

KOREAN RESOURCE CENTER, INC.

(A NON-PROFIT CALIFORNIA CORPORATION)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

December 31, 2011

WITH

INDEPENDENT AUDITOR'S REPORT

KOREAN RESOURCE CENTER, INC.
(A NON-PROFIT CALIFORNIA CORPORATION)
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
December 31, 2011

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INDEPENDENT AUDITOR'S REPORT

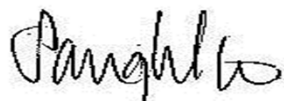
Board of Directors
Korean Resource Center, Inc.
Los Angeles, California

We have audited the accompanying statement of financial position of Korean Resource Center, Inc. ("KRC") as of December 31, 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in the United States of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Korean Resource Center, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with Generally Accepted Accounting Principles in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Functional Expenses 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.



August 1, 2012
Los Angeles, California

KOREAN RESOURCE CENTER, INC.
(A NON-PROFIT CALIFORNIA CORPORATION)
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011

ASSETS

CURRENT ASSETS:

Cash (Note 2)	\$ 542,328	
Accounts Receivable	850	

TOTAL CURRENT ASSETS \$ 543,178

PROPERTY, FURNITURE AND EQUIPMENT, NET (Notes 2 & 3) 236,764

OTHER ASSETS

Cash Reserved for Interest Expense (Note 2)	15,429	
Relocation Fund for Moving Expense (Note 2)	30,000	

45,429

TOTAL ASSETS **\$ 825,371**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Account Payable & Accrued Expense	\$ 941	
Deferred Grant Revenue (Note 5)	61,700	
Other Current Liabilities	4,609	

TOTAL CURRENT LIABILITIES \$ 67,250

LONG-TERM LIABILITIES:

Interest Payable (Note 2)	15,429	
Note Payable (Note 4)	200,000	

TOTAL LONG-TERM LIABILITIES 215,429

NET ASSETS

Temporarily Restricted Fund Balance	30,000	
Unrestricted Fund Balance	512,692	

TOTAL NET ASSETS 542,692

TOTAL LIABILITIES AND NET ASSETS **\$ 825,371**

See the accompanying notes to the financial statements

KOREAN RESOURCE CENTER, INC.
(A NON-PROFIT CALIFORNIA CORPORATION)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Total
Support and revenues:			
Contributions	33,569	-	33,569
Donated Services (In-Kind Donations)	80,400	-	80,400
Grants	-	392,644	392,644
Program	13,094	-	13,094
Fundraising	63,743	-	63,743
Rental Income	6,900	-	6,900
Net assets released from restriction	<u>392,644</u>	<u>(392,644)</u>	<u>-</u>
Total support and revenues	<u>590,350</u>	<u>-</u>	<u>590,350</u>
Expenses:			
Program	499,406	-	499,406
Management and general	24,326	-	24,326
Fundraising	<u>25,128</u>	<u>-</u>	<u>25,128</u>
Total expenses	<u>548,860</u>	<u>-</u>	<u>548,860</u>
Increase in unrestricted net assets	<u>41,490</u>	<u>-</u>	<u>41,490</u>
Beginning net assets, at January 1, 2011	<u>471,202</u>	<u>30,000</u>	<u>501,202</u>
Ending net assets, at December 31, 2011	<u><u>\$ 512,692</u></u>	<u><u>\$ 30,000</u></u>	<u><u>\$ 542,692</u></u>

See the accompanying notes to the financial statements

KOREAN RESOURCE CENTER, INC.
(A NON-PROFIT CALIFORNIA CORPORATION)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

Cash flows from operating activities:	
Increase in net assets	\$ 41,490
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation	9,814
Changes in assets and liabilities:	
Accounts receivable	(850)
Accounts payable	(1,966)
Interest Payable	6,000
Deferred Grant Revenue	(40,500)
Payroll Tax Payable	485
Cash Reserve for Interest Expense	<u>(6,000)</u>
Total Adjustments	<u>(33,017)</u>
Net cash provided by operating activities	<u>8,473</u>
Cash flows from investing activities:	
Acquisition of equipment	<u>(2,195)</u>
Net cash used in investing activities	(2,195)
Net increase in cash	6,278
Cash at beginning of the year at January 1, 2011	<u>536,050</u>
Cash at end of the year at December 31, 2011	<u><u>\$ 542,328</u></u>

See the accompanying notes to the financial statements

KOREAN RESOURCE CENTER, INC.
(A NON-PROFIT CALIFORNIA CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

(1) Purpose and Operations

Korean Resource Center, Inc. (the "Organization") is a California nonprofit organization. The main purpose of Organization is to promote Korean history and cultural appreciation and to provide social services to the Korean Community in Los Angeles.

(2) Summary of Significant Accounting Policies

a. Basis of Accounting

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

b. Basis of Preparation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards Number 117, Financial Statements of Not-For-Profit Organizations. Under SFAS Number 117, the Organization is required to report information regarding its financial position and activities according to three classifications of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets – Includes contributions, fund-raising, fees and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of the Organization.

Temporarily Restricted Net Assets – Includes assets that have been restricted by the donor or grantor. When the restriction expires or the resources are spent in accordance with the donors' restrictions, the net assets of this fund are reclassified to unrestricted net assets.

Permanently Restricted Net Assets – Includes assets that have been restricted by the donor in perpetuity but permit the Organization to expend part or the entire income derived from the donated assets.

KOREAN RESOURCE CENTER, INC.
(A NON-PROFIT CALIFORNIA CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

c. Cash

The Organization maintains cash balances with four banks. Cash fund of \$15,429 is reserved for interest expense at 3% per annum on the principle amount \$200,000 from the CRA/LA effective from January 1, 2009. Relocation reserved fund of \$30,000 as moving expense once affordable rental housing is compliant. The Organization reserved fund \$2,500 per month effective from January 1, 2009.

d. Credit Risk

The Organization maintains bank accounts with the local banks. The bank account balances are insured by Federal Deposit Insurance Corporation. At times, cash balances were in excess of insured limit.

e. Contributed Services

During the year ended December 31, 2011, the value of contributed services meeting the requirements for recognition in the financial statements was \$80,400. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

f. Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS Number 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS Number 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

g. 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.
(A NON-PROFIT CALIFORNIA CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

h. Equipment and Furniture

Equipment purchased with grant funds in where the grantor retains title to the equipment are expensed as acquired. Equipment purchased with non-grant funds are capitalized and depreciated over the useful lives of the assets. These are 50 years for the building, 15 years for furniture and fixture, 7 years for equipment, and 7 years for instruments and books.

i. 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.

j. Income Taxes

The Organization has been determined to be exempt from Federal and California Franchise taxes under Section 501(C)(3) of the Internal Revenue Service Code and corresponding California provisions.

k. Functional Allocation Expense

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.

l. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

KOREAN RESOURCE CENTER, INC.
(A NON-PROFIT CALIFORNIA CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

(3) Land, Equipment, and Furniture

Property, buildings and improvements and the related accumulated depreciation at December 31, 2011 are summarized as follows:

Land	\$ 200,000
Building	49,572
Computer	9,900
Copy Machine	2,195
Office Equipment	21,810
Furniture and Fixture	7,030
Instrument and Books	45,049
Visual Communication	13,427
Total Land, Equipment, and Furniture	348,983
Less: Accumulated Depreciation	(112,219)
Land, Equipment, and Furniture - NET	\$ 236,764

During the fiscal year December 31, 2011, the Organization incurred approximately \$9,814 of depreciation expense.

(4) Notes Payable

On November 21, 2008, the "Organization" in conjunction with LTSC Community Development Corporation ("LTSC") entered the agreement with the Community Redevelopment Agency of the Los Angeles ("CRA/LA) to develop affordable rental housing in the neighborhoods of Wilshire Center/Korea town community ("Project"). The "CRA/LA" agreed to loan \$1,100,000 to the "LTSC" and \$200,000 to the "Organization" to reimburse the acquisition costs of parcels where low income housing will be developed. The loan is secured by a first deed of trust and assignment of rents. The interest rate is 3% per annum on the principal amount and the loan is payable in lump sum amount in three years from the date of the loan agreement. The loan can be automatically converted to 55 year (fifty-five) loan if certain conditions are met. Furthermore, the loan agreement requires the "Organization" to establish "Operating Reserve" and "Replacement Reserve" funds upon the completion of the construction project.

KOREAN RESOURCE CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS

(5) 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.

(6) Contingency – Government Grants and Contracts

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.

(7) Concentration of Credit Risk

At December 31, 2012, KRC had deposits at several banks located in Los Angeles, California. The balances at the banks are fully insured by the Federal Deposit Insurance Corporation.

(8) Subsequent Events

KRC has evaluated all subsequent events to the balance sheet date of December 31, 2011 through the date that the financial statements were available to be issued, which was August 1, 2012, and has determined that there are no subsequent events that require disclosure under Financial Accounting Standards Board Accounting Standards Codification Topic 855, *Subsequent Event*.

SUPPLEMENTARY INFORMATION

KOREAN RESOURCE CENTER, INC.
(A NON-PROFIT CALIFORNIA CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Services						Supporting Services			Total
	Civil Rights	Health Access	Housing	Education	Cultural	Total	Management & General	Fundraising	Total	
Advertising	\$ 397	\$ 137	\$ 900	\$ 92	\$ -	\$ 1,526	\$ -	\$ -	\$ -	\$ 1,526
Bank Service Chages	25	57	9	6	-	97	-	-	-	97
Community Support	1,027	1,330	1,356	237	-	3,950	-	-	-	3,950
Depreciation & amortization	2,850	3,229	3,165	570	-	9,814	-	-	-	9,814
Employee benefits	12,966	12,967	14,696	2,593	-	43,222	-	-	-	43,222
Filing fees	34	77	12	8	-	131	-	-	-	131
Fundraiser	-	-	-	-	-	-	-	24,974	24,974	24,974
In-Kind Donated Service	13,668	14,020	18,944	8,040	24,120	78,792	1,608	-	1,608	80,400
Insurance	-	-	2,799	179	-	2,978	-	-	-	2,978
Interest Expenses	-	-	6,000	-	-	6,000	-	-	-	6,000
Internship & Stipend	13,454	4,926	13,183	1,951	-	32,514	-	-	-	32,514
Meals & Special Events	1,635	1,914	1,636	-	-	5,185	225	-	225	5,410
Membership Expense	-	-	-	-	-	-	-	154	154	154
Office Expense	3,025	3,476	3,026	382	-	9,909	570	-	570	10,479
Payroll Expense	80,050	68,615	80,050	-	-	228,715	10,777	-	10,777	239,492
Payroll Tax Expense	7,052	6,045	7,052	-	-	20,149	949	-	949	21,098
Postage & Delivery	2,161	1,653	2,161	381	-	6,356	-	-	-	6,356
Printing & Publication	2,458	2,787	2,459	492	-	8,196	-	-	-	8,196
Professional fees	1,762	1,998	1,763	353	-	5,876	-	-	-	5,876
Scholarship	-	-	-	-	-	-	9,280	-	9,280	9,280
Travel & Conference	5,727	4,910	5,727	-	-	16,364	-	-	-	16,364
Telephone	2,049	2,255	2,048	420	-	6,772	315	-	315	7,087
Utilities	3,835	3,836	4,386	803	-	12,860	602	-	602	13,462
	<u>154,175</u>	<u>134,232</u>	<u>171,372</u>	<u>16,505</u>	<u>24,120</u>	<u>499,406</u>	<u>24,326</u>	<u>25,128</u>	<u>49,454</u>	<u>548,860</u>