

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

FINANCIAL STATEMENTS

June 30, 2020 and 2019

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.
FINANCIAL STATEMENTS
June 30, 2020 and 2019

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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

3435 Wilshire Blvd., Suite 2240
Los Angeles, CA 90010

Tel (213) 480 - 9100
Fax (213) 480 - 9107

www.ckpcpas.com

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Koreatown Youth and Community Center, Inc. (KYCC), which comprise the statements of financial position as of June 30, 2020 and 2019, the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KYCC as of June 30, 2020 and 2019, and the changes in net assets, cash flows and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

The accompanying Child Development Program Supplementary Information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in conformity with the CDE Audit Guide issued by the California Department of Education. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2021 on our consideration of KYCC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the KYCC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KYCC's internal control over financial reporting and compliance.



Report on Summarized Comparative Information

We have previously audited KYCC June 30, 2018 financial statements, and our report dated October 18, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CKP, LLP

January 28, 2021

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 2,081,956	\$ 621,252
Accounts receivable	2,667,510	2,723,846
Grants receivable	85,000	-
Prepaid expenses	73,773	64,942
Inventories	4,857	5,983
Other receivables	5,740	4,005
	<hr/>	<hr/>
Total current assets	4,918,836	3,420,028
Property and equipment, net	1,480,876	1,488,431
Other assets:		
Investments in limited partnerships	324,362	326,937
	<hr/>	<hr/>
Total assets	<u>\$ 6,724,074</u>	<u>\$ 5,235,396</u>

<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 588,632	\$ 434,308
Accrued expenses	384,377	308,254
Deferred revenue	1,009,685	362,896
Line of credit	2	300,158
PPP loan	736,323	-
Other payable	732	2,850
	<hr/>	<hr/>
Total current liabilities	2,719,751	1,408,466
Total liabilities	2,719,751	1,408,466
Commitment and contingencies	-	-
Net assets:		
Without donor restrictions	3,807,448	3,582,138
With donor restrictions	196,875	244,792
	<hr/>	<hr/>
Total net assets	4,004,323	3,826,930
Total liabilities and net assets	<u>\$ 6,724,074</u>	<u>\$ 5,235,396</u>

See accompanying notes to financial statements

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2020 and Summarized Total for 2019

	2020		Total	2019
	Without Donor Restrictions	With Donor Restrictions		Summarized Total
Revenue and support				
Government grants and contributions	\$ 6,323,188	\$ -	\$ 6,323,188	\$ 6,114,265
Program service revenue	1,328,405	-	1,328,405	1,769,463
Foundation grants	1,865,838	262,500	2,128,338	1,652,493
Contributions and donations	183,598	-	183,598	149,717
Fundraising	643,620	-	643,620	627,498
Investment income	4,774	-	4,774	4,494
Development fees and others	82,392	-	82,392	62,802
Other income	267,361	-	267,361	49,286
Net assets released from restrictions	310,417	(310,417)	-	-
Total revenue and support	11,009,593	(47,917)	10,961,676	10,430,018
Functional expenses				
Program expenses	9,710,038	-	9,710,038	9,197,504
Support services				
General and administrative	616,944	-	616,944	417,924
Indirect	(135,119)	-	(135,119)	(133,670)
Fundraising	592,420	-	592,420	580,658
Total functional expenses	10,784,283	-	10,784,283	10,062,416
Change in net assets	225,310	(47,917)	177,393	367,602
Net assets, beginning of year	3,582,138	244,792	3,826,930	3,459,328
Net assets, end of year	\$ 3,807,448	\$ 196,875	\$ 4,004,323	\$ 3,826,930

See accompanying notes to financial statements

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 177,393	\$ 367,602
Adjustments to reconcile net assets to net cash provided by (used in) operating activities:		
Depreciation	119,159	102,407
Loss from investments in limited partnerships	2,575	2,471
(Increase) Decrease in:		
Accounts receivable	56,336	(403,905)
Grants receivable	(85,000)	-
Inventories	1,126	(5,983)
Prepaid expenses	(8,831)	(15,554)
Other receivables	(1,735)	(1,622)
Increase (Decrease) in:		
Accounts payable	154,324	(62,032)
Accrued expenses	76,123	79,204
Deferred revenue	646,789	(246,157)
Other payable	(2,118)	2,850
Total adjustments	<u>958,748</u>	<u>(548,321)</u>
Net cash provided by (used in) operating activities	1,136,141	(180,719)
Cash flows from investing activities:		
Acquisition of property and equipment	<u>(111,604)</u>	<u>(343,354)</u>
Net cash used in investing activities	(111,604)	(343,354)
Cash flows from financing activities:		
Borrowings (payments) on line of credit	(300,156)	300,158
Net proceeds from PPP loan	<u>736,323</u>	<u>-</u>
Net cash provided by financing activities	436,167	300,158

(continued)

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net increase (decrease) in cash	1,460,704	(223,915)
Cash and cash equivalents, beginning of year	<u>621,252</u>	<u>845,167</u>
Cash and cash equivalents, end of year	<u>\$ 2,081,956</u>	<u>\$ 621,252</u>
Supplemental disclosures:		
Cash paid during the year for:		
Interest	<u>\$ 18,549</u>	<u>\$ 7,181</u>

See accompanying notes to financial statements

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	PROGRAM SERVICES							SUPPORTING SERVICES				2020 Total	2019 Summarized Total
	Environmental Services	Economic Development	Clinical Services	Youth Services	Prevention Education	Kid's Town	Total Program Services	General and Administrative	Indirect	General and Administrative	Fundraising		
Personnel expenses													
Salaries and wages	\$ 888,312	\$ 934,481	\$ 1,104,794	\$ 289,602	\$ 781,033	\$ 443,562	\$ 4,441,784	\$ 179,373	\$ 798,341	\$ 977,714	\$ 189,804	\$ 5,609,302	\$ 4,976,667
Payroll taxes and benefits	320,246	248,344	267,936	48,215	205,602	134,916	1,225,259	105,437	204,164	309,601	53,384	1,588,244	1,431,832
Total Personnel expenses	<u>1,208,558</u>	<u>1,182,825</u>	<u>1,372,730</u>	<u>337,817</u>	<u>986,635</u>	<u>578,478</u>	<u>5,667,043</u>	<u>284,810</u>	<u>1,002,505</u>	<u>1,287,315</u>	<u>243,188</u>	<u>7,197,546</u>	<u>6,408,499</u>
Other expenses													
Automobile	109,779	-	-	64	-	-	109,843	-	-	-	-	109,843	118,323
Bank service fees	-	745	-	12	-	24	781	232	231	463	1,772	3,016	4,008
Depreciation	-	-	-	-	-	50,386	50,386	68,773	-	68,773	-	119,159	102,407
Dues and subscriptions	1,000	2,875	1,906	-	-	-	5,781	4,600	329	4,929	60	10,770	9,823
Employee morale	-	-	-	-	-	-	-	21,182	1,787	22,969	-	22,969	23,718
Equipment rental	9,373	6,433	4,338	1,780	3,574	4,937	30,435	781	5,700	6,481	1,349	38,265	64,286
In-kind services	-	64,973	-	-	-	-	64,973	-	-	-	104,450	169,423	126,617
Indirect cost	277,847	353,646	276,397	64,204	186,852	126,568	1,285,514	104,651	(1,439,654)	(1,335,003)	68,600	19,111	1,865
Insurance	-	1,775	7,205	-	-	-	8,980	-	41,207	41,207	-	50,187	46,460
Interest	-	-	-	-	-	-	-	18,549	-	18,549	-	18,549	7,181
Meeting and conference	1,936	1,099	33	-	-	-	3,068	5,301	1,580	6,881	3,209	13,158	23,191
Marketing and promotion	-	2,046	-	-	11,316	-	13,362	36	-	36	3,026	16,424	21,273
Miscellaneous	-	182	-	-	-	24,251	24,433	45,367	-	45,367	-	69,800	42,019
Occupancy expenses	109,765	94,143	111,271	22,813	50,361	57,524	445,877	8,509	55,340	63,849	16,922	526,648	543,341
Payroll services	6,706	-	-	-	-	-	6,706	-	26,301	26,301	-	33,007	20,064
Printing and publication	345	20,097	1,023	-	115	-	21,580	272	2,831	3,103	1,788	26,471	19,651
Program events	-	-	-	-	150	-	150	28	-	28	137,645	137,823	171,308
Professional services	115,025	249,373	67,665	5,175	52,969	62,242	552,449	22,721	94,655	117,376	6,842	676,667	464,812
Staff training	1,857	3,033	32,219	375	16,169	900	54,553	2,029	9,827	11,856	120	66,529	96,634
Subcontract and client support	146,816	512,518	232,908	-	-	-	892,242	13,521	-	13,521	-	905,763	939,763
Supplies	140,840	72,942	46,099	22,034	109,427	9,960	401,302	8,407	26,460	34,867	2,470	438,639	662,537
Taxes and fees	800	609	-	-	-	944	2,353	5,905	1,425	7,330	-	9,683	11,277
Telephone	6,441	4,130	16,292	1,458	6,236	126	34,683	912	33,958	34,870	778	70,331	78,287
Travel	781	12,705	9,673	604	9,781	-	33,544	358	399	757	201	34,502	55,072
Total other expenses	<u>929,311</u>	<u>1,403,324</u>	<u>807,029</u>	<u>118,519</u>	<u>446,950</u>	<u>337,862</u>	<u>4,042,995</u>	<u>332,134</u>	<u>(1,137,624)</u>	<u>(805,490)</u>	<u>349,232</u>	<u>3,586,737</u>	<u>3,653,917</u>
Grand Total	<u>\$ 2,137,869</u>	<u>\$ 2,586,149</u>	<u>\$ 2,179,759</u>	<u>\$ 456,336</u>	<u>\$ 1,433,585</u>	<u>\$ 916,340</u>	<u>\$ 9,710,038</u>	<u>\$ 616,944</u>	<u>\$ (135,119)</u>	<u>\$ 481,825</u>	<u>\$ 592,420</u>	<u>\$ 10,784,283</u>	<u>\$ 10,062,416</u>

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

Note 1 - Organization

Koreatown Youth and Community Center, Inc. (KYCC or "Organization") 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 and substance use disorder services for children and their families, community economic development services including income tax preparation, small business assistance, financial literacy and affordable housing services and environmental services including conservation programs, graffiti removal and tree planting.

KYCC provides affordable housing for low income individuals and families through low income housing partnerships (Korean Youth Center, Ltd., Reno Apartments, L.P., Menlo Family Housing, L.P., and PHD Apartments, L.P.).

In March 2019, KYCC opened Vintage Soul, a curated secondhand and vintage boutique in the heart of Los Angeles's Koreatown. In 2020, KYCC ceased the operation.

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 allowance for doubtful accounts. Actual results could differ from those estimates.

Revenue Recognition

Grants and other contributions received are recorded as net assets without donor restriction and net assets with donor restriction, depending on the nature of the restrictions.

Contributions include cash, in-kind contributions, and unconditional transfers of or unconditional promises to give cash or other assets. Contributions, whether restricted or unrestricted by the donor, are recognized as revenue when they are received. Unconditional promises to give are recorded at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or when the conditions expire, whichever occurs first.

All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, KYCC has implemented the policy to show contributions whose restrictions are met in the same reporting period as unrestricted contributions.

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Contributed Services

KYCC has several individuals who volunteer their time to assist with a variety of tasks throughout the year. However, general services do not meet the criteria for recognition as contributed service. The volunteer service for Internal Revenue Service (IRS) Volunteer Income Tax Assistance and Low Income Tax Payer Clinics requires specialized skills and meets the criteria. \$58,714 and \$1,499 contributed services have been recorded as revenue as well as expense for the year ended June 30, 2020.

Accounts Receivable and Allowance for Doubtful Accounts

KYCC provides various services on behalf of governments, other not-for-profit organizations and for-profit entities, and receives program service fees. KYCC considers amounts receivable from grantors including governments and other not-for-profit organizations to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

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.

Property and Equipment

Property and equipment are stated at cost. The building is depreciated on a straight-line basis over its estimated useful life of 30 years. Improvements are depreciated over the remaining useful life of the building. Furniture and equipment are depreciated on a straight-line basis over 3 to 5 years. Automobiles are depreciated on a straight-line basis over 4 to 5 years. Capital expenditures that enhance the value or materially extend the useful life of the related assets are reflected as additions to property and equipment. Expenditures for maintenance and repairs that do not increase the estimated useful life of an asset are expensed as incurred.

Income Taxes

KYCC is exempt from Federal and State income taxes under section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. KYCC is classified by the Internal Revenue Service as other than a private foundation.

KYCC has adopted Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. At June 30, 2020 and for the year ended, KYCC had no material unrecognized tax benefits, tax penalties or interest.

KYCC's Federal form 990, Return of Organization Exempt from Income Taxes, for the years ended June 30, 2017 through 2019 are subject to examination by the IRS, generally for three years after they were filed. The California forms 199, California Exempt Organization Annual Information Return, for the year ended June 30, 2016 through 2019 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

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

Accrued Vacation

Accumulated unpaid employee vacation benefits are recognized as liabilities of KYCC.

Allocation of Functional 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.

Fair Value of Financial Instruments

The Financial Accounting Standards Board (FASB) issued ASC 820, which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America and expands disclosures about fair value measurements. The guidance clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exist, therefore requiring an entity to develop its own assumptions.

KYCC's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are carried at cost, which approximates their fair value because of the short-term maturity of these instruments.

Cost Allocation Plan

KYCC allocates its costs based on the relative benefits received by the programs or activities. Accordingly, KYCC applies several methods for allocating costs:

Direct Costs - Expenses that are charged directly to specific programs, projects, or cost centers based upon benefit received. These expenses may be allocated directly to either Program Services or Supporting Services.

Shared Direct Cost - Costs associated with programs or projects with more than single funding sources are shared between the programs and projects.

- Personnel and Personnel Related Cost - Costs incurred for personnel and personnel related expenses shall be charged based upon the allocation of staff time as reported on timesheets. Office supplies, telephone, equipment rental and lease, and equipment repair and maintenance are also allocated based upon staff time spent on each project or FTE (full time equivalent) method.
- Occupancy and Space Cost - Costs are allocated based upon staff time spent on each project or FTE (full time equivalent) method. The FTE for each program and will need to be determined and the percentage of the total FTE of the cost center calculated.

Indirect Costs - Costs which have broad benefits to all aspects of an organization, but by its nature cannot be readily or reasonable allocated shall be charge as an indirect cost according to an approved

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

indirect cost allocation plan. KYCC has an indirect cost rate approved by its cognizant federal agency and applies this rate across all projects and activities, except as restricted by funder.

Recent Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The guidance in ASU 2016-02 (as subsequently amended by ASU 2018-01, ASU 2018-10, ASU 2018-11, ASU 2018-20 and ASU 2019-01) requires that a lessee recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. As with previous guidance, there continues to be a differentiation between finance leases and operating leases, however this distinction now primarily relates to differences in the manner of expense recognition over time and in the classification of lease payments in the statement of cash flows. Lease assets and liabilities arising from both finance and operating leases will be recognized in the statement of financial position. The transitional guidance for adopting the requirements of ASU 2016-02 calls for a modified retrospective approach that includes a number of optional practical expedients that entities may elect to apply. In addition, ASU 2018-11 provides for an additional (and optional) transition method by which entities may elect to initially apply the transition requirements in Topic 842 at that Topic's effective date with the effects of initially applying Topic 842 recognized as a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption and without retrospective application to any comparative prior periods presented. The standard is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting periods, for public business entities, certain not-for-profit entities, and certain employee benefit plans. For all other entities, the standard is effective for annual periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Under the amendment of AUS 2020-05, due to Coronavirus Disease 2019 (COVID-19) pandemic affect, the effective date of leases for all other entities is deferred to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. KYCC is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

Reclassification of Prior Year Financial Statements

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. This has resulted in no change to the statement of financial position and changes in net asset of KYCC.

Note 3 - Property and Equipment

Property and equipment consist of the following as of June 30, 2020 and 2019:

	2020	2019
Automobile	\$ 373,598	\$ 343,828
Office equipment	68,096	56,429
Furniture and fixture	2,400	2,400
Building	<u>2,519,935</u>	<u>2,449,769</u>
	2,964,029	2,852,426
Less: accumulated depreciation	<u>(1,483,153)</u>	<u>(1,363,995)</u>
Property and equipment, net	<u>\$ 1,480,876</u>	<u>\$ 1,488,431</u>

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Total depreciation expense amounted to \$119,159 and \$102,407 for the years ended June 30, 2020 and 2019, respectively.

Crenshaw Building

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

Note 4 - Investments in Limited Partnerships

In 1992, KYCC assumed a \$200,000 note payable to the City of Los Angeles Community Development Department for the Wilton Building from Korean Youth Center, Limited Partnership in exchange for 1.0% of interest in the limited partnership. This limited partnership interest is reported as an investment by KYCC. As of December 31, 2019 per the federal partnership income tax return, the net equity of KYCC's investment in the limited partnership was \$326,821, decreased by \$2,530 of investment loss for the year ended December 31, 2019.

In 2011, KYCC acquired 0.005% and 0.05% general partner interests in Menlo Family Housing, L.P. and PHD Apartments, L.P., respectively. Per 2019 federal partnership income tax return, the net income of KYCC's investment in Menlo Family Housing, L.P. was \$1, which increased the accumulated net loss to \$270 as of December 31, 2019. Per 2019 federal partnership income tax return, the net loss of KYCC's investment in PHD Apartments, L.P. was \$51, which increased the accumulated net loss to \$1,850 as of December 31, 2019.

On January 1, 2014, KYCC transferred Reno Apartments building and related acquisition note payable, to Reno Apartments, L.P. in exchange for 0.05% equity interest in the limited partnership. As of December 31, 2019 per the federal partnership income tax return, the net income of KYCC's investment in Reno Apartments, L.P. was \$5, which increased the accumulated net loss to \$339 as of December 31, 2019.

Note 5 - Deferred Revenue

KYCC provides various services on behalf of governments and other not-for-profit organizations, and receives program service fees. Program service fees are recognized in the period in which the services are rendered. Revenues should be recorded as deferred revenue to the extent that it has not been earned. Most program service fees are collected after the services are provided and the invoices are billed. Occasionally, grantors distribute the funds for their accounting periods, which does not correspond to KYCC's fiscal year. At June 30, 2020, deferred revenue of \$1,009,685 is the amounts received but not earned yet.

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Note 6 - Commitments and Contingencies

Lease

KYCC leases five office locations and certain equipment under non-cancelable operating lease agreements. Future minimum payments under these lease agreements at June 30, 2020 were as follows:

<u>Years ending June 30,</u>	<u>Equipment lease</u>	<u>Building lease</u>	<u>Total</u>
2021	\$ 20,980	\$ 292,964	\$ 313,944
2022	16,005	296,008	312,013
2023	14,595	84,000	98,595
2024	11,905	-	11,905
2025 and thereafter	2,820	-	2,820
Total	<u>\$ 66,305</u>	<u>\$ 672,972</u>	<u>\$ 739,277</u>

Equipment rental and occupancy expenses totaling \$564,913 and \$607,627, respectively, for the years ended June 30, 2020 and 2019 included facility supplies and services, and facility maintenance charges.

Note 7 - Net Assets

KYCC's net assets consist of net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restriction

The part of the net assets resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations. There were net assets with donor restrictions of \$196,875 and \$244,792 as of June 30, 2020 and 2019, respectively.

Net assets without donor restrictions

Net assets without donor restrictions include unrestricted, undesignated, board designated and amount available for the support of KYCC's operation that are not donor restricted.

Note 8 - Retirement Plan

KYCC has a 401(k) plan covering substantially all employees meeting minimum eligibility requirements and contributes a discretionary percentage of salaries to the plan for the employees. For the years ended June 30, 2020 and 2019, KYCC matched 50% of the employees' contribution, up to 4% of their salaries. Total matching contribution amounted to \$132,203 and \$109,190, respectively for the years ended June 30, 2020 and 2019.

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Note 9 - Concentration of Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash and cash equivalent and accounts receivable. KYCC maintains its cash accounts with high quality insured depository financial institutions. As of June 30, 2020, KYCC's cash balance, including short-term investment, exceeding the maximum insured amount totaled \$1,616,541.

Note 10 – Paycheck Protection Program

On April 16, 2020, KYCC entered into a promissory note with Hanmi bank that provides for a loan in the amount of \$1,276,759 (the "PPP Loan") pursuant to the Paycheck Protection Program ("PPP"), established under the CARES Act. The PPP Loan is subject to forgiveness under the PPP upon KYCC's request to the extent that the proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent, and covered utility payments. Amounts outstanding under the loan bear a fixed interest rate of 1.0% per annum with a maturity date of April 16, 2022, two years from the commencement date.

On June 5, 2020, the Paycheck Protection Program Flexibility Act (the "new Act") was signed into law and made significant changes to the PPP to provide additional relief for borrowers under the PPP. The new Act increased flexibility for businesses that were unable to operate as normal due to COVID-19 related restrictions. The new Act extended the period that businesses have to use PPP funds to qualify for loan forgiveness to 24 weeks, up from 8 weeks under the original rules, relaxed the requirements that loan recipients must adhere to in order to qualify for loan forgiveness, and extended the payment deferral period to the earlier of the date when the amount of loan forgiveness is determined by the SBA and lender or 10 months after the 24 week covered period ends. Initially, all payments were to be deferred for six months. Under the new Act, payments are deferred until the SBA remits any loan forgiveness amount to the lender, Hanmi bank in the case of KYCC. Interest accrues over the entire period of the PPP Loan for the portion of the PPP that is not ultimately forgiven.

As of June 30, 2020, KYCC has not submitted an application for forgiveness of the entire amount due on the loan. Notwithstanding KYCC's application for loan forgiveness, KYCC is unable to predict the actual amount of loan forgiveness the SBA will approve. As of June 30, 2020, KYCC has met certain criteria under the CARES Act and intends to apply for loan forgiveness at the end of the applicable determination period. As such, \$500,879 from PPP loan are recognized as government grant in the statement of activities for the year ended June 30, 2020. As of June 30, 2020, KYCC recorded the remaining balance of \$775,880 as PPP Loan payable. KYCC is in compliance with all requirements with respect to the PPP Loan. However, indebtedness under the CARES Act, which may be subject to audit, may not be forgivable and may eventually have to be repaid. Any repayment of such indebtedness may limit the funds available to KYCC and may restrict KYCC's flexibility in operating business or otherwise adversely affect KYCC's net assets and liabilities.

Note 11 - Subsequent Events

KYCC has evaluated all subsequent events to the balance sheet date of June 30, 2020 through the date that the financial statements were available to be issued, which was January 28, 2021 and has determined that there are no subsequent events that require disclosure under FASB ASC Topic 855, *Subsequent Events*.