

Operation Manual for the Administration of the
Nippon Foundation Fund for Japanese Language Education Program

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NF-JLEP Association Secretariat

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OPERATION MANUAL

For the Administration of the

Nippon Foundation Fund for Japanese Language Education Program

July 2021

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GLOSSARY OF FINANCIAL TERMS

Administrative expenses

Administrative expenses refer to a university's operating costs in the administration of the NF-JLEP program and management of the endowment.

Budget

The *budget* refers to the income and expenditure plan, which serves as the basis for the allocation of expenditures.

Capital

The *capital* consists of the following: the original capital of 1.5 million US dollars and the reserves (explained below).

Earnings

Earnings are the sum of realized gains and changes in unrealized gains (explained below).

Expenditure

Expenditure refers to administrative expenses and program disbursements, as mentioned elsewhere.

Income/realized gain

Income refers to *realized gains*, such as interest from bank deposits and coupon interest from bond investments, as well as gains or losses from the sale of equities and bonds.

Original capital

The *original capital* is the 1.5 million US dollars (or equivalent if converted into another currency, using the exchange rate at the time of conversion), donated to each NF-JLEP institution. If the original capital is divided into two or more currencies, the amount for each currency should be calculated using the exchange rate at the time of initial conversion.

Program disbursements

Program disbursements refer to expenditures for Japanese-language-education activities, such as scholarships for students, research grants, development of teaching materials, and others as stipulated in the Agreement.

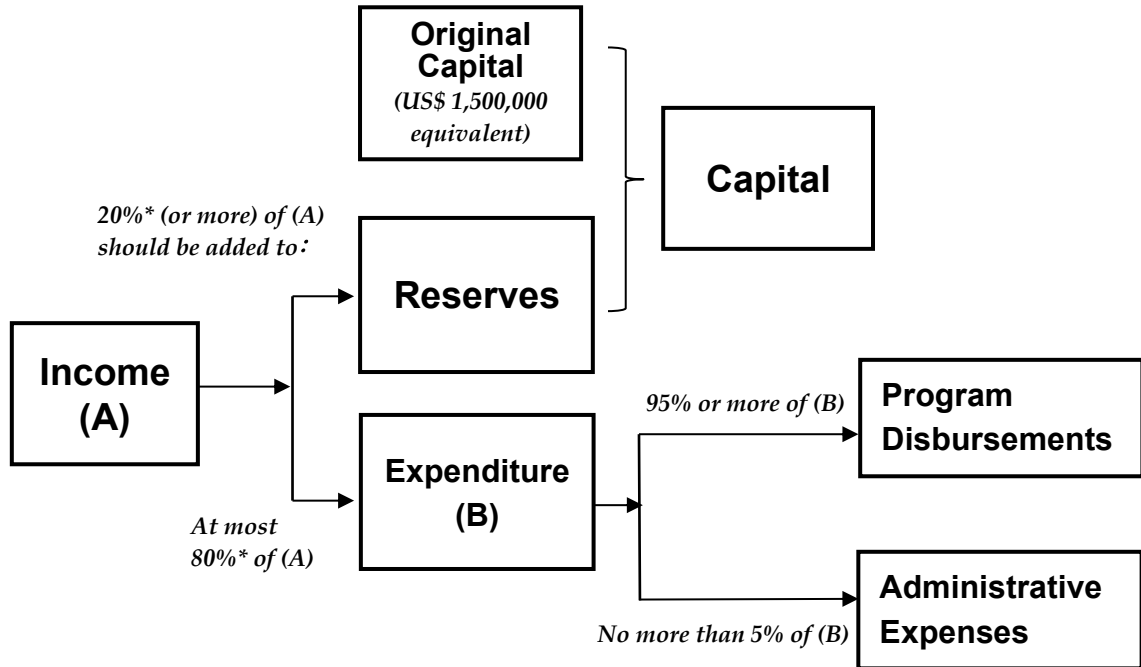
Reserves

Reserves are the part of capital that exceeds the original capital (US\$1.5 million).

Unrealized gain

An *unrealized gain* is the difference between the book value and market value of equity and bond investment.

Flow Chart of NF-JLEP Endowment Management



**The portion may vary according to NF-JLEP institution.*

INTRODUCTION

This document is intended to provide administrators of the Nippon Foundation Fund for Japanese Language Education Program (referred to hereinafter as “NF-JLEP”) with practical information and guidance on efficient and effective management of the program. Especially, it aims to set forth guidelines for endowment management and standardize financial reporting formats. Inquiries should be addressed to the Leadership Development section of the Tokyo Foundation for Policy Research, which is responsible for the overall administration of the program (see contact information on the inside front cover.)

I. PROGRAM

NF-JLEP was launched by The Nippon Foundation in 1994 with the purpose of enhancing the quality of Japanese language education abroad. Since then, endowments of US\$1,500,000 each have been established at eight institutions in six countries. Because two endowments are shared with two or more institutions, there are 11 institutions participating in the program.

NF-JLEP Institutions (Parentheses indicate the year NF-JLEP endowment was established.)

Australia

- Macquarie University (1995)
- Monash University (1995)
- University of Queensland* (1997)
Griffith University

Egypt

- Cairo University (1997)

Indonesia

- Indonesia University of Education*, ** (1997)
Manado State University
State University of Surabaya

New Zealand

- Massey University (1995)

Romania

- University of Bucharest (1994)

Turkey

- Canakkale Onsekiz Mart University** (1996)

*This institution administers the NF-JLEP endowment on behalf of the university(ies) listed below.

**This institution operates the NF-JLEP program under the new financial scheme.

II. OVERALL STRUCTURE OF NF-JLEP

NF-JLEP is a collaborative undertaking among the following organizations:

The Nippon Foundation

The Nippon Foundation is the donor of the NF-JLEP endowment. Established in 1962 to contribute to maritime development, The Nippon Foundation supports domestic social welfare and volunteer initiatives and promotes international cooperation with a focus on improving basic human needs, developing human resources, and encouraging international cooperation.

The Tokyo Foundation for Policy Research

The Tokyo Foundation for Policy Research is the organization responsible for overall NF-JLEP administration including:

- (1) Collaborating with the management committees of NF-JLEP institutions to maintain efficient and effective program operations and endowment management
- (2) Supporting NF-JLEP fellows' endeavors in promotion of Japanese language education and their network building through various programs
- (3) Serving as the secretariat of the NF-JLEP Association¹

NF-JLEP Institutions (Management Committees)²

An NF-JLEP institution operates the program through a management committee, consisting of a chairperson and committee members, as stipulated in the original "Agreement" that was signed by the representatives of The Nippon Foundation and the NF-JLEP institution. The management committee is responsible for sound program operations, including:

- (1) Operating the program (see Section III)
- (2) Managing the endowment (see Section IV)
- (3) Reporting to and communicating with the Tokyo Foundation for Policy Research on the status of the program and endowment management (see Section III)

¹ The NF-JLEP Association is an iconic and conceptual platform established with the purpose of bringing closer together the many stakeholders in the NF-JLEP community, including fellows, management committee members at the 11 institutions, and the staff of The Nippon Foundation and the Tokyo Foundation for Policy Research. The Association also helps raise the program's profile both inside and outside the community.

² The name of the committee varies according to NF-JLEP institution.

- (4) Cooperating and collaborating with the Tokyo Foundation for Policy Research on NF-JLEP-related activities

III. PROGRAM ADMINISTRATION

1. Objectives and Scope

The overall goal of NF-JLEP is to enhance the quality of Japanese language education by developing Japanese language professionals who are committed to playing an active role in language education. The institution-specific objectives and scope of the program are stipulated in Appendix 1 or 2 to the original “Agreement,” or in the “Memorandum of Understanding (MOU)” subsequently signed by representatives of the Tokyo Foundation for Policy Research and the NF-JLEP institution.

(1) Activities

Specific activities that NF-JLEP supports differ from one institution to another; they are specified in the original “Agreement” or in the MOU.

If the institution provides a fellowship or a grant under the NF-JLEP program, the amount provided should be set high enough to fulfill the objectives of the program and be regularly adjusted in accordance with changing socioeconomic conditions.

The program is not intended to cover personnel costs, including those of the teaching staff, unless otherwise stated in the Agreement or MOU. If an NF-JLEP management committee wishes to change the activities funded by the program, it should submit a written proposal to the Tokyo Foundation for Policy Research before implementing the change, since the scope is contractually agreed upon in the original Agreement establishing the endowment. Please refer to Section VI (Revision of Agreement) below.

(2) Identity

Although each NF-JLEP institution has its own name for the program, all are requested to make clear in introducing or advertising the program that it is financed by the “Nippon Foundation Fund for Japanese Language Education” and that the recipients of fellowships and grants provided under the program are called NF-JLEP fellows (even after the period of fellowships or grants) and eligible for additional programs offered by the NF-JLEP Association.

2. Budget

NF-JLEP management committees are responsible for developing a budget each year specifying the amount to be set aside for the program and administrative expenses in accordance with the “Annual Allocation of Proceeds of the Fund for the Program,” as specified in the Appendix of the Agreement or MOU or otherwise agreed upon between an NF-JLEP institution and the Tokyo Foundation for Policy Research. In principle, the budget should be developed on the basis of actual income. A portion of annual income should be set aside and added to the capital as “reserves.” For details, refer to Section IV 3 A (3) on the “Use of Income and Reinvestment.” The management committee is requested to forward the annual budget and program plans to the Tokyo Foundation for Policy Research once they are formulated.

3. Announcement and Selection

The selection process must be open and transparent; the NF-JLEP management committee should make announcements accessible to eligible applicants and screen applicants on a competitive basis. The program’s funding source (NF-JLEP) and its aims should be mentioned in such announcements.

4. Reporting (see Attachments)

NF-JLEP institutions are required to submit the following annual reports by the date indicated.

(1) Program Report (Attachment 1, p. 10)

A program report, submitted within three months of the end of each academic year. Institutions may choose to use the format they have been using until now, considering the wide range of activities undertaken through the program. In that case, however, please be sure to include the following information:

- Overall assessment of the immediate past year’s NF-JLEP activities (such as positive outcomes, difficulties, considerations made for Japanese-language-education trends in your country, and areas needing improvement)
- Description of each activity undertaken during the past year
- Notable accomplishments by scholarship/grant recipients, if any
- Events or activities carried out in conjunction with the NF-JLEP program at your institution
- Breakdown of program disbursements

- List of members of the NF-JLEP management committee

(2) NF-JLEP Fellows Information List (Attachment 2, p. 11)

The management committee is required to provide information on the recipients of NF-JLEP scholarships/grants (NF-JLEP fellows) promptly after they are selected. Provision of this information is important for the recipients to be recognized as NF-JLEP fellows who become eligible for additional programs offered by the NF-JLEP Association.

(3) Financial Report (Attachments 3 to 6, pp. 12-15)

A financial report, submitted within three months of the end of each fiscal year. For details, please refer to Section IV 3 A (2). For institutions falling into the “Exceptions” category, please refer to Section IV 3 B (2).

IV. ENDOWMENT MANAGEMENT

1. Purpose of Endowment Management

The NF-JLEP endowment should be managed:

- (1) To generate sufficient income in accordance with the medium- to long-term plans for the NF-JLEP program
- (2) In a way that ensures the gradual growth of the capital without allowing it to fall below the amount of the original capital (US\$1.5 million).

2. Separate Accounting/Pooled Investment

In principle, each institution is required to maintain a separate account for the NF-JLEP endowment from other funds of the institution. In cases where the capital is pooled and invested with other funds, the amount of the NF-JLEP endowment and its income must be clearly demarcated. Generally, pooled investments are approved when an institution’s pooled fund is large enough to achieve higher returns by scale and when fund management is conducted by groups of experts in accordance with rules approved by the institution’s board as being transparent and accountable with clearly identified risks, returns, and responsibilities.

3. Investment Guidelines

A. Principles

(1) Basic Policy

The NF-JLEP endowment must be invested in a “safe and secure manner,” as follows:

- a. Financial instruments in which the endowment may be invested include:
 - Term deposits at banks rated A-/A3 or better by Standard & Poor’s, Moody’s, or Fitch, and/or
 - Bonds rated A-/A3 or better by Standard & Poor’s, Moody’s, or Fitch.
- b. Diversification:

Bond investments should be well diversified, avoiding concentration in terms of issuers, industries, and countries. Bonds of any single industry or country should not exceed 40% of the total. However, diversification is not necessary for bonds of government and supra-national issuers whose credit ratings are AA-/Aa3 or better.

(2) Reporting

A financial report must be submitted within three months following the end of each fiscal year. The report should include:

- a. Income-Expenditure Statement and Breakdown of Capital (Attachment 3, p. 12)*
- b. Bond Portfolio (in case of bonds) and/or Description of Term Deposits (in case of bank deposits) (Attachment 4, p. 13)*
- c. Review Report confirming the validity of the above statements (Attachment 6, p. 15)**
- d. Bank statement(s) showing the amount of cash, term deposits, and bonds at the end of the fiscal year corresponding to b. above.

* **Bond amortization:** If a bond is purchased at a premium, the amount of the premium that is amortized should be deducted from both coupon interest and book value.

** **Review Report:** The Review Report may be prepared by an auditor or department within the university not involved in writing the financial report. It need not be prepared by outside professionals.

(3) Use of Income and Reinvestment

In accordance with the Appendix of the Agreement or MOU, each institution is required to reinvest a portion of income every year as a hedge against inflation

and other forms of financial instability. Even when there is no provision in the Agreement about how much to reinvest, the institution should, as a rule, add 20% (or more) of income to the reserves and use the remaining 80% (or less) as expenditures for fellowships and administrative expenses. If the institution is unable to adhere to these rules due to unavoidable circumstances, it should consult with the Tokyo Foundation for Policy Research on their reinvestment plans **before** spending more than 80% of annual income – or whatever amount that has been agreed upon. Changes in reinvestment rules may be approved as a contingency measure in consideration of the institution’s financial status, sustainability of the program, and/or the proposed total program budget.³

Administrative expenses should not exceed 5% of total expenditures (see Flow Chart of NF-JLEP Endowment Management on page ii).

Only realized gains may be used as expendable income. Although unrealized gains may arise in the case of bonds whose market values can be assessed, these gains should not be used as a source for expenditures, since market value will return to par at maturity.

B. Exceptions

(1) Basic Policy

If an NF-JLEP institution, for historical or other reasons, wishes to invest in riskier financial instruments, such as lower-rated bonds, stocks, or real estate, it will need to disclose the breakdown of its investment and to demonstrate that it has the organization and capacity necessary to manage such a riskier portfolio. Specifically, it will need to have (1) investment experts, either within or outside the university, and (2) an investment management committee or equivalent organization to monitor risks.

For investment in riskier financial instruments, unrealized gains may be used as sources for expenditures, provided that certain conditions are met.

- a. Rules determining the percentages of capital for targeted earnings and planned expenditures must be clarified. These rules must be approved by the NF-JLEP management committee and the Tokyo Foundation for Policy Research.

³ Rules on the Use of Income and Reinvestment are subject to change. Any amendments will be announced before they are implemented.

- b. Actual medium- to long-term expenditures (over a period of about five years) must not exceed 80% of actual earnings over the same period. (The percentage may vary according to NF-JLEP institution.)
- c. The capital must not fall below the amount of the original capital.

(2) Reporting

Please submit a financial report within three months of the end of each fiscal year. The report should consist of:

- a. Consolidated financial report providing the allocation of assets, investment performance, and a description of the investment management team set up to manage the riskier portfolio (no prescribed format)
- b. Statement for “Exceptions” indicating conformity with condition (1) b above (Attachment 5, p. 14)
- c. Review Report confirming the validity of the above statement (Attachment 6, p. 15)*

* *Review Report:* The Review Report may be prepared by an auditor or department within the university not involved in writing the financial report. It need not be prepared by outside professionals.

C. Currencies of Investment

The NF-JLEP endowment must be invested in assets denominated in US dollars or other currencies stipulated in the Appendix of the Agreement or MOU. The endowment should not be converted into any other currency.

V. NF-JLEP NEW FINANCIAL SCHEME

In the light of the difficulty some NF-JLEP institutions have been facing in generating sufficient investment income, a new financial scheme was proposed to all institutions in spring 2014 that enables universities to continue providing program disbursements without worrying about endowment management.

The aim of the new financial scheme is to enable NF-JLEP institutions to continue offering fellowships in an uninterrupted manner. To participate, institutions are first requested to return the NF-JLEP endowment and to sign a three-party agreement with The Nippon Foundation and the Tokyo Foundation for Policy Research. To learn more about the scheme, please refer to the Operation Manual of the (new) NF-JLEP Fellowship Program, available upon request.

VI. REVISION OF AGREEMENT

When the NF-JLEP management committee wishes to revise Appendix 1 and/or Appendix 2 of the Agreement, it should consult with the Tokyo Foundation for Policy Research and submit a written proposal **before** taking any action. The matter will be discussed, and, upon agreement, a Memorandum of Understanding (MOU) will be signed to execute the revision.

If the Tokyo Foundation for Policy Research and the management committee agree that the proposed changes do not require an MOU, the changes may be implemented by way of an exchange of written correspondence (letter or e-mail) between the chairperson of the NF-JLEP management committee and the executive director for leadership development of the Tokyo Foundation for Policy Research.

Program Report

This report should be signed and submitted by an NF-JLEP management committee member within three months following the end of each academic or calendar year.

Name of Institution: _____

Academic Year: From (month) _____ (year) _____ through (month) _____ (year) _____

Program Information

1. Overall assessment of the immediate past year's NF-JLEP activities (e.g., positive outcomes, difficulties, considerations made for Japanese-language-education trends in your country, and areas of improvement)
2. Description of each activity undertaken in the past academic year
3. Notable accomplishments by scholarship/grant recipients (past and present), if any
4. Events or activities carried out in conjunction with the NF-JLEP program (e.g., an award ceremony)
5. Breakdown of program disbursements
6. List of the members of the NF-JLEP management committee. Please note changes, if any
7. URL of NF-JLEP program at your institution

Program Planning

1. Plans for the next academic year, including income and expenditure plans, and the program calendar
2. Anticipated revisions to Appendix 1 and/or Appendix 2 of the Agreement or the MOU in near future

This report has been completed by:

(name)

(title)

Date

Signature

NF-JLEP Fellows Information List (Sample)

Please report on the beneficiaries who received an NF-JLEP scholarship/grant.

Institution name	Name of Recipient		Title	E-mail address		Award period			Enrolled degree program	Category of awards	First time recipient (yes/no)	Amount of award (currency)	Field of specialization	Research topic	
	Surname	Given and Middle name		Primary use	Secondary use if any	Starting month	Starting year	Ending month							Ending year
ABC University	Brown	Erika	Ms.	e2322@ABC.edu	erikabrown@gm ail.com	Jan	2011	June	2011	N/A School teacher	Research grant	No	AUD3000	Teaching Japanese	Kanji learning using SNS
ABC University	Nakamura	James	Mr.	J8256@ABC.edu		Sept	2010	Mar	2011	Master	Scholarship	Yes	AUD10000	Japanese language education	Students' competence in Japanese expressions of politeness
ABC University	Tanaka	Lisa	Ms.	L2566@ABC.edu		Sept	2010	Aug	2011	Doctor	Scholarship	Yes	AUD25000	Language and communication	Cultural adjustment of foreign workers at Japanese companies

Income-Expenditure Statement (Sample)

(for the fiscal year ended [Mar. 31, 2021])

Currency:[] (note 1)

Income	[Apr.] 2020 - [Mar.] 2021	2019-20	2018-19
Income			
Income from cash deposits (note 1)	50	50	50
Income from term deposits	1,000	10,000	930
Income from bond investments (notes 2, 3)	56,000	46,000	45,000
Total (A)	57,050	56,050	45,980

Expenditure	[Apr.] 2020 - [Mar.] 2021	2019-20	2018-19
Expenditure			
Program disbursements	40,000	42,000	36,000
Administrative expenses (note 4)	300	300	300
Total (B)	40,300	42,300	36,300

Add to or disburse from reserves (C=A-B)	16,750	13,750	9,680
Reserve Ratio (C/A) (note 5)	29%	25%	21%

Breakdown of Capital

(as of [Mar. 31, 2021])

	[Apr.] 2020 - [Mar.] 2021	2019-20	2018-19
Assets in currency []			
Cash (notes 1, 6)	18,400	6,800	11,000
Term deposits	37,450	220,700	110,000
Bonds at "book value" (note 7)	1,900,000	1,700,000	1,800,000
Total	1,955,850	1,927,500	1,921,000
(Original capital) (note 8)	1,500,000	1,500,000	1,500,000
(Reserves)	455,850	427,500	421,000

Notes:

1. The statement should be denominated in the currency of investment (as stipulated in the Agreement or as agreed with the Tokyo Foundation for Policy Research). Expenditures and income from cash deposits in local currencies should be converted to the currency of investment using the exchange rate at the end of the fiscal year in the Income-Expenditure Statement. Also, any cash held in the local currency should similarly be converted in the Breakdown of Capital.
2. If an asset management company is engaged, such fees should be deducted from income.
3. If a bond is purchased at a premium, the amount of the premium that is amortized should be deducted from coupon interest. See Section IV 3 A (2).
4. Bank charges, excluding asset management fees, should be included.
5. 20% (or more) of income should be added to the reserves. (The portion may vary according to NF-JLEP institution.) See Section IV 3 A (3).
6. Cash includes deposits in savings and/or current accounts.
7. Book value, not market value, should be used.

Bond Portfolio (Sample)

Purchase Date	Description	Maturity Date	Credit Rating	Rated by	Coupon (%)	Book Value (note 1)	Unit Price (note 1)	Quantity
2020/8/15	A Corporation	2030/8/15	AA	S&P	2.80%	US\$300,000	US\$100.00	3,000
2020/9/15	B Corporation	2025/9/15	A2	Moody's	3.75%	US\$105,000	US\$105.00	1,000
2020/9/15	C Bank	2025/6/1	A+	S&P	3.00%	US\$298,500	US\$99.50	3,000
2020/10/25	D Coporation	2030/8/15	A	S&P	3.00%	US\$202,000	US\$101.00	2,000
2021/2/1	E Corporation	2031/2/25	A+	Fitch	3.15%	US\$200,000	US\$100.00	2,000

Description of Term Deposits

Date of Deposit	Name of Deposit Institution	Maturity Date	Credit Rating	Rated by	Interest Rate	Currency and Value
2020/12/1	X Bank	2021/12/1	A+	S&P	0.50%	US\$50,000
2020/6/1	Y Bank	2021/6/1	AA	S&P	1.00%	US\$30,000

Note:

1. If a bond is purchased at a premium, the amount of the premium that is amortized should be deducted from book value. See Section IV 3 A (2).

Statement for "Exceptions" (Sample)

(for the fiscal year ended [Mar. 31, 2021])

Currency []

	[Apr.] 2020- [Mar.] 2021	2019-20	2018-19	2017-18	2016-17	Five-Year Total
Capital, beginning of year	3,413,999	3,260,217	3,232,274	3,744,561	3,391,820	
Earnings (A)	262,514	280,135	150,034	-400,807	437,150	729,026
Expenditures (B=C+D)	127,842	126,353	122,091	111,480	84,409	572,175
Program disbursements (C)	121,450	120,035	115,987	105,906	80,189	543,567
Administrative expenses (D)	6,392	6,318	6,104	5,574	4,220	28,608
Capital, end of year	3,548,671	3,413,999	3,260,217	3,232,274	3,744,561	
Original capital	1,500,000					

B/A*

78%

(note)

*Five-year cumulative expenditures should be less than 80% of five-year cumulative earnings. (The percentage may vary according to NF-JLEP institution.) See Section IV 3 B (1).

Review Report

(sample)

To the Chairperson of the Management Committee
The Nippon Foundation Fund for Japanese Language Education Program (NF-JLEP)
ABC University

We have reviewed the accompanying Statement of Financial Position of ABC University regarding the Nippon Foundation Fund for Japanese Language Education Program (the “Program”) as of March 31, 2021, and the related Statement of Activities for the financial year then ended. These financial statements are the responsibility of the Program’s managers. Our responsibility is to express an opinion on these financial statements based on our review.

We conducted our review in accordance with the NF-JLEP Operation Manual dated July 2021. Those procedures require that we plan and perform a review to obtain reasonable assurances that the financial statements are free of material misstatement. A review includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Program as of March 31, 2021, and the results of its operations for the year then ended in accordance with the NF-JLEP Operation Manual dated July 2021.

[Name and Signature of Reviewer]

(Name) John Smith, Financial Expert

Date

Signature

