equipment, furniture and fixtures - 5 years. For the years ended June 30, 2022 and June 30, 2021, the Society wrote-off fully depreciated property and equipment no longer in use with an original cost basis of \$23,109 and \$113,516, respectively.

**JAPAN SOCIETY, INC.
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**Notes to Consolidated Financial Statements (continued)
June 30, 2022**

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.

Revenue recognition

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 relating to the Society’s programs are expensed as incurred. For the years ended June 30, 2022 and 2021, advertising costs amounted to \$48,540 and \$42,501, 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.
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**Notes to Consolidated Financial Statements (continued)
June 30, 2022**

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, 2021, from which the summarized information was derived.

Subsequent events

The Society has evaluated events and transactions for potential recognition or disclosure through November 1, 2022, which is the date the consolidated financial statements were available to be issued. This evaluation did not identify any events or transactions that required adjustment to or disclosure in the financial statements.

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, 2022 and June 30, 2021, financial assets available within one year of the consolidated statement of financial position date for general expenditures were as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,307,269	\$ 2,801,628
Investments, at fair value	66,019,061	81,882,888
Accounts receivable and other	<u>472,081</u>	<u>348,695</u>
Total	67,798,411	85,033,211
Less: Net assets with perpetual donor restrictions	(47,298,600)	(47,248,601)
Net assets restricted for Japan Earthquake Relief Fund	<u>(9,595)</u>	<u>(100,384)</u>
Total	<u>\$ 20,490,216</u>	<u>\$ 37,684,226</u>

**JAPAN SOCIETY, INC.
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**Notes to Consolidated Financial Statements (continued)
June 30, 2022**

Note 4 – Investments

As of June 30, 2022 and 2021, the cost and fair values of the investments were as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 794,264	\$ 794,264	\$ 666,029	\$ 666,029
Mutual funds				
Fixed income	19,783,449	17,980,432	18,076,507	18,716,965
Equity	45,170,096	43,961,743	41,098,854	59,463,097
Limited partnerships and similar type investments				
U.S. equity	27,149	102,502	27,149	215,581
International equity	310,392	7,170	378,498	8,626
Fund of funds – real assets	2,139,729	3,085,878	1,786,599	2,719,577
Alternative investments				
Equity	86,274	87,072	86,121	93,013
Totals	<u>\$ 68,311,353</u>	<u>\$ 66,019,061</u>	<u>\$ 62,119,757</u>	<u>\$ 81,882,888</u>

**JAPAN SOCIETY, INC.
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**Notes to Consolidated Financial Statements (continued)
June 30, 2022**

Note 4 – Investments (continued)

For assets measured at fair value on a recurring basis as of June 30, 2022 and June 30, 2021, accounting standards require quantitative disclosures about the fair value measurements separately for each major class of assets as follows:

<u>Description</u>	<u>2022</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds				
Fixed income	\$ 17,980,432	\$ 17,980,432	\$ -	\$ -
Equity	43,961,743	43,961,743	-	-
Limited partnerships and similar type investments				
International equity	7,170	-	-	7,170
Fund of funds – real assets	3,085,878	-	-	3,085,878
Alternative investments				
Equity	<u>87,072</u>	<u>-</u>	<u>-</u>	<u>87,072</u>
Sub-total	65,122,295	<u>\$ 61,942,175</u>	<u>\$ -</u>	<u>\$ 3,180,120</u>
Limited partnership measured at NAV	102,502			
Cash and cash equivalents	<u>794,264</u>			
Total investments	<u>\$ 66,019,061</u>			
<u>Description</u>	<u>2021</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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	<u>93,013</u>	<u>-</u>	<u>-</u>	<u>93,013</u>
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	<u>666,029</u>			
Total investments	<u>\$ 81,882,888</u>			

**JAPAN SOCIETY, INC.
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Notes to Consolidated Financial Statements (continued)
June 30, 2022

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, 2021 and 2022:

	Limited Partnerships and Similar Type Investments			Alternative Investments	Total
	International Equity	Fund of Funds- Real Assets	Equity		
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	
Net realized gains	595	975,647	-	976,242	
Net unrealized gain (loss)	66,649	13,169	(6,092)	73,726	
Net investment return (loss)	(68,700)	(187,556)	151	(256,105)	
Management and other fees	-	(80,003)	-	(80,003)	
Capital contributions	-	766,167	-	766,167	
Withdrawals/ distributions	-	(1,121,123)	-	(1,121,123)	
Balance, June 30, 2022	\$ 7,170	\$ 3,085,878	\$ 87,072	\$ 3,180,120	

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 periods 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, 2022**

Note 4 – Investments (continued)

The following schedule summarizes the net investment return for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 1,438,223	\$ 2,136,315
Realized gains	8,338,820	1,689,448
Unrealized gain (loss)	(22,055,423)	15,628,362
Foreign currency exchange (losses)	<u>(359,518)</u>	<u>(9,414)</u>
Sub-total	(12,637,898)	19,444,711
Investment management and custodian fees	<u>(144,152)</u>	<u>(157,824)</u>
Net investment return	<u>\$ (12,782,050)</u>	<u>\$ 19,286,887</u>

Total net investment (loss) for the year ended June 30, 2022 was \$(12,782,050) of which \$3,279,162 was allocated to operations, \$(153,232) represented operating investment (loss) and \$(15,907,980) was considered non-operating (loss).

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

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, 2022 and June 30, 2021, land, building and equipment and accumulated depreciation were as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,491,562	\$ 1,491,562
Building, gallery, auditorium and language center improvements	16,856,169	16,775,160
Equipment, furniture and fixtures	<u>262,835</u>	<u>193,710</u>
	18,610,566	18,460,432
Less: accumulated depreciation	<u>12,456,659</u>	<u>11,825,386</u>
Total land, building and equipment	<u>\$ 6,153,907</u>	<u>\$ 6,635,046</u>

**JAPAN SOCIETY, INC.
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**Notes to Consolidated Financial Statements (continued)
June 30, 2022**

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 was a business loan program established under the Coronavirus Aid, Relief, and Economic Security Act. The Society recorded the proceeds as a liability until the loan was forgiven and the Society was 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 recorded the proceeds as a liability until the loan was forgiven and the Society was 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 November 2021.

Note 8 – Net assets with donor restrictions

Net assets with temporary donor restrictions are available for the following purposes as of June 30, 2022 and June 30, 2021:

	Balance at June 30, 2021	Contributions and other Revenue	Investment (Loss)	Net Assets Released from Restrictions	Balance at June 30, 2022
Program purposes	\$ 21,498,039	\$ 1,989,394	\$ (11,058,738)	\$ (1,916,321)	\$ 10,512,374
Japan Earthquake Relief Fund	100,384	11	-	(90,800)	9,595
Total	<u>\$ 21,598,423</u>	<u>\$ 1,989,405</u>	<u>\$ (11,058,738)</u>	<u>\$ (2,007,121)</u>	<u>\$ 10,521,969</u>

**JAPAN SOCIETY, INC.
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**Notes to Consolidated Financial Statements (continued)
June 30, 2022**

Note 8 – Net assets with donor restrictions (continued)

Net assets with perpetual donor restrictions as of June 30, 2022 and 2021 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>2022</u>	<u>2021</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	4,493,380	4,493,380
Masako Mera and Koichi Mera, PhD Fund for Education and the Arts	<u>100,000</u>	<u>50,000</u>
Total endowment restricted net assets	\$ <u>47,298,601</u>	\$ <u>47,248,601</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 fiscal year, the Society received contributions totaling approximately \$15,000 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 2022 and 2021 fiscal years totaling \$90,800 and \$304,500, respectively. Through June 30, 2022, the Society has made grants totaling \$14,706,209, 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.

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**Notes to Consolidated Financial Statements (continued)
June 30, 2022**

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, 2022 and June 30, 2021:

	<u>June 30</u>	
	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 9,605,460	\$ 7,709,801
Investment gain (loss)	<u>(1,874,899)</u>	<u>1,895,659</u>
Balance, end of year	<u>\$ 7,730,561</u>	<u>\$ 9,605,460</u>

As of June 30, 2022 and 2021, 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 \$415,293 and \$367,864 for fiscal years 2022 and 2021, respectively.

Note 12 – In-kind contributions

For the fiscal years ended June 30, 2022 and 2021, the Society recorded in-kind contributions of:

	<u>2022</u>	<u>2021</u>
Travel	\$ 85,462	\$ -
Professional fees	-	5,500
Advertising, catering, other	-	28,870
Equipment/machine purchases	<u>2,396</u>	<u>-</u>
	<u>\$ 87,858</u>	<u>\$ 34,370</u>

The Society recognizes in-kind contributions within revenue. Unless otherwise noted, in-kind contributions are without donor restrictions. The donated services and equipment/machine purchases noted above were utilized in the Society's programs described in Note 1 to the consolidated financial statements.