

**KOREATOWN YOUTH AND COMMUNITY CENTER, INC.**

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FINANCIAL STATEMENTS

June 30, 2022

(With summarized information of Koreatown Youth and Community Center, Inc.  
for the year ended June 30, 2021)

**KOREATOWN YOUTH AND COMMUNITY CENTER, INC.**

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(With summarized information of Koreatown Youth and Community Center, Inc.  
for the year ended June 30, 2021)

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**KOREATOWN YOUTH AND COMMUNITY CENTER, INC.**

**FINANCIAL STATEMENTS**

June 30, 2022

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for the year ended June 30, 2021)

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## INDEPENDENT AUDITORS' REPORT

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

### Opinion

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, 2022, the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of KYCC as of June 30, 2022, and the results of its changes in net assets, cash flows and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (GAS)* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the KYCC's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the 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 March 14, 2023 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 the KYCC's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*CKP, LLP*

March 14, 2023

**KOREATOWN YOUTH AND COMMUNITY CENTER, INC.**

## STATEMENTS OF FINANCIAL POSITION

June 30, 2022

(With comparative information of Koreatown Youth and Community Center, Inc.  
as of June 30, 2021)

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	<b><u>ASSETS</u></b>	
	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 1,861,243	\$ 850,061
Accounts receivable, net	3,774,263	3,289,725
Pledges Receivable	7,500	-
Grants receivable	5,652	25,000
Prepaid expenses	91,410	82,226
Other receivables	4,565	22,743
	<hr/>	<hr/>
Total current assets	5,744,633	4,269,755
Property and equipment, net	1,306,445	1,368,548
Other assets:		
Investments in limited partnerships	318,178	321,053
	<hr/>	<hr/>
Total assets	<u>\$ 7,369,256</u>	<u>\$ 5,959,356</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accounts payable	\$ 457,794	\$ 576,577
Accrued expenses	500,394	521,344
Deferred revenue	1,096,513	440,735
Other payable	1,142	776
	<hr/>	<hr/>
Total current liabilities	2,055,843	1,539,432
Total liabilities	2,055,843	1,539,432
Commitment and contingencies	-	-
Net assets:		
Without donor restrictions	5,090,496	4,113,674
With donor restrictions	222,917	306,250
	<hr/>	<hr/>
Total net assets	5,313,413	4,419,924
Total liabilities and net assets	<u>\$ 7,369,256</u>	<u>\$ 5,959,356</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, 2022

(With summarized information of Koreatown Youth and Community Center, Inc.  
for the year ended June 30, 2021)

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and support				
Government grants and contributions	\$ 10,059,605	\$ -	\$ 10,059,605	\$ 7,726,565
Program service revenue	1,764,903	-	1,764,903	1,207,521
Foundation grants	1,736,200	325,000	2,061,200	3,084,274
Contributions and donations	625,157	-	625,157	705,338
Fundraising	514,331	-	514,331	753,011
Investment income (loss)	(15,568)	-	(15,568)	31,293
Development fees and others	8,956	-	8,956	9,310
Other income	640,283	-	640,283	75,264
Net assets released from restrictions	408,333	(408,333)	-	-
Total revenue and support	15,742,200	(83,333)	15,658,867	13,592,576
Functional expenses				
Program expenses	13,642,866	-	13,642,866	11,993,967
Support services				
General and administrative	428,771	-	428,771	387,945
Fundraising	693,741	-	693,741	795,063
Total functional expenses	14,765,378	-	14,765,378	13,176,975
Change in net assets	976,822	(83,333)	893,489	415,601
Net assets, beginning of year	4,113,674	306,250	4,419,924	4,004,323
Net assets, end of year	\$ 5,090,496	\$ 222,917	\$ 5,313,413	\$ 4,419,924

See accompanying notes to financial statements



**KOREATOWN YOUTH AND COMMUNITY CENTER, INC.**

## STATEMENT OF CASH FLOWS

Year Ended June 30, 2022

(With summarized information of Koreatown Youth and Community Center, Inc.  
for the year ended June 30, 2021)

	2022	2021
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 893,489	\$ 415,601
Adjustments to reconcile net assets to net cash provided by (used in) operating activities:		
Depreciation	124,545	157,598
Bad debt	109,521	95,556
Loss on investments in limited partnerships	2,875	3,309
Gain from forgiveness of PPE loan	-	(736,323)
Changes in operating assets and liabilities:		
Accounts receivable	(594,059)	(715,688)
Pledge receivable	(7,500)	60,000
Grant receivable	19,348	-
Prepaid expense	(9,184)	(8,453)
Inventories	-	4,857
Other receivables	18,178	(19,086)
Accounts payable	(118,783)	(12,055)
Accrued expenses	(20,950)	136,967
Deferred revenue	655,778	(568,950)
Other payable	366	42
Total adjustments	180,134	(1,602,226)
Net cash provided by (used in) operating activities	1,073,624	(1,186,625)
<b>Net cash flows from Investing activities</b>		
Acquisition of property and equipment	(62,442)	(45,270)
Net cash used in investing activities	(62,442)	(45,270)
Net increase (decrease) in cash and cash equivalents	1,011,182	(1,231,895)
Cash and cash equivalents, beginning of year	850,061	2,081,956
Cash and cash equivalents, end of year	\$ 1,861,243	\$ 850,061
<b>Supplemental Disclosure:</b>		
Cash paid during the year for:		
Interest	\$ 225	\$ -

See accompanying notes to financial statements

**KOREATOWN YOUTH AND COMMUNITY CENTER, INC.**  
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022  
(With summarized information of Koreatown Youth and Community Center, Inc.  
for the year ended June 30, 2021)

	PROGRAM SERVICES										SUPPORTING SERVICES		
	Environment Services	Economic Development	Clinical Services	Youth Services	Prevention Education	Kid's Town	Supportive Housing	Other Program	Total Program Services	Total General & Administrative	Fundraising	2022 Total	2021 Total
Personnel Expenses													
Salaries and wages	\$ 1,340,128	\$ 845,290	\$ 1,203,513	\$ 374,974	\$ 1,194,263	\$ 428,087	\$ 331,341	\$ 75,033	\$ 5,792,629	\$ 1,355,863	\$ 241,483	\$ 7,389,975	\$ 6,457,130
Payroll taxes and benefits	398,017	195,217	277,402	69,880	276,650	135,450	61,559	26,576	1,440,751	302,855	60,292	1,803,898	1,770,081
Total Personnel Expenses	1,738,145	1,040,507	1,480,915	444,854	1,470,913	563,537	392,900	101,609	7,233,380	1,658,718	301,775	9,193,873	8,227,211
Non-Personnel Expenses													
Automobile	158,295	1,212	6,275	199	3,759	-	5,278	571	175,589	355	839	176,783	131,912
Bad debit	-	-	-	-	-	-	-	-	-	109,521	-	109,521	181,936
Bank service fees	-	-	58	-	-	36	-	-	94	873	1,239	2,206	3,567
Depreciation	-	-	-	-	-	60,212	-	-	60,212	64,333	-	124,545	157,598
Donated supplies & material	-	-	-	-	-	-	-	-	-	-	206,873	206,873	266,245
Dues and subscriptions	125	-	2,219	-	-	-	-	-	2,344	5,772	-	8,116	8,105
Employee morale	-	351	-	-	-	-	359	-	710	31,467	148	32,325	26,938
Equipment rental	9,326	3,815	4,866	2,352	4,018	4,034	2,252	338	30,991	5,341	1,053	37,385	50,410
In-kind Services	-	92,019	-	-	-	-	-	-	92,019	-	-	92,019	92,187
Indirect Cost	407,330	456,339	318,307	76,158	242,424	129,647	164,822	21,343	1,816,370	(1,894,024)	67,654	73,709	-
Insurance	-	8,347	4,079	-	-	-	-	-	12,426	61,283	-	73,709	57,353
Interest	-	-	-	-	-	-	-	-	-	225	-	225	-
Marketing and promotion	445	-	-	-	41,214	-	-	35	41,694	1,275	5,258	46,227	24,144
Meeting and conferences	-	116	-	-	5,821	-	204	81	6,222	8,572	6,257	21,051	12,698
Miscellaneous	-	-	1,902	-	-	70,569	-	-	72,471	4,570	-	77,041	98,976
Occupancy expenses	140,282	73,221	124,921	27,076	50,979	58,755	22,712	4,060	502,006	45,666	19,050	566,722	573,921
Payroll services	8,510	-	-	-	-	-	-	-	8,510	45,188	-	53,698	41,424
Printing and publications	1,396	372	312	-	1,285	-	-	-	3,365	810	2,984	7,159	7,533
Professional services	22,241	4,434	86,743	5,834	68,970	7,662	3,924	5,221	205,029	126,698	7,998	339,725	604,589
Program expenses	373,809	606,578	12,698	19,562	273,737	1,830	18,044	18,369	1,324,627	1,901	70,003	1,396,531	1,121,784
Staff training	438	379	45,942	825	10,828	-	3,851	-	62,263	13,335	150	75,748	55,830
Subcontracts and client support	-	1,104,345	193,116	-	22,095	22,095	563,832	-	1,883,388	43,939	-	1,927,327	1,269,279
Supplies	7,462	1,395	4,516	468	15,343	1,400	3,327	173	34,084	39,354	315	73,753	53,400
Taxes and fees	12,180	230	-	-	1,229	-	-	-	13,639	650	-	14,289	10,613
Telephone	13,299	6,411	22,243	2,299	13,420	146	3,145	470	61,433	40,138	2,145	103,716	99,022
Travel	-	-	-	-	-	-	-	-	-	2,811	-	2,811	300
Total other expenses	1,155,138	2,359,564	828,197	134,773	731,798	357,605	791,750	50,661	6,409,486	(1,229,947)	391,966	5,571,505	4,949,764
Grand Total	\$ 2,893,283	\$ 3,400,071	\$ 2,309,112	\$ 579,627	\$ 2,202,711	\$ 921,142	\$ 1,184,650	\$ 152,270	\$ 13,642,866	\$ 428,771	\$ 693,741	\$ 14,765,378	\$ 13,176,975

## KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

### NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(With summarized information of Koreatown Youth and Community Center, Inc.  
for the year ended June 30, 2021)

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#### **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 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 supportive long term and transitional housing services. KYCC is accredited by the Commission on Accreditation of Rehabilitation Facilities (CARF) and the National Association for the Education of Young Children (NAYEC).

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.).

#### Consolidation

In June 2021, KYCC formed and is the sole member of KYCC Solaris LLC, a California limited liability corporation ("Solaris"). Solaris is a general partner of 1141 Crenshaw L.P., which is constructing a 43-unit affordable housing building for chronically homeless individuals and families. In April 2022, KYCC also formed and is the sole member of KYCC Oak LLC, a California limited liability corporation ("Oak"). Oak was organized to act as a general partner of Oak Apartments L.P. which owns and is constructing a 64-unit affordable housing building for chronically homeless individuals and families in City of Los Angeles, CA.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-02 to clarify when a not-for-profit entity (NFP) that is a general partner or a limited partner should consolidate a for-profit limited partnership or similar legal entity once the amendments in Accounting Standards Update No. 2015-02, Amendments to the Consolidation Analysis, become effective. ASU 2017-02 applies to an NFP that is a general partner or a limited partner of a for-profit limited partnership or a similar legal entity. A similar legal entity is an entity such as a limited liability company that has governing provisions that are the functional equivalent of a limited partnership. In those entities, a managing member is the functional equivalent of a general partner, and a nonmanaging member is the functional equivalent of a limited partner. Throughout ASU 2017-02, any reference to a limited partnership includes limited partnerships and similar legal entities.

ASU 2017-02 retains the consolidation guidance that was in Subtopic 810-20 for NFPs by moving it to Subtopic 958-810.4 Therefore, NFPs that are general partners would continue to be presumed to have control of a for-profit limited partnership, regardless of the extent of their ownership interest, unless that presumption is overcome. The presumption would be overcome if the limited partners have either substantive kick-out rights or substantive participating rights. To be substantive, the kick-out rights must be exercisable by a simple majority vote of the limited partners' voting interests or a lower threshold. For purposes of evaluating that threshold, the limited partners' voting interests should exclude voting interests

## KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

### NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(With summarized information of Koreatown Youth and Community Center, Inc.  
for the year ended June 30, 2021)

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held by the general partners, parties under common control with the general partners, and other parties acting on behalf of the general partners.

Limited partners of 1141 Crenshaw L.P. and Oak Apartments L.P. have substantive kick-out and participating rights by exercising simple majority vote of limited partners' voting interests. Accordingly, KYCC has concluded not to consolidate Solaris and Oak as subsidiaries on its financial statements.

#### **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.

##### Summarized Comparative Information

The financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with KYCC's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

##### 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.

**KOREATOWN YOUTH AND COMMUNITY CENTER, INC.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(With summarized information of Koreatown Youth and Community Center, Inc.  
for the year ended June 30, 2021)

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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. \$92,019 and \$92,187 of contributed services have been recorded as revenue as well as expense for the years ended June 30, 2022 and 2021, respectively.

Other Income

KYCC was named as a beneficiary of a legal settlement, the terms of which include a provision for a \$1,000,000 contribution to KYCC to be paid in installments over the period from 2022 to 2024. Interest on unpaid balances accrues at the annualized rate of 3%. In fiscal year ending June 30, 2022, KYCC received \$551,890 of principal and interest payments.

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 \$3,774,263 and \$3,289,725 which includes an allowance for doubtful accounts in the amount of \$185,301 and \$95,556 as of June 30, 2022 and 2021 respectively.

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.

## KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

### NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(With summarized information of Koreatown Youth and Community Center, Inc.  
for the year ended June 30, 2021)

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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, 2022 and for the year ended, KYCC had no material unrecognized tax benefits, tax penalties or interest.

KYCC's Federal form 990, Return of KYCC Exempt from Income Taxes, for the years ended June 30, 2019 through 2021 are subject to examination by the IRS, generally for three years after they were filed. The California form 199, California Exempt KYCC Annual Information Return, for the years ended June 30, 2018 through 2021 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.

#### 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 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:

## KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

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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.

#### 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. KYCC is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

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**Note 3 - Property and Equipment**

Property and equipment consist of the following as of June 30, 2022 and 2021:

	2022	2021
Automobile	\$ 417,119	\$ 373,598
Office equipment	68,096	68,096
Furniture and fixture	2,400	2,400
Building	2,584,126	2,565,205
	3,071,741	3,009,299
Less: accumulated depreciation	(1,765,296)	(1,640,751)
Property and equipment, net	<u>\$ 1,306,445</u>	<u>\$ 1,368,548</u>

Total depreciation expense amounted to \$124,545 and \$157,598 for the years ended June 30, 2022 and 2021, respectively.

**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 \$321,068, decreased by \$2,688 of investment loss for the year ended December 31, 2021.

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 increased the accumulated net loss to \$356. The net loss of KYCC's investment in PHD Apartments, L.P. was \$130, which increased the accumulated net loss to \$2,152 as of December 31, 2021.

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, 2021, per the federal partnership income tax return, the net loss of KYCC's investment in Reno Apartments, L.P. was \$14, which increased the accumulated net loss to \$382 as of December 31, 2021.



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### Note 5 - Availability and Liquidity

The KYCC has \$5,425,741 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 \$1,861,243, net accounts receivable of \$3,774,263, pledges receivable of \$7,500, and grants receivable of \$5,652. The net assets of \$222,917 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 KYCC 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, grantors distribute the funds for their accounting periods, which does not correspond to KYCC's fiscal year. On June 30, 2022, deferred revenue of \$1,096,513 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, 2022 were as follows:

<u>Years ending June 30,</u>	<u>Equipment lease</u>	<u>Building lease</u>	<u>Total</u>
2023	\$ 25,601	\$ 314,177	\$ 339,778
2024	22,911	237,724	260,635
2025	13,826	245,271	259,097
2026	7,804	252,818	260,622
2027 and thereafter	1,005	260,365	261,370
Total	<u>\$ 71,147</u>	<u>\$ 1,310,355</u>	<u>\$ 1,381,502</u>

Equipment rental and occupancy expenses totaling \$628,082 and \$624,331, respectively, for the years ended June 30, 2022 and 2021 included facility rent and related supplies and services, parking and facility maintenance charges.

#### Recourse Liability

Solaris assumes 10% of recourse payoff obligation of 1141 Crenshaw L.P.'s construction loan in the amount of \$1,304,756, in the event permanent funding is not secured after the completion of the construction.

### Note 8 - Net Assets

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

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#### Net assets with donor restriction

The part of the net assets resulting (a) from contributions and other inflows of assets whose use by the KYCC is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the KYCC pursuant to those stipulations, (b) from other asset enhancements and diminishment 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 KYCC pursuant to those stipulations. There were net assets with donor restrictions of \$222,917 and \$306,250 as of June 30, 2022 and 2021, 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, 2022 and 2021, KYCC matched 50% of the employees' contribution, up to 4% of their salaries. Total matching contributions amounted to \$173,086 and \$166,309, respectively for the years ended June 30, 2022 and 2021.

#### **Note 10 - Concentration of Credit Risk**

Financial instruments that potentially subject the KYCC 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, 2022, KYCC's cash balance, including short-term investment, exceeding the maximum insured amount totaled \$1,625,014.

#### **Note 11 - Line of Credit**

KYCC has lines of credit with Comerica Bank and China Trust Banking Corporation. The line of credit with China Trust Banking Corporation is an unsecured line of credit with a borrowing limit of \$200,000. The line of credit with Comerica Bank is secured by the property at 1140 Crenshaw Boulevard and has a borrowing limit of \$650,000. As of June 30, 2022 and 2021, the outstanding balances of the lines of credit were zero for both years.

#### **Note 12 - Subsequent Events**

KYCC has evaluated all subsequent events to the balance sheet date of June 30, 2022 through the date that the financial statements were available to be issued, which was date March 14, 2023 and has determined that there are no subsequent events that require disclosure under FASB ASC Topic 855, *Subsequent Events*.