

**Japanese Garden Society  
of Oregon  
(Portland Japanese Garden)**

Consolidated Financial Statements, Single Audit Reports,  
and Other Information as of and for the Year Ended  
December 31, 2020 and Reports of Independent Accountants

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

*The Board of Trustees  
Japanese Garden Society of Oregon:*

We have audited the accompanying consolidated financial statements of the Japanese Garden Society of Oregon and its affiliate, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated 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 organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Japanese Garden Society of Oregon and its affiliate as of December 31, 2020, 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.

## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards on page 27, as required by Title 2, *U.S. Code of Federal Regulations* (CFR), Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. In addition, the supplementary information included in the financial schedules on pages 25 through 26 is also presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### *Summarized Comparative Information*

We have previously audited the Japanese Garden Society of Oregon and its affiliate's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 13, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2021 on our consideration of Japanese Garden Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Japanese Garden Society's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Japanese Garden Society's internal control over financial reporting and compliance.



Handwritten signature of the auditor, likely representing the firm mentioned in the text.

July 21, 2021

JAPANESE GARDEN SOCIETY OF OREGON

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2020

(WITH COMPARATIVE AMOUNTS FOR 2019)

	2020	2019
<b>Assets:</b>		
Cash and cash equivalents	\$ 573,990	343,299
Accounts receivable	32,285	40,184
Contributions receivable <i>(note 3)</i>	3,030,110	2,160,588
Inventories	213,688	248,062
Prepaid expenses and other assets	153,552	188,532
Investments <i>(note 4)</i>	4,257,401	3,593,158
Garden, buildings, and equipment <i>(notes 5 and 7)</i>	32,432,530	32,983,350
<b>Total assets</b>	<b>\$ 40,693,556</b>	<b>39,557,173</b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	38,298	190,864
Accrued payroll	156,253	222,890
Deferred revenue	114,004	89,502
Deferred compensation liability <i>(note 8)</i>	250,000	200,000
Lines of credit <i>(note 6)</i>	1,044,280	1,955,484
Notes payable <i>(note 7)</i>	3,557,109	3,972,134
<b>Total liabilities</b>	<b>5,159,944</b>	<b>6,630,874</b>
<b>Net assets:</b>		
Without donor restrictions:		
Available for programs and general operations	(3,258,334)	(4,010,801)
Designated by the Board <i>(note 9)</i>	365,096	225,909
Net investment in capital assets	31,795,308	32,311,380
<b>Total without donor restrictions</b>	<b>28,902,070</b>	<b>28,526,488</b>
With donor restrictions <i>(note 10)</i>	6,631,542	4,399,811
<b>Total net assets</b>	<b>35,533,612</b>	<b>32,926,299</b>
Commitments and contingencies <i>(notes 3, 5, 6, 7, 11, 14, 17, 18, and 20)</i>		
<b>Total liabilities and net assets</b>	<b>\$ 40,693,556</b>	<b>39,557,173</b>

See accompanying notes to consolidated financial statements.

JAPANESE GARDEN SOCIETY OF OREGON

**CONSOLIDATED STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2020  
(WITH COMPARATIVE TOTALS FOR 2019)

	2020		Total	2019
	Without donor restrictions	With donor restrictions		
<b>Operating revenues and gains:</b>				
Gate receipts	\$ 1,783,752	–	1,783,752	6,189,222
Gift store, merchandise, and café sales, net of costs of sales of \$391,400 in 2020 and \$1,207,423 in 2019	329,693	–	329,693	1,531,157
International tours	–	–	–	56,000
Culture, arts, and educational workshops, net of costs of sales of \$2,534 in 2020 and \$79,606 in 2019	16,085	–	16,085	157,095
Operating investment return, net ( <i>note 4</i> )	1,773	–	1,773	3,092
Other revenues	58,231	–	58,231	385,486
<b>Total operating revenues and gains</b>	<b>2,189,534</b>	<b>–</b>	<b>2,189,534</b>	<b>8,322,052</b>
<b>Public support:</b>				
Society dues	613,676	–	613,676	878,553
Contributions and bequests	1,095,203	3,412,438	4,507,641	1,040,374
Paycheck Protection Program Grant ( <i>note 11</i> )	–	1,251,600	1,251,600	–
In-kind contributions	84,188	–	84,188	216,422
<b>Total public support</b>	<b>1,793,067</b>	<b>4,664,038</b>	<b>6,457,105</b>	<b>2,135,349</b>
<b>Other transactions:</b>				
Appropriation of endowment assets for expenditure ( <i>note 14</i> )	4,763	132,765	137,528	124,187
Net assets released from restrictions for operating purposes ( <i>note 12</i> )	2,938,390	(2,938,390)	–	–
<b>Total other transactions</b>	<b>2,943,153</b>	<b>(2,805,625)</b>	<b>137,528</b>	<b>124,187</b>
<b>Total operating revenues, gains, and other support</b>	<b>\$ 6,925,754</b>	<b>1,858,413</b>	<b>8,784,167</b>	<b>10,581,588</b>

*Continued*

JAPANESE GARDEN SOCIETY OF OREGON

**CONSOLIDATED STATEMENT OF ACTIVITIES, CONTINUED**

YEAR ENDED DECEMBER 31, 2020  
(WITH COMPARATIVE TOTALS FOR 2019)

	2020		Total	2019
	Without donor restrictions	With donor restrictions		
<b>Expenses (note 13):</b>				
Program services	\$ 5,496,833	–	5,496,833	9,037,047
Management and general	975,444	–	975,444	1,198,314
Fundraising	468,381	–	468,381	674,106
<b>Total expenses</b>	<b>6,940,658</b>	<b>–</b>	<b>6,940,658</b>	<b>10,909,467</b>
Increase (decrease) in net assets before non-operating activities	(14,904) <sup>[A]</sup>	1,858,413	1,843,509	(327,879)
<b>Non-operating activities:</b>				
Endowment and quasi-endowment gifts	105,000	218,335	323,335	122,513
Total endowment return, net (note 4)	(3,095)	287,748	284,653	551,210
Appropriation of endowment assets for expenditure (note 14)	(4,763)	(132,765)	(137,528)	(124,187)
Capital contributions and grants	–	102,385	102,385	164,157
In-kind capital contributions	190,959	–	190,959	6,088
Loss on disposal of capital assets	–	–	–	(11,682)
Net assets released from restrictions for capital purposes (note 12)	102,385	(102,385)	–	–
<b>Total non-operating activities</b>	<b>390,486</b>	<b>373,318</b>	<b>763,804</b>	<b>708,099</b>
Increase in net assets	375,582	2,231,731	2,607,313	380,220
Net assets at beginning of year	28,526,488	4,399,811	32,926,299	32,563,796
Cumulative effect from the adoption of FASB ASU No. 2014-09	–	–	–	(17,717)
<b>Net assets at end of year</b>	<b>\$ 28,902,070</b>	<b>6,631,542</b>	<b>35,533,612</b>	<b>32,926,299</b>

[A] Includes depreciation and amortization expense of \$877,028.  
See accompanying notes to consolidated financial statements.

JAPANESE GARDEN SOCIETY OF OREGON

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020  
(WITH COMPARATIVE TOTALS FOR 2019)

	2020			Total	2019
	Program services	Management and general	Fundraising		
Salaries and related costs	\$ 3,290,133	680,479	359,829	4,330,441	6,484,743
Professional services	164,318	61,929	4,034	230,281	461,593
Culture and Arts programming	148,306	–	–	148,306	471,382
Interest	209,443	57,980	15,966	283,389	315,314
Fees and licenses	110,059	13,509	15,654	139,222	331,932
Public relations and advertising	135,566	4,918	–	140,484	252,760
Travel and transportation	48,941	1,154	9,254	59,349	299,183
Other programming costs	32,774	1,974	943	35,691	211,016
Repair and maintenance	81,021	1,975	1,172	84,168	171,669
Office expense	104,645	13,815	8,398	126,858	190,731
Utilities	130,873	17,144	9,695	157,712	176,551
Donor cultivation	–	–	23,600	23,600	134,169
Membership fulfillment and events	39,023	–	–	39,023	107,474
Insurance	80,420	23,466	5,280	109,166	100,328
Training Center programming	1,795	–	–	1,795	93,710
Occupancy	51,164	15,185	6,709	73,058	51,281
Other	38,219	37,266	5,602	81,087	173,246
Total expenses before depreciation and amortization	4,666,700	930,794	466,136	6,063,630	10,027,082
Depreciation and amortization	830,133	44,650	2,245	877,028	882,385
Total expenses	\$ 5,496,833	975,444	468,381	6,940,658	10,909,467

See accompanying notes to consolidated financial statements.

JAPANESE GARDEN SOCIETY OF OREGON

**CONSOLIDATED STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2020  
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
<b>Cash flows from operating activities:</b>		
Cash received from contributors and grantors	\$ 4,559,779	1,919,614
Cash received from admissions, gift sales, and other	2,614,096	9,617,046
Cash received for interest	35,309	53,329
Cash paid for interest	(283,412)	(354,299)
Cash paid to employees and suppliers	(6,189,642)	(10,650,731)
Net cash provided by operating activities	736,130	584,959
<b>Cash flows from investing activities:</b>		
Capital expenditures	(135,249)	(177,165)
Reinvestment of investment income	(33,537)	(50,240)
Proceeds from the sale of investments	738,269	124,187
Purchases of investments	(1,117,858)	(249,099)
Proceeds from the sale of capital assets	-	15,500
Net cash used in investing activities	(548,375)	(336,817)
<b>Cash flows from financing activities:</b>		
Contributions restricted for long-term investment	989,982	210,000
Contributions restricted for capital campaign	379,183	622,159
Principal payments on debt	(1,353,600)	(4,039,014)
Proceeds from issuance of debt	27,371	3,000,000
Net cash provided by (used in) financing activities	42,936	(206,855)
Net increase in cash and cash equivalents	230,691	41,287
Cash and cash equivalents at beginning of year	343,299	302,012
Cash and cash equivalents at end of year	\$ 573,990	343,299

See accompanying notes to consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2020

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**1. Organization**

The Japanese Garden Society of Oregon (the “Society”) was incorporated as a nonprofit organization in 1962. Our mission is to bring the ideals of the Portland Japanese Garden to the world: art of craft, connection to nature, experience of peace.

**2. Summary of Significant Accounting Policies**

The significant accounting policies followed by the Society are described below to enhance the usefulness of the financial statements to the reader.

**Basis of Accounting** – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

**Principles of Consolidation** – The accompanying consolidated financial statements include the accounts of the Society and the Japanese Garden Foundation of Oregon (the “Foundation”), an organization formed on March 29, 2001 to raise and manage funds on behalf of the Society. All significant intra-organizational investments, accounts, and transactions have been eliminated.

**Basis of Presentation** – Net assets, revenues, gains and losses are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Society and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor-imposed stipulations. From time to time, the Society’s Board of Trustees may designate a portion of these net assets for particular purposes and objectives.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Society and/or the passage of time. These balances represent the unexpended portion of donor-restricted contributions and investment return to be used for specific programs and activities as directed by the donor. The balances also include net assets subject to donor-imposed stipulations that they be maintained permanently by the Society (e.g., endowment funds). Generally, the donors of these assets permit the organization to use all or part of the income earned on related investments for general or specific purposes.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are also reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

**Use of Estimates** – The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, such differences, if any, would not be significant.

**Cash Equivalents** – For purposes of the consolidated financial statements, the Society considers all liquid investments having initial maturities of three months or less to be cash equivalents.

**Investments** – Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair value in the consolidated statement of financial position. Whenever available, quotations from organized securities exchanges are used as the basis for fair value.

Net investment return, which includes both current yield (interest and dividend income) and net appreciation (decline) in the fair value of investments (both the realized gains or losses and the unrealized appreciation (decline) of those investments), is reported in the consolidated statement of activities, net of investment expenses. Interest income is accrued as earned. All security transactions are recorded on a trade date basis.

The Society has some exposure to investment risks, including interest rate, market, and credit risks, for marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the accompanying consolidated financial statements.

**Inventories** – Inventories, which consist primarily of merchandise held for sale by the Society’s gift store and café, are carried at the lower of cost or market value. Cost is determined using the average cost method.

**Capital Assets and Depreciation** – Capital assets are carried at cost, and initially at fair value when acquired by gift. Depreciation is generally provided on a straight-line basis over the estimated useful lives of the respective assets, which is 3 to 25 years for equipment and furniture, 5 years for software, 5 to 20 years for vehicles, and 5 to 50 years for buildings and improvements.

No depreciation of the original cost of the garden and artifacts has been recorded, as management believes the annual maintenance of the garden extends its life and value. Maintenance and associated project costs are expensed on an annual basis unless the cost of a specific project exceeds \$5,000, in which case it is capitalized.

Costs related to the acquisition or construction of a capital asset are either expensed or capitalized, depending on the stage of acquisition or construction. Costs incurred during the preliminary stage are expensed as incurred. Costs related to the pre-acquisition or pre-construction stages also are expensed as incurred unless the costs are directly identifiable with the capital asset and the acquisition or construction of the asset is considered probable. Costs incurred during the construction stage are capitalized.

The Society periodically reviews the carrying amount of capital assets whenever events or circumstances provide evidence that suggests the carrying amount may not be recoverable. As of December 31, 2020, the Society does not believe there is any indication that the carrying value of its capital assets has been impaired during the year ended December 31, 2020.

**Revenue Recognition** – With regard to revenues from grants and contracts, the Society evaluates whether each transfer of assets is (1) an exchange (reciprocal) transaction in which a resource provider receives commensurate value in return for the assets transferred, or (2) a nonreciprocal transfer (a contribution or a grant), where no value is exchanged.

- *Exchange Transactions* – If the transfer of assets is determined to be an exchange transaction, the Society recognizes revenue when or as it satisfies the required performance obligations and transfers the promised good or service to a customer, and when the customer obtains control of that good or service.
- *Contributions and Grants* – If the transfer of assets is determined to be a contribution, the Society evaluates whether the contribution is conditional based upon whether the agreement includes both (1) a barrier that must be overcome to be entitled to the funds and (2) either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.
- *Governmental Support* – Activities funded by governments are often carried out for the benefit of the general public, rather than to obtain goods or services for the government's own use or proprietary benefit. Accordingly, if the primary beneficiary of the activity is the general public, rather than the government itself, the transaction is treated as nonreciprocal (i.e., a contribution).

**Contributions** – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the donor's commitment is received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions and grants received with donor stipulations that limit the use of the donated assets are reported as net assets with donor restrictions.

Unconditional promises to give with payments due in future periods, are recorded as increases in net assets with donor restrictions at the estimated present value of future cash flows using credit adjusted discount rates which articulate to the collection period of the respective pledge. Such discount rates are not subsequently revised. Amortization of the discount is recorded as additional contribution revenue in subsequent years in the appropriate net asset class.

Contributions and grants receivable are reported net of an allowance for estimated uncollectible promises. Promises to give are written off when deemed uncollectible.

When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Contributions of capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets to be used to acquire capital assets with such donor stipulations are reported as net assets with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets, in accordance with donor intent.

**In-Kind Contributions** – A number of unpaid volunteers have made significant contributions of their time to develop and implement the Society's fundraising and programs. Under generally accepted accounting principles, significant services received which create or enhance a non-financial asset or require specialized skills that the organization would have purchased if not donated are recognized in the consolidated statement of activities.

In-kind contributions of buildings, equipment, and other materials are recorded when there is an objective basis upon which to value these contributions and when the contributions are an essential part of the Society's activities.

During the year ended December 31, 2020, the Society received the following in-kind contributions:

In-kind contributions for operations:	
Goods and supplies	\$ 24,004
Free use of facilities	25,678
Professional services	34,506
	84,188
Capital assets	190,959
	\$ 275,147

**Revenue Recognition from Exchange Transactions** – Revenue from contracts with customers is recognized as performance obligations are satisfied. The Society has several revenue streams that are accounted for as exchange transactions, including the following:

- *Gate receipts* – Ticket sales for same day admission to the Garden are recognized as revenue at the point of sale. Sales of tickets for future admission to the Garden are recognized when the tickets are exercised and redeemed.
- *Gift store and café sales* – Sales of merchandise in the gift store and sales in the café are recognized at the point of sale.
- *Membership dues* – Memberships of various categories typically last for a one-year term and payment is received at the point of membership sale. The Society divides dues from these memberships between contribution and exchange transactions and recognizes revenue for the contribution portion upon sale and the exchange portion at the time benefits are consumed by the members over the period of membership.
- *International tours* – Fees charged for participating in international tours for educational and cultural programming are recognized as revenue over the period of the tour, usually over a one to two week period.
- *Culture, arts and educational workshops* – Fees and admissions charged for attending workshops are recognized as revenue at the time workshops are delivered.

**Outstanding Legacies** – The Society is the beneficiary under various wills and trust agreements, the total realizable amounts of which are not presently determinable. The Society’s share of such bequests is recorded when the probate courts declare the testamentary instrument valid and the proceeds are measurable.

**Concentrations of Credit Risk** – The Society’s financial instruments consist primarily of cash equivalents, corporate stocks and bonds, and mutual funds, which may subject the organization to concentrations of credit risk as, from time to time, for example, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (“FDIC”). In addition, the market value of securities is dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values.

All checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to \$250,000 per depositor, per insured bank, for each account ownership category. As of December 31, 2020, the Society held \$128,020 in cash balances in excess of the FDIC coverage limits.

Certain receivables may also, from time to time, subject the organization to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, the organization’s management evaluates the financial condition of its customers and donors, and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics. When necessary, receivables are reported net of an allowance for uncollectible accounts.

**Advertising Expenses** – Advertising and promotional costs are charged to expense as they are incurred.

**Operating Results** – Operating results reported in the consolidated statement of activities reflect all transactions that change net assets without donor restriction, except for endowment gifts, capital campaign contributions and grants, in-kind capital contributions, investment return on capital gifts, the net investment return on endowment assets (less the amount appropriated by the Board to support current operations), gain or loss on sale of capital assets, and net assets released from restrictions for capital purposes. In accordance with the Society’s endowment distribution policy, only the portion of total investment return distributed under this policy to meet operating needs is included in operating revenue. Other operating investment income consists of dividends, interest, and other investment return earned on unrestricted, non-endowed investments.

**Income Taxes** – Both the Society and the Foundation are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and derive their public charity status under Sections 509(a)(1) and 509(a)(3), respectively, of the Internal Revenue Code.

**Subsequent Events** – Subsequent events have been evaluated by management through July 21, 2021, which is the date the consolidated financial statements were available to be issued.

**Summarized Financial Information for 2019** – The accompanying financial information as of and for the year ended December 31, 2019 is presented for comparative purposes only and is not intended to represent a complete consolidated financial statement presentation.

**Other Significant Accounting Policies** – Other significant accounting policies are set forth in the consolidated financial statements and the following notes.

### 3. Contributions Receivable

Contributions receivable are summarized as follows at December 31, 2020:

<i>Unconditional promises expected to be collected within:</i>	
Less than one year	\$ 485,760
One year to five years	2,600,000
Greater than five years	13,500
	3,099,260
Less unamortized discount <sup>1</sup>	(69,150)
	\$ 3,030,110

<sup>1</sup> Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using discount rates of 0.17 % to 2.17%.

Gross contributions receivable at December 31, 2020 include \$1,044,280 in capital campaign pledges. These capital campaign pledges serve as collateral for a line of credit described in note 6.

#### *Conditional Gift*

At December 31, 2020, the Society had access to an additional \$83,547 in government grants, the receipt of which were conditioned upon the incurrance of allowable costs. The revenues associated with these grants have not been included in the accompanying consolidated financial statements because the associated conditions had not yet been satisfied as of December 31, 2020.

#### 4. Investments and Investment Return

Investments held by the Society at December 31, 2020 consisted of the following:

Mutual funds and ETFs	\$ 1,486,087
Corporate bonds	1,352,354
Corporate stocks	1,153,839
Commodity portfolio funds	116,090
Real Estate Investment Trust funds	74,405
<hr/>	
Total investments, carried at fair value	4,182,775
Cash and money market funds	74,626
<hr/>	
	\$ 4,257,401

Total return on the above investments and cash and cash equivalents for the year ended December 31, 2020 is as follows:

Interest and dividend income <sup>1</sup>	\$ 35,309
Net appreciation in the fair value of investments	251,117
<hr/>	
Total net investment return	\$ 286,426

<sup>1</sup> Investment income is presented net of external and direct internal investment expenses.

Total return is derived from the following investments:

Operating investments	\$ 1,773
Endowment investments	284,653
<hr/>	
Total net investment return	\$ 286,426

Of the total investments at December 31, 2020, \$3,521,903 carries permanent restriction for endowment.

#### 5. Garden, Buildings, and Equipment

A summary of garden, buildings, and equipment at December 31, 2020 is as follows:

Buildings and improvements	\$ 32,978,397
Garden and artifacts	2,214,304
Land	380,000
Equipment and furniture	1,220,251
Vehicles	203,033
Software	89,014
Work-in-progress	210,154
<hr/>	
	37,295,153
Less accumulated depreciation	(4,862,623)
<hr/>	
	\$ 32,432,530

The land upon which the garden is situated has been made available to the Society at no cost by the City of Portland through the Portland Parks and Recreation Bureau (“PPR”) under a renewable land lease agreement. No amount is included in the accompanying consolidated financial statements for the rental value of this land as such an amount is not subject to objective determination. The Society is responsible for developing and maintaining the gardens, buildings, structures, grounds, and horticultural collections, operating the garden facilities, and providing educational and horticultural programming consistent with the missions of the Society and PPR. However, the Society receives no compensation from PPR and is not liable to PPR for rent of the garden.

In June of 2017, the Society renewed its land lease agreement with the City of Portland through PPR for a term of 23 years, expiring in 2040, with an option to renew for an additional 25 years. The terms of the lease require annual rent payments of \$1 per year. Upon expiration or termination of the lease, the Society must surrender to the City of Portland all personal property and improvements, constructed or placed upon the leased premise, including buildings, structures, and towers.

## 6. Lines of Credit

In March 2016, the Society secured a \$10,000,000 revolving line of credit with a commercial bank for the purpose of funding the Cultural Crossings garden expansion project. The interest rate is based on *The Wall Street Journal's* prime rate, as published daily in *The Wall Street Journal*, plus 0.50%, resulting in an initial rate of 4%, the absolute minimum rate. Monthly interest payments began in April of 2016 and are required until November 20, 2021, at which time all unpaid principal and accrued interest are due. The loan is secured by all assets of the Society and guaranteed by the Foundation. In November 2020, the line of credit was reduced to \$1,044,280. As of December 31, 2020, there was \$1,044,280 in outstanding borrowings under this agreement. The loan agreement contains certain debt covenants, including maintaining a pledge collateral coverage ratio and a guarantor coverage ratio of 1:1 at all times. At December 31, 2020, the Society was in compliance with these covenants.

In February 2017, the Society obtained an unsecured line of credit in the amount of \$1,000,000, bearing a variable interest rate based on the prime rate as quoted in *The Wall Street Journal* (initial interest rate of 5.5%). In November 2020, the line was amended to include the Foundation as a guarantor. At December 31, 2020, there were no outstanding borrowings under this agreement. The line of credit matures November 30, 2021.

In February 2018, the Society obtained another revolving line of credit in the amount of \$800,000, guaranteed by the Foundation. The interest rate is based on *The Wall Street Journal's* prime rate, as published daily in *The Wall Street Journal*, plus 0.50%, resulting in an initial rate of 5.0%, the absolute minimum rate. In November 2020, the maximum principal amount was increased to \$1,000,000. At December 31, 2020, there were no outstanding borrowings under this agreement. The line of credit matures November 30, 2021.

Total interest costs on the above lines of credit totaled \$91,073 for the year ended December 31, 2020.

## 7. Notes Payable

In November 2015, the Foundation refinanced an existing mortgage payable, with a balance of \$456,828, on property in Portland, Oregon that is being used for the administrative and program offices of the Society.

The refinanced note, in the amount of \$672,000 and secured by the property, is payable in 84 monthly installments of \$3,818 using an interest rate of 4.65%, followed by 34 monthly installments of \$3,440 using an interest rate based on the One Month LIBOR, as published in *The Wall Street Journal* (interest rate of 4.625% at December 31, 2020). A balloon payment of all unpaid principal and accrued interest totaling \$486,651 is due on November 9, 2025. As of December 31, 2020, \$590,003 was outstanding. Total interest expense on this loan was \$28,344 for 2020.

The Society also has secured an additional \$1,000,000 loan with a commercial bank for operating purposes, which is payable in 48 monthly installments of \$22,596 using an interest rate of 4%, through July of 2021. The loan agreement contains certain debt covenants, including maintaining a debt coverage ratio of 1.2:1.0. At December 31, 2020, the Society was in compliance with these covenants. As of December 31, 2020, \$220,902 was outstanding. Total interest expense on this loan was \$13,611 for 2020. A Trustee of the Board personally guaranteed the loan. In April 2020, in response to COVID-19 (see note 20), payment terms were modified such that no principal payments were required to be made from April 1, 2020 to June 1, 2020. Regular monthly principal and interest payments resumed on July 1, 2020 and remaining deferred principal amounts will be due and payable upon maturity.

In August 2019, the Society secured a \$3,000,000 loan with a commercial bank, the proceeds of which were used to satisfy the remaining principal on a \$3,500,000 loan from a Trustee of the Board, in connection with Cultural Crossings garden expansion. The loan is payable in installments of \$42,913 using an interest rate of 5.22%. A balloon payment of all unpaid principal and accrued interest totaling \$1,239,657 is due on August 31, 2024. The loan is secured by the assets of the Society and personally guaranteed by a Trustee of the Board. As of December 31, 2020, \$2,698,985 was outstanding. Total interest expense on this loan was \$146,872 for 2020. In March 2020, in response to COVID-19, payment terms were modified such that no principal payments were required to be made from March 31, 2020 to August 31, 2020. Regular monthly principal and interest payments resumed on September 30, 2020 and remaining deferred principal amounts will be due and payable upon maturity.

Finally, in 2017, the Society purchased two vehicles through the issuance of two loans totaling \$123,119. The loans require total monthly payments of \$2,205, payable over the five years following 2017, bearing interest at 6.05%. The loan balance at December 31, 2020 totaled \$47,219. Total interest expense on the loans was \$3,489 for 2020. In March 2020, in response to COVID-19, payment terms were modified such that no principal payments were required to be made from March 9, 2020 to June 9, 2020. Regular monthly principal and interest payments of \$2,247 resumed on July 9, 2020.

Obligations for future payments of principal for all of the aforementioned notes are summarized as follows:

<i>Years ending December 31,</i>	
2021	\$ 645,379
2022	443,996
2023	446,689
2024	1,515,444
2025	505,601
	<hr/>
	\$ 3,557,109

## 8. Deferred Compensation Liability

In 2017, the Society entered into an employment agreement with one of its executives which included a provision for deferred compensation benefits to the executive as a long-term incentive. The executive may earn deferred compensation each year from 2017 through 2021, for a total of \$500,000 if, and only if, the executive achieves the targets set forth in the agreement. If the executive terminates employment voluntarily before January 1, 2022, no deferred compensation shall be paid to the executive. As of December 31, 2020, the executive has earned \$250,000 of deferred compensation in accordance with the agreement and is reflected as a liability on the Society's accompany consolidated financial statements.

## 9. Net Assets without Donor Restrictions

At December 31, 2020, the Society's Board designated \$365,096 of its net assets without donor restrictions for the following:

Quasi-endowment ( <i>note 14</i> )	\$	266,549
Japan Institute		98,547
		<hr/>
	\$	365,096

Also see note 10 for designation of net assets with donor restrictions by the Board.

## 10. Net Assets with Donor Restrictions

The following summarizes the Society's net assets with donor-imposed restrictions as of December 31, 2020:

*Expendable net assets  
restricted for the  
following purposes:*

Operation and maintenance of facilities and programs <sup>1</sup>	\$	314,223
Garden landscape maintenance <sup>1</sup>		169,219
Capital projects		35,309
Other		16,729

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535,480

*Expendable net assets unrestricted  
as to purpose, but restricted  
as to time:*

Pledges designated by the Board for the Japan Institute <sup>2</sup>	1,892,292
Pledges to benefit the Society's general operations in future periods	43,514
Bequest receivables to be added to Society's quasi-endowment <sup>1</sup>	52,846

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1,988,652

*Endowment restricted for  
the following purposes:*

The Arlene Schnitzer Curator of Culture, Art and Education Endowment	1,342,115
Garden Directors Council Fund	33,670

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1,375,785

Endowment unrestricted as to purpose

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2,731,625

Total endowment (note 14)

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4,107,410

Total net assets with donor restrictions

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\$ 6,631,542

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<sup>1</sup> The Board of Trustees has elected to treat these donor-restricted funds as quasi-endowment funds.

<sup>2</sup> The Board of Trustees has elected to designate certain purpose unrestricted pledges for the Japan Institute.

## 11. Paycheck Protection Program

In April 2020, the Society obtained an unsecured loan from a commercial bank in the amount of \$1,251,600, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The bank's loan is guaranteed by the U.S. Small Business Administration ("SBA"), and is designed to provide a direct incentive for organizations and other small businesses and nonprofits to keep their employees on payroll during the COVID-19 pandemic (see note 20). Qualifying businesses can spend loan proceeds to cover payroll, mortgage interest, rent, and utilities, and qualify to have the loans forgiven if the proceeds are used to pay for eligible costs.

In accordance with the provisions of the PPP and SBA's promise of forgiveness, the Society used the entire amount of the loan for qualifying expenses and obtained full forgiveness of the loan subsequent to year-end.

The Society accounted for the loan as a conditional grant. All the conditions were met during the year ended December 31, 2020, and the entire amount was recognized as revenue.

In February 2021, the Society obtained a second round PPP loan in the amount \$1,145,108.

## 12. Net Assets Released from Restrictions

During the year ended December 31, 2020, the Society incurred various expenses in satisfaction of the restricted purposes specified by donors, or satisfied the restriction by the occurrence of other events. Accordingly, during the year ended December 31, 2020, a corresponding amount has been reported as a reclassification from net assets with donor restrictions to net assets without donor restrictions in the accompanying consolidated statement of activities. Total net assets released from restrictions are summarized as follows:

*Satisfaction of restrictions:*

For operating purposes	\$ 2,938,390
To fund capital acquisitions	102,385
	<hr/>
	\$ 3,040,775

## 13. Expenses

The costs of providing the various programs and activities of the Society have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses by natural classification are presented in the consolidated statement of functional expenses.

Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses that are attributable to one or more program or supporting functions of the organization, and therefore, require allocation on a reasonable basis that is consistently applied. Those expenses include depreciation and amortization, and other facility-related costs, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, travel, interest, insurance, and other expenses, which are allocated on the basis of estimates of time and effort. Interest expense on external debt is also allocated to the activities that have most directly benefited from the debt proceeds.

## 14. Endowment

The Society’s endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowment. As required by generally accepted accounting principles, net assets associated with endowment, including funds designated by the Board of Trustees to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The following summarizes the Society’s endowment-related activities for the year ended December 31, 2020:

	Board-designated quasi-endowment		With donor restrictions		Total	Total endowment
	Without donor restrictions	With donor restrictions	Accumulated endowment return	Endowment principal		
Endowment net assets at beginning of year	\$ 147,272	602,302	386,645	3,303,568	3,690,213	4,439,787
Contributions and bequests	105,000	–	–	218,335	218,335	323,335
Reclassifications	22,135	(22,135)	–	–	–	–
Net investment return	(3,095)	(26,824)	314,572	–	314,572	284,653
Appropriation of endowment assets for expenditure	(4,763)	(17,055)	(115,710)	–	(115,710)	(137,528)
Endowment net assets at end of year	\$ 266,549 <sup>[A]</sup>	536,288 <sup>[A]</sup>	585,507	3,521,903	4,107,410	4,910,247

<sup>[A]</sup> Quasi-endowment funds are funds designated by the Board of Trustees to be invested for an extended but unspecified period; the Board of Trustees retains the discretion to decide at any time to expend some or all of the funds in accordance with the donor’s restrictions.

**Interpretation of Relevant Law** – The Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) governs Oregon charitable institutions with respect to the management, investment and expenditure of donor-restricted endowment funds.

The Japanese Garden Foundation holds donor-restricted endowment funds. The Board of Trustees has interpreted Oregon’s adoption of UPMIFA as requiring the Foundation to adopt investment and spending policies that preserve the fair value of the original gift as of the date of gift, absent explicit donor stipulations to the contrary. Although the Foundation has a long-term fiduciary duty to the donor (and to others) for a fund of perpetual duration, the preservation of the endowment’s purchasing power is only one of several factors that are considered in managing and investing these funds. Furthermore, in accordance with UPMIFA, a portion of the endowment’s original gift may be appropriated for expenditure in support of the restricted purposes of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA.

As a result of this interpretation, the Foundation classifies as endowment principal (1) the original value of gifts donated to the donor-restricted endowment, (2) subsequent gifts to the endowment, and (3) accumulations to the endowment made pursuant to the direction of the applicable donor gift instrument.

Net earnings (realized and unrealized) on the investment of endowment assets are classified as accumulated endowment return until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA and until expended in a manner consistent with the purpose or time restrictions, if any, imposed by the donor. Any investment return classified as endowment principal represents only those amounts required to be retained permanently as a result of explicit donor stipulations.

In the absence of donor stipulations or law to the contrary, losses or appropriations of a donor-restricted endowment reduce accumulated endowment return to the extent that donor-imposed restrictions on net appreciation of the fund have not been satisfied before the loss or appropriation occurs.

**Endowments with Deficiencies** – From time to time, the fair value of assets associated with individual donor-restricted endowments may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In addition, the Board of Trustees interprets UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law, and the Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater.

**Investment and Spending Policies** – In accordance with UPMIFA, the Board of Trustees has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs and operations supported by its endowment, while also seeking to maintain the long-term purchasing power of the endowment assets. Therefore, the Board of Trustees considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Foundation and the fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation; and
- The investment policies of the Foundation.

To meet its objective, the Foundation's policies limit the spending of investment income and appreciation to 4.0% of the average fair value of endowment investments for the prior 36-month trailing average.

Actual endowment return earned in excess of distributions under this policy is reinvested as part of the Foundation's endowment management and is reported as a non-operating item in the accompanying consolidated statement of activities. For years when actual endowment return is less than distributions under the policy, the short-fall is covered by realized and unrealized returns from prior years. If cumulative endowment return is exhausted, any remaining loss or appropriation reduces endowment principal. In years when the overall endowment is underwater, the Board may permit continued spending from principal only in accordance with its policies for spending from underwater endowments. See *Endowments with Deficiencies*.

During the year ended December 31, 2020, the Board appropriation of donor-restricted and Board-designated endowment assets totaled \$137,528.

## 15. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure within one year of the consolidated statement of financial position date comprise the following at December 31, 2020:

<i>Total financial assets:</i>	
Cash and cash equivalents	\$ 573,990
Accounts receivable	32,285
Contribution and grants receivable	3,030,110
Investments	4,257,401
	<hr/>
	7,893,786
<hr/>	
<i>Less financial assets not available within the year ending December 31, 2021:</i>	
Financial assets restricted by donors for endowment	(4,107,410)
Financial assets designated by the Board for quasi-endowment	(802,837)
Contributions and grants receivable due in more than one year	(2,544,350)
Financial assets designated by the Board for funding of deferred compensation liability	(250,000)
	<hr/>
	(7,704,597)
<hr/>	
<i>Plus other funds subject to appropriation for expenditure:</i>	
Fiscal year 2021 endowment appropriations for operations	120,072
Board-designated funds approved for expenditure	4,385
	<hr/>
	124,457
	<hr/>
	\$ 313,646

As part of its liquidity management, the Society has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Society invests cash in excess of daily requirements in money market funds. To help manage unanticipated liquidity needs, the Society has committed lines of credit upon which it could draw (see note 6).

In addition, the Society holds Board-designated funds without donor restrictions totaling \$365,096 (see note 9) and quasi-endowment funds with donor restrictions totaling \$536,288 (see note 14). Although the Society does not intend to spend from its quasi-endowments other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

## 16. Retirement Plan

The Society provides substantially all full-time, and certain part-time, employees with a qualified profit-sharing retirement plan, as described under Section 401(k) of the Internal Revenue Code. All employees age 21 or older are eligible to participate in the plan after completion of three months of service, and who are not non-resident aliens. Employees make voluntary contributions to the plan on a pre-tax basis up to the limits allowed by law. The Society may make discretionary safe harbor matching contributions to the plan up to 4% of annual compensation. Employee and employer contributions vest 100% immediately.

The Society's contributions to the plan totaled \$67,388 for the year ended December 31, 2020.

## 17. Operating Lease Commitments

The Society leases certain office space and equipment under non-cancelable operating leases that expire in various years through February of 2023. Rent expense on these leases totaled \$70,674 for the year ended December 31, 2020.

Future payments for the above leases are summarized as follows:

<i>Years ending December 31,</i>	
2021	\$ 59,393
2022	42,027
2023	5,923
	<hr/>
	\$ 107,343

## 18. Other Commitments and Contingencies

Subsequent to December 31, 2020, the Society entered into a purchase and sale agreement for the acquisition of real property for \$4,350,000. As of the date of issuance, certain conditions to purchase had not yet been satisfied and the Society is under no obligation to purchase the property.

## 19. Fair Value Measurements

Included in the accompanying consolidated financial statements are certain financial instruments carried at fair value. The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale; similarly, the fair value of a liability is the amount at which the liability could be transferred in a current transaction between willing parties. Fair values are based on quoted market prices when available.

When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality.

All financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined under generally accepted accounting principles. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities and the lowest ranking to fair values determined using methodologies and models with unobservable inputs, as follows:

- *Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- *Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement.

At December 31, 2020, the Society's investments are measured at fair value on a recurring basis using quoted prices in active markets for identical assets (i.e., Level 1). See note 4.

## 20. Coronavirus Pandemic

In March 2020, the World Health Organization characterized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. The immediate effect of these measures on the Society have included a temporary closure of the garden from March to mid-June, cancellation of events, and a reduction in staffing.

The Society operated under strict social distancing mandates during the year ended 2020, limiting its ability to operate at full capacity. Consequently, the Society experienced significant declines in certain types of earned revenues in 2020. However, in 2020 the Society was the recipient of two federal assistance programs from government agencies, including the PPP loan described in note 11 as well as the Coronavirus Relief Fund grant, together totaling \$2,504,524 in revenues. In addition, in July of 2021, the Society received a Shuttered Venue Operators Grant from the U.S. Small Business Administration in the amount of \$3,495,388.

It is possible that the effects of these events could continue for some time, including continuing disruptions to, or restrictions on, our employees' ability to work and on the ability of our patrons, customers and other constituents to fully participate in our programs and continue their current level of financial support to the organization.

The Garden continues to take measures to adapt the delivery of its programming in order to keep its employees and constituents safe, as well as facilitate ongoing availability of its services, and execution of its mission.

## 21. Reclassification of 2019 Comparative Totals

Certain 2019 amounts presented herein have been reclassified to conform to the 2020 presentation.

## 22. Statement of Cash Flows Reconciliation

The following presents a reconciliation of the increase in net assets (as reported on the consolidated statement of activities) to net cash provided by operating activities (as reported on the consolidated statement of cash flows):

Increase in net assets	\$ 2,607,313
<hr/>	
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>	
Depreciation and amortization	877,028
In-kind contributions of capital assets	(190,959)
Net increase in the fair value of investments	(251,117)
Contributions restricted for capital acquisitions	(379,183)
Contributions restricted for long-term investment	(989,982)
Provision for bad debt	171
<i>Net changes in:</i>	
Accounts receivable	7,899
Contributions receivable	(869,693)
Inventories	34,374
Prepaid expenses and other assets	34,980
Accounts payable and accrued expenses	(152,566)
Accrued payroll	(66,637)
Deferred revenue	24,502
Deferred compensation liability	50,000
<hr/>	
Total adjustments	(1,871,183)
<hr/>	
Net cash provided by operating activities	\$ 736,130
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JAPANESE GARDEN SOCIETY OF OREGON  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

DECEMBER 31, 2020

	Japanese Garden Society	Japanese Garden Foundation	Consolidating elimination entries	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 573,990	–	–	573,990
Accounts receivable	32,285	–	–	32,285
Contributions receivable	2,977,264	52,846	–	3,030,110
Inventories	213,688	–	–	213,688
Prepaid expenses and other assets	151,960	1,592	–	153,552
Note receivable from affiliate	–	600,000	(600,000)	–
Other receivable from affiliate	22,283	–	(22,283)	–
Investments	–	4,257,401	–	4,257,401
Beneficial interest in the net assets of the Japanese Garden Foundation	5,243,505	–	(5,243,505)	–
Garden, buildings, and equipment	31,488,578	943,952	–	32,432,530
<b>Total assets</b>	<b>\$ 40,703,553</b>	<b>5,855,791</b>	<b>(5,865,788)</b>	<b>40,693,556</b>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	38,298	–	–	38,298
Accrued payroll	156,253	–	–	156,253
Note payable to affiliate	600,000	–	(600,000)	–
Other payable to affiliate	–	22,283	(22,283)	–
Deferred revenue	114,004	–	–	114,004
Deferred compensation liability	250,000	–	–	250,000
Lines of credit	1,044,280	–	–	1,044,280
Notes payable	2,967,106	590,003	–	3,557,109
<b>Total liabilities</b>	<b>5,169,941</b>	<b>612,286</b>	<b>(622,283)</b>	<b>5,159,944</b>
<b>Net assets:</b>				
Without donor restrictions:				
Available for programs and general operations	(3,258,334)	(20,691)	20,691	(3,258,334)
Designated by the Board	365,096	266,549	(266,549)	365,096
Net investment in capital assets	31,795,308	353,949	(353,949)	31,795,308
<b>Total without donor restrictions</b>	<b>28,902,070</b>	<b>599,807</b>	<b>(599,807)</b>	<b>28,902,070</b>
With donor restrictions	6,631,542	4,643,698	(4,643,698)	6,631,542
<b>Total net assets</b>	<b>35,533,612</b>	<b>5,243,505</b>	<b>(5,243,505)</b>	<b>35,533,612</b>
<b>Total liabilities and net assets</b>	<b>\$ 40,703,553</b>	<b>5,855,791</b>	<b>(5,865,788)</b>	<b>40,693,556</b>

See accompanying report of independent accountants.

JAPANESE GARDEN SOCIETY OF OREGON  
CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Japanese Garden Society	Japanese Garden Foundation	Consolidating elimination entries	Total
Operating revenues and gains:				
Gate receipts	\$ 1,783,752	–	–	1,783,752
Gift store, merchandise and café sales, net	329,693	–	–	329,693
Rental income	–	45,820	(45,820)	–
Culture, arts, and educational workshops, net	16,085	–	–	16,085
Operating investment return, net	1,773	–	–	1,773
Other revenues	58,231	1,533	(1,533)	58,231
<b>Total operating revenues and gains</b>	<b>2,189,534</b>	<b>47,353</b>	<b>(47,353)</b>	<b>2,189,534</b>
Public support:				
Society dues	613,676	–	–	613,676
Contributions and bequests	4,506,899	742	–	4,507,641
Paycheck Protection Program Grant	1,251,600	–	–	1,251,600
In-kind contributions	84,126	62	–	84,188
<b>Total public support</b>	<b>6,456,301</b>	<b>804</b>	<b>–</b>	<b>6,457,105</b>
Other transactions:				
Appropriation of endowment assets for expenditure	–	137,528	–	137,528
Grants from Japanese Garden Foundation	116,537	–	(116,537)	–
<b>Total other transactions</b>	<b>116,537</b>	<b>137,528</b>	<b>(116,537)</b>	<b>137,528</b>
<b>Total operating revenues, gains, and other support</b>	<b>8,762,372</b>	<b>185,685</b>	<b>(163,890)</b>	<b>8,784,167</b>
Expenses:				
Program services	5,543,912	116,537	(163,616)	5,496,833
Management and general	908,520	67,102	(178)	975,444
Fundraising	456,466	12,011	(96)	468,381
<b>Total expenses</b>	<b>6,908,898</b>	<b>195,650</b>	<b>(163,890)</b>	<b>6,940,658</b>
Increase (decrease) in net assets before non-operating activities	1,853,474	(9,965)	–	1,843,509
Non-operating activities:				
Endowment and quasi-endowment gifts	–	323,335	–	323,335
Total endowment return, net	–	284,653	–	284,653
Appropriation of endowment assets for expenditure	–	(137,528)	–	(137,528)
Capital campaign contributions and grants	102,385	–	–	102,385
In-kind capital contributions	190,959	–	–	190,959
Change in beneficial interest in the net assets of the Japanese Garden Foundation	460,495	–	(460,495)	–
<b>Total non-operating activities</b>	<b>753,839</b>	<b>470,460</b>	<b>(460,495)</b>	<b>763,804</b>
Increase (decrease) in net assets	2,607,313	460,495	(460,495)	2,607,313
Net assets at beginning of year	32,926,299	4,783,010	(4,783,010)	32,926,299
<b>Net assets at end of year</b>	<b>\$ 35,533,612</b>	<b>5,243,505</b>	<b>(5,243,505)</b>	<b>35,533,612</b>

See accompanying report of independent accountants.

JAPANESE GARDEN SOCIETY OF OREGON

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED DECEMBER 31, 2020

<b>Federal grantor/pass-through grantor/program or cluster title</b>	<b>Pass-through entity identifying number</b>	<b>Federal Assistance Listing No.</b>	<b>Provided to subrecipients</b>	<b>Total federal expenditures</b>
<b>Department of the Treasury:</b>				
Passed through the Oregon Cultural Trust: COVID-19 Coronavirus Relief Fund	OCTMC21055	21.019	–	\$ 1,252,924
<b>Institute of Museum and Library Services:</b>				
Museums for America	n/a	45.301	–	78,540
<b>Total expenditures of federal awards</b>				<b>\$ 1,331,464</b>

See accompanying notes to schedule of expenditures of federal awards.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED DECEMBER 31, 2020

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**1. Basis of Presentation**

The accompany schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Japanese Garden Society of Oregon under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2, *U.S. Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the Japanese Garden Society of Oregon, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Japanese Garden Society of Oregon.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the Japanese Garden Society of Oregon and agencies and departments of the federal government and all sub-awards to the organization by non-federal organizations pursuant to federal grants, contracts and similar agreements.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**3. Indirect Cost Rate**

The Japanese Garden Society of Oregon elected not to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

**REPORT OF INDEPENDENT ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

*The Board of Trustees  
Japanese Garden Society of Oregon:*

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Japanese Garden Society of Oregon, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 21, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Japanese Garden Society of Oregon's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Japanese Garden Society of Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of the Japanese Garden Society of Oregon's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item no. 2020-002 that we consider to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Japanese Garden Society of Oregon's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**The Japanese Garden Society of Oregon's Response to Finding**

The Japanese Garden Society of Oregon's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Japanese Garden Society of Oregon response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink, appearing to read "C. J. ... & Co. LLP".

July 21, 2021

**REPORTS OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

*The Board of Trustees  
Japanese Garden Society of Oregon:*

**Report on Compliance for Each Major Federal Program**

We have audited the Japanese Garden Society of Oregon's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Japanese Garden Society of Oregon's major federal programs for the year ended December 31, 2020. Japanese Garden Society of Oregon's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the Japanese Garden Society of Oregon's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2, *U.S. Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Japanese Garden Society of Oregon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Japanese Garden Society of Oregon's compliance.

*Opinion on Each Major Federal Program*

In our opinion, the Japanese Garden Society of Oregon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

### *Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item no. 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

The Japanese Garden Society of Oregon's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Japanese Garden Society of Oregon's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

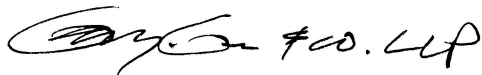
Management of the Japanese Garden Society of Oregon is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Japanese Garden Society of Oregon's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Japanese Garden Society of Oregon's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item no. 2020-001 that we consider to be a significant deficiency.

The Japanese Garden Society of Oregon's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Japanese Garden Society of Oregon's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



July 21, 2021

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED DECEMBER 31, 2020

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**Section 1 – Summary of Auditors' Results**

*Financial Statements*

1. Type of auditor's report issued on whether the audited financial statements were prepared in accordance with GAAP – **unmodified**
2. Significant deficiency(ies) in internal control identified in the audit of the financial statements – **none reported**
3. Material weakness(es) in internal control identified in the audit of the financial statements – **yes**
4. Noncompliance that is material to the financial statements noted – **none**

*Federal Awards*

5. Significant deficiency(ies) in internal control over major federal programs identified in the audit – **yes**
6. Material weakness(es) in internal control over major federal programs identified in the audit – **none**
7. The type of auditor's report issued on compliance for major federal programs – **unmodified**
8. Audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) – **yes**

*Identification of Major Federal Programs*

• **COVID-19 – Coronavirus Relief Fund (ALN: 21.019)**

9. Dollar threshold used to distinguish between Type A and Type B programs – **\$750,000**
10. Is the auditee qualified as a low-risk auditee under 2 CFR 200.520? – **no**

**Section 2 – Financial Statement Findings**

11. Findings relating to the financial statements reported in accordance with *Government Auditing Standards* – **finding no. 2020-002**

**Section 3 – Federal Award Findings and Questioned Costs**

12. Findings and questioned costs relating to federal awards – **finding no. 2020-001**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

YEAR ENDED DECEMBER 31, 2020

<b>Finding number:</b>	<b>2020-001</b>
<b>Finding type:</b>	<b>Federal award finding</b>
<b>Federal Assistance Listing No.:</b>	<b>21.019</b>
<b>Program name:</b>	<b>COVID-19 – Coronavirus Relief Fund</b>
<b>Federal agency:</b>	<b>Department of the Treasury</b>
<b>Pass-through entity:</b>	<b>Oregon Cultural Trust</b>
<b>Grant number:</b>	<b>OCTM21055</b>
<b>Federal award year:</b>	<b>2020</b>
<b>Control deficiency type:</b>	<b>Significant deficiency over compliance</b>
<b>Instance of noncompliance:</b>	<b>Yes</b>
<b>Compliance requirements:</b>	<b>Allowable activities /Allowable costs and Reporting</b>
<b>Questioned costs:</b>	<b>None</b>
<b>Repeat finding:</b>	<b>No</b>

*Criteria:* The Code of Federal Regulations(CFR) Section 200.303 requires that nonfederal entities receiving federal awards establish and maintain internal over federal awards that provides reasonable assurance that the non-federal entity is managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

*Condition:* During our audit, we noted the Society’s lack of proper internal controls over the costs requested from the Coronavirus Relief Fund (CRF) grant to cover expenditures. The Society requested CRF to cover expenditures not actually incurred but to cover expenditures that it would have incurred had it not lost earned revenues.

*Cause:* Society staff misunderstood what costs can be covered by the CRF grant, although it had consulted with the pass-through entity. Also, the request for funds from the CRF grant was not reviewed by another independent person.

*Effect:* Noncompliance such as unallowable costs charged to the federal award or requested in excess of allowable costs could occur and not be detected or corrected. In addition, the misunderstanding resulted in the Society submitting a final report to the pass-through entity with amounts representing reductions in expenditures related to the COVID-19 pandemic, rather than actual costs incurred. The Society was able to perform an after-the-fact analysis to support adequate allowable costs chargeable to the CRF grant. Subsequently, an amended and corrected report was submitted to the pass-through entity.

*Audit Recommendation:* We recommend that management implement procedures over the administration of federal awards, including establishing a proper review and approval of requests of federal awards. We also recommend that all federal awards are reviewed upon receipt for compliance requirements by more than one staff member with the appropriate training and experience.

*Management’s Response:* The Japanese Garden Society of Oregon will develop and implement a process to review all direct and pass-through awards for compliance requirements, determine and assess procedures to meet those compliance requirements, and establish review procedures to be performed by an individual independent of those assigned to meet the compliance requirements. Upon receipt, all Federal awards, and their compliance requirements, will be reviewed by a member of the Development Department, as well as a member of the Finance Department.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

YEAR ENDED DECEMBER 31, 2020

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**Finding Number:** 2020-002  
**Finding Type:** Financial statement finding  
**Control Deficiency Type:** Material weakness

*Criteria:* In accordance with 2 CFR 200.510, the organization must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the financial statements which must include the total federal awards expended.

*Condition:* During our audit, we noted that the Coronavirus Relief Fund (CRF) grant was not treated as a federal award subject to Single Audit and consequently not included in the SEFA.

*Cause:* The staff overseeing grant applications and reporting was not aware that the CRF grant constituted a federal award subject to a Single Audit, despite compliance requirements outlined in the grant agreement. No other individuals were involved in reviewing the grant agreement for compliance requirements.

*Effect:* SEFA was incomplete and as a result, the CRF grant was significant enough to trigger a Single Audit requirement.

*Audit Recommendation:* We recommend that management implement internal controls over the preparation of the SEFA to ensure accurate reporting of federal awards.

*Management's Response:* The Japanese Garden Society of Oregon will develop and implement a thorough internal process to identify and track direct and pass-through federal awards to ensure accurate reporting in the SEFA as well as a process of review. In addition, the organization will develop a process to ensure all awards on the SEFA agree with the general ledger and comply with all reporting requirements.

JAPANESE GARDEN SOCIETY OF OREGON

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

YEAR ENDED DECEMBER 31, 2020

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There were no findings reported in the prior audit.

**GOVERNING BOARD AND MANAGEMENT**

AS OF DECEMBER 2020

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**Society Board of Trustees**

Robert Zagunis, *President*  
Drake Snodgrass, *President-Elect*  
Dr. Calvin Tanabe, *Vice President*  
Paul Schommer, *Vice President*  
Doug de Weese, *Treasurer*  
Janelle Jimerson, *Secretary*  
Dorie Vollum, *Immediate Past President*  
Trish Adams  
Gwyneth Gamble Booth  
Ann Carter  
Dean Dordevic  
Jon Greeney  
Bruce Guenther  
Ronna Hoffman  
Bill Hughes  
Yoshio Kurosaki  
Polly Lauser  
Martin Lotti  
Paul Loving  
Lindley Morton  
Darren Nakata  
Carol L. Otis M.D.  
Travers Hill Polak  
Dan Schwoerer  
Jeff Wolfstone

**Foundation Board of Trustees**

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Stephen D. Bloom, *President*  
Diane Freeman, *Secretary and Treasurer*  
Trish Adams  
Sandy Chandler  
Dede DeJager  
Greg Fitz-Gerald  
James D. Lynch  
Allen Mercer  
Dee Ross  
Valerie Sasaki  
Cecelia Tanaka

**Management**

Stephen D. Bloom  
*Chief Executive Officer*  
Cynthia Johnson Haruyama  
*Deputy Director*  
Lisa Christy  
*Chief External Affairs Officer*  
Akihito Nakanishi  
*Arlene Schnitzer Curator of Culture,  
Arts and Education*  
Sadafumi Uchiyama  
*Chief Curator*  
Cheryl Ching  
*Chief Operations Officer*  
Diane Freeman  
*Chief Financial Officer*

JAPANESE GARDEN SOCIETY OF OREGON

**INQUIRIES AND OTHER INFORMATION**

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JAPANESE GARDEN SOCIETY OF OREGON  
611 S. W. Kingston Avenue  
Portland, Oregon 97205

(503) 223-1321 Garden information  
(503) 796-3695 Business office  
(503) 546-5453 Fax

[japanesegarden@japanesegarden.org](mailto:japanesegarden@japanesegarden.org)

**Portland Japanese Garden Online:**  
[www.japanesegarden.org](http://www.japanesegarden.org)



## CORRECTIVE ACTION PLAN

YEAR ENDED DECEMBER 31, 2020

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**Finding no.:** 2020-001

**Contact person(s) responsible:** Diane Freeman, Chief Financial Officer

**Corrective action planned:** Management will develop and implement a process to review all direct and pass-through awards for compliance requirements, determine and assess procedures to meet those compliance requirements, and establish review procedures to be performed by an individual independent of those assigned to meet the compliance requirements. Upon receipt, all Federal awards, and their compliance requirements, will be reviewed by a member of the Development Department, as well as a member of the Finance Department.

**Anticipated completion date:** October 31, 2021


**Finding no.:** 2020-002

**Contact person(s) responsible:** Diane Freeman, Chief Financial Officer

**Corrective action planned:** Management will develop and implement a thorough internal process to identify and track direct and pass-through federal awards to ensure accurate reporting in the Schedule of Expenditures of Federal Awards as well as a process of review. In addition, the organization will develop a process to ensure all awards on the Schedule of Expenditures of Federal Awards agree with the general ledger and comply with all reporting requirements.

**Anticipated completion date:** October 31, 2021

  
Signed

  
Date

