

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

FINANCIAL STATEMENTS

June 30, 2023

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

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

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for the year ended June 30, 2022)

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KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

FINANCIAL STATEMENTS

June 30, 2023

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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

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, 2023, 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, 2023, 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 8, 2024 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 14, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CKP, LLP

March 8, 2024

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

STATEMENT OF FINANCIAL POSITION

Year Ended June 30, 2023

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

	<u>ASSETS</u>	
	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 1,535,124	\$ 1,861,243
Accounts receivable, net	5,295,562	3,774,263
Pledges Receivable	-	7,500
Grants receivable	4,361	5,652
Other receivables	2,649	4,565
Prepaid expenses	126,321	91,410
Total current assets	<u>6,964,017</u>	<u>5,744,633</u>
Property and equipment, net	1,374,824	1,306,445
Other assets:		
Operating right-of-use assets	1,624,717	-
Finance right-of-use assets	94,423	-
Investments in limited partnerships & LLCs	315,062	318,178
Deposits	12,292	-
Total assets	<u>\$ 10,385,335</u>	<u>\$ 7,369,256</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current liabilities:		
Accounts payable	\$ 684,611	\$ 457,794
Accrued expenses	593,625	500,394
Deferred revenue	1,093,885	1,096,513
Other payable	916	1,142
Operating lease liabilities, current	462,977	-
Finance lease liabilities, current	33,417	-
Total current liabilities	<u>2,869,431</u>	<u>2,055,843</u>
Commitment and contingencies	-	-
Long-term debts:		
Operating lease liabilities	1,161,740	-
Finance lease liabilities	61,006	-
Total liabilities	<u>4,092,177</u>	<u>2,055,843</u>
Net assets:		
Without donor restrictions	6,242,741	5,090,496
With donor restrictions	50,417	222,917
Total net assets	<u>6,293,158</u>	<u>5,313,413</u>
Total liabilities and net assets	<u>\$ 10,385,335</u>	<u>\$ 7,369,256</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, 2023

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

	2023		2022	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and support				
Government grants and contributions	\$ 11,649,663	\$ -	\$ 11,649,663	\$ 10,059,605
Program service revenue	1,911,385	-	1,911,385	1,764,903
Foundation grants	1,601,392	260,000	1,861,392	2,061,200
Contributions and donations	583,052	-	583,052	625,157
Fundraising	1,074,071	-	1,074,071	514,331
Investment income (loss)	20,921	-	20,921	(15,568)
Development fees and others	71,724	-	71,724	8,956
Other income	314,389	-	314,389	640,283
Net assets released from restrictions	432,500	(432,500)	-	-
Total revenue and support	17,659,097	(172,500)	17,486,597	15,658,867
Functional expenses				
Program expenses	15,559,478	-	15,559,478	13,642,866
Support services				
General and administrative	27,599	-	27,599	428,771
Fundraising	951,780	-	951,780	693,741
Total functional expenses	16,538,857	-	16,538,857	14,765,378
Change in net assets	1,120,240	(172,500)	947,740	893,489
Adjustment to prior year	32,005	-	32,005	-
Net assets, beginning of years	5,090,496	222,917	5,313,413	4,419,924
Net assets, end of years	\$ 6,242,741	\$ 50,417	\$ 6,293,158	\$ 5,313,413

See accompanying notes to financial statements

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2023

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

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 947,740	\$ 893,489
Adjustments to reconcile net assets to net cash provided by (used in) operating activities:		
Depreciation	135,352	124,545
Bad debt	17,422	109,521
Loss on investments in limited partnerships	3,116	2,875
Adjustment to prior year net assets	32,005	-
Changes in operating assets and liabilities:		
Accounts receivable	(1,538,721)	(594,059)
Pledge receivable	7,500	(7,500)
Grant receivable	1,291	19,348
Other receivables	1,916	18,178
Prepaid expense	(34,911)	(9,184)
Deposits	(12,292)	-
Accounts payable	226,817	(118,783)
Accrued expenses	93,231	(20,950)
Deferred revenue	(2,628)	655,778
Other payable	(226)	366
Total adjustments	(1,070,128)	180,134
Net cash provided by (used in) operating activities	(122,388)	1,073,624
Net cash flows from Investing activities		
Acquisition of property and equipment	(203,731)	(62,442)
Net cash used in investing activities	(203,731)	(62,442)
Net increase (decrease) in cash and cash equivalents	(326,119)	1,011,182
Cash and cash equivalents, beginning of years	1,861,243	850,061
Cash and cash equivalents, end of years	\$ 1,535,124	\$ 1,861,243
Supplemental Disclosure:		
Cash paid during the years for:		
Interest	\$ -	\$ 225

See accompanying notes to financial statements

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2023

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

	<u>2023</u>	<u>2022</u>
Supplemental operating cash flow related to leases:		
Cash paid for operating leases included in operating cash flow	<u>\$ 604,107</u>	<u>\$ -</u>
Non-cash operating lease liabilities arising from obtaining right-of-use assets	<u>\$ 1,719,140</u>	<u>\$ -</u>

See accompanying notes to financial statements

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023
(With summarized information of Koreatown Youth and Community Center, Inc.
for the year ended June 30, 2022)

	PROGRAM SERVICES										SUPPORTING SERVICES		2023 Total	2022 Summarized Total
	Environmental Services	Economic Development	Clinical Services	Youth Services	Prevention Education	Kid's Town	Supporting Housing	Enhanced Case Management	Other Program	Total Program Services	Total General and Administrative	Fundraising		
Personnel expenses														
Salaries and wages	\$ 1,472,919	\$ 1,076,616	\$ 1,486,953	\$ 365,355	\$ 1,197,857	\$ 401,400	\$ 453,348	\$ 127,468	\$ 277,773	\$ 6,859,689	\$ 1,430,892	\$ 345,003	\$ 8,635,584	\$ 7,389,975
Payroll taxes and benefits	456,352	280,551	331,053	71,641	275,954	116,610	82,530	23,032	62,630	1,700,353	317,119	76,326	2,093,798	1,803,898
Total Personnel expenses	1,929,271	1,357,167	1,818,006	436,996	1,473,811	518,010	535,878	150,500	340,403	8,560,042	1,748,011	421,329	10,729,382	9,193,873
Other expenses														
Automobile	149,749	798	10,571	26	4,773	-	3,099	170	296	169,482	309	1,603	171,394	176,783
Bad debt	3,660	-	13,762	-	-	-	-	-	-	17,422	-	-	17,422	109,521
Bank service fees	-	-	-	-	-	48	-	-	-	48	2,769	1,798	4,615	2,206
Depreciation	-	-	-	-	-	60,282	-	-	-	60,282	75,070	-	135,352	124,545
Donated supplies & materials	-	-	-	-	-	-	-	-	-	-	-	125,096	125,096	206,873
Dues and subscriptions	-	-	2,620	-	-	-	-	-	-	2,620	1,895	5,350	8,116	8,116
Employee morale	545	-	-	-	-	276	332	-	-	1,153	2,140	24,670	27,963	32,325
Equipment rental	13,866	5,184	5,136	3,061	4,691	3,995	3,249	768	1,274	41,224	4,627	1,141	46,992	37,385
In-kind services	-	115,790	-	-	-	-	-	-	-	115,790	-	-	115,790	92,019
Indirect cost	457,151	458,851	403,070	88,796	327,397	136,627	202,183	29,840	84,245	2,188,160	(2,302,847)	114,687	-	-
Insurance	331	2,315	13,170	-	-	-	-	-	-	15,816	72,038	-	87,854	73,709
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	225
Meeting and conference	943	1,621	-	-	3,387	-	427	-	198	6,576	816	15,810	23,202	21,051
Marketing and promotion	-	61,337	-	150	55,985	212	-	-	55,753	173,437	371	7,760	181,568	48,227
Miscellaneous	-	20,000	33	-	-	83,108	140	-	3	103,284	2,478	4,303	110,065	77,041
Occupancy expenses	136,350	67,615	136,310	34,236	72,467	71,952	27,710	12,657	16,970	576,267	67,199	21,405	664,871	566,722
Payroll services	10,128	-	-	-	-	-	-	-	-	10,128	52,574	-	62,702	53,698
Printing and publication	1,183	1,604	-	-	2,168	-	83	-	17,490	4,120	4,120	2,340	28,888	7,159
Program expenses	371,014	304,285	35,806	25,738	165,495	4,405	38,850	459	35,960	982,012	500	81,493	1,064,005	1,396,531
Professional services	3,883	6,946	104,957	6,369	55,350	12,413	7,040	5,754	12,370	215,082	186,326	61,026	462,434	339,723
Staff training	1,239	2,846	33,481	495	27,750	-	9,893	-	453	76,157	20,802	4,820	101,779	75,748
Subcontract and client support	-	1,359,832	170,027	1,492	-	26,439	519,058	-	31	2,076,879	-	42,458	2,119,337	1,927,327
Supplies	6,626	4,090	4,714	2,133	5,266	1,354	13,498	1,413	907	40,001	44,865	541	85,407	73,573
Taxes and fees	9,264	5	9,653	-	-	3,960	-	-	-	22,882	610	6,502	29,994	14,289
Telephone	13,086	9,429	21,719	1,947	15,647	116	5,450	64	2,896	70,354	42,926	3,066	116,346	103,716
Travel	622	8,139	-	-	3,091	-	-	-	-	11,852	-	4,582	16,434	2,811
Total other expenses	1,179,640	2,430,687	965,029	164,443	743,467	405,187	831,012	51,125	228,846	6,999,436	(1,720,412)	530,451	5,809,475	5,571,505
Grand Total	\$ 3,108,911	\$ 3,787,854	\$ 2,783,035	\$ 601,439	\$ 2,217,278	\$ 923,197	\$ 1,366,890	\$ 201,625	\$ 569,249	\$ 15,559,478	\$ 27,599	\$ 951,780	\$ 16,538,857	\$ 14,765,378

See accompanying notes to financial statements

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

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.). 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., PHD Apartments, L.P., 1141 Crenshaw L.P., and Oak 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 non-managing 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

KOREATOWN YOUTH AND COMMUNITY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

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 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, 2022, 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, allowance for doubtful accounts, and lease. 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, 2023

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

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. \$132,950 and \$92,019 of contributed services have been recorded as revenue as well as expense for the years ended June 30, 2023 and 2022, 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%. KYCC received \$259,288 and \$551,890 of principal and interest payments for the years ended June 30, 2023 and 2022, 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 \$5,295,562 and \$3,774,263 which includes an allowance for doubtful accounts in the amount of \$29,950 and \$185,301 as of June 30, 2023 and 2022 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, 2023

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

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. KYCC had no material unrecognized tax benefits, tax penalties or interest for the years ended June 30, 2023 and 2022, respectively.

KYCC's Federal form 990, Return of KYCC Exempt from Income Taxes, for the years ended June 30, 2020 through 2022 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, 2019 through 2022 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:

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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.

Leases

On June 30, 2023, KYCC adopted FASB ASU No. 2016-02, *Leases (Topic 842)* using the modified retrospective approach whereby the cumulative effect of adoption was recognized on the adoption date and prior periods were not restated. There was no net cumulative effect adjustment to retained earnings as of June 30, 2023 as a result of this adoption. In addition, ASC Topic 842 provides a practical expedient package that allows an entity to not reassess the following upon adoption (must be elected as a group): (i) whether an expired or existing contract contains a lease arrangement; (ii) the lease classification related to expired or existing lease arrangements; or (iii) whether costs incurred on expired or existing leases qualify as initial direct costs. KYCC elected such practical expedient upon adoption of ASC Topic 842 on June 30, 2023. KYCC determines whether a contract is a lease upon inception of the lease. KYCC maintains a distinction between finance and operating leases, which is substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous lease guidance.

Pursuant to ASC Topic 842, arrangements meeting the definition of a lease are classified as operating or financing leases and are recorded on the consolidated balance sheets as both a right-of-use asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line rent expense over the lease term. For financing leases, interest on the lease liability and the amortization of the right-of-use asset results in front-loaded expense over the lease term. Variable lease expenses are recorded to rent expense as incurred.

In calculating the right-of-use assets and lease liabilities, KYCC elects to combine lease and non-lease components for all classes of assets currently under lease, KYCC excludes short-term leases having initial

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terms of twelve months or less from the new guidance as an accounting policy election and recognizes rent expense on short-term leases on a straight-line basis over the lease term for these leases.

Note 3 - Property and Equipment

Property and equipment consist of the following as of June 30, 2023 and 2022:

	2023	2022
Vehicles	\$ 458,222	\$ 417,119
Office equipment	68,096	68,096
Furniture and fixture	2,400	2,400
Building	2,730,749	2,584,126
	3,259,467	3,071,741
Less: accumulated depreciation	(1,884,643)	(1,765,296)
Property and equipment, net	\$ 1,374,824	\$ 1,306,445

Total depreciation expense amounted to \$135,352 and \$124,545 for the years ended June 30, 2023 and 2022, 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 \$318,080, decreased by \$2,988 of investment loss for the year ended December 31, 2022.

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 \$45, which increased the accumulated net loss to \$401. The net loss of KYCC's investment in PHD Apartments, L.P. was \$90, which increased the accumulated net loss to \$2,242 as of December 31, 2022.

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, 2022, per the federal partnership income tax return, the net gain of KYCC's investment in Reno Apartments, L.P. was \$2, which reduced the accumulated net loss to \$380 as of December 31, 2022.

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Note 5 - Availability and Liquidity

The KYCC has \$6,784,630 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 \$1,535,124, net accounts receivable of \$5,295,562, and grants receivable of \$4,361. The net assets of \$50,417 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, 2023, deferred revenue of \$1,093,885 is the amount received but not earned yet.

Note 7 - Leases

KYCC adopted ASC 842 "Leases" using the modified retrospective approach, electing the practical expedient that allows not to restate the Company's comparative periods prior to the adoption of the standard on June 30, 2023. As such, the disclosures required under ASC 842 are not presented for periods before the date of adoption.

Consolidated balance sheet information related to leases as of June 30, 2023 are as follows:

Operating leases

Assets

Operating lease right-of-use assets	<u>\$ 1,624,717</u>
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Liabilities

Current portion of operating lease liabilities	\$ 462,977
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Operating lease liabilities	<u>1,161,740</u>
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Total operating lease liabilities	<u>\$ 1,624,717</u>
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Weighted Average Remaining Lease Term

Operating leases	4.0 years
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Weighted Average Discount Rate

Operating leases	3.00%
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Operating Leases

KYCC leases office space under agreements classified as operating leases that expire on various dates through 2029. KYCC's leases do not include any contingent rental payments, impose any financial restrictions, or contain any residual value guarantees. Certain of the KYCC's leases include escalation clauses. Annual rent increases are included in the calculation of the operating lease right-of-use assets.

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Incremental borrowing rates used to discount future lease payments in calculating lease liabilities were estimated by reference to the rate on the KYCC's line of credit. KYCC does not have any operating lease arrangements where it acts as a lessor.

As of June 30, 2023, remaining maturities of operating leases are as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2024	\$ 467,292
2025	412,656
2026	370,323
2027 and thereafter	473,201
Total operating lease liabilities	1,723,472
Less: present value discount	(98,755)
Operating lease liabilities, net	1,624,717
Less: current portion of operating lease liabilities	(462,977)
Operating lease liabilities	<u>\$ 1,161,740</u>

Recourse Liability

KYCC Solaris LLC assumes 10% of recourse payoff obligation of 1141 Crenshaw, L.P.'s construction loan in the amount of \$11,153,430 and \$1,304,756 as of June 30, 2023 and 2022 respectively, in the event permanent funding is not secured after the completion of the construction.

KYCC Oak LLC assumes 25% of recourse payoff obligation of Oak Apartments, L.P.'s construction loan in the amount of \$5,207,142 and \$0 as of June 30, 2023 and 2022 respectively, 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.

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 \$50,417 and \$222,917 as of June 30, 2023 and 2022, 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.

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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, 2023 and 2022, KYCC matched 50% of the employees' contribution, up to 4% of their salaries. Total matching contributions amounted to \$198,660 and \$173,086, respectively for the years ended June 30, 2023 and 2022.

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, 2023, KYCC's cash balance, including short-term investment, exceeding the maximum insured amount totaled \$1,436,893.

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, 2023 and 2022, 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, 2023 through the date that the financial statements were available to be issued, which was date March 8, 2024 and has determined that there are no subsequent events that require disclosure under FASB ASC Topic 855, *Subsequent Events*.