

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
JUNE 30, 2009
WITH
INDEPENDENT AUDITORS' REPORT

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.
JUNE 30, 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Koreatown Youth and Community Center, Inc.
Los Angeles, CA

We have audited the accompanying statement of financial position of Koreatown Youth and Community Center, Inc. ("KYCC") as of June 30, 2009 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of KYCC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KYCC as of June 30, 2009, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2009 on consideration of KYCC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of KYCC, taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis as required by the Audit Guide for Audits of Child Development and Nutrition Programs issued by the California Department of Education, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Choi, Kim & Park, LLP

Los Angeles, California
October 30, 2009

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE, 30 2009

ASSETS

Current assets	
Cash and cash equivalents (Notes 2 and 8)	\$ 429,527
Accounts receivable, net (Note 2)	566,205
Prepaid expenses	<u>2,857</u>
Total current assets	998,589
Property and equipment, net (Notes 2 and 3)	2,718,529
Investment in limited partnership (Note 4)	<u>353,351</u>
Total assets	<u>\$ 4,070,469</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 92,180
Accrued expenses	133,500
Line of credit	325,000
Deferred revenue	118,119
Accrued interest	2,888
Notes payable (Note 5)	10,000
Note payable - vehicle (Note 5)	<u>10,858</u>
Total current liabilities	692,545
Long term liabilities	
Notes payable, net of current (Note 5)	1,023,855
Note payable – vehicle, net of current (Note 5)	7,238
Accrued interest (Note 5)	<u>369,295</u>
Total long term liabilities	<u>1,400,388</u>
Total liabilities	<u>2,092,933</u>
Net assets	
Unrestricted	1,859,417
Temporarily restricted	<u>118,119</u>
Total net assets	<u>1,977,536</u>
Total liabilities and net assets	<u>\$ 4,070,469</u>

See accompanying notes to financial statements.

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Grants, contracts & program revenue	\$ 2,850,631	\$ 406,966	\$ 3,257,597
Direct public support	142,314	-	142,314
United Way allocation	20,125	-	20,125
Fundraising	275,452	-	275,452
Investment income	3,136	-	3,136
Other income	279,832	-	279,832
Temporarily restricted net assets released from restriction (Note 2)	<u>619,702</u>	<u>(619,702)</u>	<u>-</u>
Total revenue and support	<u>4,191,192</u>	<u>(212,736)</u>	<u>3,978,456</u>
Functional expenses			
Program expenses	3,186,834	-	3,186,834
Support services			
General and administrative	264,381	-	264,381
Indirect	127,099	-	127,099
Fundraising	<u>322,681</u>	<u>-</u>	<u>322,681</u>
Total functional expenses	<u>3,900,995</u>	<u>-</u>	<u>3,900,995</u>
Other expenses			
Impairment loss	<u>7,178</u>	<u>-</u>	<u>7,178</u>
Change in net assets	<u>283,019</u>	<u>(212,736)</u>	<u>70,283</u>
Net assets, beginning of year	<u>1,576,398</u>	<u>330,855</u>	<u>1,907,253</u>
Net assets, end of year	<u>\$ 1,859,417</u>	<u>\$ 118,119</u>	<u>\$ 1,977,536</u>

See accompanying notes to financial statements.

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

Cash flows from operating activities:

Change in net assets	\$ 70,283
Adjustments to reconcile net assets to net cash used in operating activities:	
Depreciation	120,105
Bad debt	6,778
Impairment loss	7,178
Loss from investment in limited partnership	2,409
 (Increase) Decrease in:	
Accounts receivable	5,072
Prepaid expenses	650
 Increase (Decrease) in:	
Accounts payable	19,241
Accrued expenses	25,428
Deferred revenue	(212,737)
Total adjustments	<u>(25,876)</u>
 Net cash provided by operating activities	<u>44,407</u>
 Cash flows from investing activities:	
Acquisition of property and equipment	(77,850)
Sales of vehicle	<u>500</u>
 Net cash used in investing activities	<u>(77,350)</u>

(Continued)

See accompanying notes to financial statements.

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

Cash flows from financing activities:

Net proceeds from lines of credit	175,000
Net payments on notes payable	<u>(19,953)</u>

Net cash provided by financing activities	<u>155,047</u>
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Net increase in cash	122,104
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Cash, beginning of year	<u>307,423</u>
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Cash, end of year	<u>\$ 429,527</u>
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Supplemental disclosures:

Cash paid during the year for:	
Interest	<u>\$ 24,083</u>

See accompanying notes to financial statements.

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Note 1 - Organization

Koreatown Youth and Community Center, Inc. ("KYCC") is a not-for-profit, California corporation located in the Koreatown area of Los Angeles. KYCC's programs and services are directed toward recently immigrated, economically disadvantaged youth and families, and promote community socio-economic development. KYCC's services include childcare and early childhood development, after school programs for students in grades 1-12, youth development programs including gang and substance abuse prevention, mental health services for children and their families, community economic development services including affordable housing, small business assistance, financial literacy and environmental services including conservation programs, graffiti removal and tree planting.

Note 2 - Summary of Significant Accounting Policies

This summary of significant accounting policies of KYCC is presented to assist in understanding KYCC's financial statements. The financial statements and notes are representations of KYCC's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are primarily used for depreciation and amortization, allowance for doubtful accounts. Actual results could differ from those estimates.

Revenue Recognition

Grants and other contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted revenues, depending on the nature of the restrictions.

All donor-restricted contributions are reported as temporarily restricted revenues. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted revenues are reclassified to unrestricted revenues and reported as net assets released from restrictions in the statement of activities.

Contributed Services

KYCC has several individuals who volunteer their time to assist with a variety of tasks throughout the year. However, these services do not meet the criteria for recognition as contributed service. No amount has been recorded in the financial statements.

Allowance for Doubtful Accounts

KYCC considers amounts receivable from grantors to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

KYCC considers all highly liquid investments purchased with an original maturity of three months or less to be categorized as cash and cash equivalents. KYCC maintains its cash in bank accounts which, at times may exceed federally insured limits. KYCC has not experienced any losses in such accounts. Management believes KYCC is not exposed to any significant risk on cash balances.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of related assets ranging from five to forty years.

Income Taxes

KYCC maintains a tax-exempt status under sections 501(c)(3) of the Internal Revenue Code and 23701(d) of the State of California, Revenue and Taxation Code.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 3 - Property and Equipment

Property and equipment consist of the following as of June 30, 2009:

Automobile	136,800
Office equipment	37,482
Building	<u>3,155,274</u>
	3,329,536
Less: accumulated depreciation	<u>(611,027)</u>
Property and equipment, net	<u>2,718,529</u>

Total depreciation expense amounted to \$120,105 for the year ended June 30, 2009.

Crenshaw Building

During the fiscal year ended June 30, 2003, KYCC acquired a real property in the Koreatown area of Los Angeles. KYCC acquired the property to provide early childhood development and a care center for children less than five years of age, as well as, a facility for parental education, and family support to families living or working in the Koreatown community.

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Note 4 - Investment in Limited Partnership

In 1992, KYCC assumed a \$200,000 note payable to the City of Los Angeles Community Development Department for the Wilton Building from Koreatown Youth Center, Limited Partnership in exchange for 1% of interest in the limited partnership. This limited partnership interest is reported as an investment by KYCC.

Note 5 - Notes Payable

Wilton Building

The \$200,000 note payable to the City of Los Angeles Community Development Department in exchange for the 1% interest in Koreatown Youth Center, Limited Partnership has a term of twenty years with a 3.5% interest rate and annual principal payments of \$10,000. The balance as of June 30, 2009 was \$58,855. As of December 31, 2008, per the federal partnership income tax return, the net equity of KYCC's investment in the limited partnership was \$353,351 decreased by \$2,409 of investment loss for the year ended June 30, 2009. Accrued interest payable for June 30, 2009 was \$1,888. This note will mature on July 10, 2012.

Reno Building

In August 1999, KYCC became the obligor on a note payable of \$975,000 due on June 30, 2039 to the City of Los Angeles, which is secured by a first deed of trust and assignment of rents. The interest rate is 5% per annum on the principal amount. The loan agreement requires KYCC to establish an "Operating Reserve" fund, which is an interest bearing account, in the amount no less than 3% of gross revenue, annually. KYCC is only required to fund the "Operating Reserve" to the extent that there are sufficient funds available from revenue after payment of all operating expenses. The reserved balance has been accumulated based on gross revenues for the period from June 30, 2002 to June 30, 2009 and is \$50,618 as of June 30, 2009, which is over funded by \$5,160. Cash from the operating account can fund the reserves as excesses allow.

KYCC is required to deposit into the "Replacement Reserve" fund in the amount of 0.6% of the sum of construction plus acquisition costs, annually. KYCC is only required to fund the "Replacement Reserve" to the extent that there are sufficient funds available after the payment of all operating expenses. As of June 30, 2009, the account balance was \$71,794 which is over funded by \$3,845. Cash from operating account can fund the reserves as excesses allow.

Repayment of the loan will commence one year after the date of the loan expiration in August 2039. Annual payments are to be calculated based on the "Residual Receipts" of the rental operation, as defined in the loan agreement. The repayment shall be applied first to pay current annual interest due, then cumulative interest owed, and then to reduce the principal amount of the loan. There were no "Residual Receipts" for the fiscal year ended June 30, 2009. Accrued interest payable at June 30, 2009 was \$369,295.

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 5 - Notes Payable (continued)

The following is a summary of the notes payable at June 30, 2009:

Note payable, in connection with the Wilton building, due in an annual installment payment of \$10,000 including interest at a fixed rate of 3.50% with maturity in July, 2012, collateralized by all inventory, accounts receivable, and equipment of KYCC. The agreement is subject to various restrictive covenants.	\$ 58,855
Note payable, in connection with the Reno building, interest only at a fixed rate of 5.00% with maturity in July, 2039. The principal amount is due by the maturity date. The agreement is subject to various restrictive covenants.	<u>975,000</u>
Total notes payable	\$ 1,033,855
Less: current portion	(10,000)
Notes payable, net of current	<u><u>\$ 1,023,855</u></u>

The notes payable will mature as follows:

<u>Years ending June 30</u>	<u>Amount</u>
2010	\$ 10,000
2011	10,000
2012	38,855
2013	-
2014 and thereafter	<u>975,000</u>
Total	<u>\$ 1,033,855</u>

Vehicle Loans

KYCC entered into a loan agreement with a financial institution for the purchase of a new vehicle on January 16, 2008. The loan was for \$32,573 with no interest for a 36 month term. Future minimum payments under this loan agreement at June 30, 2009 were as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2010	\$ 10,858
2011	<u>7,238</u>
Total	<u>\$ 18,096</u>

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 6 - Commitments and Contingencies

Lease

KYCC leases certain equipment under non-cancelable operating lease agreements. Future minimum payments under these lease agreements at June 30, 2009 are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2010	<u>\$ 6,892</u>
Total	<u>\$ 6,892</u>

Note 7 - Net Assets

Net assets are classified in two categories for KYCC: unrestricted or temporarily restricted. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets are contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted when the time restriction expires or the contributions are used for their restricted purposes. KYCC receives contributions to which donor-imposed purpose restrictions apply. When KYCC incurs expenses for programs established upon receipt of the contributions, net assets are released from restrictions and reclassified from temporarily restricted to unrestricted net assets. The purpose restrictions of the contributions are not to specify as to how expenditures should be made, but to restrict KYCC to spend funds received only for the purposes of the programs.

Note 8 - Concentration of Credit Risk

Beginning December 19, 2008, the Federal Deposit Insurance Company (FDIC) began the "Transaction Account Guarantee Program". Under that program, through December 31, 2009, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Coverage under the Transaction Account Guarantee Program is in addition to and separate from the coverage available under the FDIC's general deposit insurance rules. The general deposit insurance limit was also raised from \$100,000 to \$250,000 through December 31, 2009.

Financial instruments, which potentially subject KYCC to concentration of credit risk, principally consist of cash and cash equivalents. At June 30, 2009, KYCC had deposits at two banks located in Los Angeles, California. The balances at the banks are insured by the Federal Deposit Insurance Corporation up to \$250,000.

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

	PROGRAM EXPENSES							SUPPORTING EXPENSES					
	Environmental Services	Economic Development	Clinical Services	Youth Services	Academic Services	General Center Childcare	Housing	Total Program Expenses	General and Administrative	Indirect	Total General and Administrative	Fundraising	Total Functional Expenses
Personnel expenses													
Salaries and wages	\$ 385,144	\$ 91,195	\$ 396,479	\$ 156,561	\$ 155,730	\$ 373,136	\$ -	\$ 1,558,245	\$ 47,351	\$ 329,591	\$ 376,942	\$ 68,565	\$ 2,003,752
Payroll taxes and benefits	100,721	16,195	64,625	30,118	37,458	73,901	-	323,018	7,840	64,653	72,493	11,917	407,428
Stipend	100	175	500	-	-	-	-	775	-	-	-	-	775
Total personnel expenses	\$ 485,965	\$ 107,565	\$ 461,604	\$ 186,679	\$ 193,188	\$ 447,037	\$ -	\$ 1,882,038	\$ 55,191	\$ 394,244	\$ 449,435	\$ 80,482	\$ 2,411,955
Other expenses													
Advertising	-	534	135	135	400	-	-	1,204	6,820	-	6,820	-	8,024
Automobile	49,351	-	-	-	-	-	-	49,351	-	-	-	7	49,358
Bank service fees	49	-	-	-	-	15	-	64	670	18	688	-	752
Bad debt	-	-	(17)	-	295	-	-	278	-	-	-	6,500	6,778
Depreciation	-	-	-	-	-	48,511	17,431	65,942	54,163	-	54,163	-	120,105
Donated supplies and materials	-	-	-	-	-	42,839	-	42,839	-	-	-	55,426	98,265
Dues and subscriptions	175	-	1,031	-	-	-	-	1,206	2,749	1,729	4,478	-	5,684
Employee morale	-	10	-	-	-	-	-	10	5,433	5,269	10,702	-	10,712
Equipment rental	677	2,799	9,463	3,855	4,785	1,233	-	22,812	663	6,930	7,593	1,183	31,588
Equipment < cap. Policy	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant and allocation	-	-	-	-	-	-	-	-	-	-	-	-	-
Indirect cost	109,975	22,029	95,480	33,389	31,114	89,849	-	381,836	32,923	(452,562)	(419,639)	37,803	-
Insurance	-	-	1,036	-	-	-	-	1,036	-	34,373	34,373	-	35,409
Interest	-	-	-	-	-	-	48,750	48,750	8,459	-	8,459	-	57,209
Loss in partnership	-	-	-	-	-	-	2,409	2,409	-	-	-	-	2,409
Meeting and conference	211	625	539	-	25	-	-	1,400	5,535	1,385	6,920	4,793	13,113
Miscellaneous	577	-	-	-	-	-	-	577	3,284	20	3,304	-	3,881
Occupancy	63,854	17,262	25,402	10,900	13,227	30,188	-	160,833	4,111	39,245	43,356	7,154	211,343
Other administrative service	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expense in rental property	-	-	-	-	-	-	201,612	201,612	-	-	-	-	201,612
Short-term space rental	774	222	773	335	377	975	-	3,456	51	547	598	93	4,147
Payroll services	1,376	319	1,112	475	534	1,396	-	5,212	74	782	856	133	6,201
Postage and delivery	7,541	153	306	130	134	70	-	8,334	19	599	618	66	9,018
Printing and publication	3,707	467	663	564	296	1,060	-	6,757	33	575	608	1,331	8,696
Program events	205	3,269	274	6,850	1,473	1,020	-	13,091	120	-	120	124,859	138,070
Professional services	-	-	43,673	-	-	10,782	-	54,455	30,822	18,695	49,517	433	104,405
Staff training	915	159	531	175	192	42	-	2,014	782	3,899	4,681	436	7,131
Subcontract and client support	85,000	-	16,542	154	141	165	-	102,002	50,089	54,208	104,297	-	206,299
Supplies	43,443	1,523	4,050	10,403	9,567	18,271	-	87,257	273	5,032	5,305	666	93,228
Taxes and fees	-	-	-	-	-	2,646	-	2,646	324	376	700	-	3,346
Telephone	5,190	1,851	6,605	1,931	1,990	2,952	-	20,519	1,020	10,785	11,805	1,037	33,361
Travel	516	748	13,552	1,611	244	223	-	16,894	773	950	1,723	279	18,896
Total other expenses	\$ 373,536	\$ 51,970	\$ 221,150	\$ 70,907	\$ 64,794	\$ 252,237	\$ 270,202	\$ 1,304,796	\$ 209,190	\$ (267,145)	\$ (57,955)	\$ 242,199	\$ 1,489,040
Total	\$ 859,501	\$ 159,535	\$ 682,754	\$ 257,586	\$ 257,982	\$ 699,274	\$ 270,202	\$ 3,186,834	\$ 264,381	\$ 127,099	\$ 391,480	\$ 322,681	\$ 3,900,995