

**KOREAN COMMUNITY SERVICES
OF METROPOLITAN
NEW YORK, INC.**

**Financial Statements
For the Years Ended
June 30, 2018
and
June 30, 2017**

Independent Auditor's Report

To the Board of Directors of
Korean Community Services of Metropolitan New York, Inc.

We have audited the accompanying financial statements of the Korean Community Services of Metropolitan New York, Inc. which comprise the statement of financial position as of June 30, 2018 and June 30, 2017 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

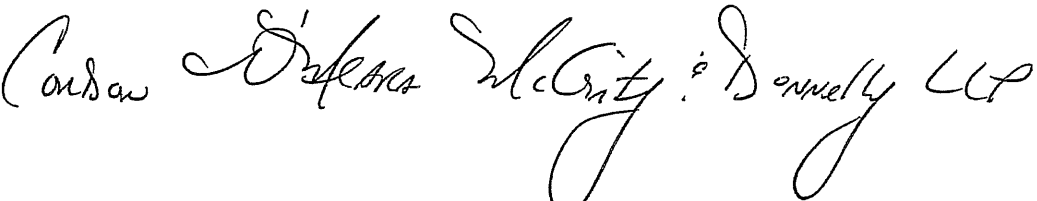
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Community Services of Metropolitan New York, Inc. and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



February 6, 2019

KOREAN COMMUNITY SERVICES OF METROPOLITAN NEW YORK, INC.

Statement of Financial Position

	Assets	
	June 30	
	2018	2017
Current assets		
Cash and cash equivalents	\$ 368,840	\$ 226,288
Accounts receivable	301,272	239,934
Contributions and grants receivable	734,596	1,174,081
Prepaid expenses and other	75,682	131,005
Total current assets	1,480,390	1,771,308
Property and equipment, net	7,915,340	7,817,680
Security deposits	18,376	17,573
Total assets	\$ 9,414,106	\$ 9,606,561

Liabilities and Net Assets

Current liabilities		
Line of credit	\$ 496,159	\$ 228,647
Accounts payable and accrued expenses	393,131	393,847
Unearned revenue	222,838	128,801
Current maturities of long-term debt	57,385	55,248
Total current liabilities	1,169,513	806,543
Long-term debt, net	2,766,423	2,762,272
Total liabilities	3,935,936	3,568,815
Net assets		
Unrestricted	5,226,026	5,437,068
Temporarily restricted	252,144	600,678
Total net assets	5,478,170	6,037,746
Total liabilities and net assets	\$ 9,414,106	\$ 9,606,561

See notes to financial statements.

KOREAN COMMUNITY SERVICES OF METROPOLITAN NEW YORK, INC.

Statement of Activities

Year Ended June 30, 2018 and June 30, 2017

	2018		2017	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Public support and revenue				
Government grants	\$ 2,001,756	\$ -	\$ 2,006,843	\$ -
Contract grants	498,400	-	443,100	-
Contributions	50,150	396,801	58,160	665,744
Program service fees	1,193,788	-	925,044	-
Special events, net of direct benefits to donors of \$275,745 and \$172,228 in 2018 and 2017, respectively	363,470	-	237,350	-
Investment return	403	-	678	-
In-kind contributions	7,907	-	110,127	-
Other	47,311	-	13,085	-
Net assets released from restrictions	<u>745,145</u>	<u>(745,145)</u>	<u>460,441</u>	<u>(460,441)</u>
Total public support and revenue	<u>4,908,330</u>	<u>(348,344)</u>	<u>4,254,828</u>	<u>205,303</u>
	<u>4,135,721</u>	<u>-</u>	<u>3,720,919</u>	<u>-</u>
Expenses				
Program services	830,611	-	635,570	-
Supporting activities	153,230	-	170,019	-
Management and general Fundraising	983,841	-	805,589	-
Total supporting activities	<u>5,119,562</u>	<u>-</u>	<u>4,526,508</u>	<u>-</u>
Increase (decrease) in net assets before gain on sale of land and building	(221,232)	(348,344)	(271,680)	205,303
Gain on sale of land and building	-	-	1,864,529	-
Increase (decrease) in net assets	(221,232)	(348,344)	1,592,849	205,303
Net assets, beginning of year	<u>5,437,068</u>	<u>600,678</u>	<u>3,844,219</u>	<u>395,375</u>
Net assets, end of year	<u>\$ 5,226,026</u>	<u>\$ 252,144</u>	<u>\$ 5,437,068</u>	<u>\$ 600,678</u>
			<u>\$ 6,037,746</u>	<u>\$ 6,037,746</u>

See notes to financial statements.

KOREAN COMMUNITY SERVICES OF METROPOLITAN NEW YORK, INC.

Statement of Functional Expenses
 Year Ended June 30, 2018
 (With Summarized Comparative Information for 2017)

	2018										2017	
	Program Services					Supporting Activities					Total	Total
	Aging Programs	Adult Day Care	Education & Immigration	Workforce Development	Public Health Research	Mental Health Clinic	Management and General	Fundraising	Total	Total		
Salaries and related benefits	\$ 932,616	\$ 207,116	\$ 337,430	\$ 145,706	\$ 365,800	\$ 437,969	\$ 2,426,637	\$ 192,011	\$ 73,646	\$ 265,657	\$ 2,692,294	\$ 2,311,678
Professional fees	9,728	1,981	3,246	1,398	3,509	50,183	70,045	258,727	40,294	299,021	369,066	344,593
Occupancy	229,877	11,540	11,377	3,604	32,307	43,884	332,589	60,360	-	60,360	392,949	359,406
Equipment and rental	7,914	5,454	6,865	1,965	1,708	1,067	24,973	6,949	-	6,949	31,922	55,575
Vehicles	71,324	9,361	-	-	-	-	80,685	146	-	146	80,831	69,245
Telecommunications	10,563	1,243	4,490	5,060	3,737	2,063	27,156	2,077	-	2,077	29,233	32,079
Supplies	8,195	2,301	4,030	6,340	4,627	1,662	27,155	9,768	-	9,768	36,923	92,267
Printing and copying	2,069	40	446	-	2,506	456	5,517	2,518	-	2,518	8,035	10,374
Travel	1,272	1,009	794	11,905	6,580	147	21,707	3,930	-	3,930	25,637	19,022
Conferences and meetings	1,132	283	3,180	16,510	1,608	813	23,526	3,032	-	3,032	26,558	33,258
Contract services	-	-	70,709	-	2,500	-	73,209	-	-	-	73,209	85,553
Program	23,502	16,534	22,442	16,853	24,443	-	103,774	6,600	324	6,924	110,698	68,613
Food	648,876	11,057	-	-	-	-	659,933	-	-	-	659,933	642,884
Interest	-	-	-	-	-	-	-	184,435	-	184,435	184,435	56,246
Other	29,298	6,580	19,702	5,373	15,060	30,186	106,199	40,807	38,966	79,773	185,972	173,490
Depreciation and amortization	76,470	35,463	26,819	6,618	6,033	1,213	152,616	59,251	-	59,251	211,867	172,225
Total	\$ 2,052,836	\$ 309,962	\$ 511,530	\$ 221,332	\$ 470,418	\$ 569,643	\$ 4,135,721	\$ 830,611	\$ 153,230	\$ 983,841	\$ 5,119,562	\$ 4,526,508

See notes to financial statements.

KOREAN COMMUNITY SERVICES OF METROPOLITAN NEW YORK, INC.

Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services						Supporting Activities		
	Aging Programs	Adult Day Care	Education & Immigration	Workforce Development	Public Health Research	Mental Health Clinic	Management and General	Fundraising	Total
Salaries and related benefits	\$ 849,719	\$ 209,917	\$ 283,221	\$ 129,101	\$ 355,622	\$ 298,654	\$ 69,532	\$ 115,912	\$ 2,311,678
Professional fees	6,330	1,644	2,110	5,231	9,278	32,468	250,669	36,863	344,593
Occupancy	222,066	-	2,800	3,400	36,968	44,997	49,175	-	359,406
Equipment and rental	11,089	1,374	5,500	4,316	1,250	20,601	11,445	-	55,575
Vehicles	61,861	7,084	-	-	-	-	300	-	69,245
Telecommunications	8,910	300	4,100	7,510	4,874	2,827	3,558	-	32,079
Supplies	27,834	13,713	5,975	17,956	9,153	13,621	3,985	30	92,267
Printing and copying	326	40	40	1,356	5,720	2,502	180	210	10,374
Travel	476	370	1,593	6,143	6,511	188	3,741	-	19,022
Conferences and meetings	876	2,435	6,939	13,797	3,521	452	4,966	272	33,258
Contract services	-	-	83,053	-	-	2,500	-	-	85,553
Program	14,182	1,184	8,547	28,656	11,206	130	4,708	-	68,613
Food	610,152	32,309	181	-	10	232	-	-	642,884
Interest	-	-	-	-	-	-	56,246	-	56,246
Other	13,745	3,113	19,224	24,289	16,391	10,844	69,152	16,732	173,490
Depreciation and amortization	63,100	-	-	-	-	1,212	107,913	-	172,225
Total	\$ 1,890,666	\$ 273,483	\$ 423,283	\$ 241,755	\$ 460,504	\$ 431,228	\$ 635,570	\$ 170,019	\$ 4,526,508

See notes to financial statements.

KOREAN COMMUNITY SERVICES OF METROPOLITAN NEW YORK, INC.

Statement of Cash Flows

	Year Ended	
	June 30	
	2018	2017
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (559,576)	\$ 1,798,152
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
(Gain) on sale of land and building	-	(1,864,529)
Amortization of deferred financing costs	61,536	15,384
Depreciation and amortization	211,867	172,225
(Increase) decrease in assets		
Accounts receivable	(61,338)	(70,572)
Contributions and grants receivable	439,485	(715,071)
Prepaid expenses and other	55,323	973
Security deposits	(803)	(396)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(716)	128,546
Unearned revenue	94,037	67,926
Net cash provided by (used in) operating activities	<u>239,815</u>	<u>(467,362)</u>
Cash flows from investing activities		
Purchases of property and equipment	(309,527)	(6,978,021)
Proceeds from sale of land and building	-	4,500,000
Net cash (used in) investing activities	<u>(309,527)</u>	<u>(2,478,021)</u>
Cash flows from financing activities		
Proceeds from line of credit	267,512	262,669
Repayment on line of credit	-	(262,809)
(Increase) in deferred financing costs	-	(184,608)
Proceeds from long-term debt	-	3,000,000
Repayment of long-term debt	(55,248)	(13,256)
Net cash provided by financing activities	<u>212,264</u>	<u>2,801,996</u>
Net increase (decrease) in cash and cash equivalents	142,552	(143,387)
Cash and cash equivalents, beginning of year	<u>226,288</u>	<u>369,675</u>
Cash and cash equivalents, end of year	<u>\$ 368,840</u>	<u>\$ 226,288</u>
Supplemental disclosure of cash flows information:		
Cash paid for interest	<u>\$ 122,899</u>	<u>\$ 40,862</u>

See notes to financial statements.

KOREAN COMMUNITY SERVICES OF METROPOLITAN NEW YORK, INC.**Notes to Financial Statements
June 30, 2018 and June 30, 2017****Note 1 – Nature of organization**

Korean Community Services of Metropolitan New York, Inc. (“KCS”) was incorporated in the State of New York on January 14, 1974 under Section 402 of the Not-for-Profit Corporation Law by a group of members of the Korean community. KCS is a community based, voluntary, non-profit, non-sectarian social service organization supported by governments, various foundations, corporations, and concerned individuals within the Korean community. The central goal of KCS is to serve the newly arriving Korean immigrants whose needs require bilingual, professional and social services in Korean and English. The objectives of KCS are to develop and deliver services to meet the various needs of the community.

KCS’s services and programs include:

- Aging Programs & Adult Day Care: Operating Korean American Senior Centers (Flushing and Corona)
- Education & Immigration Program: Adult Literacy, After School Program, Immigration (Citizenship/DACA/DAPA), KCS Kids Line, Youth Community Action Project
- Workforce Development Program: Senior Community Service Employment Program, SNAP Employment and Training Program
- Public Health Research Program: Advocacy, Health Screenings, Chronic Disease, Social Services
- Mental Health Clinic Program

Note 2 – Summary of significant accounting policies**Basis of presentation**

The classification of KCS’s net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets: unrestricted, temporarily restricted and permanently restricted, be displayed in the statement of financial position and that the changes in each of those classes of net assets be displayed in the statement of activities. The classes are defined as follows:

- Unrestricted net assets include those assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control.

KOREAN COMMUNITY SERVICES OF METROPOLITAN NEW YORK, INC.**Notes to Financial Statements (continued)
June 30, 2018 and June 30, 2017****Note 2 – Summary of significant accounting policies (continued)**Basis of presentation (continued)

- Temporarily restricted net assets are those net assets whose use by KCS has been limited by the donors (a) for later periods of time or (b) for specified purposes. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets are net assets subject to donor-imposed stipulations that they be maintained permanently. As of June 30, 2018 and June 30, 2017, KCS has no permanently restricted net assets.

Cash equivalents

KCS considers highly liquid assets with original maturities of 90 days or less to be cash equivalents.

Allowance for doubtful accounts

As of June 30, 2018 and June 30, 2017, management has determined that there are no potentially uncollectible receivables and thus, an allowance for doubtful accounts is not necessary. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

Property and equipment

KCS capitalizes as property and equipment, expenditures for assets over a nominal amount with an estimated useful life greater than one year. Property and equipment are recorded at cost and are depreciated or amortized on a straight-line basis over estimated useful lives ranging from 3 to 40 years.

Revenue recognition

Contributions received, including unconditional promises to give, are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or absence of donor restriction at the time of receipt or promise.

Donor-restricted contributions that have their restrictions met within the fiscal year they are received are reported as unrestricted revenue. Restrictions that are not met are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions.

Grant revenue from government agencies (Federal, State, County, and City) and other grantors are recognized when compliance with the various grant requirements is achieved. Usually this occurs at the time the expenditures are made and any grant matching requirements are met. These revenues are restricted by the grantor to specific programs. Grantor funds received before the revenue recognition criteria have been met are reported as unearned revenue.

KOREAN COMMUNITY SERVICES OF METROPOLITAN NEW YORK, INC.**Notes to Financial Statements (continued)****June 30, 2018 and June 30, 2017****Note 2 – Summary of significant accounting policies (continued)**Contingency

Funding contracts are often subject to audit by the applicable granting agencies. The possible disallowances by the granting agencies of any item charged to the program cannot be determined until such time when and if an audit occurs. Therefore, no provision for any potential disallowances that may result from such audits has been made in the accompanying financial statements. Management is of the opinion that any potential disallowances will not be material to the accompanying financial statements.

In-kind contributions

During 2018, KCS received donated food valued at \$7,907. During 2017, KCS received two vehicles valued at \$92,478 and donated food valued at \$17,649 for total in-kind contributions of \$110,127 during 2017.

A number of volunteers, including members of the Board of Directors, have donated significant amounts of their time in KCS's program services, management and general services and fundraising campaigns. These donated services have not been recorded in the accompanying statement of activities because they do not meet the criteria for recording such services.

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

Concentrations of credit risk

KCS's financial instruments that are potentially exposed to concentrations of credit risk consist of cash and cash equivalents, and receivables. KCS places its cash with what it believes to be quality financial institutions. At times during the year, cash and cash equivalents exceeded the FDIC insurance limit. KCS has not experienced any losses with respect to its cash and cash equivalents to date. KCS's management monitors its cash and the collectability of its receivables. As a result, KCS believes concentrations of credit risk are limited with respect to its cash and cash equivalents, and receivables.

Functional expenses

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

KOREAN COMMUNITY SERVICES OF METROPOLITAN NEW YORK, INC.

**Notes to Financial Statements (continued)
June 30, 2018 and June 30, 2017**

Note 2 – Summary of significant accounting policies (continued)

Subsequent events

KCS evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluations are performed through the date the financial statements are available to be issued, which was February 6, 2019 for these financial statements.

Note 3 – Property and equipment

The following is a summary of property and equipment as of June 30, 2018 and June 30, 2017:

	<u>2018</u>	<u>2017</u>
Land	\$1,725,000	\$1,725,000
Building and improvements	6,161,772	5,916,043
Leasehold improvements	92,070	86,900
Furniture and equipment	<u>323,407</u>	<u>264,779</u>
Sub-total	8,302,249	7,992,722
Less: accumulated depreciation and amortization	<u>386,909</u>	<u>175,042</u>
Total	<u>\$7,915,340</u>	<u>\$7,817,680</u>

During 2017, KCS sold land and a building for \$4,500,000. In connection with the sale, KCS removed land, buildings and improvements with a cost of \$3,376,982 and accumulated depreciation of \$741,511, which resulted in a gain on sale of land and building of \$1,864,529.

Also during 2017, KCS purchased land and a building for the new KCS Korean-American Community Center for \$7,500,000. The land and building were paid for using the proceeds from the sale of the land and building noted above, a deposit made during the 2016 fiscal year and long-term debt. See Note 5 for long-term debt.

Note 4 – Line of credit

During 2017, KCS obtained a \$500,000 line of credit which expires March 1, 2020. Borrowings under the line of credit bear interest at The Wall Street Journal Prime Rate plus .25% (5.00% at June 30, 2018). The line is secured by certain business assets of KCS. As of June 30, 2018, KCS had \$496,159 outstanding under the line.

KOREAN COMMUNITY SERVICES OF METROPOLITAN NEW YORK, INC.

Notes to Financial Statements (continued)
June 30, 2018 and June 30, 2017

Note 5 – Long-term debt

During February 2017, the KCS obtained a mortgage loan for \$3,000,000 for the purchase of land and a building. The loan requires monthly payments of principal and interest of \$13,988 at a fixed interest rate of 3.75% per annum. The amount of the monthly principal and interest payments are calculated based on a 30-year amortization period which matures on March 1, 2020, at which time any unpaid principal balance then outstanding plus accrued interest will be due and payable. If certain conditions are met, KCS may extend the maturity date to March 1, 2022. The loan is secured by a mortgage and security agreement on KCS's real property. The loan is subject to certain continuing financial and reporting covenants, as outlined in the loan documents.

The following is a summary of the required annual principal payments on the long-term debt:

<u>Fiscal year</u>	<u>Total</u>
2019	\$ 57,385
2020 (includes a \$2,835,122 balloon payment)	<u>2,874,111</u>
Total	2,931,496
Less: current maturities	<u>57,385</u>
Total long-term debt	2,874,111
Less: deferred financing costs	<u>107,688</u>
Net long-term debt	<u>\$ 2,766,423</u>

Note 6 – Temporarily restricted net assets

The following is a summary of the temporarily restricted net assets for the years ended June 30, 2018 and June 30, 2017:

<u>Purpose</u>	<u>2018</u>			<u>Balance June 30, 2018</u>
	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Net Assets Released from Restrictions</u>	
Building funds	\$ 547,250	\$ 286,801	\$ (644,745)	\$ 189,306
Development	-	35,000	-	35,000
Education and immigration	12,095	75,000	(59,257)	27,838
Mental Health Clinic	25,000	-	(25,000)	-
Public Health Research Center	<u>16,333</u>	<u>-</u>	<u>(16,333)</u>	<u>-</u>
Total	<u>\$ 600,678</u>	<u>\$ 396,801</u>	<u>\$ (745,145)</u>	<u>\$ 252,144</u>

KOREAN COMMUNITY SERVICES OF METROPOLITAN NEW YORK, INC.

**Notes to Financial Statements (continued)
June 30, 2018 and June 30, 2017**

Note 6 – Temporarily restricted net assets (continued)

<u>Purpose</u>	2017			
	<u>Balance at June 30, 2016</u>	<u>Additions</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance June 30, 2017</u>
Building funds	\$ 228,280	\$ 599,744	\$ (280,774)	\$ 547,250
Education and immigration	12,095	-	-	12,095
Mental Health Clinic	130,000	-	(105,000)	25,000
Public Health Research Center	25,000	66,000	(74,667)	16,333
Total	<u>\$ 395,375</u>	<u>\$ 665,744</u>	<u>\$ (460,441)</u>	<u>\$ 600,678</u>

Note 7 – Commitments

In December 2007, KCS entered into a fifteen year lease agreement for the Corona senior center commencing in January 2008. The lease which expires in the 2023 fiscal year requires monthly payments of \$7,000.

In March 2015, KCS entered into a three year lease agreement for a mental health clinic. The lease calls for monthly payments of \$3,000 in the first year and escalating to monthly payments of \$3,167 in the last year of the lease. In connection with the lease, KCS paid a security deposit of \$12,000, which is included in security deposits in the statement of financial position. In February 2018, KCS extended this lease agreement for an additional three years through February 2021, requiring monthly payments of \$3,262 in the first year increasing to \$3,461 in the last year of the lease.

The following is a summary of the required annual minimum lease payments as of June 30, 2018:

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 123,539
2020	124,725
2021	111,688
2022	84,000
2023	<u>42,000</u>
Total	<u>\$ 485,952</u>

Rent expense totaled \$285,893 and \$288,057 for the years ended June 30, 2018 and June 30, 2017, respectively.

KOREAN COMMUNITY SERVICES OF METROPOLITAN NEW YORK, INC.**Notes to Financial Statements (continued)
June 30, 2018 and June 30, 2017****Note 8 – Retirement plan**

KCS maintains a SIMPLE IRA retirement plan for all eligible employees. Eligible employees may contribute a portion of their compensation not to exceed the limit established by the Internal Revenue Services. KCS matches employee contributions not to exceed 3% of compensation. In connection with the Plan, KCS incurred costs of \$6,806 and \$6,515 for years ended June 30, 2018 and June 30, 2017, respectively.

Note 9 – Tax status

KCS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the “Code”). In addition, KCS has been determined by the Internal Revenue Service to be a public charity and not a private foundation within the meaning of Section 509(a)(1) of the Code. Contributions are eligible for the maximum charitable tax deduction available for donors.