

Financial Statements

U.S.-Japan Research Institute

*Year ended March 31, 2011 and for the period from
April 14, 2009 (date of inception) to March 31, 2010
with Independent Accountants' Review Report*

U.S.-Japan Research Institute

Financial Statements

Year ended March 31, 2011 and for the period from April 14, 2009 (date of inception) to
March 31, 2010

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Independent Accountants' Review Report

To the Board of Trustees of
U.S.-Japan Research Institute

We have reviewed the accompanying statements of financial position of U.S.-Japan Research Institute (USJI), (a not-for-profit organization) as of March 31, 2011 and 2010, and the related statements of activities and functional expenses and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of USJI management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

EOS Accountants LLP
May 27, 2011

U.S. – Japan Research Institute

Statements of Financial Position

March 31, 2011

	March 31	
	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 333,136	\$ 180,290
Contributions receivable	36,249	32,120
Other accounts receivable	2,978	—
Prepaid expenses	9,895	8,212
Total current assets	<u>382,258</u>	<u>220,622</u>
Property and equipment:		
Equipment	5,369	—
Accumulated depreciation	(1,208)	—
Property and equipment	<u>4,161</u>	<u>—</u>
Security deposits	14,989	14,344
Total assets	<u>\$ 401,408</u>	<u>\$ 234,966</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 15,273	\$ 10,044
Payroll tax payable	—	522
Total current liabilities	<u>15,273</u>	<u>10,566</u>
Deferred rent liabilities	2,580	3,444
Total liabilities	<u>17,853</u>	<u>14,010</u>
Net assets-unrestricted	383,555	220,956
Total liabilities and net assets	<u>\$ 401,408</u>	<u>\$ 234,966</u>

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Statements of Activities

Year ended March 31, 2011 and period from April 14, 2009 (date of inception) to
March 31, 2010

	Year ended March 31, 2011	Period from April 14, 2009 (date of inception) to March 31, 2010
Revenues:		
Corporate contributions	\$ 475,137	\$ 253,350
University contributions	58,371	139,265
Related university contributions	68,121	43,812
Other contributions	40,249	—
Individual contributions	—	3,000
Service fee income	26,760	—
Other	10,474	4,693
Total revenues	679,112	444,120
Expenses:		
Program services	266,758	107,692
Supporting services and administrative expenses	249,755	115,472
Total expenses	516,513	223,164
Increase in net assets	162,599	220,956
Net assets at beginning of year (period)	220,956	—
Net assets at end of year (period)	\$ 383,555	\$ 220,956

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Statements of Functional Expenses

Year ended March 31, 2011 and period from April 14, 2009 (date of inception) to March 31, 2010

	Year ended March 31, 2011	Period from April 14, 2009 (date of inception) to March 31, 2010
Program service:		
Conference and convention	\$ 82,924	\$ 34,444
Guest speaker	33,800	17,000
Charitable contributions	25	3,000
Meeting	365	3,838
Travel and transportation	45,410	5,930
Meal and entertainment	4,403	177
Professional fees	25,488	32,394
Printing and production	16,352	7,922
Telephone and communication	10,406	2,093
Adverting and promotions	21,034	448
Due/Subscription	2,223	446
Costs of service fee	24,328	—
Program service expenses	<u>266,758</u>	<u>107,692</u>
Supporting service and administrative expense:		
Payroll and payroll taxes	148,659	41,020
Rent	53,689	35,173
Legal and professional	41,076	36,806
Office supply	2,427	1,907
Depreciation expense	1,208	—
Miscellaneous	2,696	566
Supporting service expenses and administrative expenses	<u>249,755</u>	<u>115,472</u>
Total expenses	<u>\$ 516,513</u>	<u>\$ 223,164</u>

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Statements of Cash Flows

Year ended March 31, 2011 and period from April 14, 2009 (date of inception) to
March 31, 2010

	Year ended March 31, 2011	Period from April 14, 2009 (date of Inception) to March 31, 2010
Operating activities:		
Increase in net assets	\$ 162,599	\$ 220,956
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,208	—
Deferred rent	(864)	3,444
Changes in operating assets and liabilities:		
Contributions receivable	(4,129)	(32,120)
Other accounts receivable	(2,978)	—
Prepaid expenses	(1,683)	(8,212)
Security deposits	(645)	(14,344)
Accounts payable and accrued expenses	5,229	10,044
Payroll tax payable	(522)	522
Net cash provided by operating activities	<u>158,215</u>	<u>180,290</u>
Investing activities:		
Acquisition of property and equipment	(5,369)	—
Net cash used in investing activities	<u>(5,369)</u>	<u>—</u>
Net increase in cash and cash equivalents	152,846	180,290
Cash and cash equivalents at beginning of year (period)	180,290	—
Cash and cash equivalents at end of year (period)	<u>\$ 333,136</u>	<u>\$ 180,290</u>

U.S. – Japan Research Institute

Notes to Financial Statements

March 31, 2011

1. Organization and Operations

The U.S.-Japan Research Institute (the “institute”, “USJI”), a not-for-profit organization, was founded in Washington D.C., US, in April 14, 2009 with the support of five Japanese universities; Keio University, Kyoto University, Ritsumeikan University, University of Tokyo and Waseda University.

The institute promotes assembling leading scholars and researchers in the US and Japan, as well as business community leaders of both countries in working together to influence, support and improve policy making process affecting the US-Japan relationship under the rapidly changing global climate. Along with such collaborative activities, the institute also promotes for developing human resources who will contribute in improving such bilateral relationship.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accounting and reporting policies of the institute conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management of USJI make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Revenue Recognition

Contributions of services are recognized at their fair value if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Donated materials are recognized at their fair value at the date of the donation.

Some members of one of the founding universities voluntarily support a certain activities of the institute. Such donated services, having no effect on net assets, were not recognized as income or expenses during the year (period) ended March 31, 2011 and 2010.

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Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Unrestricted Net Assets

Net assets are not subject to donor-imposed stipulations.

Cash Equivalents

USJI considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are recorded at cost and depreciation is provided on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred, and expenditures that extend the useful lives of assets are capitalized.

Foreign Currency Exchange

Assets and liabilities denominated in foreign currencies are translated by using exchange rate at year end. Income and expenses are translated using the spot rates. Realized and unrealized exchange gains and losses are included in the accompanying statements of activities.

Deferred Rent

Rent expense is recognized on the straight-line basis. The differences between cash payments under the lease agreement and straight-lined rent have been recognized as deferred rent in the accompanying statements of financial position. USJI's rent agreement will expire in January 2012.

Advertising Costs

Advertising and other promotional costs are expensed as incurred. The costs incurred for the year ended March 31, 2011, amounted to approximately \$21,000.

