

**JAPAN CENTER
FOR
INTERNATIONAL EXCHANGE, INC.
FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.

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HECHT AND COMPANY, P.C.

Certified Public Accountants

The Empire State Building
350 Fifth Avenue, 68th Floor
New York, NY 10118-0110
(212) 819-8000
Fax: (212) 302-0973

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Japan Center for International Exchange, Inc.

We have reviewed the accompanying financial statements of Japan Center for International Exchange, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

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

Supplementary Information

The 2016 supplementary information included in the schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

Report on 2015 Financial Statements and Supplementary Information

The 2015 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated January 6, 2016. In addition, the 2015 supplementary information contained in the schedule of functional expenses on page 12 was subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Our report stated that the information was fairly stated in all material respects in relation to the financial statements as a whole. We have not performed any auditing procedures on either the financial statements or on the supplementary information since January 6, 2016.

Hecht And Company P.C.

New York, New York
January 12, 2017

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.

Statements of Financial Position

June 30, 2016 and 2015

	<u>2016</u> <u>(Reviewed)</u>	<u>2015</u> <u>(Audited)</u>
ASSETS		
Cash	\$ 241,783	\$ 1,029,056
Investments, at fair value	1,145,732	1,195,663
Advances to JCIE - Japan	171,549	541,145
Prepaid expenses	13,149	6,085
Due from JCIE - Japan	19,961	-
Security deposits	28,437	28,437
	<u>28,437</u>	<u>28,437</u>
Total assets	<u>\$ 1,620,611</u>	<u>\$ 2,800,386</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses and other current liabilities	\$ 4,570	\$ 3,356
Due to JCIE - Japan	-	120,000
Total liabilities	<u>4,570</u>	<u>123,356</u>
 Commitments		
Net Assets		
Unrestricted	1,023,679	1,063,841
Temporarily restricted	592,362	1,613,189
Total net assets	<u>1,616,041</u>	<u>2,677,030</u>
Total liabilities and net assets	<u>\$ 1,620,611</u>	<u>\$ 2,800,386</u>

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.

Statements of Activities

For the Years Ended June 30, 2016 and 2015

	2016	2015
	(Reviewed)	(Audited)
Unrestricted net assets		
Revenues		
Contributions	\$ 249,925	\$ 130,429
Interest and dividend income	26,462	25,896
Realized and unrealized gains on investments	23,221	40,690
Other income	3,541	448
Total revenues	<u>303,149</u>	<u>197,463</u>
Net assets released from restrictions		
Satisfaction from program restrictions	<u>1,123,993</u>	<u>805,694</u>
Total unrestricted revenues	<u>1,427,142</u>	<u>1,003,157</u>
Expenses		
Program services		
Human Security and Global Cooperation programs	826,765	576,641
Global Think Net programs	50,728	86,299
Civil Net and Grass Roots programs	210,635	60,399
Political Leadership Exchange programs	276,878	83,046
Earthquake Relief and Recovery programs	7,236	156,344
Total program services	<u>1,372,242</u>	<u>962,729</u>
Supporting services		
Management and general	<u>95,062</u>	<u>72,412</u>
Total expenses	<u>1,467,304</u>	<u>1,035,141</u>
Decrease in unrestricted net assets	<u>(40,162)</u>	<u>(31,984)</u>

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.
Statements of Activities (continued)
For the Years Ended June 30, 2016 and 2015

	2016	2015
	(Reviewed)	(Audited)
Temporarily restricted net assets		
Contributions	\$ 103,166	\$ 822,759
Net assets released from restrictions	<u>(1,123,993)</u>	<u>(805,694)</u>
(Decrease) increase in temporarily restricted net assets	<u>(1,020,827)</u>	<u>17,065</u>
Decrease in net assets	(1,060,989)	(14,919)
Net assets - beginning	<u>2,677,030</u>	<u>2,691,949</u>
Net assets - ending	<u><u>\$ 1,616,041</u></u>	<u><u>\$ 2,677,030</u></u>

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.**Statements of Cash Flows****For the Years Ended June 30, 2016 and 2015**

	2016	2015
	(Reviewed)	(Audited)
Cash flows from operating activities		
Decrease in net assets	<u>\$ (1,060,989)</u>	<u>\$ (14,919)</u>
Adjustments to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
Realized and unrealized gains on investments	(23,221)	(40,690)
Changes in operating assets:		
Decrease in pledges receivable	-	750,069
Decrease (increase) in advances to JCIE - Japan	369,596	(210,042)
Increase in prepaid expenses	(7,064)	(3,466)
(Increase) decrease in due from JCIE - Japan	(19,961)	5,347
Increase (decrease) in accrued expenses and other current liabilities	1,214	(24,011)
(Decrease) increase in due to JCIE - Japan	<u>(120,000)</u>	<u>120,000</u>
Total adjustments	<u>200,564</u>	<u>597,207</u>
Net cash (used in) provided by operating activities	<u>(860,425)</u>	<u>582,288</u>
Cash flows from investing activities		
Purchase of investments	(16,234)	(31,700)
Proceeds from sale of investments	<u>89,386</u>	<u>904</u>
Net cash provided by (used in) investing activities	<u>73,152</u>	<u>(30,796)</u>
Net (decrease) increase in cash	(787,273)	551,492
Cash - beginning	<u>1,029,056</u>	<u>477,564</u>
Cash - ending	<u>\$ 241,783</u>	<u>\$ 1,029,056</u>

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.

Notes to Financial Statements

June 30, 2016 (Reviewed) and 2015 (Audited)

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

Japan Center for International Exchange, Inc. ("Center") was incorporated in June 1976 as a non-profit corporation chartered by the State of New York. The Center was created for the purpose of promoting, enhancing and contributing to the advancement of world peace, international cooperation and mutual understanding between Japan and the United States in political, social, cultural and other areas. The Center is an affiliate of Japan Center for International Exchange - Japan ("JCIE - Japan"). During the years ended June 30, 2016 and 2015, the Center contributed \$781,245 and \$425,024 to JCIE - Japan, respectively. During the years ended June 30, 2016 and 2015, the Center received \$94,213 and \$25,791 from JCIE - Japan for reimbursement of funds expended by the Center on behalf of JCIE - Japan.

Basis of Presentation

The Center follows the requirements of the Not-for-Profit Entities, Presentation of Financial Statements Topic of the FASB Accounting Standards Codification. Under this Topic, the Center is required to report information regarding its financial position and activities according to three classes of net assets, unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Investment Valuation and Income Recognition

Investments in mutual funds are valued at the net asset value of the shares held by the Center at year-end and are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the statements of activities. Interest income is reported on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Contributions

Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.

Notes to Financial Statements

June 30, 2016 (Reviewed) and 2015 (Audited)

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is stated at cost. Expenditures for major additions are capitalized. Maintenance and repairs are charged to operations as incurred. Depreciation of property and equipment was computed on the straight-line basis over five years.

Concentration of Credit Risk

Financial instruments that potentially subject the Center to credit risk consist principally of cash in financial institutions which, from time to time, exceeds the Federal Deposit Insurance Corporation limit.

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

The Center is exempt from Federal and State income taxes under Section 501 (c)(3) of the U.S. Internal Revenue Code. Accordingly, no provision for income taxes has been made in the financial statements.

The Center evaluates the effect of uncertain tax positions, if any, and provides for those positions in accordance with the provisions of ASC 450, Contingencies.

Subsequent Events

Management has evaluated subsequent events through January 12, 2017, the date the financial statements were available to be issued.

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.

Notes to Financial Statements

June 30, 2016 (Reviewed) and 2015 (Audited)

Note 2 - Investments, at Fair Value

The Center complies with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value in various levels. Level 1 consists of unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

The following table sets forth by level, within the fair value hierarchy, the Center's assets at fair value as of June 30, 2016 and 2015:

	Assets at Fair Value as of	
	June 30,	
	2016	2015
	(Level 1)	(Level 1)
Mutual funds:		
Blend funds	\$ 806,558	\$ 875,760
Fixed income funds	339,174	319,903
Total mutual funds:	<u>\$ 1,145,732</u>	<u>\$ 1,195,663</u>

Note 3 - Advances to JCIE - Japan

The Center advanced funds in the amount of \$171,549 and \$541,145 at June 30, 2016 and 2015, respectively to be expended by JCIE - Japan within one year for the Human Security and Global Cooperation, Global Think Net, Civil Net and Grass Roots, Political Leadership Exchange and Earthquake Relief and Recovery programs.

Note 4 - Due from (to) JCIE - Japan

The Center paid for certain program expenses on behalf of their affiliate for joint programs for which funding was obtained by the Center. At June 30, 2016, the affiliate owed the Center \$19,961. The affiliate paid for certain program expenses on behalf of the Center for joint programs for which funding was obtained by the Center. At June 30, 2015, the Center owed the affiliate \$120,000.

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.

Notes to Financial Statements

June 30, 2016 (Reviewed) and 2015 (Audited)

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Center and/or the passage of time.

Time restricted temporarily restricted net assets at June 30, 2016 and 2015, were restricted for use by donors for the following purposes:

	<u>2016</u>	<u>2015</u>
Human Security and Global Cooperation programs	\$ 370,087	\$ 1,171,565
Global Think Net programs	29,879	31,411
Civil Net and Grass Roots programs	26,278	137,688
Political Leadership Exchange programs	68,267	72,082
Earthquake Relief and Recovery programs	97,851	200,443
	<u>\$ 592,362</u>	<u>\$ 1,613,189</u>

Note 6 - Commitments

Leases

The Center conducts its operations from a facility leased under an operating lease expiring on January 31, 2019. The lease includes an escalation clause for real estate taxes and operations. Minimum future annual rental payments under the noncancelable operating lease as of June 30, 2016 are as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2017	\$ 73,311
2018	75,511
2019	44,809
Total minimum future rental payments	<u>\$ 193,631</u>

Rent expense for the years ended June 30, 2016 and 2015 amounted to \$71,176 and \$69,103, respectively.

SUPPLEMENTARY INFORMATION

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.

Schedule of Functional Expenses

For the Year Ended June 30, 2016 (Reviewed)

	Program Services					Total Program Services	Supporting Services	Total Expenses
	Human Security & Global Cooperation Programs	Global Think Net Programs	Civil Net & Grass Roots Programs	Political Leadership Exchange Programs	Earthquake Relief & Recovery Programs		Management and General	
Salaries and benefits	\$ 254,462	\$ 14,291	\$ 34,735	\$ 17,457	\$ 14,817	\$ 335,762	\$ 85,687	\$ 421,449
Occupancy	38,279	11,408	14,260	14,260	4,754	82,961	2,850	85,811
Communication	1,648	411	514	514	171	3,258	103	3,361
Equipment and supplies	1,586	571	713	713	238	3,821	143	3,964
Professional fees	11,000	2,640	3,300	3,300	1,100	21,340	660	22,000
Travel	73,397	3,107	12,222	54,470	5,130	148,326	2,163	150,489
Program expenses	46,132	9,547	5,471	13,105	294	74,549	3,125	77,674
Miscellaneous	7,746	1,867	2,333	2,333	778	15,057	467	15,524
Total before JCIE - Japan contributions	434,250	43,842	73,548	106,152	27,282	685,074	95,198	780,272
Contributions (outlay) to JCIE - Japan	392,515	6,886	137,087	170,726	(20,046)	687,168	(136)	687,032
Total	\$ 826,765	\$ 50,728	\$ 210,635	\$ 276,878	\$ 7,236	\$ 1,372,242	\$ 95,062	\$ 1,467,304

See independent accountant's review report.

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.
Schedule of Functional Expenses
For the Year Ended June 30, 2015 (Audited)

	Program Services					Total Program Services	Supporting Services	Total Expenses
	Human Security & Global Cooperation Programs	Global Think Net Programs	Civil Net & Grass Roots Programs	Political Leadership Exchange Programs	Earthquake Relief & Recovery Programs		Management and General	
Salaries and benefits	\$ 213,426	\$ 21,708	\$ 9,830	\$ 19,873	\$ 60,598	\$ 325,435	\$ 65,117	\$ 390,552
Occupancy	44,522	8,115	4,058	8,115	12,984	77,794	3,246	81,040
Communication	3,009	548	274	548	877	5,256	220	5,476
Equipment and supplies	4,182	877	439	877	1,403	7,778	351	8,129
Professional fees	12,100	2,200	1,100	2,200	3,520	21,120	880	22,000
Travel	8,908	518	13,213	15,575	9,753	47,967	5,768	53,735
Program expenses	5,190	15,920	-	15,662	10,511	47,283	3,423	50,706
Miscellaneous	13,187	2,463	1,231	2,463	3,941	23,285	985	24,270
Total before JCIE - Japan contributions	304,524	52,349	30,145	65,313	103,587	555,918	79,990	635,908
Contributions (outlay) to JCIE - Japan	272,117	33,950	30,254	17,733	52,757	406,811	(7,578)	399,233
Total	\$ 576,641	\$ 86,299	\$ 60,399	\$ 83,046	\$ 156,344	\$ 962,729	\$ 72,412	\$ 1,035,141

See independent accountant's review report.