FINANCIAL STATEMENTS

Korean Resource Center, Inc.
Year Ended December 31, 2014
With Report of Independent Auditors

SANG HO YOO CPA & CO.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Korean Resource Center, Inc.

Financial Statements

Year Ended December 31, 2014

Contents

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Report of Independent Auditors

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

We have audited the accompanying financial statement of KOREAN RESOURCE CENTER, Inc. (the Company), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, 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.

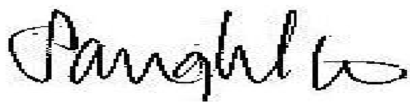
Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable 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, 2014, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.



October 27, 2015

Korean Resource Center, Inc.

Statement of Financial Position

December 31, 2014

Assets		
Current assets:		
Cash and cash equivalents	$	838,819
Grants receivable		83,598
Prepaid expenses and other current assets		60,084
Total current assets		982,501
Property, plant, and equipment, net		228,074
Other assets		117,891
Total assets	$	1,328,466
Liabilities and net assets		
Current liabilities:		
Deferred grant revenue	$	326,327
Other payables and accrued expenses		39,543
Total current liabilities		365,870
Long-term liabilities:		
Interest payable		30,429
Notes payable		200,000
Total long-term liabilities		230,429
Commitments		
Net assets:		
Temporarily restricted fund balance		80,000
Unrestricted fund balance		652,167
Total net assets		732,167
Total liabilities and net assets	$	1,328,466

See accompanying notes.

Korean Resource Center, Inc.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2014

	Unrestricted	Temporarily restricted	Total
Support and revenues:			
Contributions	$ 50,326	$ –	$ 50,326
Donated services (In-kind donations)	78,400	–	78,400
Grants	–	667,284	667,284
Program	11,868		11,868
Fundraising	63,618		63,618
Rental income	2,450		2,450
Other income	10,079		10,079
Net assets released from restriction	667,284	(667,284)	–
Total support and revenues	884,025	–	884,025
Expenses:			
Program	778,608	–	778,608
Management and general	45,160	–	45,160
Fundraising	1,220	–	1,220
Total expenses	824,988	–	824,988
Increse in unrestricted net assets	59,037	–	59,037
Beginning net assets, at January 1, 2014	593,130	80,000	673,130
Ending net assets, at December 31, 2014	$ 652,167	$ 80,000	$ 732,167

See accompanying notes.

Korean Resource Center, Inc.

Statement of Cash Flows

Year Ended December 31, 2014

Cash flows from operating activities	
Increse in net assets	$ 59,037
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization	2,261
Changes in operating assets and liabilities:	
Grants receivable	(32,817)
Prepaid expenses and other current assets	(44,790)
Other assets	(13,462)
Deferred grant revenue	236,042
Other payables and accrued expenses	25,786
Net cash provided by operating activities	232,057
Cash flows from investing activities	
Purchase of property and equipment	(1,550)
Net cash used in investing activities	(1,550)
Cash flows from financing activities	
Interest payable	6,000
Net cash provided by financing activities	6,000
Net increase in cash and cash equivalents	236,507
Cash and cash equivalents, beginning of period	602,312
Cash and cash equivalents, end of period	$ 838,819

See accompanying notes.

Korean Resource Center, Inc.

Notes to Financial Statements

December 31, 2014

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

Basis of Accounting

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

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.

2. Summary of Significant Accounting Policies (continued)

Cash

The Organization maintains cash balances with three banks. Cash fund of $30,429 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.

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.

Contributed Services

During the year ended December 31, 2014, the value of contributed services meeting the requirements for recognition in the financial statements was $78,400. 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.

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.

2. Summary of Significant Accounting Policies (continued)

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.

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.

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 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.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Property, Plant, and Equipment

Property, plant, and equipment as of December 31, 2014, are summarized as follows:

Land	$ 200,000
Building	49,572
Equipment	44,741
Furniture and fixture	58,476
	352,789
Less accumulated depreciation	(124,715)
	$ 228,074

During the fiscal year December 31, 2014, the Organization incurred approximately $2,261 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.

5. Deferred Grant Revenue

The Organization receives certain grants from various organizations. These grants are allocated according 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, 2014, 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

The Organization has evaluated events and transactions that have occurred after December 31, 2014 (i.e., subsequent events) through October 27, 2015, the date at which the accompanying financial statements were available to be issued. 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.

Supplemental Information

Korean Resource Center, Inc.

Schedule of Functional Expenses

Year Ended December 31, 2014

	Program Services						Supporting Services			
	Civil Rights	Health Access	Housing	Education	Cultural	Total	Management & General	Fundraising	Total	Total
Advertising	$ 295	$ 102	$ 668	$ 68	$ -	$ 1,133	$ -	$ -	$ -	$ 1,133
Bank Service Chages	119	270	41	27	-	457	-	-	-	457
Community Support	985	1,276	1,301	227	-	3,790	-	-	-	3,790
Depreciation & amortization	657	744	729	131	-	2,261	-	-	-	2,261
Dues & subscriptions	3,432	3,888	3,811	686	-	11,818			-	11,818
Employee benefits	10,251	10,251	11,618	2,050	-	34,170	-	-	-	34,170
Equipment & facilities	12,193	9,326	12,193	2,150	-	35,861	-	-	-	35,861
Fundraiser	-	-	-	-	-	-	-	1,220	1,220	1,220
In-Kind Donated Service	13,047	13,383	18,084	7,675	23,025	75,214	3,186	-	3,186	78,400
Insurance	-	-	5,903	377	-	6,280	-	-	-	6,280
Interest Expenses	-	-	6,000	-	-	6,000	-	-	-	6,000
Internship & Stipend	18,024	6,594	18,024	1,319	-	43,962	-	-	-	43,962
Office Expense	11,361	13,055	11,365	1,435	-	37,215	4,049	-	4,049	41,264
Payroll Expense	115,924	99,365	115,924	-	-	331,213	15,565	-	15,565	346,778
Payroll Tax Expense	9,494	8,138	9,494	-	-	27,125	1,409	-	1,409	28,534
Professional fees	17,047	19,320	17,047	3,409	-	56,824	15,204	-	15,204	72,028
Regrant	20,400	-	-	8,332	-	28,732	-	-	-	28,732
Scholarship	-	-	-	-	-	-	1,500	-	1,500	1,500
Travel & Conference	23,983	20,562	23,983	-	-	68,528	3,657	-	3,657	72,185
Telephone	2,428	2,672	2,427	498	-	8,025	590	-	590	8,615
	$ 259,639	$ 208,946	$ 258,613	$ 28,385	$ 23,025	$ 778,608	$ 45,160	$ 1,220	$ 46,380	$ 824,988