

KOREAN RESOURCE CENTER, INC.

**Audited Financial Statements
with Independent Auditors' Report**

December 31, 2017



KOREAN RESOURCE CENTER, INC.

Table of Contents

December 31, 2017

INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8
SUPPLEMENTAL INFORMATION	
Schedule of Functional Expenses	13





INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
KOREAN RESOURCE CENTER, Inc.

Report on the Financial Statements

We have audited the accompanying financial statement of KOREAN RESOURCE CENTER, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year 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 conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 KOREAN RESOURCE CENTER, Inc. at December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



JYK Accountancy Corporation
Certified Public Accountants

Los Angeles, CA
June 12, 2018



KOREAN RESOURCE CENTER, INC.

Statement of Financial Position

December 31, 2017

Assets

Current assets:

Cash and cash equivalents	\$ 808,724
Grants receivable	<u>277,710</u>

Total current assets 1,086,434

Property and equipment, net	25,516
Other assets	<u>55,661</u>

Total assets \$ 1,167,611

Liabilities and net assets

Current liabilities:

Accrued expenses	\$ 27,207
Deferred grant revenue	249,483
Regrant payable	<u>148,297</u>

Total current liabilities 424,987

Total liabilities 424,987

Net assets:

Temporarily restricted fund balance	-
Unrestricted fund balance	<u>742,624</u>

Total net assets 742,624

Total liabilities and net assets \$ 1,167,611

KOREAN RESOURCE CENTER, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2017

	Unrestricted	Temporarily restricted	Total
Support and revenues:			
Contributions	\$ 247,452	\$ -	\$ 247,452
Grants - general	527,537	352,293	879,830
Grants - government Program	-	668,130	668,130
Interest income	30,325	-	30,325
Net assets released from restrictions	1,482	-	1,482
	1,100,423	(1,100,423)	-
Total support and revenues	1,907,219	(80,000)	1,827,219
Expenses:			
Program	1,252,270	-	1,252,270
Management and general	493,976	-	493,976
Fundraising	78,391	-	78,391
	1,824,637	-	1,824,637
Increase (decrease) in unrestricted net assets	82,582	(80,000)	2,582
Beginning net assets, at January 1, 2017	660,042	80,000	740,042
Ending net assets, at December 31, 2017	\$ 742,624	\$ -	\$ 742,624

The accompanying notes are an integral part of these financial statements.

KOREAN RESOURCE CENTER, INC.

Statement of Cash Flows

For the Year Ended December 31, 2017

Cash flows from operating activities	
Increase (decrease) in net assets	\$ 2,582
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	6,951
Changes in operating assets and liabilities:	
Grants receivable	(52,390)
Other assets	120
Deferred grant revenue	(209,388)
Regrant payable	249,483
Other payables and accrued expenses	145,321
	<hr/>
Net cash provided by (used in) operating activities	142,679
Cash flows from investing activities	
Purchase of property and equipment	<hr/> (2,079)
Net cash provided by (used in) investing activities	(2,079)
Net increase (decrease) in cash and cash equivalents	140,600
Cash and cash equivalents, beginning of period	<hr/> 668,124
Cash and cash equivalents, end of period	<hr/> <u>\$ 808,724</u>

The accompanying notes are an integral part of these financial statements.

KOREAN RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – ORGANIZATION

Mission and Nature of Activities

Korean Resource Center, Inc. (“the Organization”) is a California nonprofit organization that was formed in August 12, 1983 to assist low-income, immigrant, Asian American and Pacific Islander, and people of color communities in Southern California.

The Organization’s mission is to promote Korean history and cultural appreciation, provide social services to the Korean community, empower the Korean American community through civil education and civic participation, and provide affordable housing for primarily low-income persons in the city of Los Angeles, particularly Koreatown. The Organization has two offices: the primary office in Los Angeles, California, and the second office in Buena Park, California.

Low Income Housing

In April 2009, the Organization established a partnership called, “LDK Senior Apartments, L.P (the Partnership)” with its affiliates, LTSC Community Development Corporation (Managing General Partner) and Decro Alpha Corporation (Co-General Partner) as a Co-General Partner of the Partnership to acquire, construct and operate two apartment buildings, consisting of 32 and 35 units, located in the Koreatown neighborhood of Los Angeles, California. The apartment buildings were placed in service on May 31, 2016 and July 21, 2016. MUFU Union Bank, N.A., a national banking association, is the Special Limited Partner and Investor Limited Partner (Limited Partner). The term of the Partnership shall extend until December 31, 2074, unless sooner terminated as provided for in the Partnership Agreement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization recognizes income on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The financial statements are presented in accordance with FASB Accounting Standard Codification (FASB ASC) 958, Not-for-Profit Entities. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The Organization had no permanently restricted net assets.

These three classifications of net assets are defined as follows:

Unrestricted Net Assets – not subject to donor-imposed restrictions or the donor-imposed restrictions have expired.

Temporarily Restricted Net Assets – subject to donor-imposed stipulations that may be fulfilled by actions of the Organization to meet the stipulations or become unrestricted by the passage of time.

KOREAN RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Permanently Restricted Net Assets – subject to donor-imposed stipulations that they be retained and invested permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income and earnings on related investments for general or specific purposes.

Liquidity

Assets and liabilities are presented in the accompanying statement of financial position according to their nearness of conversion to cash and, their maturity and resulting use of cash, respectively.

Cash and Cash Equivalents

The Organization considers all highly liquid financial instruments with original maturities of three months or less to be cash equivalents.

Grants Receivable

Grants receivable represent sponsorships pledged but not yet received. These receivable, which are uncollateralized, are stated at the amount appeared on the memorandums of understanding. Grants received in advance are recorded as deferred grant revenue and recognized as revenue in the following year.

Property and Equipment

Property and equipment is recorded at cost. The Organization capitalizes assets whose costs are in excess of \$1,000. Depreciation is computed using the strait-line method over estimated useful lives of three to seven years. Amortization of leasehold improvements is taken over the term of the lease. Expenditures for maintenance and repairs are charged to expense as incurred.

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets. The Organization reports gifts of cash and other assets as restricted support if they are designated as support for future periods. Temporarily restricted net assets are reclassified to unrestricted net assets when the restriction expires and are reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Accordingly, the financial statements classify all net assets as unrestricted, except those that involve a time restriction and are classified as temporarily restricted.

Expendable Restricted Resources

Operating funds restricted by the grantor for particular operating purposes are deemed to be earned and reported as revenues of operating funds when the Organization has incurred expenditures in compliance with the specific restrictions.

KOREAN RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services

A number of unpaid volunteers have made contributions of their time in the furtherance of the Organization's activities. Such services do not meet the criteria for recognition as contributions; therefore, their value is not reflected in the accompanying financial statements.

Contributed services are reported as contributions if such services create or enhance non-financial assets or if they would have been purchased if not provided by contribution, require specialized skills and are provided by individuals possessing such specialized skills. Contributed services are recognized at their estimated fair values at date of receipt; however, the Organization has limited information to quantify the fair value of received contributed services during the year ended December 31, 2017. The accompanying financial statements do not recognize these services.

Functional Allocation of Expenses

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

Income Taxes

The Organization has received a determination letter from the Internal Revenue Service stating that the Organization are exempt from federal income taxes under Section 501(c)(3), except for income taxes pertaining to unrelated business income. The Financial Accounting Standard Board (FASB) issued guidance that requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority.

Management has determined that there are no material uncertain positions that require recognition in the financial statements. Additionally, no provision for income taxes is reflected in the financial statements. The fiscal years ended 2014, 2015, 2016 and 2017 are still open to audit for both federal and state purposes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

It is at least reasonably possible that the estimates will change within one year of the date of the financial statements due to one or more confirming events and the effect of that change would be material.

KOREAN RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 – PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment as of December 31, 2017, are summarized as follows:

	<u>December 31, 2017</u>
	<u>Amount</u>
Furniture and fixture	\$ 136,216
Less accumulated depreciation	<u>(110,700)</u>
Total	<u>\$ 25,516</u>

During the fiscal year December 31, 2017, the Organization incurred \$6,951 of depreciation expense.

NOTE 4 – DEFERRED GRANT REVENUE

The Organization receives certain grants from various organizations. These grants are allocated according to the specified requirements and time frames. Any funds received during the current year that are to be used in the future are recorded as deferred grant revenue.

NOTE 5 – COMPENSATED ABSENCES

The Organization has not accrued compensated absences because the amount cannot be reasonably estimated as of December 31, 2017.

NOTE 6 – TRANSACTIONS WITH RELATED PARTIES

The National Korean American Service and Education Consortium (“NAKASEC”) is a founding affiliate of the Organization.

	<u>December 31, 2017</u>			
	<u>Amount</u>			
	Received from	Payment to	Payable	Receivable
LDK Senior Apartments, L.P.	\$ 59,220	\$ -	\$ -	\$ -
NAKASEC	112,276	85,144	76,126	48,189
Total	<u>\$ 171,496</u>	<u>\$ 85,144</u>	<u>\$ 76,126</u>	<u>\$ 48,189</u>

KOREAN RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 7 – CONTINGENCY

Revenues from government grants and contracts are recorded to the extent expenses under the grants and contracts are incurred. Revenues recorded under the grants and contracts are subject to government audit and adjustment. Management believes that it has complied with all applicable grant and contract provisions.

NOTE 8 – RETIREMENT AND DEFERRED COMPENSATION PLANS

The Organization maintains a defined contribution retirement plan qualified under Internal Revenue Code Section 401(k). Any employee who has been working for 12 months, age of 21 or older, and works at least 1,000 hours is eligible to participate in the plan. Contributions by the Organization are determined at the annual board meeting. In 2017, the Organization contributed \$25,000 in the plan and there were no contributions from deferred compensation.

NOTE 9 – COMMITMENTS

The Organization entered into an office lease extension in a month-to-month basis. The lease is cancellable with a 30 day in advance notice. Consequently, there exists no lease obligation.

Rent expense was \$26,800 for the year ended December 31, 2017.

NOTE 10 – CONCENTRATION OF CREDIT RISK

At December 31, 2017, the Organization maintained two operational bank accounts in banks located in Los Angeles, California. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. From time to time during the year, the Organization's accounts in these financial institutions has exceeded the FDIC insurance limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 11 – SUBSEQUENT EVENT

The Organization has evaluated events and transactions that have occurred after December 31, 2017 (i.e., subsequent events) through June 12, 2018, the date at which the accompanying financial statements were available to be issued.

The Organization's board members approved a contribution of \$25,000 for the retirement benefit plan in May 2018, and this contribution was recorded in the statement of position for the year ended December 31, 2017 and the related statement of activities for the year then ended. Other than this, management has determined that no material subsequent events have occurred during that period that would require the Organization to either recognize the financial impact of such events in the accompanying financial statements, or disclose any such events to ensure the financial statements are not misleading.

KOREAN RESOURCE CENTER, INC.

Schedule of Functional Expenses

Year Ended December 31, 2017

	Program Services					Supporting Services		
	Civic Engagement	Housing	Health Access	Immigrant Rights	Digital	Management & General	Fundraising	Total
Advertising	\$ 117	\$ -	\$ -	\$ 600	\$ -	\$ 30	\$ -	\$ 747
Bank service charges	-	-	-	-	-	2,190	-	2,190
Community support	-	1,500	-	2,500	-	4,770	-	8,770
Depreciation & amortization	-	-	-	-	-	6,951	-	6,951
Dues and subscriptions	411	-	125	13,266	245	2,073	-	16,120
Employee benefits	50	750	15	860	150	25,250	-	27,075
Insurance	33,741	6,374	92	21,925	7,144	26,822	5,759	101,857
Meals and entertainment	28,647	609	225	4,285	79	16,438	2,206	52,489
Meetings and conference	8,361	-	-	1,239	-	70	15,911	25,581
Office expense	18,154	690	-	5,701	47,343	40,640	615	113,143
Payroll Expense	323,422	72,156	38,519	232,098	60,935	236,556	52,736	1,016,422
Professional fees	3,500	-	-	670	-	22,142	-	26,312
Regrant	12,500	-	-	202,700	-	96,935	-	312,135
Rent expense	9,380	8,040	2,680	1,340	1,340	4,020	-	26,800
Scholarship	180	-	-	-	-	-	-	180
Travel & conference	70,769	2,639	18	3,343	843	9,089	1,164	87,865
	<u>\$ 509,232</u>	<u>\$ 92,758</u>	<u>\$ 41,674</u>	<u>\$ 490,527</u>	<u>\$ 118,079</u>	<u>\$ 493,976</u>	<u>\$ 78,391</u>	<u>\$ 1,824,637</u>

The accompanying notes are an integral part of these financial statements.