

**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, 2021 and Reports of Independent Accountants

JAPANESE GARDEN SOCIETY OF OREGON

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REPORT OF INDEPENDENT ACCOUNTANTS

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of the Japanese Garden Society of Oregon, which comprise the consolidated statement of financial position as of December 31, 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Japanese Garden Society of Oregon as of December 31, 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Japanese Garden Society of Oregon and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Japanese Garden Society of Oregon's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Japanese Garden Society of Oregon's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Japanese Garden Society of Oregon's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 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 20, 2022 on our consideration of the Japanese Garden Society of Oregon'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 the Japanese Garden Society of Oregon'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 the Japanese Garden Society of Oregon's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "C. J. ... #CO. LLP".

July 20, 2022

JAPANESE GARDEN SOCIETY OF OREGON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021
(WITH COMPARATIVE AMOUNTS FOR 2020)

	2021	2020
Assets:		
Cash and cash equivalents	\$ 2,785,590	573,990
Accounts receivable	51,727	32,285
Contributions receivable <i>(note 3)</i>	4,382,719	3,030,110
Inventories	179,503	213,688
Prepaid expenses and other assets	363,002	153,552
Investments <i>(note 4)</i>	4,773,233	4,257,401
Garden, buildings, and equipment <i>(notes 5 and 7)</i>	31,908,903	32,432,530
Total assets	\$ 44,444,677	40,693,556
Liabilities:		
Accounts payable and accrued expenses	344,338	38,298
Accrued payroll	247,714	156,253
Construction payable	38,000	-
Deferred revenue	145,995	114,004
Deferred compensation liability <i>(note 8)</i>	-	250,000
Line of credit <i>(note 6)</i>	-	1,044,280
Notes payable <i>(note 7)</i>	594,543	3,557,109
Total liabilities	1,370,590	5,159,944
Net assets:		
Without donor restrictions:		
Available for programs and general operations	2,480,028	(3,258,334)
Designated by the Board <i>(note 9)</i>	537,761	365,096
Net investment in capital assets	31,314,360	31,795,308
Total without donor restrictions	34,332,149	28,902,070
With donor restrictions <i>(note 10)</i>	8,741,938	6,631,542
Total net assets	43,074,087	35,533,612
Commitments and contingencies <i>(notes 5, 6, 7, 16, 17, and 18)</i>		
Total liabilities and net assets	\$ 44,444,677	40,693,556

See accompanying notes to consolidated financial statements.

JAPANESE GARDEN SOCIETY OF OREGON
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021		Total	2020
	Without donor restrictions	With donor restrictions		
Operating revenues and gains:				
Gate receipts	\$ 5,019,007	–	5,019,007	1,783,752
Gift store, merchandise, and café sales, net of costs of sales of \$963,275 in 2021 and \$391,400 in 2020	1,037,292	–	1,037,292	329,693
Culture, arts, and educational workshops, net of costs of sales of \$3,139 in 2021 and \$2,534 in 2020	38,914	–	38,914	16,085
Operating investment return, net (<i>note 4</i>)	778	–	778	1,773
Other revenues	4,806	–	4,806	58,231
Total operating revenues and gains	6,100,797	–	6,100,797	2,189,534
Public support:				
Society dues	924,355	–	924,355	613,676
Contributions and bequests	982,068	235,299	1,217,367	1,261,494
Covid-19 related federal government grants (<i>note 11</i>)	–	4,640,496	4,640,496	2,504,524
In-kind contributions	92,448	–	92,448	84,188
Total public support	1,998,871	4,875,795	6,874,666	4,463,882
Other transactions:				
Appropriation of endowment assets for expenditure (<i>note 14</i>)	6,840	141,433	148,273	137,528
Net assets released from restrictions for operating purposes (<i>note 12</i>)	5,649,779	(5,649,779)	–	–
Total other transactions	5,656,619	(5,508,346)	148,273	137,528
Total operating revenues, gains, and other support	\$ 13,756,287	(632,551)	13,123,736	6,790,944

Continued

JAPANESE GARDEN SOCIETY OF OREGON

CONSOLIDATED STATEMENT OF ACTIVITIES, CONTINUED

YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021			2020
	Without donor restrictions	With donor restrictions	Total	
Expenses (<i>note 13</i>):				
Program services	\$ 6,401,329	–	6,401,329	5,496,833
Management and general	1,411,640	–	1,411,640	975,444
Fundraising	854,977	–	854,977	468,381
Total expenses	8,667,946	–	8,667,946	6,940,658
Increase (decrease) in net assets before non-operating activities	5,088,341	(632,551)	4,455,790	(149,714)
Non-operating activities:				
Endowment and quasi-endowment gifts	25,154	165,000	190,154	323,335
Total endowment return, net (<i>note 4</i>)	17,191	454,624	471,815	284,653
Appropriation of endowment assets for expenditure (<i>note 14</i>)	(6,840)	(141,433)	(148,273)	(137,528)
Japan Institute capital campaign contributions:				
Donor-restricted gifts	–	2,455,287	2,455,287	–
Unrestricted gifts designated by the Board	20,000	–	20,000	1,993,223
In-kind capital contributions	95,040	–	95,040	190,959
Other capital contributions	–	52,977	52,977	102,385
Loss on disposal of capital assets	(5,556)	–	(5,556)	–
Prepayment penalty on extinguishment of debt	(46,759)	–	(46,759)	–
Net assets released from restrictions for capital purposes (<i>note 12</i>)	243,508	(243,508)	–	–
Total non-operating activities	341,738	2,742,947	3,084,685	2,757,027
Increase in net assets	5,430,079	2,110,396	7,540,475	2,607,313
Net assets at beginning of year	28,902,070	6,631,542	35,533,612	32,926,299
Net assets at end of year	\$ 34,332,149	8,741,938	43,074,087	35,533,612

See accompanying notes to consolidated financial statements.

JAPANESE GARDEN SOCIETY OF OREGON

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021			Total	2020
	Program services	Management and general	Fundraising		
Salaries and related costs	\$ 3,870,786	1,033,485	592,698	5,496,969	4,330,441
Professional services	400,006	111,055	10,668	521,729	230,281
Culture and Arts programming	58,863	–	–	58,863	148,306
Interest	115,296	41,147	8,235	164,678	283,389
Fees and licenses	219,950	11,348	23,430	254,728	139,222
Public relations and advertising	127,099	8,072	926	136,097	140,484
Travel and transportation	35,792	4,146	21,786	61,724	59,349
Other programming costs	71,178	–	–	71,178	35,691
Repair and maintenance	89,177	33,474	1,182	123,833	84,168
Office expense	164,398	17,378	38,526	220,302	126,858
Utilities	153,833	18,532	11,197	183,562	157,712
Donor cultivation	82	–	113,089	113,171	23,600
Membership fulfillment and events	53,179	–	–	53,179	39,023
Insurance	94,871	28,207	7,083	130,161	109,166
Occupancy	56,567	10,042	6,989	73,598	73,058
Other	60,129	51,488	15,220	126,837	82,882
Total expenses before depreciation and amortization	5,571,206	1,368,374	851,029	7,790,609	6,063,630
Depreciation and amortization	830,123	43,266	3,948	877,337	877,028
Total expenses	\$ 6,401,329	1,411,640	854,977	8,667,946	6,940,658

See accompanying notes to consolidated financial statements.

JAPANESE GARDEN SOCIETY OF OREGON
CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021	2020
Cash flows from operating activities:		
Cash received from contributors and grantors	\$ 7,571,156	4,559,779
Cash received from admissions, gift sales, and other	7,078,982	2,614,096
Cash received for interest	63,057	35,309
Cash paid for interest	(165,931)	(283,412)
Cash paid to employees and suppliers	(8,421,131)	(6,189,642)
Net cash provided by operating activities	6,126,133	736,130
Cash flows from investing activities:		
Capital expenditures	(326,226)	(135,249)
Reinvestment of investment income	(59,664)	(33,537)
Proceeds from the sale of investments	148,273	738,269
Purchases of investments	(194,905)	(1,117,858)
Net cash used in investing activities	(432,522)	(548,375)
Cash flows from financing activities:		
Contributions restricted for long-term investment	150,000	989,982
Capital contributions	55,130	379,183
Japan Institute capital campaign contributions	366,464	-
Principal payments on debt	(4,006,846)	(1,353,600)
Prepayment penalty on extinguishment of debt	(46,759)	-
Proceeds from issuance of debt	-	27,371
Net cash provided by (used in) financing activities	(3,482,011)	42,936
Net increase in cash and cash equivalents	2,211,600	230,691
Cash and cash equivalents at beginning of year	573,990	343,299
Cash and cash equivalents at end of year	\$ 2,785,590	573,990

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

1. Organization

The Japanese Garden Society of Oregon (the “Society”) (*dba* Portland Japanese Garden) was born out of a belief in the power of cultural exchange. Incorporated as a nonprofit organization in 1962 with the goal of healing wounds from WWII, members of the community created a traditional Japanese garden as an accessible portal for other cultures to discover and appreciate Japanese culture.

The meticulously maintained 12-acre Garden site is nestled in the hills of Portland. It overlooks the city and provides a tranquil, urban oasis for nearly 500,000 locals and global visitors alike, every year. Guests regularly describe how visits to the Garden improve their welfare, inspire creativity, and renew mental well-being. Often referred to as a museum for Japanese gardens, Portland Japanese Garden also serves as a living “classroom” that offers tremendous opportunities for experiential learning to all who enter its gates.

In addition to the physical garden experience, the Society offers innovative programs, global collaborations, and experiential education for youth and adults that serve as a window into Japanese arts and culture. Now housed under the umbrella of the Japan Institute, these programs fall into three centers: International Japanese Garden Training Center; Global Center for Culture & Art; International Exchange Forum. From 15-minute free demonstrations of tea ceremony to two-week intensive Japanese gardening seminars to international Peace Symposia, the programs are all informed by the Garden itself and work toward our mission of *Inspiring Peace & Harmony*.

2. Summary of Significant Accounting Policies

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

Basis of Accounting – The accompanying consolidated 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, 3 to 10 years for software, 3 to 8 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, 2021, 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, 2021.

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, 2021, the Society received the following in-kind contributions:

In-kind contributions for operations:	
Goods and supplies	\$ 54,780
Free use of facilities	23,400
Professional services	14,268
	<hr/>
	92,448
Capital assets	95,040
	<hr/>
	\$ 187,488
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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.
- *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, 2021, the Society held \$2,234,131 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 – The Society includes in its measure of operations all revenue and expenses that are integral to its programs and supporting activities. The measure of operations excludes endowment gifts, donor-restricted capital campaign contributions and grants, unrestricted gifts designated by the Board for the capital campaign, 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, debt extinguishment costs, 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. In February of 2022, the Society formed a single-member limited liability company, PJG Holdings, LLC (“the LLC”), to hold certain real property. As a single-member limited liability company controlled by the Society, a tax-exempt organization, the LLC is disregarded for tax purposes.

Subsequent Events – Subsequent events have been evaluated by management through July 20, 2022, which is the date the consolidated financial statements were available to be issued.

Summarized Financial Information for 2020 – The accompanying financial information as of and for the year ended December 31, 2020 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, 2021:

<i>Unconditional promises expected to be collected within:</i>	
Less than one year	\$ 514,062
One year to five years	3,465,000
Greater than five years	513,500
	<hr/> 4,492,562
Less unamortized discount ¹	(109,843)
	<hr/> \$ 4,382,719

¹ 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 included capital campaign pledges from the following campaigns at December 31, 2021:

Cultural Crossing campaign	\$ 1,018,000
Japan Institute campaign:	
Donor-restricted pledges	1,573,000
Unrestricted pledges designated by the Board	1,798,241
	<hr/> 1,798,241
Total campaign pledges	\$ 4,389,241

4. Investments and Investment Return

Investments held by the Society at December 31, 2021 consisted of the following:

Mutual funds and ETFs	\$ 1,630,936
Corporate bonds	1,469,768
Corporate stocks	1,435,861
Commodity portfolio funds	51,650
Real Estate Investment Trust funds	63,125
<hr/>	
Total investments, carried at fair value	4,651,340
Cash and money market funds	121,893
<hr/>	
	\$ 4,773,233

Total return on the above investments and cash and cash equivalents for the year ended December 31, 2021 is as follows:

Interest and dividend income ¹	\$ 63,057
Net appreciation in the fair value of investments	409,536
<hr/>	
Total net investment return	\$ 472,593

¹ Investment income is presented net of external and direct internal investment expenses.

Total return is derived from the following investments:

Operating investments	\$ 778
Endowment investments	471,815
<hr/>	
Total net investment return	\$ 472,593

Of the total investments at December 31, 2021, \$3,671,903 carries permanent restriction for endowment.

5. Garden, Buildings, and Equipment

A summary of garden, buildings, and equipment at December 31, 2021 is as follows:

Buildings and improvements	\$ 33,037,301
Garden and artifacts	2,315,377
Land	380,000
Equipment and furniture	1,246,378
Vehicles	203,033
Software	211,159
Work-in-progress	233,867
<hr/>	
	37,627,115
Less accumulated depreciation	(5,718,212)
<hr/>	
	\$ 31,908,903

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. Line of Credit

At December 31, 2021, the Society held a line of credit in the amount of \$2,000,000 repayable with interest based on *The Wall Street Journal's* prime rate, as published daily in *The Wall Street Journal*, plus 0.5%, and an initial rate of 4.50%, the absolute minimum. The agreement requires that the Foundation's liquidity must cover any outstanding borrowings at a 1:1 ratio. The line matures in November 2022. No balance was outstanding at December 31, 2021.

In June of 2022, the PJG Holdings, LLC obtained a \$1,000,000 secured line of credit with a financial institution. Interest rate is based on *The Wall Street Journal's* prime rate, as published daily in *The Wall Street Journal*, plus 0.25%, resulting in an initial rate of 5.0%. The Society and Foundation serve as guarantors on the line of credit.

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 4.65% at December 31, 2021). A balloon payment of all unpaid principal and accrued interest totaling \$486,651 is due on November 9, 2025. As of December 31, 2021, \$571,603 was outstanding. Total interest expense on this loan was \$27,421 for 2021.

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, 2021 totaled \$22,940. Total interest expense on the loans was \$2,217 for 2021.

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

<i>Years ending December 31,</i>	
2022	\$ 42,448
2023	22,877
2024	23,616
2025	505,602
	\$ 594,543

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 earned deferred compensation each year from 2017 through 2021, for a total of \$500,000, which was paid during the year ended December 31, 2021.

In December of 2021, the Society entered into another five-year employment agreement with the executive for 2022 through 2026, whereby the executive is entitled to a \$150,000 signing bonus that is fully repayable if the executive is not employed by the Society on December 31, 2026. The executive may also earn incentive deferred compensation totaling \$400,000 during the contract term if the executive achieves the targets set forth in the agreement. During the year ended December 31, 2021, \$100,000 was paid under this agreement. A liability will be recorded in future periods as the deferred compensation is earned.

9. Net Assets without Donor Restrictions

At December 31, 2021, the Society's Board designated \$537,761 of its net assets without donor restrictions for the following:

Quasi-endowment (<i>note 14</i>)	\$ 319,189
Japan Institute	218,572
	\$ 537,761

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, 2021:

<i>Expendable net assets restricted for the following purposes:</i>	
Japan Institute	\$ 1,708,241
Operation and maintenance of facilities and programs ¹	306,802
Garden landscape maintenance ¹	167,141
Capital projects	83,309
Other	1,561
	<hr/>
	2,267,054
<hr/>	
<i>Expendable net assets unrestricted as to purpose, but restricted as to time:</i>	
Pledges designated by the Board for the Japan Institute ²	1,791,464
Pledges to benefit the Society's general operations in future periods	52,609
Bequest receivables to be added to Society's quasi-endowment ¹	50,711
	<hr/>
	1,894,784
<hr/>	
<i>Endowment restricted for the following purposes:</i>	
The Arlene Schnitzer Curator of Culture, Art and Education Endowment	1,455,106
Garden Directors Council Fund	36,505
	<hr/>
	1,491,611
Endowment unrestricted as to purpose	3,088,489
	<hr/>
Total endowment (note 14)	4,580,100
	<hr/>
Total net assets with donor restrictions	\$ 8,741,938
	<hr/>

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

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

11. Covid-19 Related Federal Government Grants

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 and stay-at-home orders. The COVID-19 pandemic has caused business disruption through mandated and voluntary closings of multiple businesses, including a temporary closure of the garden from March to mid-June 2020, cancellation of events, and reductions in staffing. The Society adapted its programming throughout 2020 and 2021 in order to keep its employees and constituents safe, to facilitate ongoing availability of its services, and execution of its mission.

The federal government established several new programs intended to be responsive to the health and financial crisis resulting from COVID-19. The Society obtained and benefited from these federal programs including the following for the years ended December 31, 2020 and 2021:

	2021
Paycheck Protection Program loan ¹	\$ 1,145,108
Shuttered Venue Operators Grant	3,495,388
	<hr/>
	\$ 4,640,496
	<hr/>
	2020
Paycheck Protection Program loan ¹	\$ 1,251,600
Coronavirus Relief Fund	1,252,924
	<hr/>
	\$ 2,504,524
	<hr/>

¹ Paycheck Protection Program

The Society two unsecured loans from a commercial bank in April 2020 and in February 2021, in the amount of \$1,251,600 and \$1,145,108, respectively, pursuant to the Paycheck Protection Program (the "PPP").

The bank's loans were guaranteed by the U.S. Small Business Administration ("SBA"), and were 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. Qualifying businesses could spend loan proceeds to cover payroll, mortgage interest, rent, and utilities, and qualify to have the loans forgiven if the proceeds were 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 loans for qualifying expenses and obtained full forgiveness of the two loans in 2021.

The Society accounted for the loans as conditional grants. All the conditions of the April 2020 loan were met during the year ended December 31, 2020, and the entire amount was recognized as revenue in the year ended December 31, 2020. All the conditions related to the February 2021 loan were met during the year ended December 31, 2021, and the entire amount was recognized as revenue in the year ended December 31, 2021.

12. Net Assets Released from Restrictions

During the year ended December 31, 2021, 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, 2021, 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	\$ 5,649,779
To fund capital acquisitions	243,508

	\$ 5,893,287
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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, 2021:

	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	\$ 266,549	536,288	585,507	3,521,903	4,107,410	4,910,247	
Contributions and bequests	25,154	15,000	–	150,000	150,000	190,154	
Reclassifications	17,135	(17,135)	–	–	–	–	
Net investment return	17,191	2,929	451,695	–	451,695	471,815	
Appropriation of endowment assets for expenditure	(6,840)	(12,428)	(129,005)	–	(129,005)	(148,273)	
Endowment net assets at end of year	\$ 319,189 ^[A]	524,654 ^[A]	908,197	3,671,903	4,580,100	5,423,943	

^[A] 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, 2021, the Board appropriation of donor-restricted and Board-designated endowment assets totaled \$148,273.

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, 2021:

<i>Total financial assets:</i>	
Cash and cash equivalents	\$ 2,785,590
Accounts receivable	51,727
Contributions receivable	4,382,719
Investments	4,773,233
	<hr/>
	11,993,269
<hr/>	
<i>Less financial assets not available within the year ending December 31, 2022:</i>	
Financial assets restricted by donors for endowment	(4,580,100)
Financial assets designated by the Board for quasi-endowment	(843,843)
Contributions receivable due in more than one year	(971,473)
Financial assets restricted by donors for the Japan Institute capital campaign	(1,708,241)
Financial assets designated by the Board for Japan Institute capital campaign	(2,010,036)
	<hr/>
	(10,113,693)
<hr/>	
<i>Plus other funds subject to appropriation for expenditure:</i>	
Fiscal year 2022 appropriations of donor-restricted and Board-designated endowments for operations	141,550
	<hr/>
	\$ 2,021,126
	<hr/>

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 a committed line of credit upon which it could draw (see note 6).

In addition, the Society holds Board-designated funds without donor restrictions totaling \$319,189 (see note 9) and quasi-endowment funds with donor restrictions totaling \$524,654 (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. Operating Lease Commitments

The Society leases certain office space and equipment under non-cancelable operating leases that expire in various years through October of 2026. Rent expense on these leases totaled \$67,802 for the year ended December 31, 2021.

Future payments for the above leases are summarized as follows:

<i>Years ending December 31,</i>		
2022	\$	62,548
2023		32,934
2024		27,012
2025		27,012
2026		6,056
	<hr/>	
	\$	155,562
	<hr/>	

In addition, subsequent to the year ended December 31, 2021, the Society entered into agreements to lease certain office space through May 2025, surface parking through April 2027, and office equipment through April 2027, with total commitments of \$261,646.

17. 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 \$96,757 for the year ended December 31, 2021.

18. Other Commitments and Subsequent Events

In February 2021, the Society entered into a purchase and sale agreement for the acquisition of real property for \$4,350,000. As of December 31, 2021, a \$100,000 earnest money deposit is included in prepaid expenses and deposits. The acquisition was completed in April of 2022 with financing from a \$4,000,000 note secured by the property. Monthly payments on the note are due beginning May 1, 2022. 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 4.0%, the absolute minimum rate. The note is a revolving line of credit allowing advances up to the maximum available principal amount of \$4,000,000. The line of credit matures on November 30, 2023.

In addition, as of December 31, 2021, the Society had remaining contractual commitments of \$51,013 for design and related services on projects planned for the real property. Subsequent to year end, the Society entered into contracts totaling \$240,322 for additional design and pre-construction services.

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, 2021, \$4,651,340 of 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. 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	\$ 7,540,475
<hr/>	
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>	
Depreciation and amortization	877,337
In-kind contributions of capital assets	(95,040)
Net increase in the fair value of investments	(409,536)
Contributions restricted for capital acquisitions	(55,130)
Japan Institute campaign capital contributions	(366,464)
Contributions restricted for long-term investment	(150,000)
Down payment on property purchase reported as other assets	100,000
Prepayment penalty on extinguishment of debt	46,759
Provision for bad debt	5,277
Loss on disposal of capital assets	5,556
<i>Net changes in:</i>	
Accounts receivable	(19,442)
Contributions receivable	(1,357,886)
Inventories	34,185
Prepaid expenses and other assets	(209,450)
Accounts payable and accrued expenses	306,040
Accrued payroll	91,461
Deferred revenue	31,991
Deferred compensation liability	(250,000)
<hr/>	
Total adjustments	(1,414,342)
<hr/>	
Net cash provided by operating activities	\$ 6,126,133
<hr/>	

21. Reclassification of 2020 Comparative Totals

Certain 2020 amounts presented herein have been reclassified to conform to the 2021 presentation.

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JAPANESE GARDEN SOCIETY OF OREGON
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

DECEMBER 31, 2021

	Japanese Garden Society	Japanese Garden Foundation	Consolidating elimination entries	Total
Assets:				
Cash and cash equivalents	\$ 2,785,590	-	-	2,785,590
Accounts receivable	51,727	-	-	51,727
Contributions receivable	4,332,007	50,712	-	4,382,719
Inventories	179,503	-	-	179,503
Prepaid expenses and other assets	361,402	1,600	-	363,002
Note receivable from affiliate	-	600,000	(600,000)	-
Other receivable from affiliate	26,191	-	(26,191)	-
Investments	-	4,773,233	-	4,773,233
Beneficial interest in the net assets of the Japanese Garden Foundation	5,744,423	-	(5,744,423)	-
Garden, buildings, and equipment	30,992,231	916,672	-	31,908,903
Total assets	\$ 44,473,074	6,342,217	(6,370,614)	44,444,677
Liabilities:				
Accounts payable and accrued expenses	344,338	-	-	344,338
Accrued payroll	247,714	-	-	247,714
Construction payable	38,000	-	-	38,000
Note payable to affiliate	600,000	-	(600,000)	-
Other payable to affiliate	-	26,191	(26,191)	-
Deferred revenue	145,995	-	-	145,995
Notes payable	22,940	571,603	-	594,543
Total liabilities	1,398,987	597,794	(626,191)	1,370,590
Net assets:				
Without donor restrictions:				
Available for programs and general operations	2,480,028	(24,589)	24,589	2,480,028
Designated by the Board	537,761	319,189	(319,189)	537,761
Net investment in capital assets	31,314,360	345,069	(345,069)	31,314,360
Total without donor restrictions	34,332,149	639,669	(639,669)	34,332,149
With donor restrictions	8,741,938	5,104,754	(5,104,754)	8,741,938
Total net assets	43,074,087	5,744,423	(5,744,423)	43,074,087
Total liabilities and net assets	\$ 44,473,074	6,342,217	(6,370,614)	44,444,677

See accompanying report of independent accountants.

JAPANESE GARDEN SOCIETY OF OREGON
CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Japanese Garden Society	Japanese Garden Foundation	Consolidating elimination entries	Total
Operating revenues and gains:				
Gate receipts	\$ 5,019,007	–	–	5,019,007
Gift store, merchandise and café sales, net	1,037,292	–	–	1,037,292
Rental income	–	45,820	(45,820)	–
Culture, arts, and educational workshops, net	38,914	–	–	38,914
Operating investment return, net	778	–	–	778
Other revenues	4,806	–	–	4,806
Total operating revenues and gains	6,100,797	45,820	(45,820)	6,100,797
Public support:				
Society dues	924,355	–	–	924,355
Contributions and bequests	1,216,625	742	–	1,217,367
Covid-19 related federal government grants	4,640,496	–	–	4,640,496
In-kind contributions	92,448	–	–	92,448
Total public support	6,873,924	742	–	6,874,666
Other transactions:				
Appropriation of endowment assets for expenditure	–	148,273	–	148,273
Grants from Japanese Garden Foundation	124,457	–	(124,457)	–
Total other transactions	124,457	148,273	(124,457)	148,273
Total operating revenues, gains, and other support	13,099,178	194,835	(170,277)	13,123,736
Expenses:				
Program services	6,447,149	124,457	(170,277)	6,401,329
Management and general	1,341,656	69,984	–	1,411,640
Fundraising	841,805	13,172	–	854,977
Total expenses	8,630,610	207,613	(170,277)	8,667,946
Increase (decrease) in net assets before non-operating activities	4,468,568	(12,778)	–	4,455,790
Non-operating activities:				
Endowment and quasi-endowment gifts	–	190,154	–	190,154
Total endowment return, net	–	471,815	–	471,815
Appropriation of endowment assets for expenditure	–	(148,273)	–	(148,273)
Japan Institute capital campaign contributions:				
Donor-restricted gifts	2,455,287	–	–	2,455,287
Unrestricted gifts designated by the Board	20,000	–	–	20,000
In-kind capital contributions	95,040	–	–	95,040
Other capital contributions	52,977	–	–	52,977
Loss on disposal of capital assets	(5,556)	–	–	(5,556)
Prepayment penalty on extinguishment of debt	(46,759)	–	–	(46,759)
Change in beneficial interest in the net assets of the Japanese Garden Foundation	500,918	–	(500,918)	–
Total non-operating activities	3,071,907	513,696	(500,918)	3,084,685
Increase (decrease) in net assets	7,540,475	500,918	(500,918)	7,540,475
Net assets at beginning of year	35,533,612	5,243,505	(5,243,505)	35,533,612
Net assets at end of year	\$ 43,074,087	5,744,423	(5,744,423)	43,074,087

See accompanying report of independent accountants.

JAPANESE GARDEN SOCIETY OF OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2021

Federal grantor/pass-through grantor/program or cluster title	Pass-through entity identifying number	Federal Assistance Listing No.	Provided to subrecipients	Total federal expenditures
U.S. Small Business Administration: COVID-19 Shuttered Venue Operators Grant Program	n/a	59.075	–	\$ 3,495,388
Institute of Museum and Library Services: Museums for America	n/a	45.301	–	83,547
Total expenditures of federal awards				\$ 3,578,935

See accompanying notes to schedule of expenditures of federal awards.

JAPANESE GARDEN SOCIETY OF OREGON

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2021

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, 2021. 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 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, 2021, 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 20, 2022.

Report on 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.

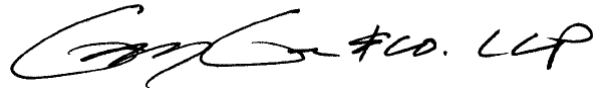
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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*.

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.

A handwritten signature in black ink, appearing to read "C. G. #10. LLP". The signature is written in a cursive, somewhat stylized font.

July 20, 2022

REPORT 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

Opinion on Each Major Federal Program

We have audited the Japanese Garden Society of Oregon's compliance with the types of compliance requirements identified as subject to audit 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, 2021. The 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.

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, 2021.

Basis for Opinion on Each Major Federal Program

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 for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Japanese Garden Society of Oregon and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Japanese Garden Society of Oregon's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Japanese Garden Society of Oregon's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Japanese Garden Society of Oregon's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Japanese Garden Society of Oregon's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Japanese Garden Society of Oregon's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Japanese Garden Society of Oregon's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Japanese Garden Society of Oregon's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

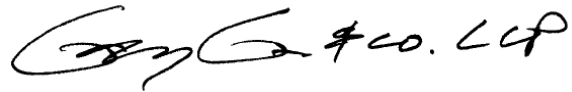
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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. We consider a deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item no. 2021-001 to be a material weakness.

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Japanese Garden Society of Oregon's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Japanese Garden Society of Oregon's response was not subjected to the other 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.

A handwritten signature in black ink, appearing to read "C&A #CO. LLP". The signature is stylized and cursive.

July 20, 2022

JAPANESE GARDEN SOCIETY OF OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021

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 – none
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 – none reported
6. Material weakness(es) in internal control over major federal programs identified in the audit – yes
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

- U.S. Small Business Administration, Shuttered Venue Operators Grant Program (ALN: 59.075)
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* – none

Section 3 – Federal Award Findings and Questioned Costs

12. Findings and questioned costs relating to federal awards – finding no. 2021-001

JAPANESE GARDEN SOCIETY OF OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

YEAR ENDED DECEMBER 31, 2021

Finding number:	2021-001
Finding type:	Federal award finding
Federal Assistance Listing No.:	59.075
Program name:	COVID-19 – Shuttered Venue Operators Grant (SVOG) Program
Federal agency:	U.S. Small Business Administration
Pass-through entity:	n/a
Grant number:	n/a
Federal award year:	2021
Control deficiency type:	Material weakness over compliance
Instance of noncompliance:	No
Compliance requirements:	Allowable costs
Questioned costs:	None
Repeat finding:	No

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. The organization should have controls to ensure that costs charged to federal awards comply with the cost principles contained in Subpart E – Cost Principles (2 CFR 200.400).

Condition: While the Society had more than sufficient qualifying costs in excess of the federal award amount, fundraising payroll costs were coded to the federal award. Fundraising costs are not an allowable use of SVOG funds and is further prohibited in line with 2 CFR 200.442.

Cause: The Society did not have policies and procedures over cost principles establishing allowability or unallowability of certain items of costs in accordance with 2 CFR sections 200.420 through 200.476.

Effect: Noncompliance such as unallowable costs charged to the federal award could occur and not be detected or corrected.

Audit Recommendation: We recommend that management implement procedures over the administration of federal awards, including establishing written policies and procedures to ensure compliance with Uniform Guidance cost principles.

Management's Response: The initial draft of our written policies and procedures over cost principles establishing allowability or unallowability of certain costs in accordance with 2 CFR sections 200.420 through 200.476 is in progress and will be completed by July 31, 2022, with the final copy to be in place by August 31, 2022. This will ensure that no unallowable costs could be inadvertently charged to a federal award in the future, and, combined with a review of all charged costs being done by a staff member who is independent of the award tracking and reporting, will ensure compliance with Uniform Guidance cost principles.

JAPANESE GARDEN SOCIETY OF OREGON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2021

Finding No. 2020-001: Department of Treasury, COVID-19 Coronavirus Relief Fund (ALN 21.019) – Reporting of Allowable Costs Incurred (significant deficiency and instance of noncompliance)

Status: Corrected

Finding No. 2020-002: Failure to prepare a complete Schedule of Expenditures of Federal Awards (material weakness)

Status: Corrected

JAPANESE GARDEN SOCIETY OF OREGON

GOVERNING BOARD AND MANAGEMENT

AS OF DECEMBER 2021

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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*
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Gwyneth Gamble Booth
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Barton Eberwein
Katherine Frandsen
Ronna Hoffman
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Yoshio Kurosaki
Polly Lauser
Martin Lotti
Paul Loving
Lindley Morton
Darren Nakata
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Deputy Director
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*Arlene Schnitzer Curator of Culture,
Arts and Education*
Sadafumi Uchiyama
Chief Curator
Cheryl Ching
Chief Operations Officer
Diane Freeman
Chief Financial Officer
Hugo Torii
Garden Curator

JAPANESE GARDEN SOCIETY OF OREGON

INQUIRIES AND OTHER INFORMATION

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

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(503) 796-3695 Business office
(503) 546-5453 Fax

japanesegarden@japanesegarden.org

Portland Japanese Garden Online:
www.japanesegarden.org



CORRECTIVE ACTION PLAN

YEAR ENDED DECEMBER 31, 2021

Finding no.: 2021-001

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

Corrective action planned: The initial draft of our written policies and procedures over cost principles establishing allowability or unallowability of certain costs in accordance with 2 CFR sections 200.420 through 200.476 is in progress and will be completed by July 31, 2022, with the final copy to be in place by August 31, 2022. This will ensure that no unallowable costs could be inadvertently charged to a federal award in the future, and, combined with a review of all charged costs being done by a staff member who is independent of the award tracking and reporting, will ensure compliance with Uniform Guidance cost principles.

Anticipated completion date: August 31, 2022

