Korean Resource Center, Inc.
Audited Financial Statements
As of and for the Year Ended December 31, 2019
with Report of Independent Auditors

An independently owned member RSM US Alliance

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

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Audited Financial Statements
As of and for the Year Ended December 31, 2019
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Report of Independent Auditors

To the Board of Directors
Korean Resource Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Korean Resource Center, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, 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 accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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. as of December 31, 2019, 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.

Emphasis of a Matter

Restatement of Prior Year Financial Statements
As discussed in Note 3, the financial statements as of and for the year ended December 31, 2018 have been restated to recognize certain restricted and unrestricted grants received and expenses that were incurred in the prior year. This resulted in the restatement of the previously reported amount of net assets of Korean Resource Center, Inc. as of December 31, 2018. Our opinion is not modified with respect to this matter.

Vasquez & Company LLP

Glendale, California
June 10, 2020

ASSETS		
Current assets		
Cash and cash equivalents	$	593,688
Restricted cash		3,000
Grants receivable		829,497
Pledges receivable		10,400
Other receivables		2,497
Prepaid expenses and other assets		35,899
Total current assets		1,474,981
Noncurrent assets		
Restricted cash		200,000
Investment held for endowment		54,344
Property and equipment, net		2,711,263
Total noncurrent assets		2,965,607
Total assets	$	4,440,588
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$	128,398
Regrant payable		47,856
Deferred revenue		38,861
Current portion of notes payable		188,492
Total current liabilities		403,607
Noncurrent liabilities		
Notes payable, net of current portion		1,942,954
Total liabilities		2,346,561
Net assets		
Without donor restrictions		1,141,660
With donor restrictions		952,367
Total net assets		2,094,027
Total liabilities and net assets	$	4,440,588

See notes to financial statements.

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Grants - general	$ 1,192,694	$ 883,697	$ 2,076,391
Grants - government	575,900	-	575,900
Contributions	114,955	53,000	167,955
Donations in-kind	55,113	-	55,113
Rental income	95,261	-	95,261
Membership dues	51,661	-	51,661
Program fees	41,315	-	41,315
Other income	2,660	-	2,660
Net assets released from restrictions	537,208	(537,208)	-
Total revenues and other support	2,666,767	399,489	3,066,256
Expenses			
Program services	2,142,244	-	2,142,244
Fundraising	72,076	-	72,076
Management and general	159,650	-	159,650
Rental activities	166,763		166,763
Total expenses	2,540,733	-	2,540,733
Change in net assets	126,034	399,489	525,523
Net assets			
Beginning of year, as reported	834,067	156,715	990,782
Prior period adjustments	181,559	396,163	577,722
Beginning of year, as restated	1,015,626	552,878	1,568,504
End of year	$ 1,141,660	$ 952,367	$ 2,094,027

See notes to financial statements.

Korean Resource Center, Inc.
Statement of Functional Expenses
Year ended December 31, 2019

	Program Services								Supporting Services			
	Legal Services	Organizing/ Civic Engagement	Vietnamese Organizing Project	Digital	Health Access	Housing	Membership	Total Program Services	Fundraising	Management and General	Rental Activities	Total
Payroll expenses	$ 367,244	$ 428,540	$ 199,117	$ 81,067	$ 9,409	$ 40,312	$ 2,292	$ 1,127,981	$ 50,789	$ 46,796	$ -	$ 1,225,566
Payroll taxes	33,603	39,768	18,047	7,329	794	3,538	209	103,288	4,174	4,263	-	111,725
Health insurance	32,069	24,447	6,405	4,208	563	321	284	68,297	1,218	5,794	-	75,309
Bank charge	279	260	5	9	1	3	12	569	-	235	-	804
Community support	876	17,185	3,371	69	86	86	-	21,673	-	11,712	-	33,385
Depreciation expense	1,784	1,737	-	75	9	24	96	3,725	-	1,968	27,196	32,889
Dues and subscriptions	4,692	2,640	621	214	8	1,521	84	9,780	-	2,943	-	12,723
Filing fees	625	-	-	-	-	-	-	625	-	-	-	625
Gala	-	-	-	-	-	-	-	-	10,912	-	-	10,912
In-kind expenses	17,500	-	1,040	-	-	-	-	18,540	250	36,323		55,113
Independent contractors	56,532	96,666	-	412	25,510	10,667	532	190,319	54	10,858	-	201,231
Insurance expense	11,282	10,342	1,850	-	548	423	-	24,445	485	8,930	-	33,860
Interest expense	2,611	3,655	-	-	-	-	-	6,266	-	12	105,274	111,552
License fees	544	-	-	-	-	-	-	544	-	-	-	544
Meals and entertainments	2,345	3,953	32	98	462	2,632	127	9,649	117	2,586	-	12,352
Merchant service fee	191	153	113	-	-	-	-	457	-	1,410	-	1,867
Office expenses	29,204	22,668	18,026	3,382	880	1,636	54	75,850	1,485	2,057	108	79,500
Professional fees	25,106	29,737	19,575	869	401	571	1,122	77,381	292	15,629	3,485	96,787
Regrant	206,760	76,893	-	-	-	-	-	283,653	-	-	-	283,653
Rent expense	-	-	13,100	-	-	-	-	13,100	-	-	-	13,100
Repair and maintenance	1,674	1,734	-	17	2	5	21	3,453	-	438	304	4,195
Taxes and licenses	-	-	-	-	-	-	-	-	-	30	30,396	30,426
Telephone, internet, website	10,628	8,534	895	4,599	642	843	-	26,141	507	2,140	-	28,788
Travel and meetings	15,264	52,502	4,335	2,906	281	885	335	76,508	1,793	5,526	-	83,827
Total expenses	**$ 820,813**	**$ 821,414**	**$ 286,532**	**$ 105,254**	**$ 39,596**	**$ 63,467**	**$ 5,168**	**$ 2,142,244**	**$ 72,076**	**$ 159,650**	**$ 166,763**	**$ 2,540,733**

Cash flows from operating activities		
Change in net assets	$	525,523
Adjustments to reconcile changes in net assets to net cash provided by (used in)voperating activities:		
Depreciation		32,889
Change in assets and liabilities:		
Grants receivable		(276,365)
Pledges receivable		4,100
Other receivables		1,953
Prepaid expenses and other assets		31,098
Accounts payable		22,628
Regrant payable		(52)
Deferred revenue		(207,737)
Net cash provided by operating activities		134,037
Cash flow from investing activity		
Purchase of property and equipment		(3,146)
Interest on investment from endowment fund		(709)
Cash used in investing activity		(3,855)
Cash flow from financing activity		
Payment of notes payable		(36,722)
Cash used in financing activity		(36,722)
Net change in cash and cash equivalents		93,460
Cash and cash equivalents and restricted cash, beginning of year		703,228
Cash and cash equivalents and restricted cash, end of year	$	796,688
Supplemental disclosure		
Interest paid	$	107,654

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same amounts shown in the statement of cash flows as of December 31, 2019.

Cash and cash equivalents	$	593,688
Restricted cash:		
Cash held for endowment		53,000
Cash held as collateral for loan		150,000
Total	$	796,688

See notes to financial statements.

NOTE 1 ORGANIZATION AND NATURE OF ACTIVITIES

Korean Resource Center, Inc. ("the Organization") is a California nonprofit organization that was formed on August 12, 1983 to assist low-income, immigrant, Asian American and Pacific Islanders, 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 civic education and civic participation, and provide affordable housing for primarily low-income persons in the City of Los Angeles, particularly Koreatown. The Organization has three offices: Crenshaw office (primary office) and Kingsley office in Los Angeles, California, and a third office in Fullerton, California.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation
The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classification:

Net assets without donor restriction – net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restriction – net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Donor restricted contributions wherein the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized are reported as net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported as net assets released from restrictions, in the accompanying statement of activities

Cash and Cash Equivalents
Cash and cash equivalents include all monies in banks and highly liquid investments with original maturities of three months or less. Cash and highly liquid financial instruments restricted for long-term purposes are excluded from this definition.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable (Promises to Give)
Unconditional promises to give that are expected to be collected within one year are reported at net realizable value. Unconditional promises that are expected to be collected in more than one year are reported at the present value of the estimated future cashflows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in the contribution revenue. Conditional promises to give are not included as support until the conditions are met.

At December 31, 2019, the Organization's accounts receivable mostly consisted of receivables from a government agency and public and private foundations and are expected to be collected within one year. Management believes that the receivables are fully collectible, accordingly, no allowance for doubtful accounts has been established.

Property and Equipment
Property and Equipment are recorded at cost at the date of purchase, or for donated assets, at fair value at the date of donation. The Organization capitalizes assets whose costs are in excess of $1,000. Depreciation is computed using the straight-line method over the asset's estimated useful lives as follows:

Building and improvement	39 years
Furniture and equipment	5 to 15 years

When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Impairment Assessment of Long-lived Assets
The Organization reviews its long-lived assets, including property and equipment, which are held and used in its operations, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If such an event or change in circumstances is present, the Organization will estimate the undiscounted future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the undiscounted future cash flows is less than the carrying amount of the related asset, the Organization will recognize an impairment loss and records the impairment loss in the statement of activities. At December 31, 2019, management is not aware of any events or circumstances that would impair the carrying value of its long-lived assets.

Investments
Investments are measured at fair market value in the statement of financial position. Gains and losses are included in the statement of activities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Assets and liabilities are measured at fair value using a three-level fair value hierarchy that ranks the quality and reliability of the information used to measure fair value. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reporting date.

Level 3: Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All assets and liabilities for which the fair value measurement is based on significant unobservable inputs or instruments which trade infrequently, and therefore, have little or no price transparency, are classified as Level 3.

The Organization's financial assets and liabilities include primarily cash and cash equivalents, receivables, accounts payable and accrued liabilities. Because of the short-term nature of the cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, the carrying amounts of these assets and liabilities approximate their fair value.

Revenue Recognition

Contributions and Grants

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. 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 statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Contributions and Grants (Continued)

Conditional promises to give, that contains a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Consequently, at December 31, 2019, grants and contributions approximating $118,000, was not recognized in the accompanying statement of activities because the conditions on which they depend were not yet met.

Conditional contributions received are recorded as deferred revenue and will be recognized as the conditions are substantially met. As of December 31, 2019, conditional grants received in advance amounted to $38,861.

Revenue from government grants and contracts are on a fixed fee or cost-reimbursement basis. Revenue is recognized as the service is performed up to the maximum amount required by the contract.

Donations In-kind

Donated services are reported as in-kind donations when those services (1) create or enhance non-financial assets or (2) require specialized skills or services which would be typically purchased if not provided by donation. Donated services are reported at fair values of the services at the date of receipt. Contributed materials are repored at fair value at the date of donation. During the year ended December 31, 2019, the Organization received in-kind donations totalling to $55,113. Of this amount, $52,500 represents donated office space received from a related entity (See note 9).

Rental Income

Rent income is recognized when earned in accordance with the terms of the respective leases on a straight-line basis for the period of occupancy. Accordingly, rent income is recognized over the terms of the respective leases.

Membership Dues

Membership dues are recognized as revenue in the period received if the members do not receive benefit from the dues, or in the period the service was provided if the members receive benefit from the dues.

Functional Allocation of Expenses

The costs of program, rental and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include depreciation of furniture and equipment, property liability insurance which are allocated on square footage basis as well as payroll, employee benefits, payroll taxes, interest, dues and subscriptions and other insurances, which are allocated on the basis of estimates of time and effort.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates
The preparation of 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 reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Income Tax Status
The Organization was organized as a California nonprofit corporation and is recognized by the Internal Revenue Services as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a). It is classified as an organization described in IRC Section 501(c)(3), and is not considered a private foundation.

The Organization is required to file annually a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes.

The Organization has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to the Organization's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Organization's income tax returns remain subject to examination for all tax years ended on or after December 31, 2015 with regard to all tax positions and results reported.

New Accounting Pronouncement
In June 2018, FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* ASU 2018-08 provides guidance to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU was effective for fiscal years beginning after December 15, 2018. The Organization has adjusted the presentation and disclosure of the accompanying financial statements accordingly.

NOTE 3 PRIOR PERIOD ADJUSTMENTS

The Organization restated its 2018 financial statements to recognize grants with donor restrictions received in 2018 that were either reportd as deferred revenue or were not recorded at all, and to record certain expenses incurred in 2018. These corrections resulted in the following:

	As Previously Reported 2018	Adjustments Increase (Decrease)	As Restated 2018
Assets	$ 3,892,962	$ 243,986	$ 4,136,948
Liabilities	$ 2,902,180	$ (333,736)	$ 2,568,444
Net assets			
Without donor restrictions	834,067	181,559	1,015,626
With donor restrictions	156,715	396,163	552,878
Total liabilities and net assets	$ 3,892,962	$ 243,986	$ 4,136,948
Revenues	$ 2,703,182	$ 591,459	$ 3,294,641
Expenses	2,455,024	13,737	2,468,761
Change in net assets	$ 248,158	$ 577,722	$ 825,880

NOTE 4 FINANCIAL LIQUIDITY AND AVAILABILITY

As of December 31, 2019, the Organization's financial assets available for general expenditures consist of the following:

Total financial assets at year-end:		
Cash and cash equivalents	$	593,688
Restricted cash		3,000
Grants receivable		829,497
Pledges receivable		10,400
Other receivables		2,497
Total financial assets at year-end		1,439,082
Less amounts not to be used within one year		
Net assets with donor restriction		952,367
Less: net assets with restrictions to be met in less than one year		(852,367)
net assets with perpetual restriction		(100,000)
		-
Financial assets available to meet general expenditures over the next 12 months	$	1,439,082

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Contributions and promises to give restricted by donors for programs that are ongoing, major, and central to the Organization's annual operations, are considered to be available to meet cash needs for general expenditures.

NOTE 5 PROPERTY AND EQUIPMENT

At December 31, 2019, property and equipment consisted of the following:

Land	$	1,666,500
Building		1,024,757
Building improvement		36,414
Furniture and equipment		136,217
		2,863,888
Less accumulated depreciation		(152,625)
Total	$	2,711,263

Depreciation expense amounted to $32,889 for the year ended December 31, 2019.

NOTE 6 NOTES PAYABLE

At December 31, 2019, notes payable consisted of the following:

		Amount
Note payable to Open Bank, principal and interest payable in 59 regular monthly installments of $11,468 until September 2023, remaining estimated balance of $1,684,949 plus interest, is due in October 2023. Interest is calculated as described in the loan agreement, using interest rate of 5.375% per annum. The loan is secured by Deed of Trust on a certain real property in Orange County, California, Assignments of Rent on the property and a certain deposit account.	$	1,831,446
Note payable to an affiliate entity (see note 9). Principal amount payable in two installments of $150,000 on or before July 1, 2020 and July 1, 2021; interest at a rate of 4% per annum is payable monthly over the loan period.		300,000
Total		2,131,446
Less current portion		188,492
Long-term portion	$	1,942,954

Future maturity dates of the loans are as follows:

Year ending December 31		Amount
2020	$	188,492
2021		190,926
2022		43,213
2023		1,708,815
Total	$	2,131,446

NOTE 7 ENDOWMENT

The Organization's endowment (the Endowment) consists of funds established by a donor to provide funding for specific activities and general operations.

The Organization's Board of Directors has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2019 there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity:

a) the original value of initial and subsequent gift amounts donated to the Endowment, and

b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Organization and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Organization.
- The investment policies of the Organization.

As of December 31, 2019, outstanding donor-restricted endowment funds amounted to $107,344. $53,000 of the funds are deposited in a bank, and the remaining $54,344 are invested in a long-term investment with the New York Life Insurance and Annuity Corporation. The investment is classified as level 3 under the fair value hierarchy.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2019, net assets with donor restrictions are restricted for the following purposes or periods:

Subject to passage of time	$	643,697
Subject to specified purpose:		
Leadership development to improve community health		205,670
Educational and scholarship use for Korean-American (perpetual restriction)		100,000
Others		3,000
	$	952,367

NOTE 9 TRANSACTIONS WITH RELATED PARTIES

To further achieve its mission, the Organization partners with other non-profit enties such as LTSC Community Development Corporation (LTSC-CDC), KRC in Action, National Korean American Service and Education Consortium (NAKASEC), and Orange County Civic Engagement Table (OCCET). Transactions incurred by the Organization with these entities during the year ended December 31,2019, were:

- Rented an office space for free on a building owned by LTSC-CDC. Total free rent amounted to $52,500 and is reported under donations in-kind in the statement of activities. (See note 2)
- Shared the services of its employees and the use of its facilities with KRC in Action and NAKASEC. Total billings for these services amounted to $125,849 and are deducted from the Organization's expenses.
- Received contributions and program fees amounting to $139,075 from OCCET.
- As of December 31, 2019, the Organization has an outstanding note payable to NAKASEC amounting to $300,000. (See note 6)

NOTE 10 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, ages 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. For the year 2019, the Organization has decided not to contribute to the retirement fund.

NOTE 11 CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to credit risk are cash deposits with banks and other financial institutions that are in excess of the insured limit of $250,000 provided by the Federal Deposit Insurance Corporation (FDIC). The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk with respect to such accounts.

NOTE 12 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 13 SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies of many countries including the geographical area where the Organization operates. It is unknown how long this condition will last and what the complete financial effect will be to the Organization. Management believes that financial impact, if any, will not materially affect the December 31, 2019 financial statements.

Management has evaluated subsequent events through June 10, 2020, the date which the financial statements were available to be issued and concluded that no other material subsequent events require disclosure or adjustment to the financial statements.

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