

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

**Consolidated Financial Statements
for the year ended
June 30, 2023
(With summarized comparative
information for 2022)**

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, 2023 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, 2023 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 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 2022 consolidated financial statements, and our report dated November 1, 2022, 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, 2022, 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 24, 2023

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

Consolidated Statement of Financial Position

Assets

	June 30	
	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,188,760	\$ 1,297,674
Cash designated for Japan Earthquake Relief Fund	9,604	9,595
Investments, at fair value	67,157,963	66,019,061
Receivables and other assets	683,403	600,303
Land, building and equipment, net	<u>6,341,162</u>	<u>6,153,907</u>
Total assets	<u>\$ 75,380,892</u>	<u>\$ 74,080,540</u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 748,546	\$ 721,800
Deferred membership revenue	<u>287,780</u>	<u>271,471</u>
Total liabilities	<u>1,036,326</u>	<u>993,271</u>

Net assets

Net assets without donor restrictions		
Operating	8,357,010	7,536,138
Board-designated	<u>6,169,319</u>	<u>7,730,561</u>
Total without donor restrictions	<u>14,526,329</u>	<u>15,266,699</u>
Net assets with donor restrictions		
Program restricted	12,519,636	10,521,969
Endowment fund	<u>47,298,601</u>	<u>47,298,601</u>
Total with donor restrictions	<u>59,818,237</u>	<u>57,820,570</u>
Total net assets	<u>74,344,566</u>	<u>73,087,269</u>
Total liabilities and net assets	<u>\$ 75,380,892</u>	<u>\$ 74,080,540</u>

See notes to consolidated financial statements.

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

**Consolidated Statement of Activities
Year Ended June 30, 2023
(with Summarized Comparative Information for year ended June 30, 2022)**

	2023			2022		
	Net Assets Without Donor Restrictions		Net Assets With Donor Restrictions	Total		Total
	Operating	Board- Designated	Total			
Support and revenue	\$ 2,454,097	\$ -	\$ 2,454,097	\$ 2,822,772	\$ 5,276,869	\$ 5,037,196
Contributions, grants and membership	1,758,649	-	1,758,649	-	1,758,649	1,348,214
Revenue from functions and activities	3,064,888	2,355,067	5,419,955	-	5,419,955	3,279,162
Allocated investment return	(28,597)	-	(28,597)	-	(28,597)	(153,232)
Operating investment return (loss)	1,359,150	-	1,359,150	-	1,359,150	1,329,609
Special events, net of direct expenses	3,103,589	-	3,103,589	(3,103,589)	-	-
Net assets released from restrictions	11,711,776	2,355,067	14,066,843	(280,817)	13,786,026	10,840,949
Total support and revenue						
Operating Expenses						
Program services						
Gallery	1,673,716	-	1,673,716	-	1,673,716	1,789,952
Performing arts	1,638,403	-	1,638,403	-	1,638,403	1,314,425
Film	507,714	-	507,714	-	507,714	342,506
Talks	-	-	-	-	-	303,831
Business and policy forum	941,619	-	941,619	-	941,619	771,499
Language center	1,165,418	-	1,165,418	-	1,165,418	1,035,872
Education and Family	604,692	-	604,692	-	604,692	388,135
Media and marketing	1,555,802	-	1,555,802	-	1,555,802	1,240,976
Memberships	292,174	-	292,174	-	292,174	298,650
Japan Earthquake Relief Fund	-	-	-	-	-	90,800
Total program services	8,379,538	-	8,379,538	-	8,379,538	7,576,646
Supporting activities						
General	3,599,816	-	3,599,816	-	3,599,816	2,820,311
Development	1,804,738	-	1,804,738	-	1,804,738	1,296,141
Total supporting activities	5,404,554	-	5,404,554	-	5,404,554	4,116,452
Total expenses	13,784,092	-	13,784,092	-	13,784,092	11,693,098
Excess (deficiency) of revenue over expenses from operations before non-operating revenue	(2,072,316)	2,355,067	282,751	(280,817)	1,934	(852,149)
Non-operating revenue						
Total investment return, net of allocation to operations	2,893,188	(3,916,309)	(1,023,121)	2,278,484	1,255,363	(15,907,980)
Increase (decrease) in net assets	820,872	(1,561,242)	(740,370)	1,997,667	1,257,297	(16,760,129)
Net assets, beginning of the year	7,536,138	7,730,561	15,266,699	57,820,570	73,087,269	89,847,398
Net assets, end of year	\$ 8,357,010	\$ 6,169,319	\$ 14,526,329	\$ 59,818,237	\$ 74,344,566	\$ 73,087,269

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses
Year Ended June 30, 2023
(with Summarized Comparative Information for year ended June 30, 2022)

[illegible]

	Supporting Activities				
	General	Development	Direct Cost of Special Events	Total Supporting Activities	
Expenses	\$	\$	\$	\$	
Salaries, wages and fringe	2,070,034	1,487,238	-	3,557,272	\$ 7,095,283
Travel	94,416	2,849	2,589	99,854	238,490
Office services	26,106	14,282	1,420	41,808	126,693
Shipping	1,375	204	32	1,611	155,220
Printing	1,238	1,487	7,066	9,791	69,676
Professional services	281,441	167,886	15,937	465,264	1,364,928
Insurance	3,215	18,264	-	21,479	153,855
Equipment and fixtures	294,010	6,510	50,871	351,391	387,733
Supplies	22,829	2,145	715	25,689	91,717
Promotion	14,561	-	-	14,561	63,010
Facility costs	194,055	37,500	-	231,555	639,024
Event services	60,056	23,466	274,098	357,620	319,103
Grants	-	-	-	-	90,800
Other	413,310	15,686	-	428,996	582,976
Subtotal	3,476,646	1,777,517	352,728	5,606,891	11,378,508
Depreciation	123,170	27,221	-	150,391	654,382
Total expenses	3,599,816	1,804,738	352,728	5,757,282	12,032,890
Less: expenses deducted directly on the statement of activities	-	-	(352,728)	(352,728)	(339,792)
Total expenses reported by function on the statement of activities	\$ 3,599,816	\$ 1,804,738	\$ -	\$ 5,404,554	\$ 11,693,098

See notes to consolidated financial statements.

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

Consolidated Statement of Cash Flows

	Year Ended June 30	
	2023	2022
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 1,257,297	\$(16,760,129)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) operating activities		
Depreciation	496,136	654,382
Donated stock	(204,096)	(35,604)
Contributions restricted to perpetual endowment	-	(50,000)
Net realized (gains) on sales of investments	(818,816)	(8,338,820)
Net change in unrealized value of investments	(4,788,190)	22,055,423
Forgiveness of loan payable	-	(903,200)
Changes in operating assets and liabilities		
(Increase) in receivables and other assets	(83,100)	(143,033)
Increase (decrease) in accounts payable and accrued expenses	26,746	(30,077)
Increase (decrease) in deferred membership revenue	16,309	(2,886)
Net cash (used in) operating activities	<u>(4,097,714)</u>	<u>(3,553,944)</u>
Cash flows from investing activities		
Purchases of investments	(3,684,075)	(34,860,365)
Proceeds from sales of investments	8,301,250	37,171,428
Net change in money market funds	55,025	(128,235)
Acquisition of property and equipment	(683,391)	(173,243)
Net cash provided by investing activities	<u>3,988,809</u>	<u>2,009,585</u>
Cash flows provided by financing activities		
Contributions restricted to perpetual endowment	-	50,000
Net (decrease) in cash and cash equivalents	(108,905)	(1,494,359)
Cash and cash equivalents, beginning of the year	<u>1,307,269</u>	<u>2,801,628</u>
Cash and cash equivalents, end of the year	<u>\$ 1,198,364</u>	<u>\$ 1,307,269</u>
Consists of:		
Cash and cash equivalents – operating fund	\$ 1,188,760	\$ 1,297,674
Cash designated for Japan Earthquake Relief Fund	9,604	9,595
Total cash and cash equivalents	<u>\$ 1,198,364</u>	<u>\$ 1,307,269</u>

See notes to consolidated financial statements.

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements
June 30, 2023**

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.
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**Notes to Consolidated Financial Statements (continued)
June 30, 2023**

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's 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, 2023**

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, 2023**

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 2023 and 2022 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, 2023**

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, 2023 and June 30, 2022, the Society wrote-off fully depreciated property and equipment no longer in use with an original cost basis of \$674,763 and \$23,109, respectively.

**JAPAN SOCIETY, INC.
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**Notes to Consolidated Financial Statements (continued)
June 30, 2023**

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, 2023 and 2022, advertising costs amounted to \$52,878 and \$48,540, 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 date 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, 2023**

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 August 28, 2023, from which the summarized information was derived.

Subsequent events

The Society has evaluated events and transactions for potential recognition or disclosure through October 24, 2023, 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.

New accounting pronouncement

The FASB issued ASU No. 2016-02, *Leases* (Topic 842) ("ASC 842"). ASC 842 is effective July 1, 2022 and requires a lessee to recognize a right-of-use ("ROU") asset, which represents the right to control the use of a respective asset for the lease term and a lease liability on the statement of financial position. The Society has elected to exclude leases with terms shorter than twelve months. The Society did not have any leases that met the requirements of ASC 842.

**JAPAN SOCIETY, INC.
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2023**

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, 2023 and June 30, 2022, financial assets available within one year of the consolidated statement of financial position date for general expenditures were as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,198,364	\$ 1,307,269
Investments, at fair value	67,157,963	66,019,061
Accounts receivable and other	<u>555,621</u>	<u>472,081</u>
Total	68,911,948	67,798,411
Less: Net assets with perpetual donor restrictions	(47,298,601)	(47,298,601)
Net assets restricted for Japan Earthquake Relief Fund	<u>(9,604)</u>	<u>(9,595)</u>
Total	<u>\$ 21,603,743</u>	<u>\$ 20,490,215</u>

Note 4 – Investments

As of June 30, 2023 and 2022, the cost and fair values of the investments were as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 739,239	\$ 739,239	\$ 794,264	\$ 794,264
Mutual funds				
Fixed income	17,764,764	15,862,669	19,783,449	17,980,432
Equity	42,022,373	46,014,093	45,170,096	43,961,743
Limited partnerships and similar type investments				
U.S. equity	27,149	43,041	27,149	102,502
International equity	290,265	5,403	310,392	7,170
Fund of funds – real assets	3,765,664	4,408,437	2,139,729	3,085,878
Alternative investments				
Equity	<u>89,299</u>	<u>85,081</u>	<u>86,274</u>	<u>87,072</u>
Totals	<u>\$ 64,698,753</u>	<u>\$ 67,157,963</u>	<u>\$ 68,311,353</u>	<u>\$ 66,019,061</u>

**JAPAN SOCIETY, INC.
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**Notes to Consolidated Financial Statements (continued)
June 30, 2023**

Note 4 – Investments (continued)

For assets measured at fair value on a recurring basis as of June 30, 2023 and June 30, 2022, accounting standards require quantitative disclosures about the fair value measurements separately for each major class of assets as follows:

<u>Description</u>	<u>2023</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds				
Fixed income	\$ 15,862,669	\$ 15,862,669	\$ -	\$ -
Equity	46,014,093	46,014,093	-	-
Limited partnerships and similar type investments				
International equity	5,403	-	-	5,403
Fund of funds – real assets	4,408,437	-	-	4,408,437
Alternative investments				
Equity	85,081	-	-	85,081
Sub-total	66,375,683	\$ 61,876,762	\$ -	\$ 4,498,921
Limited partnership measured at NAV	43,041			
Cash and cash equivalents	739,239			
Total investments	\$ 67,157,963			
<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	87,072	-	-	87,072
Sub-total	65,122,295	\$ 61,942,175	\$ -	\$ 3,180,120
Limited partnership measured at NAV	102,502			
Cash and cash equivalents	794,264			
Total investments	\$ 66,019,061			

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Notes to Consolidated Financial Statements (continued)
June 30, 2023

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, 2022 and 2023:

	Limited Partnerships and Similar Type Investments		Alternative Investments	Total
	International Equity	Fund of Funds- Real Assets	Equity	
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
Net realized gains (losses)	(1,055)	386,673	-	385,618
Net unrealized gain	18,360	(194,752)	(5,017)	(181,409)
Net investment return (loss)	(19,072)	(90,524)	3,026	(106,570)
Management and other fees	-	(178,049)	-	(178,049)
Capital contributions	-	1,874,415	-	1,874,415
Withdrawals/ distributions	-	(475,204)	-	(475,204)
Balance, June 30, 2023	\$ 5,403	\$ 4,408,437	\$ 85,081	\$ 4,498,921

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 – 10	U.S. and International Equities – 2	N/A	Lockup periods greater than 3 years
	Fund of Funds – 8	N/A	Lockup periods greater than 3 years
Alternative investments – 1	Equity	N/A	Lockup period greater than 3 years

**JAPAN SOCIETY, INC.
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**Notes to Consolidated Financial Statements (continued)
June 30, 2023**

Note 4 – Investments (continued)

The following schedule summarizes the net investment return for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 1,351,989	\$ 1,438,223
Realized gains	818,816	8,338,820
Unrealized gain (loss)	4,788,190	(22,055,423)
Foreign currency exchange (losses)	<u>(70,467)</u>	<u>(359,518)</u>
Sub-total	6,888,528	(12,637,898)
Investment management and custodian fees	<u>(241,807)</u>	<u>(144,152)</u>
Net investment return	<u>\$ 6,646,721</u>	<u>\$ (12,782,050)</u>

Total net investment gain for the year ended June 30, 2023 was \$6,646,721 of which \$5,419,955 was allocated to operations, \$(28,597) represented operating investment (loss) and \$1,255,363 was considered non-operating gain.

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).

Note 5 – Land, building and equipment

As of June 30, 2023 and June 30, 2022, land, building and equipment and accumulated depreciation were as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,491,562	\$ 1,491,562
Building, gallery, auditorium and language center improvements	16,810,860	16,856,169
Equipment, furniture and fixtures	<u>316,772</u>	<u>262,835</u>
	18,619,194	18,610,566
Less: accumulated depreciation	<u>12,278,032</u>	<u>12,456,659</u>
Total land, building and equipment	<u>\$ 6,341,162</u>	<u>\$ 6,153,907</u>

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**Notes to Consolidated Financial Statements (continued)
June 30, 2023**

Note 6 – Net assets with donor restrictions

Net assets with temporary donor restrictions are available for the following purposes as of June 30, 2023 and June 30, 2022:

	Balance at June 30, 2022	Contributions and other Revenue	Investment Return	Net Assets Released from Restrictions	Balance at June 30, 2023
Program purposes	\$ 10,512,374	\$ 2,822,763	\$ 2,278,484	\$ (3,103,589)	\$ 12,510,032
Japan Earthquake Relief Fund	9,595	9	-	-	9,604
Total	<u>\$ 10,521,969</u>	<u>\$ 2,822,772</u>	<u>\$ 2,278,484</u>	<u>\$ (3,103,589)</u>	<u>\$ 12,519,636</u>

Net assets with perpetual donor restrictions as of June 30, 2023 and 2022 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.

	2023	2022
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	100,000	100,000
Total endowment restricted net assets	<u>\$ 47,298,601</u>	<u>\$ 47,298,601</u>

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**Notes to Consolidated Financial Statements (continued)
June 30, 2023**

Note 7 – 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. 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 fiscal year totaling \$90,800. Through June 30, 2023, the Society has made grants totaling \$14,706,209, directly to organizations in Japan working in the relief efforts.

Note 8 – 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.

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**Notes to Consolidated Financial Statements (continued)
June 30, 2023**

Note 8 – 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, 2023 and June 30, 2022:

	<u>June 30</u>	
	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 7,730,561	\$ 9,605,460
Investment (loss)	<u>(1,561,242)</u>	<u>(1,874,899)</u>
Balance, end of year	<u>\$ 6,169,319</u>	<u>\$ 7,730,561</u>

As of June 30, 2023 and 2022, there were no restricted or designated endowment funds with deficiencies.

Note 9 – 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 \$483,534 and \$415,293 for fiscal years 2023 and 2022, respectively.

Note 10 – In-kind contributions

For the fiscal years ended June 30, 2023 and 2022, the Society recorded in-kind contributions of:

	<u>2023</u>	<u>2022</u>
Travel	\$ 197,563	\$ 85,462
Professional fees	95,000	-
Advertising, catering, other	380	-
Equipment/machine purchases	<u>-</u>	<u>2,396</u>
	<u>\$ 292,943</u>	<u>\$ 87,858</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.