

The Friends of the Japanese House and Garden d/b/a Japan America Society of Greater Philadelphia

Financial Statements
Years Ended December 31, 2019 and 2018



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**THE FRIENDS OF THE JAPANESE HOUSE AND GARDEN
D/B/A JAPAN AMERICA SOCIETY OF GREATER PHILADELPHIA**

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
The Friends of the Japanese House and Garden
d/b/a Japan America Society of Greater Philadelphia
Philadelphia, Pennsylvania**

We have audited the accompanying financial statements of The Friends of the Japanese House and Garden, d/b/a Japan America Society of Greater Philadelphia (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 U.S. generally accepted accounting principles; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 auditor's 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 The Friends of the Japanese House and Garden, d/b/a Japan America Society of Greater Philadelphia as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

BBD, LLP

**Philadelphia, Pennsylvania
July 24, 2020**

**THE FRIENDS OF THE JAPANESE HOUSE AND GARDEN
D/B/A JAPAN AMERICA SOCIETY OF GREATER PHILADELPHIA**

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 75,244	\$ 42,093
Accounts receivable		
Contributions	178,361	471,316
Other	-	13,345
Inventory	3,007	2,058
Prepaid expenses and other assets	32,956	21,966
Property and equipment, net	2,519	4,065
Collections	-	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 292,087</u>	<u>\$ 554,843</u>
LIABILITIES		
Line of credit	\$ -	\$ 30,000
Accounts payable and accrued expenses	59,480	42,700
Deferred revenue	1,800	-
Refundable advances	129,600	-
	<u> </u>	<u> </u>
Total liabilities	<u>190,880</u>	<u>72,700</u>
NET ASSETS (DEFICIT)		
Without donor restrictions	(327,065)	(206,569)
With donor restrictions	428,272	688,712
	<u> </u>	<u> </u>
Total net assets	<u>101,207</u>	<u>482,143</u>
Total liabilities and net assets	<u>\$ 292,087</u>	<u>\$ 554,843</u>

See accompanying notes

**THE FRIENDS OF THE JAPANESE HOUSE AND GARDEN
D/B/A JAPAN AMERICA SOCIETY OF GREATER PHILADELPHIA**

STATEMENTS OF ACTIVITIES

Years ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	\$ 186,883	\$ 97,085	\$ 283,968	\$ 210,482	\$ 468,593	\$ 679,075
Government grants	8,269	-	8,269	14,294	-	14,294
Membership dues	29,476	-	29,476	37,746	-	37,746
Admission fees	479,490	-	479,490	432,696	-	432,696
Gift shop sales	21,200	-	21,200	24,203	-	24,203
Miscellaneous income	3,445	-	3,445	-	-	-
Gain on foreign currency translation	119	-	119	526	-	526
Net assets released from restrictions	297,525	(297,525)	-	305,559	(305,559)	-
Total revenue and support	<u>1,026,407</u>	<u>(200,440)</u>	<u>825,967</u>	<u>1,025,506</u>	<u>163,034</u>	<u>1,188,540</u>
EXPENSES						
Program	818,814	-	818,814	772,684	-	772,684
Management and general	188,003	-	188,003	198,923	-	198,923
Fundraising	140,086	-	140,086	111,896	-	111,896
Total expenses	<u>1,146,903</u>	<u>-</u>	<u>1,146,903</u>	<u>1,083,503</u>	<u>-</u>	<u>1,083,503</u>
Change in net assets before other changes	(120,496)	(200,440)	(320,936)	(57,997)	163,034	105,037
OTHER CHANGES						
Loss on uncollectible contribution receivable	-	(60,000)	(60,000)	-	-	-
CHANGE IN NET ASSETS	(120,496)	(260,440)	(380,936)	(57,997)	163,034	105,037
NET ASSETS (DEFICIT)						
Beginning of year	(206,569)	688,712	482,143	(148,572)	525,678	377,106
End of year	<u>\$ (327,065)</u>	<u>\$ 428,272</u>	<u>\$ 101,207</u>	<u>\$ (206,569)</u>	<u>\$ 688,712</u>	<u>\$ 482,143</u>

See accompanying notes

**THE FRIENDS OF THE JAPANESE HOUSE AND GARDEN
D/B/A JAPAN AMERICA SOCIETY OF GREATER PHILADELPHIA**

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended December 31, 2019 and 2018

	2019				2018			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries	\$ 384,231	\$ 82,633	\$ 97,186	\$ 564,050	\$ 351,115	\$ 80,898	\$ 75,819	\$ 507,832
Payroll taxes	31,606	6,797	7,994	46,397	29,454	6,786	6,360	42,600
Employee benefits	39,100	8,409	9,890	57,399	37,446	8,628	8,086	54,160
Total payroll and related expenses	454,937	97,839	115,070	667,846	418,015	96,312	90,265	604,592
Advertising, marketing and public relations	37,483	616	521	38,620	30,004	6,915	-	36,919
Artists and performance fees	4,456	-	-	4,456	13,688	-	-	13,688
Catering and hospitality	4,598	20	508	5,126	2,434	158	965	3,557
Conferences and professional development	7,733	1,367	1,588	10,688	4,402	3,883	150	8,435
Credit card and bank fees	-	21,741	-	21,741	-	19,352	-	19,352
Depreciation	948	204	240	1,392	1,841	424	397	2,662
Dues and subscriptions	31	7,511	67	7,609	2,050	4,419	-	6,469
House and garden repairs and maintenance	15,845	2,861	-	18,706	13,759	-	-	13,759
Insurance	9,770	5,163	1,322	16,255	12,491	6,686	1,002	20,179
Miscellaneous	-	2,263	-	2,263	-	3,830	-	3,830
Office expenses	2,045	11,872	1,206	15,123	6,824	9,828	218	16,870
Office rent	34,041	7,311	8,598	49,950	46,098	10,621	9,954	66,673
Printing and postage	3,879	1,182	6,090	11,151	8,490	6,000	3,394	17,884
Professional fees and consultants	53,063	23,104	652	76,819	60,588	20,942	640	82,170
Program expenses	164,408	300	410	165,118	126,193	36	2,152	128,381
Restoration expenses	1,165	-	-	1,165	8,004	-	-	8,004
Telephone and communications	12,900	2,774	3,263	18,937	12,778	2,944	2,759	18,481
Travel	11,512	1,875	551	13,938	5,025	6,573	-	11,598
Total expenses	\$ 818,814	\$ 188,003	\$ 140,086	\$ 1,146,903	\$ 772,684	\$ 198,923	\$ 111,896	\$ 1,083,503

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See accompanying notes

**THE FRIENDS OF THE JAPANESE HOUSE AND GARDEN
D/B/A JAPAN AMERICA SOCIETY OF GREATER PHILADELPHIA**

STATEMENTS OF CASH FLOWS

Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (380,936)	\$ 105,037
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Loss on uncollectible accounts receivable	60,000	-
Loss on disposal of property and equipment	154	-
Depreciation	1,392	2,662
(Increase) decrease in		
Accounts receivable	246,300	(99,693)
Inventory	(949)	919
Prepaid expenses and other assets	(10,990)	(3,588)
Increase (decrease) in		
Accounts payable and accrued expenses	16,780	(78,996)
Deferred revenue	1,800	-
Refundable advances	129,600	-
Net cash provided by (used for) operating activities	<u>63,151</u>	<u>(73,659)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net advances (repayments) on line of credit	<u>(30,000)</u>	<u>30,000</u>
Net change in cash	33,151	(43,659)
CASH		
Beginning of year	<u>42,093</u>	<u>85,752</u>
End of year	<u>\$ 75,244</u>	<u>\$ 42,093</u>
SUPPLEMENTAL DISCLOSURE		
Interest paid	<u>\$ 2,013</u>	<u>\$ 3,525</u>

See accompanying notes

THE FRIENDS OF THE JAPANESE HOUSE AND GARDEN D/B/A JAPAN AMERICA SOCIETY OF GREATER PHILADELPHIA

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

(1) NATURE OF ORGANIZATION

The Friends of the Japanese House and Garden ("**FJHG**"), doing business as Japan America Society of Greater Philadelphia ("**JASGP**") (the "**Organization**") is a private nonprofit organization in Philadelphia, PA that resulted from the July 2016 merger of FJHG, founded in 1982, and JASGP, founded in 1994 with a new mission to inspire mutual curiosity, understanding, and collaboration between Japan and the Philadelphia region.

JASGP's overarching goal is to serve the people of Philadelphia by making Greater Philadelphia a nationally and globally known center of Japanese art, business, and culture, with the historic Shofuso Japanese House and Garden as its centerpiece. JASGP is an out-sized contributor to the fabric of Philadelphia's art, business, and cultural worlds and served over 65,000 stakeholders in 2019.

Shofuso Japanese House and Garden, the third-ranked Japanese garden in North America, is JASGP's largest program. JASGP preserves, maintains, presents, and interprets Shofuso on behalf of the City of Philadelphia. Shofuso is a dynamic and unique historic site with over 35,000 visitors each year. The Subaru Cherry Blossom Festival, the most authentic large cherry blossom festival in North America, is the next largest program, which serves over 30,000 additional people each year. JASGP also conducts Japanese arts, business, and cultural programming for all ages year-round.

In addition, JASGP is the fiscal sponsor for KyoDaiko community taiko drumming group, which provides lessons for over 100 people each year and performs more than 15 times each year for audiences totaling in the tens of thousands, in addition to JASGP's stakeholder count. This agreement terminated effective December 31, 2019.

2019 was a year of preparation for our ambitious JapanPhilly2020 year of art, business, and cultural programming connecting Japan and Philadelphia. We incurred many expenses in preparation for this big year of programming planned for 2020, with partners across the region and back to Japan. Expenditures in 2020 for this project, which is the culminating activity of our three year 2018-2020 strategic plan, include the wages of a JapanPhilly2020 project manager, a trip to Japan to secure corporate sponsors and cultural partners, advance public relations preparation, domestic travel to secure corporate sponsors and cultural partners, and planning for our groundbreaking exhibitions in 2020 of Shofuso and "Modernism: Midcentury Collaboration Between Japan and Philadelphia", funded by a \$324,000 grant from a major private foundation. We hired a corporate relations manager to increase our corporate financial support and to produce the US-Japan Business & Public Policy program to engage our corporate members. We exceeded 400 individual members in 2019, a new high. We served almost 70,000 stakeholders through all of our programming in 2019, the most ever. We continued to be professional leaders in our fields through leadership in the National Association of Japan America Societies (NAJAS), the North American Japanese Garden Association (NAJGA), and Greater Philadelphia Gardens/America's Garden Capital.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

Basis of Presentation

The Organization reports information regarding its financial position and activities according to the following classes of net assets:

Without donor restrictions

Net assets that are not subject to donor-imposed restrictions.

With donor restrictions

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Organization and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as "***net assets released from restrictions***".

This category also includes net assets that are subject to donor-imposed restrictions that neither expire by passage of time nor can be satisfied by actions of the Organization.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Concentration of Credit Risk

Cash and accounts receivable represent financial instruments that potentially subject the Organization to concentration of credit risk. The Organization maintains its cash at high-quality financial institutions. At times, such deposits may exceed federally-insured limits. The Organization has not experienced any losses on its deposits.

Contributions receivable are expected to be collected as disclosed in Note 3.

Fair Value Measurements of Assets and Liabilities

Accounting principles generally accepted in the United States of America ("**GAAP**") define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchies are categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Organization's own assumptions.

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December 31, 2019 and 2018

Cash

Cash includes checking accounts, a money market account, a petty cash fund and a foreign currency account. The foreign currency account is held in Japanese Yen and is translated into U.S. Dollars based upon the exchange rate on December 31, 2019. The transactions in the account are translated into U.S. Dollars based upon the exchange rate on the date of the transactions.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There was no valuation allowance necessary at December 31, 2019 and 2018.

Inventory

Inventory consists of merchandise in the gift shop and is recorded at the lower of cost or market.

Property and Equipment

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at their estimated fair value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred.

Collections

The collections of the Organization have been acquired through contributions. The collection items are comprised of objects, art and textiles that contribute to interpreting Shofuso and Japanese culture. The items are categorized, preserved and cared for in compliance with a collection policy. The collection items are not recognized as assets on the statement of financial position and contributions of collection items are not recognized as support on the statements of activities.

Contributions and Government Grants

Contributions and government grants received are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions and government grants whose restrictions are satisfied in the same period are reported as net assets without donor restrictions.

Unconditional contributions and government grants are recognized as revenue in the period the related promise to give is received. Conditional contributions and government grants are recognized when the conditions are satisfied. Accordingly, amounts received in advance of the conditions being satisfied are included in refundable advances in the accompanying statements of financial position.

During 2018, the Organization received contributions of \$300,000 from a single foundation.

Contributed Services

GAAP requires that contributed services be recognized as contributions if the services either create or enhance non-financial assets or require specialized skills, are provided by entities or persons who possess those skills and would be purchased if they were not donated. The Organization received contributed services of \$31,139 in 2019 and \$31,097 in 2018 from the City of Philadelphia for program workers.

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NOTES TO FINANCIAL STATEMENTS

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The Organization also receives significant amounts of time from individuals who perform various functions for the Organization without compensation. The financial statements do not reflect the value of these contributed services since the services do not meet the criteria for recognition.

Revenue

Membership dues are recorded as revenue in the year to which they relate. Revenue from admissions and programs is recorded on the day of admission or program. Accordingly, revenue from these sources received in advance of the applicable year is included in deferred revenue in the accompanying statements of financial position and is recognized as revenue in the immediate subsequent year.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was \$19,620 in 2019 and \$18,919 in 2018.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated based upon estimates of time and effort.

Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and no provision or liability for income taxes is included in the accompanying financial statements.

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. GAAP prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. The Organization believes that it had no uncertain tax positions as defined in GAAP.

Accounting Pronouncements Adopted

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Organization adopted ASU 2014-09 on January 1, 2019 using the modified retrospective method approach.

The Organization performed an analysis of revenue streams and transactions under ASU 2014-09, including applying the portfolio approach as a practical expedient to group contracts with similar characteristics such that revenue for a given portfolio would not be materially different than if it were evaluated on a contract-by-contract basis. The adoption of ASU 2014-09 had no impact on the amount of revenue recognized since revenue continues to be recognized as described above.

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NOTES TO FINANCIAL STATEMENTS

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In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and accounting guidance for contributions received and made and assists entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance, and in determining whether a contribution is conditional. The Organization adopted ASU 2018-08 on January 1, 2019.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the presentation in the 2019 financial statements.

(3) CONTRIBUTIONS RECEIVABLE

The contributions receivable at December 31, 2019 and 2018, which were valued using level 2 inputs, are expected to be collected as follows:

	<u>2019</u>	<u>2018</u>
In less than one year	\$151,090	\$286,545
In one to five years	32,179	182,180
After five years	<u>-</u>	<u>8,045</u>
	183,269	476,770
Less discount to present value (at 2%)	<u>2,508</u>	<u>5,454</u>
	<u>\$180,761</u>	<u>\$471,316</u>

During 2019, the Organization received a conditional contribution of \$324,000 from a private foundation to support a large-scale exhibition with partner institutions throughout the region and Japan that is expected to be completed and recognized as revenue in 2020. \$129,600 of the contribution was collected during 2019 and has been recorded as a refundable advance in the accompanying 2019 statement of financial position.

(4) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Computer equipment	\$ 4,522	\$10,364
Furniture and equipment	<u>15,140</u>	<u>19,485</u>
	19,662	29,849
Less accumulated depreciation	<u>17,143</u>	<u>25,784</u>
	<u>\$ 2,519</u>	<u>\$ 4,065</u>

(5) LINE OF CREDIT

In March 2018, the Organization obtained a \$100,000 bank line of credit. Advances under the credit line are payable on demand, bear interest at the bank's prime rate plus 3.00% and are secured by substantially all of the assets of the Organization. Advances outstanding were \$ 0 at December 31, 2019 and \$30,000 at December 31, 2018.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

(6) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2019 and 2018:

	<u>Balance</u> <u>December 31, 2018</u>	<u>Additions</u>	<u>Released</u>	<u>Balance</u> <u>December 31, 2019</u>
<u>Purpose restrictions</u>				
Cherry Blossom Festival and Japan2020	\$287,948	\$ 61,900	\$187,948	\$161,900
Roof restoration	118,608	185	-	118,793
Garden and landscape restoration	15,749	15,000	3,170	27,579
Other	33,809	20,000	33,809	20,000
<u>Time restrictions</u>				
Contributions receivable	<u>232,598</u>	<u>-</u>	<u>132,598</u>	<u>100,000</u>
	<u>\$688,712</u>	<u>\$ 97,085</u>	<u>\$357,525</u>	<u>\$428,272</u>
	<u>Balance</u> <u>December 31, 2017</u>	<u>Additions</u>	<u>Released</u>	<u>Balance</u> <u>December 31, 2018</u>
<u>Purpose restrictions</u>				
Cherry Blossom Festival	\$395,000	\$ 33,408	\$140,460	\$287,948
Roof restoration	112,120	48,285	41,797	118,608
Garden and landscape restoration	5,749	20,000	10,000	15,749
Other	12,809	32,000	11,000	33,809
<u>Time restrictions</u>				
Contributions receivable	<u>-</u>	<u>334,900</u>	<u>102,302</u>	<u>232,598</u>
	<u>\$525,678</u>	<u>\$468,593</u>	<u>\$305,559</u>	<u>\$688,712</u>

(7) COMMITMENTS

The Organization has a lease with the City of Philadelphia through the Fairmount Park Commission for the Japanese House and Garden to be used and occupied as a historical museum. The lease began in 1984 and is renewable annually at \$1 per year.

The Organization has a second lease with the City of Philadelphia through the Department of Parks and Recreation for the Sakura Pavilion for the purpose of showcasing the art form and socialization of tea ceremonies and providing a window into Japanese culture. The lease began in 2012 and is renewable on an annual basis at \$1 per year.

The Organization has an agreement with the Commonwealth of Pennsylvania, acting through the Pennsylvania Historical and Museum Commission, pursuant to which it is responsible for the maintenance, preservation and administration of the property known as Shofuso Japanese House and Garden, for a period of fifteen years from December 2017 to December 2032.

The Organization leases administrative offices under non-cancelable leases expiring at various dates through January 2022. Rent expense was \$49,950 for 2019 and \$66,673 for 2018.

The future minimum lease obligations under these leases are \$35,345 for 2020, \$36,078 for 2021 and \$3,012 for 2022.

**THE FRIENDS OF THE JAPANESE HOUSE AND GARDEN
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NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

(8) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the Organization's financial assets as of December 31, 2019 and 2018 and the amounts that are available within one year.

	<u>2019</u>	<u>2018</u>
Cash	\$ 75,244	\$ 42,093
Accounts receivable	<u>178,361</u>	<u>484,661</u>
Total financial assets	253,605	526,754
Less amounts with donor purpose restrictions and time restrictions beyond one year	<u>(328,272)</u>	<u>(553,814)</u>
Financial assets available within one year	<u>\$ (74,667)</u>	<u>\$ (27,060)</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Organization invests cash in excess of daily requirements in a money market fund. In order to manage any liquidity deficiencies or unanticipated liquidity needs, the Organization has a committed line of credit in the amount of \$100,000.

As described in note 3, during 2019, the Organization received a conditional contribution of \$324,000 from a private foundation to support a large-scale exhibition with partner institutions throughout the region and Japan that is expected to be completed and recognized as revenue in 2020.

Subsequent to year end, JASGP applied for and received a \$127,000 loan under the Paycheck Protection Program ("**PPP**") created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration ("**SBA**"). The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. JASGP is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

In addition to the PPP loan, JASGP also received a \$110,000 loan under the Economic Injury Disaster Loan program administered by the SBA. The loan is payable in monthly installments of \$470, including interest at 2.75%, from May 2021 through May 2051.

JASGP was one of 317 grant recipients of CARES funding from the National Endowment for the Humanities. In 2020, JASGP received approximately \$170,000 in funding to further preserve staff salaries and to fund cost associated with developing virtual tours and online versions of exhibitions and seasonal festivities.

JASGP also received various contributions from its donors and funders related to COVID-19 relief and has reduced its operating expenses to align more closely with its revenue.

(9) SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 24, 2020, the date on which the financial statements were available to be issued. The COVID-19 outbreak in the United States has caused business disruption through mandated closings and there is considerable uncertainty around the duration of the closing. The Organization cancelled its annual Cherry Blossom Festival scheduled for April 2020, which netted over \$89,000 in 2019. However, the duration of the closing and the related financial impact cannot be reasonably estimated at this time.

Except as disclosed in the previous paragraph and in note 8, no other material subsequent events have occurred since December 31, 2019 that require recognition or disclosure in the financial statements.



JAPAN AMERICA SOCIETY
OF GREATER PHILADELPHIA

2019 Final Audited Financials Addendum

JASGP 2019 loss due to new US accounting standards adopted by JASGP auditor after year end.

JASGP was awarded a \$324,000 grant from the Pew Center for Arts & Heritage in 2019, \$129,600 of which was collected in December 2019. Prior to 2019 and before the new accounting standard ASU 2018-08, it was generally accepted to recognize 100% of this revenue in the year the grant is executed. JASGP's budget originally accounted for this revenue to flow into our 2019 revenue projections.

However, during the audit of our 2019 financials, our auditing firm, BBD determined that the adoption of ASU 2018-08 categorized Pew's grant as a conditional grant and removed this revenue from our Statement of Activities (SOA) and reclassified it as a liability called "refundable advance" on the Statement of Financial Position (SFP). As a consequence of this accounting standard change, \$324K was removed from our revenue numbers and \$129K was added to our liability on the SFP, creating a large negative change to net assets. Essentially, \$324K of revenue was moved from 2019's financials to 2020's financials. ***Please refer to Page 10 of our Audit Report, attached or see below.***

Without this application of the new accounting standard by our auditor, JASGP's 2019 deficit would have been -\$56,936. That would have been a less than 5% deficit against expenses, which was originally expected as we moved into our JapanPhilly2020 year of programming. This programming was generating a large amount of corporate sponsorship that was not closed by year end 2019.

We have received \$226,800 of Pew's \$324,000 grant to-date and have been spending down on this amount in 2020. We expect to complete the Pew project by year-end and do not expect to return to Pew any unspent grant amounts. Additionally, we maintain a great relationship and are in compliance with all reporting requirements with Pew, receiving \$13,500 of additional operational support from them in 2020 in response to the current pandemic.

We received a \$127,000 PPP grant and a \$119,000 EIDL loan in 2020. We also received numerous Covid-19 relief grants, including a \$167,000 NEH CARES grant. We expect to break even operationally in 2020. Currently, we are developing a 2021-2023 strategic plan which will prioritize paying off the EIDL and building an operating reserve while working to achieve best practices in all areas of our organization.

We ask the reader of this audit to consider the unintended impact of implementing ASU 2018-08 on our 2019 financials as our auditor interpreted it, specifically the change in net assets negatively impacted by the removal of \$324,000 Pew revenue and additional liability of \$129,600 Pew refundable advances.

December 31, 2019 and 2018

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and accounting guidance for contributions received and made and assists entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance, and in determining whether a contribution is conditional. The Organization adopted ASU 2018-08 on January 1, 2019.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the presentation in the 2019 financial statements.

(3) CONTRIBUTIONS RECEIVABLE

The contributions receivable at December 31, 2019 and 2018, which were valued using level 2 inputs, are expected to be collected as follows:

	<u>2019</u>	<u>2018</u>
In less than one year	\$151,090	\$286,545
In one to five years	32,179	182,180
After five years	<u>-</u>	<u>8,045</u>
	183,269	476,770
Less discount to present value (at 2%)	<u>2,508</u>	<u>5,454</u>
	<u>\$180,761</u>	<u>\$471,316</u>

During 2019, the Organization received a conditional contribution of \$324,000 from a private foundation to support a large-scale exhibition with partner institutions throughout the region and Japan that is expected to be completed and recognized as revenue in 2020. \$129,600 of the contribution was collected during 2019 and has been recorded as a refundable advance in the accompanying 2019 statement of financial position.