

**JAPAN CENTER
FOR
INTERNATIONAL EXCHANGE, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.
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June 30, 2018 (Reviewed) and 2017 (Audited)

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INDEPENDENT ACCOUNTANTS' 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, 2018, 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 Company 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.

Accountants' 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.

Accountants' 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 supplementary information included on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. We have not audited or reviewed such information and we do not express an opinion, a conclusion, nor provide any assurance on it.

Report on 2017 Financial Statements

The financial statements of Japan Center for International Exchange, Inc. as of June 30, 2017 were audited by other auditors who have merged with LM Cohen & Company, and whose report dated June 7, 2018, stated that, based on their audit, the financial statements present fairly, in all material respects, the financial statements of Japan Center for International Exchange, Inc. as of June 30, 2017, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

L.M. Cohen & Co.

New York, New York
May 6, 2019

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
	(Reviewed)	(Audited)
ASSETS		
Cash	\$ 144,145	\$ 120,204
Investments, at fair value	1,148,948	1,120,797
Pledges receivable	521,680	961,054
Advances to JCIE - Japan	76,622	62,418
Prepaid expenses	9,864	2,294
Due from JCIE - Japan	14,954	46,766
Security deposits	28,437	28,437
	<u>\$ 1,944,650</u>	<u>\$ 2,341,970</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses and other current liabilities	<u>\$ 14,022</u>	<u>\$ 1,679</u>
Commitments		
Net Assets		
Unrestricted	1,124,711	1,078,445
Temporarily restricted	805,917	1,261,846
Total net assets	<u>1,930,628</u>	<u>2,340,291</u>
	<u>\$ 1,944,650</u>	<u>\$ 2,341,970</u>
Total liabilities and net assets	<u>\$ 1,944,650</u>	<u>\$ 2,341,970</u>

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.
Statements of Activities
For the Years Ended June 30, 2018 and 2017

	2018	2017
	(Reviewed)	(Audited)
Unrestricted net assets		
Revenues		
Contributions	\$ 153,907	\$ 568,885
Interest and dividend income	23,513	23,387
Realized and unrealized gains on investments	81,587	104,833
Other income	2,553	655
Total revenues	<u>261,560</u>	<u>697,760</u>
Net assets released from restrictions		
Satisfaction from program restrictions	<u>621,572</u>	<u>575,739</u>
Total unrestricted revenues	<u>883,132</u>	<u>1,273,499</u>
Expenses		
Program services		
Human Security and Global Cooperation	422,472	905,168
Global Think Net	128,756	61,178
Civil Net and Grass Roots	136,142	21,875
Political Leadership Exchange	101,335	156,104
Earthquake Relief and Recovery	14,302	13,265
Total program services	<u>803,007</u>	<u>1,157,590</u>
Supporting services		
Management and general	<u>33,859</u>	<u>61,143</u>
Total expenses	<u>836,866</u>	<u>1,218,733</u>
Increase in unrestricted net assets	<u>46,266</u>	<u>54,766</u>

See independent accountants' review report and accompanying notes to financial statements.

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.
Statements of Activities (continued)
For the Years Ended June 30, 2018 and 2017

	2018	2017
	(Reviewed)	(Audited)
Temporarily restricted net assets		
Contributions	\$ 165,643	\$ 1,245,223
Net assets released from restrictions	(621,572)	(575,739)
(Decrease) increase in temporarily restricted net assets	<u>(455,929)</u>	<u>669,484</u>
(Decrease) increase in net assets	(409,663)	724,250
Net assets - beginning	<u>2,340,291</u>	<u>1,616,041</u>
Net assets - ending	<u>\$ 1,930,628</u>	<u>\$ 2,340,291</u>

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	2018	2017
	(Reviewed)	(Audited)
Cash flows from operating activities		
(Decrease) increase in net assets	\$ (409,663)	\$ 724,250
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Realized and unrealized gains on investments	(81,587)	(104,833)
Changes in operating assets:		
Decrease (increase) in pledges receivable	439,374	(961,054)
(Increase) decrease in advances to JCIE - Japan	(14,204)	109,131
(Increase) decrease in prepaid expenses	(7,570)	10,855
Decrease (increase) in due from JCIE - Japan	31,812	(26,805)
Increase (decrease) in accrued expenses and other current liabilities	12,343	(2,891)
Total adjustments	380,168	(975,597)
Net cash used in operating activities	(29,495)	(251,347)
Cash flows from investing activities		
Purchase of investments	(129,510)	-
Proceeds from sale of investments	182,946	129,768
Net cash provided by investing activities	53,436	129,768
Net increase (decrease) in cash	23,941	(121,579)
Cash - beginning	120,204	241,783
Cash - ending	\$ 144,145	\$ 120,204

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.

Notes to Financial Statements

June 30, 2018 (Reviewed) and 2017 (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, 2018 and 2017, the Center contributed \$386,305 and \$687,011 to JCIE - Japan, respectively. During the years ended June 30, 2018 and 2017, the Center received \$215,577 and \$121,481 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, 2018 (Reviewed) and 2017 (Audited)

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

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are provided by straight-line methods at rates calculated to amortize the cost of property and equipment over their estimated useful life. Maintenance and repairs are charged to expenses while major replacements are capitalized. The cost of equipment, retired or disposed of, and the related depreciation are eliminated from the accounts, with the resulting gains or losses included in operations.

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 May 6, 2019, the date the financial statements were available to be issued.

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.
Notes to Financial Statements
June 30, 2018 (Reviewed) and 2017 (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, 2018 and 2017:

	Assets at Fair Value as of	
	June 30,	
	2018	2017
	(Level 1)	(Level 1)
Mutual funds:		
Blend funds	\$ 833,996	\$ 832,626
Fixed income funds	314,952	288,171
Total mutual funds:	<u>\$ 1,148,948</u>	<u>\$ 1,120,797</u>

Note 3 - Pledges Receivable

Pledges receivable are recorded at their net realizable value. For pledges receivable that are expected to be collected in future years, net realizable value is the present value of the estimated future cash flows discounted using a risk free rate of 4.25% as of June 30, 2017. At June 30, 2018, pledges receivable were due in less than one year.

Pledges receivable consist of the following:

	2018	2017
Amounts due in:		
Less than 1 year	\$ 521,680	\$ 525,000
1 to 2 years	-	500,000
	<u>521,680</u>	<u>1,025,000</u>
Present value discount	-	(63,946)
	<u>\$ 521,680</u>	<u>\$ 961,054</u>

Note 4 - Advances to JCIE - Japan

The Center advanced funds in the amount of \$76,622 and \$62,418 at June 30, 2018 and 2017, respectively to be expended by JCIE - Japan within one year for the Human Security and Global Cooperation, Civil Net and Grass Roots, and Global Think Net programs.

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.

Notes to Financial Statements

June 30, 2018 (Reviewed) and 2017 (Audited)

Note 5 - Due from JCIE - Japan

The Center paid for certain program expenses on the behalf of their affiliate for joint programs for which funding was obtained by the Center. At June 30, 2018 and 2017, the affiliate owed the Center \$14,954 and \$46,766, respectively.

Note 6 - 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, 2018 and 2017, were restricted for use by donors for the following purposes:

	<u>2018</u>	<u>2017</u>
Human Security and Global Cooperation programs	\$ 704,220	\$ 1,076,420
Global Think Net programs	12,486	73,627
Civil Net and Grass Roots programs	78,911	106,396
Political Leadership Exchange programs	10,300	5,403
	<u>\$ 805,917</u>	<u>\$ 1,261,846</u>

Note 7 - Commitments

Leases

The Center conducts its operations from a facility leased under an operating lease expiring on December 31, 2028. 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, 2018 are as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2019	\$ 63,108
2020	36,780
2021	37,147
2022	37,519
2023	37,894
Thereafter	215,243
Total minimum future rental payments	<u>\$ 427,691</u>

Rent expense for the years ended June 30, 2018 and 2017 amounted to \$75,511 and \$67,278, respectively.

SUPPLEMENTARY INFORMATION

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.
Schedule of Functional Expenses
For the Year Ended June 30, 2018 (Reviewed)

	Program Services					Total Program Services	Supporting Services	Total Expenses
	Human Security and Global Cooperation	Global Think Net	Civil Net and Grass Roots	Political Leadership Exchange	Earthquake Relief and Recovery		Management and General	
Salaries and benefits	\$ 207,247	\$ 29,677	\$ 29,416	\$ 8,700	\$ 2,000	\$ 277,040	\$ 27,117	\$ 304,157
Occupancy	39,164	13,761	11,795	18,676	3,932	87,328	3,932	91,260
Communication	2,263	665	570	903	190	4,591	190	4,781
Equipment and supplies	557	260	223	353	74	1,467	74	1,541
Professional fees	11,280	3,360	2,880	4,560	960	23,040	960	24,000
Travel	19,923	22,524	21,612	70,081	3,354	137,494	649	138,143
Program expenses	27,486	24,894	14,153	20,902	3,350	90,785	495	91,280
Miscellaneous	5,116	1,548	1,327	2,101	442	10,534	442	10,976
Total before JCIE - Japan contributions	313,036	96,689	81,976	126,276	14,302	632,279	33,859	666,138
Contributions (outlay) to JCIE - Japan	109,436	32,067	54,166	(24,941)	-	170,728	-	170,728
Total	\$ 422,472	\$ 128,756	\$ 136,142	\$ 101,335	\$ 14,302	\$ 803,007	\$ 33,859	\$ 836,866

See independent accountants' review report.

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.
Schedule of Functional Expenses
For the Year Ended June 30, 2017 (Audited)

	Program Services					Total Program Services	Supporting Services	Total Expenses
	Human Security and Global Cooperation	Global Think Net	Civil Net and Grass Roots	Political Leadership Exchange	Earthquake Relief and Recovery		Management and General	
Salaries and benefits	\$ 236,333	\$ 46,015	\$ 3,880	\$ 14,842	\$ 4,500	\$ 305,570	\$ 61,683	\$ 367,253
Occupancy	50,418	8,663	4,332	8,663	5,775	77,851	3,610	81,461
Communication	1,647	350	175	350	234	2,756	146	2,902
Equipment and supplies	480	94	47	94	63	778	39	817
Professional fees	9,120	1,920	960	1,920	1,280	15,200	800	16,000
Travel	34,259	20,992	4,349	41,781	2,528	103,909	832	104,741
Program expenses	29,767	3,433	4,301	11,071	1,798	50,370	1,144	51,514
Miscellaneous	16,254	3,422	1,711	3,422	2,281	27,090	1,425	28,515
Total before JCIE - Japan contributions	378,278	84,889	19,755	82,143	18,459	583,524	69,679	653,203
Contributions (outlay) to JCIE - Japan	526,890	(23,711)	2,120	73,961	(5,194)	574,066	(8,536)	565,530
Total	\$ 905,168	\$ 61,178	\$ 21,875	\$ 156,104	\$ 13,265	\$ 1,157,590	\$ 61,143	\$ 1,218,733

See independent accountants' review report.

