

**JAPAN CENTER
FOR
INTERNATIONAL EXCHANGE, INC.
FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.

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INDEPENDENT AUDITORS' REPORT

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

We have audited 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, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Center for International Exchange, Inc., as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2016 financial statements were reviewed by us, and our report thereon, dated January 12, 2017, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The 2016 supplementary information included in the schedule of functional expenses on page 12 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 and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Hecht And Company P.C

New York, New York
June 7, 2018

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.

Statements of Financial Position

June 30, 2017 and 2016

	2017	2016
	(Audited)	(Reviewed)
ASSETS		
Cash	\$ 120,204	\$ 241,783
Investments, at fair value	1,120,797	1,145,732
Pledges receivable	961,054	-
Advances to JCIE - Japan	62,418	171,549
Prepaid expenses	2,294	13,149
Due from JCIE - Japan	46,766	19,961
Security deposits	28,437	28,437
	<u>2,341,970</u>	<u>1,620,611</u>
Total assets	<u>\$ 2,341,970</u>	<u>\$ 1,620,611</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses and other current liabilities	\$ 1,679	\$ 4,570
Commitments		
Net Assets		
Unrestricted	1,078,445	1,023,679
Temporarily restricted	1,261,846	592,362
Total net assets	<u>2,340,291</u>	<u>1,616,041</u>
	<u>\$ 2,341,970</u>	<u>\$ 1,620,611</u>
Total liabilities and net assets	<u>\$ 2,341,970</u>	<u>\$ 1,620,611</u>

The accompanying notes are an integral part of these financial statements.

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.

Statements of Activities

For the Years Ended June 30, 2017 and 2016

	2017	2016
	(Audited)	(Reviewed)
Unrestricted net assets		
Revenues		
Contributions	\$ 568,885	\$ 249,925
Interest and dividend income	23,387	26,462
Realized and unrealized gains on investments	104,833	23,221
Other income	655	3,541
Total revenues	<u>697,760</u>	<u>303,149</u>
Net assets released from restrictions		
Satisfaction from program restrictions	<u>575,739</u>	<u>1,123,993</u>
Total unrestricted revenues	<u>1,273,499</u>	<u>1,427,142</u>
Expenses		
Program services		
Human Security and Global Cooperation	905,168	826,765
Global Think Net	61,178	50,728
Civil Net and Grass Roots	21,875	210,635
Political Leadership Exchange	156,104	276,878
Earthquake Relief and Recovery	13,265	7,236
Total program services	<u>1,157,590</u>	<u>1,372,242</u>
Supporting services		
Management and general	<u>61,143</u>	<u>95,062</u>
Total expenses	<u>1,218,733</u>	<u>1,467,304</u>
Increase (decrease) in unrestricted net assets	<u>54,766</u>	<u>(40,162)</u>

The accompanying notes are an integral part of these financial statements.

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.
Statements of Activities (continued)
For the Years Ended June 30, 2017 and 2016

	2017 (Audited)	2016 (Reviewed)
Temporarily restricted net assets		
Contributions	\$ 1,245,223	\$ 103,166
Net assets released from restrictions	<u>(575,739)</u>	<u>(1,123,993)</u>
Increase (decrease) in temporarily restricted net assets	<u>669,484</u>	<u>(1,020,827)</u>
 Increase (decrease) in net assets	 724,250	 (1,060,989)
 Net assets - beginning	 <u>1,616,041</u>	 <u>2,677,030</u>
 Net assets - ending	 <u><u>\$ 2,340,291</u></u>	 <u><u>\$ 1,616,041</u></u>

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.**Statements of Cash Flows****For the Years Ended June 30, 2017 and 2016**

	2017	2016
	(Audited)	(Reviewed)
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 724,250	\$ (1,060,989)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Realized and unrealized gains on investments	(104,833)	(23,221)
Changes in operating assets:		
Increase in pledges receivable	(961,054)	-
Decrease in advances to JCIE - Japan	109,131	369,596
Decrease (increase) in prepaid expenses	10,855	(7,064)
Increase in due from JCIE - Japan	(26,805)	(19,961)
(Decrease) increase in accrued expenses and other current liabilities	(2,891)	1,214
Decrease in due to JCIE - Japan	-	(120,000)
Total adjustments	(975,597)	200,564
Net cash used in operating activities	(251,347)	(860,425)
Cash flows from investing activities		
Purchase of investments	-	(16,234)
Proceeds from sale of investments	129,768	89,386
Net cash provided by investing activities	129,768	73,152
Net decrease in cash	(121,579)	(787,273)
Cash - beginning	241,783	1,029,056
Cash - ending	\$ 120,204	\$ 241,783

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.

Notes to Financial Statements

June 30, 2017 (Audited) and 2016 (Reviewed)

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, 2017 and 2016, the Center contributed \$687,011 and \$781,245 to JCIE - Japan, respectively. During the years ended June 30, 2017 and 2016, the Center received \$121,481 and \$94,213 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, 2017 (Audited) and 2016 (Reviewed)

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 June 7, 2018, the date the financial statements were available to be issued.

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.

Notes to Financial Statements

June 30, 2017 (Audited) and 2016 (Reviewed)

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, 2017 and 2016:

	Assets at Fair Value as of	
	June 30,	
	2017	2016
	(Level 1)	(Level 1)
Mutual funds:		
Blend funds	\$ 832,626	\$ 806,558
Fixed income funds	288,171	339,174
Total mutual funds:	<u>\$ 1,120,797</u>	<u>\$ 1,145,732</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.

Pledges receivable consist of the following:

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

Note 4 - Advances to JCIE - Japan

The Center advanced funds in the amount of \$62,418 and \$171,549 at June 30, 2017 and 2016, respectively to be expended by JCIE - Japan within one year for the Human Security and Global Cooperation, Civil Net and Grass Roots and Earthquake Relief and Recovery programs.

JAPAN CENTER FOR INTERNATIONAL EXCHANGE, INC.

Notes to Financial Statements

June 30, 2017 (Audited) and 2016 (Reviewed)

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, 2017 and 2016, the affiliate owed the Center \$46,766 and \$19,961, 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, 2017 and 2016, were restricted for use by donors for the following purposes:

	<u>2017</u>	<u>2016</u>
Human Security and Global Cooperation programs	\$ 1,076,420	\$ 370,087
Global Think Net programs	73,627	29,879
Civil Net and Grass Roots programs	106,396	26,278
Political Leadership Exchange programs	5,403	68,267
Earthquake Relief and Recovery programs	-	97,851
	<u>\$ 1,261,846</u>	<u>\$ 592,362</u>

Note 7 - 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, 2017 are as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2018	\$ 75,511
2019	44,809
Total minimum future rental payments	<u>\$ 120,320</u>

Rent expense for the years ended June 30, 2017 and 2016 amounted to \$67,278 and \$71,176, respectively.

SUPPLEMENTARY INFORMATION

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 auditors' report.

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 and Global Cooperation	Global Think Net	Civil Net and Grass Roots	Political Leadership Exchange	Earthquake Relief and Recovery		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 auditors' report.