



**GaryMcGee & Co. LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Consolidated Financial Statements and Other  
Information as of and for the Year Ended December 31, 2019  
and Report 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:*

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, 2019, 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. 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*

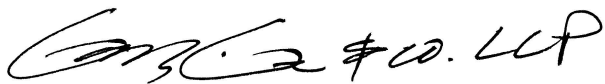
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Japanese Garden Society of Oregon and its affiliate as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 24 and 25 are presented for purposes of additional analysis and are 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 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 12, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "Carole A. Co. LLP". The signature is written in a cursive, flowing style.

July 13, 2020

JAPANESE GARDEN SOCIETY OF OREGON

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2019

(WITH COMPARATIVE AMOUNTS FOR 2018)

	<b>2019</b>	<b>2018</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 343,299	302,012
Accounts receivable	40,184	18,383
Contributions receivable <i>(note 4)</i>	2,160,588	2,708,498
Inventories	248,062	179,690
Prepaid expenses and other assets	188,532	245,110
Investments <i>(note 5)</i>	3,593,158	2,917,033
Garden, buildings, and equipment <i>(notes 6 and 8)</i>	32,983,350	33,709,664
<b>Total assets</b>	<b>\$ 39,557,173</b>	<b>40,080,390</b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	190,864	153,249
Accrued payroll	222,890	207,786
Deferred revenue	89,502	38,927
Deferred compensation liability	200,000	150,000
Lines of credit <i>(note 7)</i>	1,955,484	2,242,960
Notes payable <i>(note 8)</i>	3,972,134	4,723,672
<b>Total liabilities</b>	<b>6,630,874</b>	<b>7,516,594</b>
<b>Net assets:</b>		
Without donor restrictions:		
Available for programs and general operations	(4,010,801)	(4,578,484)
Designated by the Board <i>(note 9)</i>	225,909	192,237
Net investment in capital assets	32,311,380	32,999,098
<b>Total without donor restrictions</b>	<b>28,526,488</b>	<b>28,612,851</b>
With donor restrictions <i>(note 10)</i>	4,399,811	3,950,945
<b>Total net assets</b>	<b>32,926,299</b>	<b>32,563,796</b>
Commitments and contingencies <i>(notes 4, 6, 7, 15, 16, and 18)</i>		
<b>Total liabilities and net assets</b>	<b>\$ 39,557,173</b>	<b>40,080,390</b>

See accompanying notes to consolidated financial statements.

JAPANESE GARDEN SOCIETY OF OREGON

**CONSOLIDATED STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)

	2019		Total	2018
	Without donor restrictions	With donor restrictions		
<b>Operating revenues and gains:</b>				
Gate receipts	\$ 6,189,222	–	6,189,222	5,796,622
Gift store, merchandise, and café sales, net of costs of sales of \$1,207,423 in 2019 and \$1,128,900 in 2018	1,531,157	–	1,531,157	1,571,233
International tours	56,000	–	56,000	1,600
Culture, arts, and educational workshops, net of costs of sales of \$79,606 in 2019 and \$56,522 in 2018	157,095	–	157,095	86,595
Operating investment return, net ( <i>note 5</i> )	3,092	–	3,092	1,163
Other revenues	385,486	–	385,486	90,316
Total operating revenues and gains	8,322,052	–	8,322,052	7,547,529
<b>Public support:</b>				
Society dues	878,553	–	878,553	790,907
Contributions and bequests	914,937	125,437	1,040,374	1,193,220
Special events, less direct costs of \$76,549 in 2018	–	–	–	283,819
In-kind contributions	216,422	–	216,422	281,913
Total public support	2,009,912	125,437	2,135,349	2,549,859
<b>Other transactions:</b>				
Appropriation of endowment assets for expenditure ( <i>note 13</i> )	3,070	121,117	124,187	112,953
Net assets released from restrictions for operating purposes ( <i>note 11</i> )	329,069	(329,069)	–	–
Total other transactions	332,139	(207,952)	124,187	112,953
Total operating revenues, gains, and other support	\$ 10,664,103	(82,515)	10,581,588	10,210,341

*Continued*

JAPANESE GARDEN SOCIETY OF OREGON

**CONSOLIDATED STATEMENT OF ACTIVITIES, CONTINUED**

YEAR ENDED DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)

	2019		Total	2018
	Without donor restrictions	With donor restrictions		
<b>Expenses (note 12):</b>				
Program services	\$ 9,037,047	–	9,037,047	8,411,463
Management and general	1,198,314	–	1,198,314	1,091,306
Fundraising	674,106	–	674,106	737,554
Total expenses	10,909,467	–	10,909,467	10,240,323
Decrease in net assets before non-operating activities	(245,364) <sup>[A]</sup>	(82,515)	(327,879)	(29,982)
<b>Non-operating activities:</b>				
Endowment and quasi-endowment gifts	37,532	84,981	122,513	971,647
Total endowment return, net (note 5)	19,002	532,208	551,210	(156,126)
Appropriation of endowment assets for expenditure (note 13)	(3,070)	(121,117)	(124,187)	(112,953)
Capital campaign contributions and grants	–	164,157	164,157	119,732
In-kind capital contributions	6,088	–	6,088	22,916
Loss on disposal of capital assets	(11,682)	–	(11,682)	–
Net assets released from restrictions for capital purposes (note 11)	128,848	(128,848)	–	–
Total non-operating activities	176,718	531,381	708,099	845,216
Increase (decrease) in net assets	(68,646)	448,866	380,220	815,234
Net assets at beginning of year	28,612,851	3,950,945	32,563,796	31,748,562
Cumulative effect from the adoption of FASB ASU No. 2014-09 (note 2)	(17,717)	–	(17,717)	–
Net assets at end of year	\$ 28,526,488	4,399,811	32,926,299	32,563,796

[A] Includes depreciation expense of \$882,385.

See accompanying notes to consolidated financial statements.

JAPANESE GARDEN SOCIETY OF OREGON

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)

	2019			Total	2018
	Program services	Management and general	Fundraising		
Salaries and related costs	\$ 5,312,916	754,949	416,878	6,484,743	5,753,937
Professional services	354,255	95,376	11,962	461,593	386,278
Culture and Arts programming	471,382	–	–	471,382	397,526
Interest	235,088	62,319	17,907	315,314	377,444
Fees and licenses	262,706	46,918	22,308	331,932	261,738
Public relations and advertising	228,818	23,767	175	252,760	213,544
Travel and transportation	257,341	9,640	32,202	299,183	229,416
Other programming costs	211,016	–	–	211,016	295,033
Repair and maintenance	169,104	1,443	1,122	171,669	209,259
Office expense	159,196	23,071	8,464	190,731	199,149
Utilities	147,713	18,333	10,505	176,551	162,097
Donor cultivation	–	–	134,169	134,169	120,770
Membership fulfillment and events	107,474	–	–	107,474	106,869
Insurance	79,834	14,413	6,081	100,328	92,786
Training Center programming	93,710	–	–	93,710	125,250
Occupancy	27,310	17,530	6,441	51,281	74,645
Bad debt expense	1,734	–	–	1,734	58,040
Other	80,887	86,733	3,892	171,512	277,046
Total expenses before depreciation and amortization	8,200,484	1,154,492	672,106	10,027,082	9,340,827
Depreciation and amortization	836,563	43,822	2,000	882,385	899,496
Total expenses	\$ 9,037,047	1,198,314	674,106	10,909,467	10,240,323

See accompanying notes to consolidated financial statements.

JAPANESE GARDEN SOCIETY OF OREGON

**CONSOLIDATED STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Cash received from contributors and grantors	\$ 1,919,614	2,306,674
Cash received from admissions, gift sales, and other	9,617,046	8,721,735
Cash received for interest	53,329	55,718
Cash paid for interest	(354,299)	(377,444)
Cash paid to employees and suppliers	(10,650,731)	(9,939,512)
Net cash provided by operating activities	584,959	767,171
<b>Cash flows from investing activities:</b>		
Capital expenditures	(177,165)	(211,476)
Reinvestment of investment income	(50,240)	(52,941)
Proceeds from the sale of investments	124,187	112,953
Purchases of investments	(249,099)	(223,577)
Proceeds from the sale of capital assets	15,500	-
Net cash used in investing activities	(336,817)	(375,041)
<b>Cash flows from financing activities:</b>		
Contributions restricted for long-term investment	210,000	50,000
Contributions restricted for capital campaign	622,159	2,784,677
Principal payments on debt	(4,039,014)	(4,284,110)
Proceeds from issuance of debt	3,000,000	400,000
Net cash used in financing activities	(206,855)	(1,049,433)
Net increase (decrease) in cash and cash equivalents	41,287	(657,303)
Cash and cash equivalents at beginning of year	302,012	959,315
Cash and cash equivalents at end of year	\$ 343,299	302,012

See accompanying notes to consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2019

**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. Recently-Adopted Accounting Standard**

*Revenue Recognition* – Effective January 1, 2019, the Society adopted the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”), and additional ASUs issued to clarify the guidance in ASU 2014-09, which amends the existing accounting standards for revenue recognition. The Society adopted the new revenue standard applying the modified retrospective transition method to all contracts as of the date of adoption. As a result of this adoption, the cumulative effect adjustment to net assets without donor restrictions on January 1, 2019 was a reduction of \$17,717. Accordingly, comparative prior period information has not been restated.

The effect of the adoption to the balances on the statement of financial position on January 1, 2019 was an increase to the deferred revenue balance of \$17,717. The effect of the adoption on revenues was a reduction in membership dues of an insignificant amount for the year ended December 31, 2019.

**3. 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 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 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 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 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. Also see note 18.

**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 10 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, 2019, 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, 2019.

**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, 2019, the Society received the following in-kind contributions:

In-kind contributions for operations:	
Goods and supplies	\$ 103,643
Free use of facilities	56,977
Professional services	55,802
	216,422
Capital assets	6,088
	\$ 222,510
	\$ 222,510

**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.
- *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.

**Benefits Provided to Donors at Special Events** – The Society conducts special fundraising events in which a portion of the gross proceeds paid by the participants represents payment for the direct cost of the benefits received by participants at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals, entertainment and other benefits provided at special events is measured at the actual cost to the organization.

**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.

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 13, 2020, which is the date the financial statements were available to be issued.

**Summarized Financial Information for 2018** – The accompanying financial information as of and for the year ended December 31, 2018 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

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

#### 4. Contributions Receivable

Contributions receivable are summarized as follows at December 31, 2019:

<i>Unconditional promises expected to be collected within:</i>	
Less than one year	\$ 677,220
One year to five years	1,600,000
Greater than five years	13,500
	<hr/> 2,290,720
Less unamortized discount <sup>1</sup>	(130,132)
	<hr/> \$ 2,160,588

<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 0.94 % to 2.46%.

Gross contributions receivable at December 31, 2019 include \$1,360,484 in capital campaign pledges and \$800,000 in endowment pledges.

#### *Conditional Gift*

At December 31, 2019, the Society had access to an additional \$182,087 in government grants, the receipt of which were conditioned upon the incurrance of allowable costs or the approval of completed services and deliverables. The revenues associated with these grants have not been included in the accompanying financial statements because the associated conditions had not yet been satisfied as of December 31, 2019.

## 5. Investments and Investment Return

Investments held by the Society at December 31, 2019 consisted of the following:

Corporate bonds	\$ 1,213,727
Corporate stocks	1,134,814
Mutual funds and ETFs	1,141,936
<hr/>	
Total investments, carried at fair value	3,490,477
Cash and money market funds	102,681
<hr/>	
	\$ 3,593,158

Total return on the above investments and cash and cash equivalents for the year ended December 31, 2019 is as follows:

Interest and dividend income <sup>1</sup>	\$ 53,329
Net appreciation in the fair value of investments	500,973
<hr/>	
Total net investment return	\$ 554,302

<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	\$ 3,092
Endowment investments	551,210
<hr/>	
Total net investment return	\$ 554,302

Of the total investments at December 31, 2019, \$2,531,921 carries permanent restriction for endowment.

## 6. Garden, Buildings, and Equipment

A summary of garden, buildings, and equipment at December 31, 2019 is as follows:

Buildings and improvements	\$ 32,936,055
Garden and artifacts	2,022,655
Land	380,000
Equipment and furniture	1,201,935
Vehicles	203,033
Software	89,014
Work-in-progress	136,254
<hr/>	
	36,968,946
Less accumulated depreciation	(3,985,596)
<hr/>	
	\$ 32,983,350

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 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.

## 7. Lines of Credit

As of December 31, 2019, the Society held 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%). As of December 31, 2019, there was \$595,000 in outstanding borrowings under this agreement. Monthly interest payments are required until August 31, 2020, at which time all unpaid principal and accrued interest are due.

In March of 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 August 31, 2020, at which time all unpaid principal and accrued interest are due. The loan is secured by all assets of the Society; additionally, certain individuals and the Foundation have provided a total of \$8,500,000 in original guaranties toward the loan. In August of 2019, the line of credit was reduced to \$1,600,000. As of December 31, 2019, there was \$1,360,484 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, 2019, the Society was in compliance with these covenants.

In February of 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. At December 31, 2019, there were no outstanding borrowings under this agreement. The line of credit matures August 31, 2020.

Total interest costs on the above lines of credit totaled \$135,030 for the year ended December 31, 2019.

## 8. Notes Payable

In November of 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, 2019). A balloon payment of all unpaid principal and accrued interest totaling \$521,467 is due on November 9, 2025. As of December 31, 2019, \$607,480 was outstanding. Total interest expense on this loan was \$29,070 for 2019.

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, 2019, the Society was in compliance with these covenants. As of December 31, 2019, \$414,242 was outstanding. Total interest expense on this loan was \$22,294 for 2019. A Trustee of the Board personally guaranteed the loan. In April 2020, in response to COVID-19 (see note 18), payment terms were modified such that no principal payments are required to be made from April 1, 2020 to June 1, 2020. Regular monthly principal and interest payments will resume on July 1, 2020 and remaining deferred principal amounts will be due and payable upon maturity.

In October of 2017, the Society obtained a \$3,500,000 loan, at an interest rate of 2.0%, from a Trustee of the Board for payments in connection with the Cultural Crossings garden expansion project. In August of 2018, the loan term was extended and the interest rate increased to 3.25%. The loan was fully paid during 2019. Total interest expense on this loan was \$66,725 for 2019.

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 the aforementioned \$3,500,000 loan from a Trustee of the Board. The loan is payable in 59 installments of \$42,913 using an interest rate of 5.22%. A balloon payment of all unpaid principal and accrued interest totaling \$1,018,216 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, 2019, \$2,885,922 was outstanding. Total interest expense on this loan was \$57,573 for 2019. In March 2020, in response to COVID-19 (see note 18), payment terms were modified such that no principal payments are required to be made from March 31, 2020 to August 31, 2020. Regular monthly principal and interest payments will resume on September 30, 2020 and remaining deferred principal amounts of \$225,810 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, 2019 totaled \$64,490. Total interest expense on the loans was \$4,622 for 2019.

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

<i>Years ending December 31,</i>	
2020	\$ 671,216
2021	590,204
2022	448,073
2023	446,670
2024	1,286,335
Thereafter	529,636
	\$ 3,972,134

### **9. Net Assets without Donor Restrictions**

At December 31, 2019, the Society's Board designated \$225,909 of its net assets without donor restrictions for the following:

Quasi-endowment ( <i>note 13</i> )	\$ 147,272
Japan Institute	78,637
	\$ 225,909

## 10. Net Assets with Donor Restrictions

The following summarizes the Society's net assets with donor-imposed restrictions as of December 31, 2019:

*Expendable net assets  
restricted for the  
following purposes:*

Operation and maintenance of facilities and programs <sup>1</sup>	\$	344,435
Garden landscape maintenance <sup>1</sup>		182,886
Capital projects		35,309
Arts and culture programming		27,500
Other		8,628
		<hr/>
		598,758

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

Pledges to benefit the Society's general operations in future periods		35,859
Bequest receivables to be added to Society's quasi-endowment <sup>1</sup>		74,981
		<hr/>
		110,840

*Endowment restricted for  
the following purposes:*

The Arlene Schnitzer Curator of Culture, Art and Education Endowment		1,274,853
Garden Directors Council Fund		31,983
		<hr/>
		1,306,836
Endowment unrestricted as to purpose		2,383,377
		<hr/>
Total endowment (note 13)		3,690,213
		<hr/>
Total net assets with donor restrictions	\$	4,399,811

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

## 11. Net Assets Released from Restrictions

During the year ended December 31, 2019, 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, 2019, 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	\$	329,069
To fund capital acquisitions		128,848
		<hr/>
	\$	457,917

## 12. 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.

### 13. 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, 2019:

	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	\$ 92,237	459,351	43,524	3,293,568	3,337,092	3,888,680
Contributions, bequests and transfers	39,103	74,981	–	10,000	10,000	124,084
Net investment return	19,002	83,019	449,189	–	449,189	551,210
Appropriation of endowment assets for expenditure	(3,070)	(15,049)	(106,068)	–	(106,068)	(124,187)
Endowment net assets at end of year	\$ 147,272 <sup>[A]</sup>	602,302 <sup>[A]</sup>	386,645	3,303,568	3,690,213	4,439,787

<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, 2019, the Board appropriation of donor-restricted and Board-designated endowment assets totaled \$124,187.

#### 14. 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, 2019:

<i>Total financial assets:</i>	
Cash and cash equivalents	\$ 343,299
Accounts receivable	40,184
Contribution and grants receivable	2,160,588
Investments	3,593,158
	<hr/>
	6,137,229
<hr/>	
<i>Less financial assets not available within the year ending December 31, 2020:</i>	
Financial assets restricted by donors for endowment	(3,690,213)
Financial assets designated by the Board for quasi-endowment	(749,574)
Contributions and grants receivable due in more than one year	(911,721)
Financial assets designated by the Board for funding of deferred compensation liability	(175,000)
	<hr/>
	(5,526,508)
<hr/>	
<i>Plus other funds subject to appropriation for expenditure:</i>	
Fiscal year 2020 endowment appropriations for operations	94,719
Board-designated funds approved for expenditure	21,818
	<hr/>
	116,537
	<hr/>
	\$ 727,258
	<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 committed lines of credit upon which it could draw (see note 7).

In addition, the Society holds Board-designated funds without donor restrictions totaling \$225,909 (see note 9) and quasi-endowment funds with donor restrictions totaling \$602,302 (see note 13). 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.

#### 15. 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 \$105,462 for the year ended December 31, 2019.

## 16. Operating Lease Commitments

The Society leases certain office equipment under non-cancelable operating leases that expire in various years through June of 2022. Rent expense on these leases totaled \$45,829 for the year ended December 31, 2019.

Future payments for the above leases are summarized as follows:

<i>Years ending December 31,</i>	
2020	\$ 31,718
2021	24,227
2022	6,491
	<hr/>
	\$ 62,436

## 17. 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, 2019, 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 5.

## 18. Subsequent Event – Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including Oregon, have declared a public health state of emergency, ordering the public to stay at home, closing specified businesses, and requiring social distancing measures for most public and private facilities. The immediate effect of these measures on the organization have included a temporary closure of the garden from March to mid-June, cancellation of events, and a reduction in staffing.

The Society continues to operate under strict social distancing mandates, limiting its ability to operate at full capacity. Consequently, the Society has experienced significant declines in revenues, negative cash flows from operating activities, and projects such declines to continue for the remainder of 2020. These adverse effects from COVID-19 have also created challenges for the Society to satisfy its lines of credits (see note 7) when they become due in August 2020. Management has adopted a plan to address these negative conditions including: 1) furloughing staff, 2) negotiating with its lender to refinance its existing lines of credit, and 3) reducing operating expenses. The Society believes its plans are fully achievable.

In addition, in April 2020, the Society also received a forgivable loan of \$1,251,600 under the Paycheck Protection Program (“PPP”) from the U.S. Small Business Administration. Congress created the PPP as part of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act. Qualifying businesses could spend loan proceeds to cover payroll, mortgage interest, rent, and utilities. PPP borrowers can qualify to have the loans forgiven if the proceeds are used to pay certain eligible costs. However, the amount of loan forgiveness will be reduced if less than 60% of the funds are spent on payroll over a loan forgiveness period of either eight weeks or 24 weeks. The Society has elected 24 weeks.

Moreover, the fear and uncertainty of the global pandemic is seen as a threat to the global economy and to the financial markets in which the Society invests its funds, plunging all three major U.S. financial markets into bear market territory.

It is anticipated that the effects of these events will 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.

## 19. 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	\$ 380,220
<hr/>	
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>	
Depreciation and amortization	882,385
In-kind contributions of capital assets	(6,088)
Net increase in the fair value of investments	(500,973)
Contributions restricted for capital campaign	(622,159)
Contributions restricted for long-term investment	(210,000)
Provision for bad debt	1,734
Loss on the sale of capital assets	11,682
<i>Net changes in:</i>	
Accounts receivable	(21,801)
Contributions receivable	546,176
Inventories	(68,372)
Prepaid expenses and other assets	56,578
Accounts payable and accrued expenses	37,615
Accrued payroll	15,104
Deferred revenue	32,858
Deferred compensation liability	50,000
<hr/>	
Total adjustments	204,739
<hr/>	
Net cash provided by operating activities	\$ 584,959
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JAPANESE GARDEN SOCIETY OF OREGON  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

DECEMBER 31, 2019

	Japanese Garden Society	Japanese Garden Foundation	Consolidating elimination entries	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 343,299	–	–	343,299
Accounts receivable	40,184	–	–	40,184
Contributions receivable	1,313,960	846,628	–	2,160,588
Inventories	248,062	–	–	248,062
Prepaid expenses and other assets	187,326	1,206	–	188,532
Receivable from affiliate	21,732	–	(21,732)	–
Investments	–	3,593,158	–	3,593,158
Beneficial interest in the net assets of the Japanese Garden Foundation	4,783,010	–	(4,783,010)	–
Garden, buildings, and equipment	32,012,120	971,230	–	32,983,350
<b>Total assets</b>	<b>\$ 38,949,693</b>	<b>5,412,222</b>	<b>(4,804,742)</b>	<b>39,557,173</b>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	190,864	–	–	190,864
Accrued payroll	222,890	–	–	222,890
Payable to affiliate	–	21,732	(21,732)	–
Deferred revenue	89,502	–	–	89,502
Deferred compensation liability	200,000	–	–	200,000
Lines of credit	1,955,484	–	–	1,955,484
Notes payable	3,364,654	607,480	–	3,972,134
<b>Total liabilities</b>	<b>6,023,394</b>	<b>629,212</b>	<b>(21,732)</b>	<b>6,630,874</b>
<b>Net assets:</b>				
Without donor restrictions:				
Available for programs and general operations	(4,010,801)	(20,526)	20,526	(4,010,801)
Designated by the Board	225,909	147,272	(147,272)	225,909
Net investment in capital assets	32,311,380	363,750	(363,750)	32,311,380
<b>Total without donor restrictions</b>	<b>28,526,488</b>	<b>490,496</b>	<b>(490,496)</b>	<b>28,526,488</b>
With donor restrictions	4,399,811	4,292,514	(4,292,514)	4,399,811
<b>Total net assets</b>	<b>32,926,299</b>	<b>4,783,010</b>	<b>(4,783,010)</b>	<b>32,926,299</b>
<b>Total liabilities and net assets</b>	<b>\$ 38,949,693</b>	<b>5,412,222</b>	<b>(4,804,742)</b>	<b>39,557,173</b>

See accompanying report of independent accountants.

JAPANESE GARDEN SOCIETY OF OREGON  
CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Japanese Garden Society	Japanese Garden Foundation	Consolidating elimination entries	Total
Operating revenues and gains:				
Gate receipts	\$ 6,189,222	-	-	6,189,222
Gift store, merchandise and café sales, net	1,531,157	-	-	1,531,157
Rental income	-	45,820	(45,820)	-
International tours	56,000	-	-	56,000
Culture, arts, and educational workshops, net	157,095	-	-	157,095
Operating investment return, net	3,074	18	-	3,092
Other revenues	385,486	-	-	385,486
<b>Total operating revenues and gains</b>	<b>8,322,034</b>	<b>45,838</b>	<b>(45,820)</b>	<b>8,322,052</b>
Public support:				
Society dues	878,553	-	-	878,553
Contributions and bequests	1,039,633	741	-	1,040,374
In-kind contributions	216,422	-	-	216,422
<b>Total public support</b>	<b>2,134,608</b>	<b>741</b>	<b>-</b>	<b>2,135,349</b>
Other transactions:				
Appropriation of endowment assets for expenditure	-	124,187	-	124,187
Grants from Japanese Garden Foundation	101,802	-	(101,802)	-
<b>Total other transactions</b>	<b>101,802</b>	<b>124,187</b>	<b>(101,802)</b>	<b>124,187</b>
<b>Total operating revenues, gains, and other support</b>	<b>10,558,444</b>	<b>170,766</b>	<b>(147,622)</b>	<b>10,581,588</b>
Expenses:				
Program services	9,082,867	101,802	(147,622)	9,037,047
Management and general	1,131,856	66,458	-	1,198,314
Fundraising	661,755	12,351	-	674,106
<b>Total expenses</b>	<b>10,876,478</b>	<b>180,611</b>	<b>(147,622)</b>	<b>10,909,467</b>
<b>Decrease in net assets before non-operating activities</b>	<b>(318,034)</b>	<b>(9,845)</b>	<b>-</b>	<b>(327,879)</b>
Non-operating activities:				
Endowment and quasi-endowment gifts	-	122,513	-	122,513
Total endowment return, net	-	551,210	-	551,210
Appropriation of endowment assets for expenditure	-	(124,187)	-	(124,187)
Capital campaign contributions and grants	164,157	-	-	164,157
In-kind capital contributions	6,088	-	-	6,088
Loss on disposal of capital assets	(11,682)	-	-	(11,682)
Change in beneficial interest in the net assets of the Japanese Garden Foundation	539,691	-	(539,691)	-
<b>Total non-operating activities</b>	<b>698,254</b>	<b>549,536</b>	<b>(539,691)</b>	<b>708,099</b>
<b>Increase (decrease) in net assets</b>	<b>380,220</b>	<b>539,691</b>	<b>(539,691)</b>	<b>380,220</b>
<b>Net assets at beginning of year</b>	<b>32,563,796</b>	<b>4,243,319</b>	<b>(4,243,319)</b>	<b>32,563,796</b>
<b>Cumulative effect from the adoption of FASB ASU No. 2014-09</b>	<b>(17,717)</b>	<b>-</b>	<b>-</b>	<b>(17,717)</b>
<b>Net assets at end of year</b>	<b>\$ 32,926,299</b>	<b>4,783,010</b>	<b>(4,783,010)</b>	<b>32,926,299</b>

See accompanying report of independent accountants.

**GOVERNING BOARD AND MANAGEMENT**

AS OF DECEMBER 2019

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Drake Snodgrass, *President-Elect*  
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*Garden Curator*  
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Diane Freeman  
*Chief Financial Officer*

JAPANESE GARDEN SOCIETY OF OREGON

**INQUIRIES AND OTHER INFORMATION**

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[www.japanesegarden.org](http://www.japanesegarden.org)

