

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

FINANCIAL STATEMENTS

June 30, 2021 and 2020

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.
FINANCIAL STATEMENTS
June 30, 2021 and 2020

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KOREATOWN YOUTH AND COMMUNITY CENTER, INC.
FINANCIAL STATEMENTS
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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, 2021 and 2020, 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.

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, 2021 and 2020, 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

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 March 28, 2022 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, 2020 financial statements, and our report dated January 28, 2021, 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CKP, LLP

March 28, 2022

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 850,061	\$ 2,081,956
Accounts receivable, net	3,289,725	2,667,510
Grants receivable	25,000	85,000
Prepaid expenses	82,226	73,773
Inventories	-	4,857
Other receivables	22,743	5,740
	<hr/>	<hr/>
Total current assets	4,269,755	4,918,836
Property and equipment, net	1,368,548	1,480,876
Other assets:		
Investments in limited partnerships	321,053	324,362
	<hr/>	<hr/>
Total assets	<u>\$ 5,959,356</u>	<u>\$ 6,724,074</u>

<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 576,577	\$ 588,632
Accrued expenses	521,344	384,377
Deferred revenue	440,735	1,009,685
PPP loan	-	736,323
Other payable	776	734
	<hr/>	<hr/>
Total current liabilities	1,539,432	2,719,751
Total liabilities	1,539,432	2,719,751
Commitment and contingencies	-	-
Net assets:		
Without donor restrictions	4,113,674	3,807,448
With donor restrictions	306,250	196,875
	<hr/>	<hr/>
Total net assets	4,419,924	4,004,323
Total liabilities and net assets	<u>\$ 5,959,356</u>	<u>\$ 6,724,074</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, 2021 and Summarized Total for 2020

	2021		Total	2020 Summarized Total
	Without Donor Restrictions	With Donor Restrictions		
Revenue and support				
Government grants and contributions	\$ 7,726,565	\$ -	\$ 7,726,565	\$ 6,323,188
Program service revenue	1,207,521	-	1,207,521	1,328,405
Foundation grants	2,634,274	450,000	3,084,274	2,128,338
Contributions and donations	705,338	-	705,338	183,598
Fundraising	753,011	-	753,011	643,620
Investment income	31,293	-	31,293	4,774
Development fees and others	9,310	-	9,310	82,392
Other income	75,264	-	75,264	267,361
Net assets released from restrictions	340,625	(340,625)	-	-
Total revenue and support	<u>13,483,201</u>	<u>109,375</u>	<u>13,592,576</u>	<u>10,961,676</u>
Functional expenses				
Program expenses	11,993,967	-	11,993,967	9,710,038
Support services				
General and administrative	387,945	-	387,945	481,825
Fundraising	795,063	-	795,063	592,420
Total functional expenses	<u>13,176,975</u>	<u>-</u>	<u>13,176,975</u>	<u>10,784,283</u>
Change in net assets	306,226	109,375	415,601	177,393
Net assets, beginning of year	<u>3,807,448</u>	<u>196,875</u>	<u>4,004,323</u>	<u>3,826,930</u>
Net assets, end of year	<u>\$ 4,113,674</u>	<u>\$ 306,250</u>	<u>\$ 4,419,924</u>	<u>\$ 4,004,323</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			2019 Summarized Total
	Without Donor Restrictions	With Donor Restrictions	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	<u>11,009,593</u>	<u>(47,917)</u>	<u>10,961,676</u>	<u>10,430,018</u>
Functional expenses				
Program expenses	9,710,038	-	9,710,038	9,197,504
Support services				
General and administrative	481,825	-	481,825	284,254
Fundraising	592,420	-	592,420	580,658
Total functional expenses	<u>10,784,283</u>	<u>-</u>	<u>10,784,283</u>	<u>10,062,416</u>
Change in net assets	225,310	(47,917)	177,393	367,602
Net assets, beginning of year	<u>3,582,138</u>	<u>244,792</u>	<u>3,826,930</u>	<u>3,459,328</u>
Net assets, end of year	<u>\$ 3,807,448</u>	<u>\$ 196,875</u>	<u>\$ 4,004,323</u>	<u>\$ 3,826,930</u>

See accompanying notes to financial statements

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 415,601	\$ 177,393
Adjustments to reconcile net assets to net cash provided by (used in) operating activities:		
Depreciation	157,598	119,159
Bad debt	95,556	-
Loss from investments in limited partnerships	3,309	2,575
Gain on forgiveness of PPP loan	(736,323)	-
(Increase) Decrease in:		
Accounts receivable	(715,688)	56,336
Grants receivable	60,000	(85,000)
Inventories	4,857	1,126
Prepaid expenses	(8,453)	(8,831)
Other receivables	(19,086)	(1,735)
Increase (Decrease) in:		
Accounts payable	(12,055)	154,324
Accrued expenses	136,967	76,123
Deferred revenue	(568,950)	646,789
Other payable	42	(2,118)
Total adjustments	<u>(1,602,226)</u>	<u>958,748</u>
Net cash provided by (used in) operating activities	(1,186,625)	1,136,141
Cash flows from investing activities:		
Acquisition of property and equipment	<u>(45,270)</u>	<u>(111,604)</u>
Net cash used in investing activities	(45,270)	(111,604)

(continued)

See accompanying notes to financial statements

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from financing activities:		
Payments on line of credit	-	(300,156)
Net proceeds from PPP loan	-	<u>736,323</u>
Net cash provided by financing activities	<u>-</u>	<u>436,167</u>
Net increase (decrease) in cash	(1,231,895)	1,460,704
Cash and cash equivalents, beginning of year	<u>2,081,956</u>	<u>621,252</u>
Cash and cash equivalents, end of year	<u>\$ 850,061</u>	<u>\$ 2,081,956</u>
Supplemental disclosures:		
Cash paid during the year for:		
Interest	<u>\$ -</u>	<u>\$ 18,549</u>

Supplemental disclosure of non-cash financing activity:

The Organization's PPP loan was forgiven by the SBA in the amount of \$736,323.

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	PROGRAM SERVICES										SUPPORTING SERVICES			2020 Summarized Total
	Environmental Services	Economic Development	Clinical Services	Youth Services	Prevention Education	Kid's Town	Supporting Housing	Other Program	Total Program Services	Total		2021 Total		
										General and Administrative	Fundraising			
Personnel expenses														
Salaries and wages	\$ 987,311	\$ 934,289	\$ 1,165,316	\$ 387,753	\$ 1,139,256	\$ 414,783	\$ 16,562	\$ 47,261	\$ 5,092,531	\$ 1,108,620	\$ 255,979	\$ 6,457,130	\$ 5,679,071	
Payroll taxes and benefits	375,145	255,012	309,496	68,778	286,586	141,369	1,867	12,098	1,450,351	239,486	80,244	1,770,081	1,510,115	
Total Personnel expenses	1,362,456	1,189,301	1,474,812	456,531	1,425,842	556,152	18,429	59,359	6,542,882	1,348,106	336,223	8,227,211	7,189,186	
Other expenses														
Automobile	123,073	2,120	2,463	123	2,874	-	-	-	130,653	426	833	131,912	132,918	
Bad debt	179,853	-	-	-	-	-	-	-	179,853	2,083	-	181,936	-	
Bank service fees	-	82	25	-	-	-	-	-	107	1,322	2,138	3,567	3,016	
Depreciation	-	-	-	-	-	57,966	-	-	57,966	99,632	-	157,598	119,159	
Donated supplies & materials	-	7,215	-	-	-	-	-	-	7,215	259,030	-	266,245	109,210	
Dues and subscriptions	120	300	1,715	-	-	-	-	-	2,135	5,970	-	8,105	10,770	
Employee morale	-	-	-	-	-	-	-	-	-	26,938	-	26,938	22,969	
Equipment rental	22,523	5,598	4,632	2,668	4,310	3,951	121	99	43,902	5,318	1,190	50,410	38,265	
In-kind services	-	92,187	-	-	-	-	-	-	92,187	-	-	92,187	60,213	
Indirect cost	310,966	385,307	263,955	88,219	238,810	124,132	2,601	23,186	1,437,176	(1,539,934)	102,758	19,358	19,358	
Insurance	-	1,375	9,100	-	-	-	-	-	10,475	46,878	-	57,353	50,187	
Interest	-	-	-	-	-	-	-	-	-	-	-	-	18,549	
Meeting and conference	240	75	-	-	3,457	-	-	-	3,772	7,411	1,515	12,698	13,158	
Marketing and promotion	298	85	-	-	16,094	2,000	-	-	18,477	500	5,167	24,144	16,424	
Miscellaneous	12,643	8,821	-	-	-	45,784	-	-	67,248	31,728	-	98,976	191,689	
Occupancy expenses	131,878	94,709	114,389	27,561	57,050	60,464	1,043	1,221	488,315	66,125	19,481	573,921	526,648	
Payroll services	6,829	-	-	-	-	-	-	-	6,829	34,595	-	41,424	33,007	
Printing and publication	1,254	3,126	-	-	268	-	-	-	4,648	38	2,847	7,533	26,471	
Program expenses	126,546	558,799	87,367	33,761	249,988	3,175	3	12,155	1,071,794	-	49,990	1,121,784	486,502	
Professional services	8,066	205,629	68,471	10,237	127,207	6,941	862	-	427,413	166,100	11,076	604,589	530,279	
Staff training	1,560	5,393	24,138	2,630	8,033	-	-	-	41,754	13,614	462	55,830	66,529	
Subcontract and client support	427,503	490,359	200,509	-	300	18,533	-	129,325	1,266,529	2,750	-	1,269,279	938,374	
Supplies	1,939	4,202	11,785	1,740	10,513	1,915	1,066	-	33,160	19,450	790	53,400	89,962	
Taxes and fees	700	26	-	-	4,203	107	-	-	4,929	5,684	-	10,613	9,683	
Telephone	8,469	8,829	19,844	3,323	13,324	107	240	112	54,248	43,211	1,563	99,022	70,331	
Travel	-	-	-	-	300	-	-	-	300	-	-	300	11,426	
Total other expenses	1,364,460	1,874,237	808,393	170,262	732,528	329,171	5,936	166,098	5,451,085	(960,161)	458,840	4,949,764	3,595,097	
Grand Total	\$ 2,726,916	\$ 3,063,538	\$ 2,283,205	\$ 626,793	\$ 2,158,370	\$ 885,323	\$ 24,365	\$ 225,457	\$ 11,993,967	\$ 387,945	\$ 795,063	\$ 13,176,975	\$ 10,784,283	

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

	PROGRAM SERVICES							SUPPORTING SERVICES			2019 Summarized Total
	Environmental Services	Economic Development	Clinical Services	Youth Services	Prevention Education	Kid's Town	Total Program Services	Total General and Administrative	Fundraising	2020 Total	
Personnel expenses											
Salaries and wages	\$ 888,312	\$ 934,481	\$ 1,104,794	\$ 289,602	\$ 781,033	\$ 443,562	\$ 4,441,784	\$ 1,047,483	\$ 189,804	\$ 5,679,071	\$ 4,976,667
Payroll taxes and benefits	320,246	248,344	267,936	48,215	202,602	134,916	1,222,259	234,472	53,384	1,510,115	1,431,832
Total personnel expenses	1,208,558	1,182,825	1,372,730	337,817	983,635	578,478	5,664,043	1,281,955	243,188	7,189,186	6,408,499
Other expenses											
Automobile	110,560	2,911	9,673	668	8,148	-	131,960	757	201	132,918	118,323
Bank service fees	-	745	-	12	-	24	781	463	1,772	3,016	4,008
Depreciation	-	-	-	-	-	50,386	50,386	68,773	-	119,159	102,407
Donated supplies & materials	-	4,760	-	-	-	-	4,760	-	104,450	109,210	-
Dues and subscriptions	1,000	2,875	1,906	-	-	-	5,781	-	60	10,770	9,823
Employee morale	-	-	-	-	-	-	-	4,929	-	22,969	23,718
Equipment rental	9,373	6,433	4,338	1,780	3,574	4,937	30,435	6,481	1,349	38,265	64,286
In-kind services	-	60,213	-	-	-	60,213	60,213	-	-	60,213	126,617
Indirect cost	277,847	353,646	276,397	64,204	186,852	126,568	1,285,514	(1,334,756)	68,600	19,358	1,865
Insurance	-	1,775	7,205	-	-	-	8,980	41,207	-	50,187	46,460
Interest	-	-	-	-	-	-	-	18,549	-	18,549	7,181
Meeting and conference	1,936	1,099	33	-	-	-	3,068	6,881	3,209	13,158	23,191
Marketing and promotion	-	2,046	-	-	11,316	-	13,362	36	3,026	16,424	21,273
Miscellaneous	-	88,804	-	-	-	57,501	146,305	45,367	17	191,689	42,019
Occupancy	109,765	94,143	111,271	22,813	50,361	57,524	445,877	63,849	16,922	526,648	543,341
Payroll services	6,706	-	-	-	-	-	6,706	26,301	-	33,007	20,064
Printing and publication	345	20,097	1,023	-	115	-	21,580	3,103	1,788	26,471	19,651
Program events	134,885	53,700	25,839	21,291	105,247	7,712	348,674	184	137,644	486,502	171,308
Professional services	115,025	160,751	67,665	5,175	52,969	4,740	406,325	117,128	6,826	530,279	464,812
Staff training	1,857	3,033	32,219	375	16,169	900	54,553	11,856	120	66,529	96,634
Subcontract and client support	146,816	512,518	232,908	-	3,000	24,251	919,493	18,881	-	938,374	939,763
Supplies	5,956	19,242	20,260	743	4,330	2,249	52,780	34,712	2,470	89,962	662,537
Taxes and fees	800	609	-	-	-	944	2,353	7,330	-	9,683	11,277
Telephone	6,441	4,130	16,292	1,458	6,236	126	34,683	34,870	778	70,331	78,287
Travel	-	9,794	-	-	1,632	-	11,426	-	-	11,426	55,072
Total other expenses	929,312	1,403,324	807,029	118,519	449,949	337,862	4,045,995	(800,130)	349,232	3,595,097	3,653,917
Grand Total	\$ 2,137,870	\$ 2,586,149	\$ 2,179,759	\$ 456,336	\$ 1,433,584	\$ 916,340	\$ 9,710,038	\$ 481,825	\$ 592,420	\$ 10,784,283	\$ 10,062,416

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 for children and families include early childhood education, after school programs for K-12, youth development programs, substance abuse prevention, mental health, and substance use recovery services, financial literacy and counseling, free tax preparation, and long-term supportive housing services. KYCC's community-wide services include small business assistance, resident-led substance use and community violence reduction, financial education, graffiti removal, urban forestry, community beautification, volunteer engagement, and intergenerational storytelling. 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.).

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. 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 with donor-imposed restrictions in the same manner as unrestricted contributions when those restrictions are met in the same reporting period as unrestricted contributions.

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

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Clinics requires specialized skills and meets the criteria. \$92,187 and \$60,213 of contributed services have been recorded as revenue as well as expense for the years ended June 30, 2021 and 2020, respectively.

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 had net accounts receivable of \$3,289,725 which includes an allowance for doubtful accounts in the amount of \$95,556 as of June 30, 2021. There was no allowance for doubtful accounts balances as of June 30, 2020.

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 less accumulated depreciation. The straight-line method is used to calculate depreciation over their estimated useful lives ranging as follows:

Building	30 years
Building improvements	10 to 30 years
Furniture and equipment	5 to 10 years
Automobiles	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. On June 30, 2021 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, 2018 through 2020 are subject to examination by the IRS, generally for three years after they were filed. The California form 199, California Exempt Organization Annual Information Return, for the years ended June 30, 2017 through 2020 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

Accrued Vacation

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

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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 assumptions.

KYCC's financial instruments, including cash and cash equivalents, accounts receivable, grant receivable, other receivables, accounts payable, accrued liabilities and other payable 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 a single funding source 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 that have broad benefits to all aspects of an organization, but by its nature cannot be readily or reasonably allocated shall be charged as an indirect cost according to an approved 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 the funder.

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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 recognizes 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 period, 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. The Organization 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's financial statements have been reclassified for comparative purposes to conform to the presentation in the current year's 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, 2021 and 2020:

	2021	2020
Automobile	\$ 373,598	\$ 373,598
Office equipment	68,096	68,096
Furniture and fixture	2,400	2,400
Building	2,565,205	2,519,935
	3,009,299	2,964,029
Less: accumulated depreciation	(1,640,751)	(1,483,153)
Property and equipment, net	\$ 1,368,548	\$ 1,480,876

Total depreciation expense amounted to \$157,598 and \$119,159 for the years ended June 30, 2021 and 2020, respectively.

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.
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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

KYCC's affordable housing buildings are held in limited partnerships. This structure is typical for affordable housing ownership and allows for the sale of equity interests for tax credits subscriptions. The sale of government-sponsored tax credits generates capital that is used to purchase and support the operations of affordable housing. A summary of KYCC's housing properties follows.

In 1992, KYCC assumed a \$200,000 note payable to the City of Los Angeles Community Development Department for a 1.0% interest in the Korean Youth Center, Limited Partnership. KYC, Ltd is a 19-unit building located on Wilton Place. The loan was paid off in September 2013. This limited partnership interest is reported as an investment by KYCC. As of December 31, 2020 per the federal partnership income tax return, the net equity of KYCC's investment in the limited partnership was \$323,756, decreased by \$3,065 of investment loss for the year ended December 31, 2020.

In 2011, KYCC acquired 0.005% and 0.05% general partner interests in Menlo Family Housing, L.P. and PHD Apartments, L.P., respectively. Menlo Family Housing, L.P. is a new-construction building with 60 units of affordable housing. PHD, L.P. consists of five existing apartment buildings in Koreatown having 83 subsidized units. Per 2020 federal partnership income tax return, the net loss of KYCC's investment in Menlo Family Housing, L.P. was \$43, which decreased the accumulated net loss to \$313. The net loss of KYCC's investment in PHD Apartments, L.P. was \$172, which decreased the accumulated net loss to \$2,022 as of December 31, 2020.

On January 1, 2014, KYCC transferred the Reno Apartments building and related acquisition note payable, to Reno Apartments, L.P. in exchange for 0.05% equity interest in the limited partnership. Reno Apartments, L.P. holds an existing affordable housing building containing 47 studio apartments. As of December 31, 2020, per the federal partnership income tax return, the net loss of KYCC's investment in Reno Apartments, L.P. was \$29, which decreased the accumulated net loss to \$368 as of December 31, 2020.

Note 5 - Availability and Liquidity

The Organization has \$3,858,536 in financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$850,061, grants receivable of \$25,000, and net accounts receivable of \$3,289,725. The net assets of \$306,250 is subject to donor restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures and related liabilities become due.

Note 6 - 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 are 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,

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grantors distribute the funds for their accounting periods, which does not correspond to KYCC's fiscal year. On June 30, 2021, deferred revenue of \$440,735 is the amount received but not earned yet.

Note 7 - 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 on June 30, 2021 were as follows:

<u>Years ending June 30,</u>	<u>Equipment lease</u>	<u>Building lease</u>	<u>Total</u>
2022	\$ 22,991	\$ 296,008	\$ 318,999
2023	21,581	84,000	105,581
2024	18,891	-	18,891
2025	9,806	-	9,806
2026 and thereafter	3,781	-	3,781
Total	<u>\$ 77,050</u>	<u>\$ 380,008</u>	<u>\$ 457,058</u>

Equipment rental and occupancy expenses totaling \$624,331 and \$564,913, respectively, for the years ended June 30, 2021 and 2020 included facility rent and related supplies and services, parking and facility maintenance charges.

Note 8 - 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 the 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 \$306,250 and \$196,875 as of June 30, 2021 and 2020, respectively.

Net assets without donor restrictions

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

Note 9 - 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, 2021 and 2020, KYCC matched 50% of the employees' contribution, up to 4% of their salaries. Total matching contributions amounted to \$166,309 and \$132,203, respectively for the years ended June 30, 2021 and 2020.

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Note 10 - 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, 2021, KYCC's cash balance, including short-term investment, exceeding the maximum insured amount totaled \$631,118.

Note 11 - 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.

On September 21, 2021, KYCC received notification that its application for forgiveness of the entire amount due on the Paycheck Protection Program loan was granted by the Small Business Administration. As of June 30, 2021, KYCC had met certain criteria under the CARES Act. As such, \$736,323 and \$500,879 from the PPP loan were recognized as government grants in the statement of activities for the year ended June 30, 2021 and 2020, respectively. As of June 30, 2021, KYCC was in compliance with all requirements with respect to the PPP loan.

Note 12 - Line of Credit

KYCC has lines of credit with Comerica Bank and China Trust Banking Corporation. The line of credit with Comerica Bank is an unsecured line of credit with a borrowing limit of \$200,000. The line of credit with China Trust Banking Corporation is secured by the property at 1140 Crenshaw Boulevard, described in Note 3 and has a borrowing limit of \$650,000. As of June 30, 2021 and 2020, the outstanding balances of the lines of credit were zero for both years.

Note 13 - Subsequent Events

KYCC has evaluated all subsequent events to the balance sheet date of June 30, 2021 through the date that the financial statements were available to be issued, which was date March 28, 2022 and has determined that there are no subsequent events that require disclosure under FASB ASC Topic 855, *Subsequent Events*.