



**CONSOLIDATED
FINANCIAL STATEMENTS**

Year Ended December 31, 2025

and

Supplementary Financial Information

with

Independent Auditors' Report

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Management's Discussion and Analysis of Financial Position and Results of Operations

Introduction

The purpose of this section, Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), is to provide a narrative explanation of our consolidated financial statements that enables individuals to better understand our consolidated financial statements by providing a context by which our financial information may be analyzed. The MD&A should be read in conjunction with the accompanying consolidated financial statements and includes the results of the Society through the year ended December 31, 2025.

Discussion and Analysis

As we present our 2025 Consolidated Financial Statements, we do so with renewed stability and forward momentum. Following a year of significant challenge and transition in 2024, Portland Japanese Garden has made meaningful progress in restoring financial strength, reaffirming donor confidence, and sharpening our focus on mission-driven impact.

Portland Japanese Garden remains a place of cultural connection, reflection, and beauty. Widely regarded as the most authentic Japanese garden outside of Japan, we proudly shine a light on the City of Portland while serving as a bridge between cultures. This role continues to guide our work as we thoughtfully respond to evolving economic and social conditions.

In 2025, we closed the year in a positive financial position, marking an important step forward following the disruptions of the prior year. This outcome reflects disciplined financial management, strong attendance, and the continued generosity of our community.

Operationally, the Garden performed exceptionally well. Attendance exceeded projections despite ongoing tourism headwinds, underscoring both the Garden's enduring appeal and the effectiveness of our programming and visitor engagement strategies. New offerings, including a family studio, expanded our outreach to the next generation while enhancements to our café allowed us to serve more guests while improving quality and satisfaction.

We sustained a robust calendar of Japan Institute cultural and educational programming reinforcing the Garden as a vibrant center for learning, exchange, and community connection. Workshops and seminars consistently sold out, demonstrating strong demand for meaningful cultural engagement. We also presented world-class exhibitions, including work by internationally renowned artist Hiroshi Senju, inviting visitors to reflect on their place in the world.

Internationally, we continue to strengthen our influence in Japan and within the global garden arts community. Through initiatives such as the TEIEN Forum and our gardener exchange program with Kenroku-en Garden in Kanazawa, we deepen cultural exchange and professional collaboration.

All together, these efforts strengthened the visitor-to-member journey, resulting in all-time high membership. We also launched the Sakura Society, a new initiative for patrons ages 45 and younger who are beginning their philanthropic journey. By year-end, 80 members were actively participating in programs designed to foster connection and shared purpose.

As part of our efforts to strengthen long-term financial health, the White Shield campus in Northwest Portland was placed on the market in January 2025. While originally acquired as a satellite location for Japan Institute programming, this asset is no longer aligned with our strategic priorities. We continue to pursue a sale that supports the Garden's long-term sustainability and reflects disciplined stewardship.

A key milestone in 2025 was the return of remaining funds to donors associated with the Japan Institute campaign. While this process extended the financial and operational impacts of decisions made in 2024, it reflects our unwavering commitment to transparency, accountability, and ethical stewardship. With this chapter complete, we move forward with clarity and renewed focus.

Looking ahead, Portland Japanese Garden is entering a period of renewed momentum. In early 2026, the Board of Trustees adopted a new, collaborative leadership model reflecting the organization's bicultural operations, appointing Co-CEOs, who assumed their roles in January. This structure strengthens our ability to lead with both cultural authenticity and organizational excellence.

We are deeply grateful for the continued support of our community. Together, we are ensuring that Portland Japanese Garden not only endures, but thrives as a place of beauty, cultural understanding, and inspiration for generations to come.

Lisa Christy

Co-Chief Executive Officer

Akihito Nakanishi

Co-Chief Executive Officer

Aaron Edmark

Chief Financial Officer

Independent Auditors' Report

The Board of Trustees
The Japanese Garden Society of Oregon

Opinion

We have audited the accompanying consolidated financial statements of The Japanese Garden Society of Oregon (*dba* Portland Japanese Garden), which comprise the consolidated statement of financial position as of December 31, 2025, 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 consolidated financial position of the Japanese Garden Society of Oregon as of December 31, 2025, and the changes in their consolidated net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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.

Other Matter - Summarized Comparative Information

The summarized comparative information of the Japanese Garden Society of Oregon (*dba* Portland Japanese Garden) as of and for the year ended December 31, 2024, is presented for purposes of comparison only and does not constitute a complete set of financial statements. Such information was derived from the financial statements for that year, which were audited by other auditors, whose report dated September 24, 2025 expressed an unmodified opinion on those financial statements.

We did not audit the summarized comparative information and, accordingly, do not express an opinion or any form of assurance on it.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, 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.

Responsibilities of Management for the Consolidated Financial Statements - Continued

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubts 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.

Auditors' Responsibilities for the Audit of the Consolidated 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 auditors' 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 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.

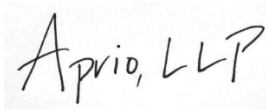
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 including 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 35 to 39 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and is not a required part of the consolidated financial statements. Such supplementary 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 consolidating 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 of America. In our opinion, the consolidating information are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Aprivo, LLP". The signature is written in a cursive, slightly slanted style.

Lake Oswego, Oregon
April 27, 2026

JAPANESE GARDEN SOCIETY OF OREGON

Consolidated Statement of Financial Position

| December 31, 2025 <i>(With Comparative Amounts for 2024)</i> | 2025 | 2024 |
|---|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,644,130 | \$ 401,636 |
| Contributions receivable <i>(Note 4)</i> | 2,917,207 | 3,458,491 |
| Inventories | 255,505 | 212,046 |
| Prepaid expenses and other assets <i>(Note 6)</i> | 529,413 | 170,050 |
| Investments <i>(Notes 5 and 6)</i> | 8,046,355 | 6,777,594 |
| Property held for sale <i>(Notes 7 and 10)</i> | 3,942,500 | 4,303,780 |
| Garden, buildings, and equipment <i>(Notes 8 and 11)</i> | 29,087,685 | 29,966,346 |
| Operating right-of-use assets <i>(Note 9)</i> | 102,109 | 90,428 |
| Total assets | \$ 46,524,904 | \$ 45,380,371 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 123,697 | \$ 205,255 |
| Accrued payroll | 304,956 | 414,695 |
| Contribution refunds payable <i>(Note 7)</i> | 689,833 | 1,052,250 |
| Deferred revenue | 148,858 | 132,701 |
| Lines of credit <i>(Note 10)</i> | 1,700,000 | 2,872,500 |
| Notes payable <i>(Note 11)</i> | 615,802 | 684,075 |
| Operating lease liabilities <i>(Note 9)</i> | 131,291 | 92,249 |
| Total liabilities | 3,714,437 | 5,453,725 |
| Commitments and contingencies <i>(Notes 4, 7, 8, 10, and 17)</i> | | |
| Net assets: | | |
| Without donor restrictions: | | |
| Available for programs and general operations | 1,941,528 | (567,047) |
| Designated by Board <i>(Note 12)</i> | 623,187 | 604,017 |
| Net investment in capital assets | 28,471,883 | 29,282,271 |
| | 31,036,598 | 29,319,241 |
| With donor restrictions <i>(Note 13)</i> | 11,773,869 | 10,607,405 |
| Total net assets | 42,810,467 | 39,926,646 |
| Total liabilities and net assets | \$ 46,524,904 | \$ 45,380,371 |

The accompanying notes are an integral part of the consolidated financial statements.

JAPANESE GARDEN SOCIETY OF OREGON

Consolidated Statement of Activities

Year Ended December 31, 2025 (With Comparative Totals for 2024)

| | Without Donor Restrictions | With Donor Restrictions | Total | |
|--|----------------------------------|----------------------------|-------------------|-------------------|
| | | | 2025 | 2024 |
| Operating revenues: | | | | |
| Gate receipts | \$ 6,961,770 | \$ - | \$ 6,961,770 | \$ 6,579,627 |
| Gift store, merchandise and café sales, net of costs of sales of \$1,763,460 in 2025 and \$1,592,233 in 2024 | 2,412,358 | - | 2,412,358 | 1,979,132 |
| International tours | 26,213 | - | 26,213 | 84,820 |
| Culture, arts, and educational workshops, net of costs of sales of \$33,199 in 2025 and \$36,006 in 2024 | 95,297 | - | 95,297 | 63,239 |
| Operating investment return, net (Note 5) | 10,507 | 14,067 | 24,574 | 94,477 |
| Society dues | 1,361,409 | - | 1,361,409 | 1,234,920 |
| Contributions and bequests | 1,441,844 | 488,960 | 1,930,804 | 2,796,216 |
| Contributed nonfinancial assets (Note 15) | 288,458 | - | 288,458 | 348,095 |
| Other revenues | 35,153 | - | 35,153 | 57,348 |
| Total operating revenues | 12,633,009 | 503,027 | 13,136,036 | 13,237,874 |
| Other transactions: | | | | |
| Appropriation of endowment assets for expenditure (Note 16) | 40,693 | 200,062 | 240,755 | 218,604 |
| Net assets released from restrictions for operating purposes (Note 14) | 1,184,084 | (1,184,084) | - | - |
| Total other transactions | 1,224,777 | (984,022) | 240,755 | 218,604 |
| Total operating revenues, gains, and other support | 13,857,786 | (480,995) | 13,376,791 | 13,456,478 |
| Expenses: | | | | |
| Program services | 9,708,956 | - | 9,708,956 | 11,022,206 |
| Management and general | 2,002,555 | - | 2,002,555 | 2,287,121 |
| Fundraising | 830,681 | - | 830,681 | 1,035,316 |
| Total expenses | 12,542,192 | - | 12,542,192 | 14,344,643 |
| Change in net assets from operations (carried forward) | 1,315,594 | (480,995) | 834,599 | (888,165) |

The accompanying notes are an integral part of the consolidated financial statements.

JAPANESE GARDEN SOCIETY OF OREGON

Consolidated Statement of Activities - Continued

Year Ended December 31, 2025 (With Comparative Totals for 2024)

| | Without Donor Restrictions | With Donor Restrictions | Total | |
|---|----------------------------------|----------------------------|----------------------|----------------------|
| | | | 2025 | 2024 |
| Change in net assets from operations (brought forward) | \$ 1,315,594 | \$ (480,995) | \$ 834,599 | \$ (888,165) |
| Non-operating activity: | | | | |
| Endowment and quasi-endowment gifts | 25,675 | 1,389,745 | 1,415,420 | 152,143 |
| Total endowment return, net (Notes 5 and 16) | 34,189 | 868,245 | 902,434 | 445,254 |
| Appropriation of endowment assets for expenditure (Note 16) | (40,693) | (200,062) | (240,755) | (218,604) |
| Employee retention credit (Note 18) | 1,046,150 | - | 1,046,150 | - |
| Contributions for capital purposes | - | 510,000 | 510,000 | - |
| Japan Institute capital campaign contributions: | | | | |
| Donor restricted gifts for capital purposes | - | - | - | 13,506 |
| In-kind capital contributions | - | - | - | 8,541 |
| Other contributed nonfinancial assets (Note 15) | 17,759 | - | 17,759 | 145,992 |
| Loss on refunds and write-offs of contributions (Note 7) | (326,049) | (502,400) | (828,449) | (780,000) |
| Allowance for uncollectible contributions receivable (Note 4) | - | (418,069) | (418,069) | - |
| Impairment loss on Japan Institute property (Note 7) | (361,280) | - | (361,280) | (2,492,978) |
| Gain on sale of equipment | 6,012 | - | 6,012 | 2,564 |
| Total non-operating activity | 401,763 | 1,647,459 | 2,049,222 | (2,723,582) |
| Change in net assets | 1,717,357 | 1,166,464 | 2,883,821 | (3,611,747) |
| Net assets, beginning of year | 29,319,241 | 10,607,405 | 39,926,646 | 43,538,393 |
| Net assets, end of year | \$ 31,036,598 | \$ 11,773,869 | \$ 42,810,467 | \$ 39,926,646 |

The accompanying notes are an integral part of the consolidated financial statements.

JAPANESE GARDEN SOCIETY OF OREGON

Consolidated Statement of Functional Expenses

Year Ended December 31, 2025 (With Comparative Totals for 2024)

| | Program Services | Management and General | Fundraising | Total | |
|-----------------------------------|---------------------|------------------------------|-------------------|----------------------|----------------------|
| | | | | 2025 | 2024 |
| Salaries and related costs | \$ 6,326,634 | \$ 1,167,087 | \$ 594,586 | \$ 8,088,307 | \$ 8,884,941 |
| Professional services | 411,524 | 181,816 | - | 593,340 | 825,906 |
| Culture and Arts programming | 146,156 | - | - | 146,156 | 255,431 |
| Interest | 33,942 | 213,120 | - | 247,062 | 236,007 |
| Fees and licenses | 336,578 | 26,926 | 29,152 | 392,656 | 426,136 |
| Public relations and advertising | 179,140 | 20,884 | 3,051 | 203,075 | 280,037 |
| Travel and transportation | 91,104 | 10,113 | 11,804 | 113,021 | 302,434 |
| International programs | 30,709 | - | - | 30,709 | 81,822 |
| Other programming costs | 93,473 | - | - | 93,473 | 152,530 |
| Repair and maintenance | 153,691 | 10,249 | - | 163,940 | 262,465 |
| Office expense | 251,067 | 18,556 | 43,691 | 313,314 | 286,523 |
| Utilities | 196,975 | 77,595 | 8,942 | 283,512 | 262,760 |
| Donor cultivation | - | - | 84,058 | 84,058 | 186,497 |
| Membership fulfillment and events | 111,308 | - | - | 111,308 | 153,427 |
| Insurance | 269,217 | 163,240 | 17,477 | 449,934 | 417,331 |
| Occupancy | 54,026 | 39,641 | 30,905 | 124,572 | 153,224 |
| Depreciation and amortization | 863,658 | 42,958 | 4,809 | 911,425 | 900,665 |
| Other expenses | 159,754 | 30,370 | 2,206 | 192,330 | 276,507 |
| | \$ 9,708,956 | \$ 2,002,555 | \$ 830,681 | \$ 12,542,192 | \$ 14,344,643 |

The accompanying notes are an integral part of the consolidated financial statements.

JAPANESE GARDEN SOCIETY OF OREGON

Consolidated Statement of Cash Flows

| Year Ended December 31 <i>(With Comparative Totals for 2024)</i> | 2025 | 2024 |
|--|---------------------|--------------------|
| Cash flows from operating activities: | | |
| Cash received from: | | |
| Contributors and grantors | \$ 3,252,723 | \$ 4,958,090 |
| Admissions, gift sales, and other | 11,938,984 | 10,344,041 |
| Interest income | 219,611 | 164,363 |
| Cash paid for: | | |
| Interest | (247,062) | (256,450) |
| Employees and suppliers | (13,068,281) | (14,251,334) |
| Operating lease obligations | (125,351) | (107,483) |
| | 1,970,624 | 851,227 |
| Net cash provided by operating activities | | |
| Cash flows from investing activities: | | |
| Capital expenditures | - | (755,687) |
| Reinvestment of investment income | 128,945 | (157,709) |
| Proceeds from sale of investments | 792,824 | 218,604 |
| Purchases of investments | (1,483,133) | (1,072,803) |
| Purchases of equipment | (16,993) | - |
| Proceeds from sale of equipment | 8,000 | - |
| | (570,357) | (1,767,595) |
| Net cash used in investing activities | | |
| Cash flows from financing activities: | | |
| Proceeds from issuance of debt | - | 137,500 |
| Contributions restricted for long-term investment | 1,083,000 | 965,660 |
| Principal payments on lines of credit and notes payable | (1,240,773) | (66,276) |
| | (157,773) | 1,036,884 |
| Net cash provided (used) by financing activities | | |
| Net increase in cash and cash equivalents | | |
| | 1,242,494 | 120,516 |
| Cash and cash equivalents, beginning of year | 401,636 | 281,120 |
| | \$ 1,644,130 | \$ 401,636 |
| Cash and cash equivalents, end of year | | |

The accompanying notes are an integral part of the consolidated financial statements.

JAPANESE GARDEN SOCIETY OF OREGON

Consolidated Statement of Cash Flows - Continued

| Year Ended December 31 <i>(With Comparative Totals for 2024)</i> | 2025 | 2024 |
|---|---------------------|-------------------|
| Reconciliation of net income to net cash provided by operating activities: | | |
| Change in net assets | \$ 2,883,821 | \$ (3,611,747) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 911,425 | 900,665 |
| In-kind contributions of capital assets | (17,759) | (154,533) |
| Net increase in the fair value of investments | (707,397) | (375,368) |
| Contributions restricted for long-term investment | (1,083,000) | (965,660) |
| Loss on refunds and write-offs of contributions | 289,833 | 780,000 |
| Loss on uncollectible contributions receivable | 418,069 | 1,403 |
| Impairment loss on property held for sale | 361,280 | 2,492,978 |
| Gain on sale of equipment | (6,012) | (2,564) |
| Net change on operating right-of-use assets | (11,681) | 103,794 |
| Net changes in: | | |
| Contributions receivable | 123,215 | 674,715 |
| Inventories | (43,459) | 20,121 |
| Prepaid expenses and other assets | (359,363) | 196,420 |
| Accounts payable and accrued expenses | (81,558) | (154,118) |
| Accrued payroll | (109,739) | 58,739 |
| Contribution refunds payable | (652,250) | 1,052,250 |
| Deferred revenue | 16,157 | (61,420) |
| Lease obligations - operating leases | 39,042 | (104,448) |
| Net cash provided by operating activities | \$ 1,970,624 | \$ 851,227 |
| Supplemental disclosure of noncash transactions: | | |
| Right-of-use assets obtained in exchange for operating lease obligations | \$ 160,186 | \$ - |
| Assets obtained in exchange for notes payable | - | 215,767 |

The accompanying notes are an integral part of the consolidated financial statements.

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements

1. Nature of Activities

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 locals and global visitors alike. Guests regularly describe how visits to the Garden improve their well-being, 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; and 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 to-ward our mission of Inspiring Harmony & Peace.

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:

Principles of Consolidation - The consolidated financial statements include the accounts of the Society; the Japanese Garden Foundation of Oregon (the "Foundation"), an organization formed in March of 2001 to raise and manage funds on behalf of the Society; PJG Holdings, LLC (the "LLC"), a single member limited liability company formed in February of 2022 to hold certain real property; and the Portland Japanese Garden and Japan Institute, Incorporated Association (the "Japan Association"), incorporated in Japan in September of 2023 to promote harmony and peace in Japan and abroad. The Society and its controlled affiliates are collectively referred to herein as the "Society". All significant inter-organizational balances and transactions have been eliminated.

Basis of Accounting - The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Basis of Presentation - Net assets and all balances and transactions 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 donor restrictions are temporary in nature. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity (e.g., endowment funds). Generally, the donors of these assets permit the Society 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 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 temporary restrictions (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 GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, gains and other support, and expenses during the year. Actual results could differ from these estimates. Significant estimates made by management include depreciation expense (based on estimated useful lives of the underlying assets), the allowance for uncollectible contributions receivable, impairment losses, and the allocation of certain expenses by function.

Cash and 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. Cash and cash equivalents held as part of the Society's investment portfolio, and where management's intention is to use the cash to acquire investments to be held long-term, are classified as investments.

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

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 or decline in the fair value of investments (both the realized gains or losses and the unrealized appreciation 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. Cash held for investment purposes is carried at cost.

Inventories - Inventories, which consist primarily of merchandise held for sale by the Society's gift store and cafe, are carried at the lower of cost or net realizable value. Cost is determined using the average cost method.

Property Held for Sale - Property held for sale consists of land and buildings that are not being used in programs by the Society. Property held for sale is reported at the lower of cost or fair value.

Valuation of Long-Lived Assets - 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. During the year ended December 31, 2025, the Society recorded an impairment loss of \$361,280 on the property held for sale.

Garden, Buildings and Equipment - Garden, buildings and equipment are stated at cost or estimated fair value at date of donation. Expenditures for assets with a cost greater than \$5,000 and those that materially increase the estimated useful lives of assets are capitalized. Depreciation and amortization are provided using the straight-line method over estimated useful lives ranging from 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 charged to expense on an annual basis unless the cost of a specific project exceeds \$5,000, in which case it is capitalized.

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Garden, Buildings and Equipment - Continued - 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.

In addition, certain indirect costs associated with the acquisition of properties are capitalized and allocated to the properties to which the costs related, including interest expense, which is capitalized.

Leases - The Society determines if an arrangement is a lease, a service contract, or combination at inception. A contract is determined to be or contain a lease if the contract conveys the right to control the use of an identified asset in exchange for consideration. When an arrangement contains a lease, the Society determines whether it is an operating or finance lease.

Leases result in recognition of right-of-use (ROU) assets and lease liabilities on the consolidated statement of financial position. ROU assets represent the right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments, measured on a discounted basis. At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability, adjusted for any direct costs, prepaid or deferred rent, and lease incentives. The Society has elected not to separate lease components from non-lease components, and to apply the short-term lease exception, which does not require the capitalization of leases with a term of 12 months or less. Short-term leases are recognized as expense on a straight-line basis over the term of the lease. Variable lease payments, if any, are recognized as expense in the period in which the obligation for payment is incurred. The Society considers any options to extend or terminate a lease when determining the lease term, and only options that the Society believes are reasonably certain to be exercised are included in the measurement of the ROU assets and lease liabilities.

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Contributions - The Society recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been 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. 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.

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 gift. 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 contributions receivable. Promises to give are written off when deemed uncollectible.

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 with donor stipulations to be used to acquire capital assets 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.

Contributions of nonfinancial assets - The Society reports as revenue the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing those skills, and represent services that would have been purchased if not donated. A number of unpaid volunteers have made significant contributions of their time to develop and implement the Society's fundraising and programs.

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.

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Revenue Recognition from Exchange Transactions - Revenue from contracts with customers is recognized as performance obligations are satisfied in the amount that the Society expects to receive in consideration. Revenue from exchange transactions includes 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. The amount of future admissions that are not yet exercised at December 31, 2025 is recorded on the statement of financial position as deferred revenue, which is a contract liability.

Gift store and cafe sales - Sales of merchandise in the gift store and sales in the cafe 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 membership between contribution and exchange transactions and recognizes revenue for the contribution upon receipt and recognizes exchange revenue as the benefits are consumed by the members over the period of membership. The amount of payment not yet recognized in revenue at December 31, 2025 due to the passage of time is recorded on the statement of financial position as deferred revenue, a contract liability.

Culture, arts and educational workshops - Fees and admissions charged for attending workshops are recognized as revenue at the time workshops are delivered.

For the year ended December 31, 2025, the Society recognized exchange transaction revenue of \$9,495,638 at a point of time and \$1,361,409 over a period of time.

Conditional Grants - As of December 31, 2025, the Society had a conditional promise of \$133,000, the receipt of which is conditioned upon raising additional matching funds.

In addition, in February of 2024, the Society executed a grant agreement with the U.S. Department of Housing and Urban Development for \$1,750,000 to be used for future renovation projects, the receipt of which is conditioned on completion of an environmental review and incurring allowable costs.

The revenues associated with these grants have not been included in the accompanying consolidated financial statements because the associated conditions had not yet been satisfied as of December 31, 2025.

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.

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Concentrations of Credit Risk - The Society's financial instruments consist primarily of cash, cash equivalents, and investments, which may subject the Society 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. At December 31, 2025, cash and cash equivalents exceeded the FDIC limit by approximately \$137,000.

The Society has exposure to various 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.

Certain receivables may also, from time to time, subject the Society to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, the Society'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, 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, impairment of 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.

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Foreign Currency Translation - Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect at the end of the reporting period, and revenue and expenses are translated at rates that approximate the rate on the date in which the transactions occurred. Net transaction and translation gains and losses are included in the accompanying consolidated statement of activities as other revenue.

Functional Allocation of Expenses - Costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Expenses that are allocated are typically done so using estimates of time and effort.

Income Taxes - Both the Japanese Garden 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. PJG Holdings, LLC is a single-member limited liability company controlled by the Society, and is disregarded for tax purposes. The Japan Association is a taxable entity incorporated in Japan.

The Japanese Garden Society and the Japan Association have entered into a transfer pricing agreement. Management has determined the transfer price for services transacted between the two related organizations are considered to be at arm's length. Management has analyzed tax positions taken by the Society and has concluded that as of December 31, 2025, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

The Japan Association incurred no income tax liability to Japan's taxing authorities for the year ended December 31, 2025.

Reclassifications - Certain amounts from the 2024 consolidated financial statements have been reclassified to be in conformity with the 2025 consolidated financial statements.

Summarized Financial Information for 2024 - The accompanying financial information as of and for the year ended December 31, 2024 is presented for comparative purposes only and is not intended to represent a complete consolidated financial statement presentation.

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements - Continued

3. Liquidity and Availability of Resources

The Society's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, consist of the following at December 31, 2025:

| | |
|--|--------------|
| Total financial assets: | |
| Cash and cash equivalents | \$ 1,644,130 |
| Contributions receivable | 2,917,207 |
| Investments | 8,046,355 |
| | <hr/> |
| | 12,607,692 |
| Less: Financial assets not available within one year: | |
| Financial assets restricted by donors for endowment | (6,699,006) |
| Financial assets designated by the Board for quasi-endowment | (1,152,205) |
| Contributions receivable due in more than one year | (2,150,656) |
| Financial assets restricted by donors for capital purposes | (19,190) |
| Plus: other funds subject to appropriation for expenditure: | |
| Fiscal year 2026 appropriations of donor-restricted and Board-designated endowments for operations | 331,294 |
| | <hr/> |
| | \$ 2,917,929 |
| | <hr/> <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.

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements - Continued

3. Liquidity and Availability of Resources - Continued

In addition, the Society holds Board-designated funds without donor restrictions totaling \$623,187 and quasi-endowment funds with donor restrictions totaling \$529,018. 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-endowments could be made available if necessary.

4. Contributions Receivable

Contributions receivable consist of the following at December 31, 2025:

| | |
|--|----------------------------|
| Unconditional promises expected to be collected in: | |
| Less than one year | \$ 747,361 |
| One year to five years | 2,253,592 |
| Greater than five years | <u>413,500</u> |
| Gross contributions receivable | 3,414,453 |
| Less: unamortized discount ¹ | (79,177) |
| Allowance for uncollectible contributions receivable | <u>(418,069)</u> |
| | <u><u>\$ 2,917,207</u></u> |

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 percent to 4.27 percent.

During the year ended December 31, 2014, an anonymous donor made an irrevocable gift for \$1,000,000 that is payable from the donor's estate once they pass away. The Society considers this an unconditional promise and recognized contribution revenue in 2014 of \$1,000,000 (less a present value discount). Based on management's estimation, this pledge is categorized in the one to five years category in the above table.

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements - Continued

5. Investments and Investment Return

Investments held by the Society at December 31, 2025 consist of the following:

| | |
|---|--------------|
| Mutual funds and ETFs | \$ 4,131,222 |
| Corporate bonds | 848,155 |
| Corporate stocks | 1,578,487 |
| U.S. Treasuries | 976,741 |
| Cash and money market funds held for investment | 511,750 |
| | <hr/> |
| | \$ 8,046,355 |
| | <hr/> |

Of the total investments at December 31, 2025, \$5,511,898 carry permanent restrictions for endowment.

Investment return for the year ended December 31, 2025 is as follows:

| | |
|---|------------|
| Interest and dividend income | \$ 219,611 |
| Net increase in the fair value of investments | 707,397 |
| | <hr/> |
| | \$ 927,008 |
| | <hr/> |

Investment return is derived from the following investments:

| | |
|-----------------------|------------|
| Operating investments | \$ 24,574 |
| Endowment investments | 902,434 |
| | <hr/> |
| | \$ 927,008 |
| | <hr/> |

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements - Continued

6. Fair Value Measurements

Accounting principles generally accepted in the United States of America establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. The Society uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Society measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets the Society has the ability to access.

Level 2- Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets.
- Quoted prices for identical or similar assets in active markets.
- Inputs, other than quoted prices, that are observable for the asset.
- Inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

The Society's assets that are measured at fair value on a recurring basis along with how fair value was determined are as follows at December 31, 2025:

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------------------|---------------------|-------------|---------------------|
| Mutual funds and ETFs | \$ 4,131,222 | \$ - | \$ - | \$ 4,131,222 |
| Corporate bonds | - | 848,155 | - | 848,155 |
| Corporate stocks | 1,578,487 | - | - | 1,578,487 |
| U.S. Treasuries | 976,741 | - | - | 976,741 |
| Cash surrender value of life insurance policy | - | 306,745 | - | 306,745 |
| | <u>\$ 6,686,450</u> | <u>\$ 1,154,900</u> | <u>\$ -</u> | <u>\$ 7,841,350</u> |

The fair values of the investments listed above are determined by reference to quoted market prices and are therefore classified as Level 1.

Included in prepaid expenses and other assets in the consolidated statement of financial position at December 31, 2025 is a contributed life insurance policy. This policy is recorded at its estimated fair value of \$306,745, which is based on the cash surrender value provided by the insurance carriers. Cash surrender value represents the amount the Society would receive upon surrender of the policy and approximates fair value. The policy is classified within Level 2 of the fair value hierarchy.

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements - Continued

7. Property Held for Sale

Due to increasing rehabilitation costs, necessary seismic upgrades, and insufficient fundraising, the Society decided to sell a property that was originally intended to house the Japan Institute. The property was put on the market in November of 2024, and at that time the Society recognized an impairment loss of \$2,492,978, adjusting the carrying value of the property to \$4,303,780 at December 31, 2024. At December 31, 2025, the Society recognized an additional impairment loss of \$361,280, adjusting the carrying value of the property to \$3,942,500. As of December 31, 2025, the Society has a letter of intent from a prospective buyer for the property. The additional impairment loss on the property was recorded to bring the carrying value down to the expected sale price less expected selling costs on the property.

Additionally, the Society has made refunds to certain donors who had contributed to the capital campaign for purchasing and rehabilitating the property, as well as donations for programs that were originally planned to take place at the property.

The property acquired in 2022 was initially financed through a \$2 million line of credit (*Note 10*) and a \$2 million grant from the State of Oregon. In September of 2025, the State approved the sale of the property, and requested that \$2 million of the sales proceeds be used to support programming for the Japan Institute, which was originally restricted for capital acquisition.

8. Garden, Buildings and Equipment

Garden, buildings and equipment consists of the following at December 31, 2025:

| | |
|---|---------------|
| Buildings and improvements | \$ 33,274,836 |
| Garden and artifacts | 2,709,326 |
| Land | 380,000 |
| Equipment and furniture | 1,228,791 |
| Vehicles | 286,620 |
| Software | 174,947 |
| Work in progress | 9,050 |
| | <hr/> |
| | 38,063,570 |
| Less: accumulated depreciation and amortization | (8,975,885) |
| | <hr/> |
| | \$ 29,087,685 |
| | <hr/> |

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements - Continued

8. Garden, Buildings and Equipment - Continued

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.

9. Operating Leases

The Society leases its office space, surface parking, and equipment under non-cancelable operating leases with 5 to 10 year initial terms that expire in various years through December 2030. Some leases may include renewal options which can extend the lease term. The exercise of these renewal options are generally at the discretion of the Society, and only lease options that the Society believes are reasonably certain to be exercised are included in the measurement of the lease assets and liabilities. The lease agreements do not include any residual value guarantees or restrictive covenants. The Society has elected to use the risk-free rate of return as the discount rate as neither the rate implicit in the lease nor the Society's incremental borrowing rate are readily available.

Lease expense was composed of the following for the period ending December 31, 2025:

| | |
|-------------------------|-------------|
| Operating lease expense | \$ 123,387 |
| Variable lease expense | 1,185 |
| | <hr/> |
| | \$ 124,572 |
| | <hr/> <hr/> |

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements - Continued

9. Operating Leases - Continued

The following summarizes the cash flow information related to operating leases for the year ended December 31, 2025:

| | |
|--|------------|
| Cash paid for amounts included in the measurement of lease liabilities for operating leases included in operating cash flows | \$ 125,351 |
| Operating lease right-of-use assets obtained in exchange for operating lease liabilities | \$ 160,186 |

Weighted average lease term and discount rate were as follows at December 31, 2025:

| | |
|---|------|
| Weighted-average remaining lease term (in years) for operating leases | 3.6 |
| Weighted-average discount rate for operating leases | 3.7% |

The maturities of operating lease liabilities were as follows at December 31, 2025:

| Years Ending December 31, | Amount |
|--------------------------------------|-------------------------------|
| 2026 | \$ 60,594 |
| 2027 | 23,512 |
| 2028 | 18,924 |
| 2029 | 18,924 |
| 2030 | 18,924 |
| | <hr/> |
| | 140,878 |
| Less present value discount | <hr/> (9,587) <hr/> |
| Operating lease liabilities | <hr/> <u>\$ 131,291</u> <hr/> |

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements - Continued

10. Lines of Credit

The LLC holds a line of credit in the amount of \$2 million with a commercial bank for funding the acquisition of real property for the Japan Institute. The interest rate is based on *The Wall Street Journal's* prime rate, plus 0.75 percent, resulting in a rate of 7.5 percent at December 31, 2025. The line is secured by the assets of the LLC and the Society, with maturity on February 28, 2026. Subsequent to the year ended December 31, 2025, the line was renewed through March 31, 2027 and reduced to a total line of \$1,700,000. At December 31, 2025, \$1,700,000 was outstanding. See also *Note 7*.

The LLC held another secured line of credit in the amount \$650,000 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 percent, resulting in a rate of 7.00 percent at December 31, 2025. The loan was secured by assets of the LLC and the Society, with maturity on February 28, 2026. At December 31, 2025, \$-0- was outstanding and management did not renew the line after its expiration.

Interest on the above LLC lines of credit totaled \$183,579 for the year ended December 31, 2025.

The Society holds a \$2.5 million 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 0.50 percent, resulting in a rate of 7.25 percent at December 31, 2025. The agreement requires the Society to maintain liquid assets (cash and marketable securities) totaling \$2,000,000, with maturity on February 28, 2026. Subsequent to the year ended December 31, 2025, the line was renewed through March 31, 2027. At December 31, 2025, \$-0- was outstanding. Interest expense for this line totaled \$21,473 for the year ended December 31, 2025.

11. Notes Payable

Notes payable consist of the following at December 31, 2025:

| | |
|--|-------------------|
| Note payable to a commercial bank in monthly installments of \$4,149 including interest at 5.75 percent. This note became due November 2025 with a balloon payment of \$498,713. The note is secured by real property. | \$ 498,713 |
| Note payable to a commercial bank in monthly installments of \$5,326 including interest at 8.58 percent with payments due through December 2027. Secured by vehicles. | 117,089 |
| | <u>\$ 615,802</u> |

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements - Continued

11. Notes Payable - Continued

Future principal payments on the notes payable are as follows:

| Years Ending December 31, | Amount |
|--------------------------------------|---------------|
| 2026 | \$ 554,754 |
| 2027 | 61,048 |
| | <hr/> |
| | \$ 615,802 |
| | <hr/> <hr/> |

At December 31, 2025, the Society was not in compliance with the terms of the \$498,713 note payable with a commercial bank. Subsequent to December 31, 2025, but prior to the issuance of these financial statements, the Society refinanced the note payable with a local credit union. The refinancing cured the existing noncompliance and extended the maturity of the obligation and did not result in the extinguishment of the original debt.

12. Board Designated Net Assets

The Society's Board of Directors has designated a portion of its net assets without donor restrictions to function as a quasi-endowment. At December 31, 2025 the designated portion was \$623,187. Additionally, the Board of Directors has determined that certain donor-restricted net assets could best be utilized to fulfil the donor's intent by further designating those net assets as a quasi-endowment. See *Note 16* for further information about the Society's endowments.

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements - Continued

13. Net Assets with Donor Restrictions

The following summarizes the Society's net assets with donor-imposed restrictions as of December 31, 2025:

Subject to expenditure for specified purposes:

| | |
|--|--------------|
| Japan Institute: | |
| Program purposes | \$ 2,519,542 |
| Capital purposes | 19,190 |
| Operation and maintenance of facilities and program ¹ | 344,138 |
| Garden landscape maintenance ¹ | 184,880 |
| Capital purposes | 510,000 |
| Other | 105,480 |
| | <hr/> |
| | 3,683,230 |

Subject to the passage of time

| | |
|---|-----------|
| Designated by the Board for the Japan Institute | 1,378,133 |
| Future periods | 13,500 |
| | <hr/> |
| | 1,391,633 |

Endowment :

Endowment restricted for specified purposes:

| | |
|--|-----------|
| The Arlene Schnitzer Curator of Culture, Art and Education Endowment | 1,529,120 |
| Harmony and Peace Award Fund | 1,374,697 |
| Garden Directors Council Fund | 38,363 |
| | <hr/> |

2,942,180

Endowments available for general use

3,756,826

Total endowment

6,699,006

\$ 11,773,869

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

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements - Continued

14. Net Assets Released from Restrictions

During the year ended December 31, 2025, the Society incurred \$1,184,084 in costs in satisfaction of the restricted purposes specified by donors, or by the occurrence of other events specified by donors. Accordingly, corresponding amounts have been reported as a reclassification from net assets with donor restrictions to those without donor restrictions in the accompanying consolidated statement of activities.

15. Contributions of Nonfinancial Assets

The Society received the following contributions of nonfinancial assets during the year ended December 31, 2025:

| | |
|---|-------------------|
| Goods and supplies | \$ 132,623 |
| Capital contributions | 17,759 |
| Professional services | 132,187 |
| Free use of facilities | 23,648 |
| Cash surrender value of life insurance policy | <u>306,745</u> |
| | <u>\$ 612,962</u> |

Contributed goods, supplies, and capital contributions are valued at the estimated price that would be received for selling similar products in the United States. Contributed professional services and free use of facilities are valued using current rates for similar services and facilities use, respectively.

The Society's contributions of nonfinancial assets for the year ended December 31, 2025, including their utilization by program services or other supporting services, are summarized as follows:

| | |
|--|-------------------|
| Program services | \$ 211,726 |
| Management and general | 53,658 |
| Fundraising | 23,074 |
| Capital assets and cash surrender value of life insurance policy | <u>324,504</u> |
| | <u>\$ 612,962</u> |

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements - Continued

16. 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, 2025:

| | Board-designated quasi-endowment ^[A] | | With donor restrictions | | | Total Endowment |
|---|---|-------------------------|------------------------------|---------------------|---------------------|---------------------|
| | Without donor restrictions | With donor restrictions | Accumulated endowment return | Endowment principal | Total | |
| Endowment net assets at beginning of year | \$ 604,017 | \$ 517,415 | \$ 530,527 | \$ 4,122,153 | \$ 4,652,680 | \$ 5,774,112 |
| Contributions and bequests | 25,675 | - | - | 1,389,745 | 1,389,745 | 1,415,420 |
| Net investment return | 34,188 | 29,300 | 838,946 | - | 838,946 | 902,434 |
| Appropriation of endowment assets for expenditure | (40,693) | (17,697) | (182,365) | - | (182,365) | (240,755) |
| Endowment net assets at end of year | <u>\$ 623,187</u> | <u>\$ 529,018</u> | <u>\$ 1,187,108</u> | <u>\$ 5,511,898</u> | <u>\$ 6,699,006</u> | <u>\$ 7,851,211</u> |

^[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.

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements - Continued

16. Endowment - Continued

Interpretation of Relevant Law - Continued - 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.

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements - Continued

16. Endowment - Continued

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 percent 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, 2025, the Board appropriation of donor-restricted and Board-designated endowment assets totaled \$240,755.

17. Employee Benefit 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 successful completion of three months of service, and who are not non-resident aliens. Employees make voluntary contributions to the plan up to the limits allowed by laws. The Society may make discretionary safe harbor matching contribution to the plan up to 4 percent of annual compensation. Employee and employer contributions vest 100 percent immediately. The Society made an employer contribution totaling \$158,097 for the year ended December 31, 2025.

JAPANESE GARDEN SOCIETY OF OREGON

Notes to Consolidated Financial Statements - Continued

18. Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provided fully refundable tax credits (known as the employee retention credit, or ERC) against the employer share of federal payroll taxes for employers who meet certain criteria through September 30, 2021.

The Society accounts for ERC as a conditional contribution in accordance with Accounting Standards Codification (ASC) 958-605. Revenue is recognized when the applicable barriers to entitlement are considered substantially met. The Society applied for ERC in a prior year but did not recognize revenue at that time because management concluded there was insufficient evidence that the conditions for entitlement had been satisfied. During the year ended December 31, 2025, the Society received ERC payments totaling \$1,046,150, including interest, related to four of the five quarters for which claims were submitted. Upon receipt of payment and the expiration of the applicable statute of limitations for these quarters, management determined that the barriers to entitlement had been substantially met and, accordingly, recognized ERC revenue in the amount stated above. The ERC related to the fifth quarter was not received and have not yet been recognized as revenue as management believes there remains sufficient uncertainty regarding the satisfaction of conditions for this quarter.

19. Subsequent Events

Subsequent to the statement of financial position date but prior to the issuance of these financial statements, the Society refinanced an existing note payable. The refinancing resulted in the repayment of the prior note and the issuance of a new note payable with revised terms. See *Note 11*.

Management has evaluated subsequent events through April 27, 2026, the date the consolidated financial statements were available for issue.

**JAPANESE GARDEN SOCIETY OF OREGON
(DBA PORTLAND JAPANESE GARDEN)**

Supplementary Financial Information

JAPANESE GARDEN SOCIETY OF OREGON

Consolidating Schedule of Financial Position

December 31, 2025

| | Japanese Garden Society | Japanese Garden Foundation | PJG Holdings, LLC | Japan Association | Eliminations | Consolidated |
|---|-------------------------|----------------------------|---------------------|-------------------|------------------------|----------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 1,615,644 | \$ - | \$ 1,063 | \$ 27,423 | \$ - | \$ 1,644,130 |
| Contributions receivable | 2,917,207 | - | - | - | - | 2,917,207 |
| Inventories | 255,505 | - | - | - | - | 255,505 |
| Prepaid expenses and other assets | 517,729 | 2,703 | 1,108 | 7,873 | - | 529,413 |
| Receivable from subsidiaries | - | 281,164 | - | - | (281,164) | - |
| Investments | - | 8,046,355 | - | - | - | 8,046,355 |
| Property held for sale | - | - | 3,942,500 | - | - | 3,942,500 |
| Investment in subsidiaries | 2,248,443 | - | - | - | (2,248,443) | - |
| Beneficial interest in the net assets of the Japanese Garden Foundation | 8,239,067 | - | - | - | (8,239,067) | - |
| Garden, buildings, and equipment | 28,280,128 | 807,557 | - | - | - | 29,087,685 |
| Operating right-of-use assets | 102,109 | - | - | - | - | 102,109 |
| Total assets | \$ 44,175,832 | \$ 9,137,779 | \$ 3,944,671 | \$ 35,296 | \$ (10,768,674) | \$ 46,524,904 |

JAPANESE GARDEN SOCIETY OF OREGON

Consolidating Schedule of Financial Position - Continued

December 31, 2025

| | Japanese Garden Society | Japanese Garden Foundation | PJG Holdings, LLC | Japan Association | Eliminations | Consolidated |
|---|-------------------------------|----------------------------------|-------------------------|----------------------|------------------------|----------------------|
| LIABILITIES AND NET ASSETS | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable and accrued expenses | \$ 119,163 | \$ - | \$ 4,250 | \$ 284 | \$ - | \$ 123,697 |
| Accrued payroll | 304,956 | - | - | - | - | 304,956 |
| Contribution refunds payable | 289,833 | 400,000 | - | - | - | 689,833 |
| Payable to subsidiaries | 254,175 | - | - | 26,989 | (281,164) | - |
| Deferred revenue | 148,858 | - | - | - | - | 148,858 |
| Lines of credit | - | - | 1,700,000 | - | - | 1,700,000 |
| Notes payable | 117,089 | 498,713 | - | - | - | 615,802 |
| Operating lease liabilities | 131,291 | - | - | - | - | 131,291 |
| Total liabilities | 1,365,365 | 898,713 | 1,704,250 | 27,273 | (281,164) | 3,714,437 |
| Net assets: | | | | | | |
| Without donor restrictions: | | | | | | |
| Available for programs and general operations | 1,941,528 | (16,218) | 240,421 | 8,023 | (232,226) | 1,941,528 |
| Designated by Board | 623,187 | 623,187 | - | - | (623,187) | 623,187 |
| Net investment in capital assets | 28,471,883 | 308,844 | - | - | (308,844) | 28,471,883 |
| | 31,036,598 | 915,813 | 240,421 | 8,023 | (1,164,257) | 31,036,598 |
| With donor restrictions | 11,773,869 | 7,323,253 | 2,000,000 | - | (9,323,253) | 11,773,869 |
| Total net assets | 42,810,467 | 8,239,066 | 2,240,421 | 8,023 | (10,487,510) | 42,810,467 |
| Total liabilities and net assets | \$ 44,175,832 | \$ 9,137,779 | \$ 3,944,671 | \$ 35,296 | \$ (10,768,674) | \$ 46,524,904 |

JAPANESE GARDEN SOCIETY OF OREGON

Consolidating Schedule of Activities

Year Ended December 31, 2025

| | Japanese Garden Society | Japanese Garden Foundation | PJG Holdings, LLC | Japan Association | Eliminations | Consolidated |
|---|-------------------------------|----------------------------------|-------------------------|----------------------|-----------------|-------------------|
| Operating revenues and gains: | | | | | | |
| Gate receipts | \$ 6,961,770 | \$ - | \$ - | \$ - | \$ - | \$ 6,961,770 |
| Gift store, merchandise and cafe sales, net | 2,412,358 | - | - | - | - | 2,412,358 |
| Rental income | - | 49,791 | - | - | (49,791) | - |
| International tours | 24,239 | - | - | 1,974 | - | 26,213 |
| Culture, arts, and educational workshops, net | 95,297 | - | - | - | - | 95,297 |
| Operating investment return, net | 10,137 | 14,067 | 16 | 354 | - | 24,574 |
| Society dues | 1,361,409 | - | - | - | - | 1,361,409 |
| Contributions and bequests | 1,930,062 | 742 | - | - | - | 1,930,804 |
| In-kind contributions | 266,597 | 2,321 | - | 19,540 | - | 288,458 |
| Other revenues | 35,153 | - | - | - | - | 35,153 |
| Total operating revenues and gains | 13,097,022 | 66,921 | 16 | 21,868 | (49,791) | 13,136,036 |

Other transactions:

| | | | | | | |
|---|-----------|---------|---|---------|-----------|---------|
| Appropriation of endowment assets for expenditure | - | 240,755 | - | - | - | 240,755 |
| Grants from Japanese Garden Foundation | 200,687 | - | - | - | (200,687) | - |
| Transfers of services to/from subsidiary | (221,402) | - | - | 221,402 | - | - |

Total other transactions **(20,715)** **240,755** **-** **221,402** **(200,687)** **240,755**

Total operating revenues, gains, and other support (carried forward) **13,076,307** **307,676** **16** **243,270** **(250,478)** **13,376,791**

JAPANESE GARDEN SOCIETY OF OREGON

Consolidating Schedule of Activities - Continued

Year Ended December 31, 2025

| | Japanese Garden Society | Japanese Garden Foundation | PJG Holdings, LLC | Japan Association | Eliminations | Consolidated |
|---|-------------------------|----------------------------|-------------------|-------------------|--------------------|-------------------|
| Total operating revenues, gains, and other support (brought forward) | \$ 13,076,307 | \$ 307,676 | \$ 16 | \$ 243,270 | \$ (250,478) | \$ 13,376,791 |
| Expenses: | | | | | | |
| Program services | 9,539,623 | 200,687 | - | 219,124 | (250,478) | 9,708,956 |
| Management and general | 1,492,364 | 82,846 | 418,025 | 9,320 | - | 2,002,555 |
| Fundraising | 824,639 | 6,042 | - | - | - | 830,681 |
| Total expenses | 11,856,626 | 289,575 | 418,025 | 228,444 | (250,478) | 12,542,192 |
| Change in net assets from operations | 1,219,681 | 18,101 | (418,009) | 14,826 | - | 834,599 |
| Non-operating activity: | | | | | | |
| Endowment and quasi-endowment gifts | - | 1,415,420 | - | - | - | 1,415,420 |
| Total endowment return, net | - | 902,434 | - | - | - | 902,434 |
| Appropriation of endowment assets for expenditure | - | (240,755) | - | - | - | (240,755) |
| Employee retention credit | 1,046,150 | - | - | - | - | 1,046,150 |
| Contributions for capital | 510,000 | - | - | - | - | 510,000 |
| Other in-kind capital contributions | 17,759 | - | - | - | - | 17,759 |
| Loss on refunds and write-offs of Japan Institute contributions | (828,449) | - | - | - | - | (828,449) |
| Allowance for uncollectible pledges | (418,069) | - | - | - | - | (418,069) |
| Change in investment in PJG Holding, LLC | (779,289) | - | - | - | 779,289 | - |
| Change in investment in the Association | 14,826 | - | - | - | (14,826) | - |
| Change in beneficial interest in the net assets of the Japanese Garden Foundation | 2,095,200 | - | - | - | (2,095,200) | - |
| Contributions of capital to subsidiary | - | - | 1,255,947 | - | (1,255,947) | - |
| Impairment loss on Japan Institute property | - | - | (361,280) | - | - | (361,280) |
| Gain on sale of equipment | 6,012 | - | - | - | - | 6,012 |
| Total non-operating activity (carried forward) | 1,664,140 | 2,077,099 | 894,667 | - | (2,586,684) | 2,049,222 |

JAPANESE GARDEN SOCIETY OF OREGON

Consolidating Schedule of Activities - Continued

Year Ended December 31, 2025

| | Japanese Garden Society | Japanese Garden Foundation | PJG Holdings, LLC | Japan Association | Eliminations | Consolidated |
|---|-------------------------|----------------------------|---------------------|-------------------|------------------------|----------------------|
| Total non-operating activity (brought forward) | \$ 1,664,140 | \$ 2,077,099 | \$ 894,667 | \$ - | \$ (2,586,684) | \$ 2,049,222 |
| Change in net assets | 2,883,821 | 2,095,200 | 476,658 | 14,826 | (2,586,684) | 2,883,821 |
| Net assets, beginning of year | 39,926,646 | 6,143,866 | 1,763,763 | (6,803) | (7,900,826) | 39,926,646 |
| Net assets, end of year | \$ 42,810,467 | \$ 8,239,066 | \$ 2,240,421 | \$ 8,023 | \$ (10,487,510) | \$ 42,810,467 |

JAPANESE GARDEN SOCIETY OF OREGON

Governing Board and Management

December 31, 2025

Society Board of Trustees

Paul Schommer, *President*

Trish Adams, *President Elect*

Jeff Wolfstone, *Treasurer*

John Tarpey, *Secretary*

Polly Wall Lauser, *Vice President*

Jim Coonan

Doug de Weese

Bart Eberwein

Sally Gibson

Takeshi (Ted) Homma

Naoki Kuze

Sue Reynolds

Cathy Rudd

Dan Schwoerer

Mark Stell

Dorie Vollum

Mari Watanabe

Foundation Board of Trustees

Evan Gremillion, *Chair*

Sandy Chandler, *Vice Chair*

Rebecca Teasdale, *Secretary*

Polly Wall Lauser

Allen Mercer

Brett Norris

Noah Reis

Dona Tarpey

Management

Lisa Christy, *Co-Chief Executive Officer*

Aki Nakanishi, *Co-Chief Executive Officer*

Aaron Edmark, *Chief Financial Officer*