

KOREAN COMMUNITY SERVICES, INC.

FINANCIAL STATEMENTS

December 31, 2020

KOREAN COMMUNITY SERVICES, INC.
FINANCIAL STATEMENTS
December 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Korean Community Services, Inc.
Anaheim, California

Report on the Financial Statements

We have audited the accompanying financial statements of Korean Community Services, Inc. (KCS or the "Organization"), which comprise the statement of financial position as of December 31, 2020, the related statements of activities and changes in net assets, cash flows, and functional expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 KCS as of December 31, 2020, and the changes in net assets, cash flows and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2022 on our consideration of KCS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the KCS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KCS's internal control over financial reporting and compliance.

CKP, LLP

March 31, 2022

KOREAN COMMUNITY SERVICES, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2020

Current assets:	
Cash and cash equivalents	\$ 2,231,136
Short term investments	1,001,625
Accounts receivable, net	2,045,994
Prepaid expenses	48,298
Other receivables	<u>115,674</u>
Total current assets	5,442,727
Property and equipment:	232,178
Automobiles	67,978
Furniture and equipment	148,271
Building improvements	<u>248,686</u>
	464,935
Less: accumulated depreciation	<u>(232,757)</u>
Net property and equipment	232,178
Other assets:	
Investments	603,375
Security deposits	55,156
Other assets	<u>73,806</u>
Total other assets	732,337
Total assets	<u>\$ 6,407,242</u>
Current liabilities:	
Accounts payable and accrued liabilities	<u>\$ 649,632</u>
Total current liabilities	<u>649,632</u>
Total liabilities	649,632
Commitment and contingencies	-
Net assets:	
Without donor restrictions	<u>5,757,610</u>
Total net assets	<u>5,757,610</u>
Total liabilities and net assets	<u>\$ 6,407,242</u>

See accompanying notes to financial statements

KOREAN COMMUNITY SERVICES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Patient fees	\$ 5,259,595	\$ -	\$ 5,259,595
Program services	1,995,980	-	1,995,980
Grants and contributions	4,195,789	-	4,195,789
Total revenue and support	11,451,364	-	11,451,364
Functional expenses			
Program expenses	8,364,598	-	8,364,598
Support expenses			
General and administrative	865,590	-	865,590
Fundraising	-	-	-
Total functional expenses	9,230,189	-	9,230,189
Nonoperating changes			
Other income	1,288,549	-	1,288,549
Change in net assets	3,509,724	-	3,509,724
Net assets, beginning of year	2,247,886	-	2,247,886
Net assets, end of year	\$ 5,757,610	\$ -	\$ 5,757,610

See accompanying notes to financial statements

KOREAN COMMUNITY SERVICES, INC.STATEMENT OF CASH FLOWS
Years Ended December 31, 2020**Cash flows from operating activities:**

Change in net assets	\$	3,509,724
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation		42,915
Bad debt		1,466
Loss on disposition of property and equipment		45,864
(Increase) Decrease in:		
Accounts receivable		(2,145,084)
Prepaid expenses		(38,335)
Other receivables		(115,674)
Security deposits		(20,000)
Other assets		(73,806)
Increase (Decrease) in:		
Accounts payable and accrued liabilities		<u>(14,336)</u>
Net cash provided by operating activities		1,192,734

Cash flows from investing activities:

Investments		(1,605,000)
Acquisition of property and equipment		(176,649)
Disposition of property and equipment		<u>92,524</u>
Net cash used in investing activities		(1,689,125)

Cash flows from financing activities:

Payments on note payable		<u>(159,344)</u>
Net cash used in financing activities		(159,344)
Net increase (decrease) in cash		(655,735)
Cash and cash equivalents, beginning of year		<u>1,876,913</u>
Cash and cash equivalents, end of year	\$	<u><u>1,221,178</u></u>

Supplemental disclosures:

Cash paid during the year for:		
Interest	\$	<u><u>1,092</u></u>

See accompanying notes to financial statements

KOREAN COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	Program Services														Supporting Services			
	Medical Clinic (46.63%)	API Navigation	API Testing	CARES Act 2020	H8C	H8D	H8E	H8OC 2019- 2020	H8OC 2020- 2021	DUI	Drug MediCal (DMC)	Community Service Bokji Center	Domestic Violence	Other Grants and Program	Total Program Services	Total General & Administrative	Fundraising	2020 Total
Personnel Expenses																		
Salaries & wages	\$ 1,909,723	\$ 64,500	\$ 252,016	\$ 74,964	-	\$ 236,157	-	\$ 380,745	\$ 191,649	\$ 214,468	\$ 407,196	\$ 425,192	\$ 182,207	\$ 262,433	\$ 4,601,249	\$ 388,445	-	\$ 4,989,694
Payroll taxes & benefits	190,269	10,062	32,354	9,107	-	17,974	-	36,751	-	60,141	59,815	82,535	23,382	46,708	569,099	62,930	-	632,028
Total Personnel Expenses	2,099,992	74,562	284,370	84,071	-	254,131	-	417,496	191,649	274,609	467,011	507,727	205,589	309,141	5,170,347	451,375	-	5,621,722
Non-Personnel Expenses																		
Travel	1,721	-	-	-	-	-	27	-	-	-	69	7,899	5,765	624	16,105	2,842	-	18,947
Equipment rental	9,344	-	-	-	-	-	-	-	4,460	2,656	2,903	1,277	2,787	23,428	4,134	-	27,562	
Supplies	137,984	7,500	61,672	-	49,809	-	16,588	10,283	7,921	5,870	105,375	16,353	12,969	432,323	24,815	-	457,138	
Contractual costs	1,153,275	168,692	123,210	-	2,803	-	8,965	-	12,764	46,276	101,211	5,474	162,979	1,785,648	207,937	-	1,993,585	
Repair and maintenance	20,282	-	-	-	-	-	-	-	8,788	9,362	6,551	23,019	6,134	74,136	13,083	-	87,218	
Utilities	19,536	-	-	-	-	-	-	-	9,425	6,305	6,117	2,336	4,461	48,180	8,502	-	56,682	
Rent/lease cost	183,023	-	-	-	-	-	-	-	85,490	49,865	47,388	21,033	63,352	450,152	79,439	-	529,590	
Insurance	20,532	-	-	-	-	-	-	-	6,783	3,618	7,879	10,127	4,070	53,008	9,354	-	62,362	
Communication	19,597	-	-	-	-	-	-	-	6,337	3,514	6,906	2,482	3,922	42,757	7,545	-	50,303	
License & dues	28,506	-	-	-	-	-	-	-	41,133	873	3,125	381	7,655	81,673	14,413	-	96,086	
Training	11,509	-	-	-	-	-	-	-	336	488	9,177	8,406	5,365	35,281	6,226	-	41,507	
Automobile	3,191	-	-	-	-	-	-	-	-	-	-	6,929	-	10,119	1,786	-	11,905	
Bank service fees	106	-	-	-	-	-	-	-	793	-	44	6,679	124	7,746	1,367	-	9,113	
Recruitment costs	3,217	-	-	-	-	-	-	-	109	264	69	254	111	4,024	710	-	4,734	
Interest expense	928	-	-	-	-	-	-	-	-	-	-	-	-	928	164	-	1,092	
Depreciation	36,478	-	-	-	-	-	-	-	-	-	-	-	-	36,478	6,437	-	42,915	
Subcontracts & client support	-	-	-	-	-	-	-	-	-	-	-	34,850	-	34,850	6,150	-	41,000	
Indirect cost	-	-	13,444	-	-	-	-	-	-	-	737	-	-	14,181	10,216	-	24,397	
Other expense	38,984	-	-	-	-	-	-	-	-	-	4,250	-	-	43,234	7,630	-	50,864	
Bad debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,466	-	1,466	
Total Non-Personnel Expenses	1,688,214	176,192	198,326	-	52,612	-	16,588	19,275	-	184,338	129,158	344,482	110,514	274,552	3,194,251	414,216	-	3,608,466
Grand Total	\$ 3,788,206	\$ 250,754	\$ 482,696	\$ 84,071	\$ 52,612	\$ 254,131	\$ 16,588	\$ 436,771	\$ 191,649	\$ 458,947	\$ 596,169	\$ 852,209	\$ 316,103	\$ 583,693	\$ 8,364,598	\$ 865,590	\$ -	\$ 9,230,189

KOREAN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization

Korean Community Services, Inc. (KCS or the "Organization") is a not-for-profit corporation established under the laws of the State of California with its headquarters in Anaheim, California. KCS enters into contracts with State and Local Government agencies to promote projects and programs that provide culturally and professionally competent services to the needs of Korean American families and other disenfranchised populations in the greater Los Angeles and Orange County area. KCS believes that healthier individuals and communities result from a combination of outreach, treatment and prevention efforts. The mission of KCS is to enable and manage information, resources and technical assistance in a quality and cost-effective manner.

Note 2 - Summary of Significant Accounting Policies

This summary of significant accounting policies of KCS is presented to assist in understanding KCS's financial statements. The financial statements and notes are representations of KCS's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The financial statements of KCS have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net asset with donor restricts.

Net Assets Without Donor Restrictions – Include contributions, fees and other forms of unrestricted revenue and expenditures related to the general operations of the Organization.

Net Assets With Donor Restrictions – Include grants received that are restricted with respect to time or use by the donor or grantor. When the restrictions expire, the net assets of this fund are reclassified to unrestricted net assets. Restricted grants received are reported as unrestricted revenue if the restriction is met in the same reporting period.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Grants and other contributions received are recorded as net assets without donor restriction and net assets with donor restriction, depending on the nature of the restrictions.

Contributions include cash, in-kind contributions, and unconditional transfers of or unconditional promises to give cash or other assets. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or when the conditions expire, whichever occurs first.

KOREAN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

All donor-restricted contributions are reported as an increase in net assets with donor restrictions. 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 statement of activities as net assets released from restrictions. However, KCS has implemented the policy to show contributions with donor-imposed restrictions in the same manner as unrestricted contributions when those restrictions are met in the same reporting period as unrestricted contributions.

Contributed Services

Contributed services are recognized if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Only those amounts that meet the criteria above are recorded in the accompanying financial statements.

Cash and Cash Equivalents

KCS considers all highly liquid investments purchased with an original maturity of three months or less to be categorized as cash and cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. KCS determines that the accounts receivable of \$2,045,994 is fully collectible.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. The straight-line method is used to calculate depreciation over their estimated useful lives ranging as follows:

Automobiles	4 to 5 years
Building improvements	10 to 30 years
Furniture and equipment	5 to 10 years

Capital expenditures that enhance the value or materially extend the useful life of the related assets are reflected as additions to property and equipment. Expenditures for maintenance and repairs that do not increase the estimated useful life of an asset are expensed as incurred. Depreciation expense for the year ended December 31, 2020 was \$42,915.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment amount that will be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Income Taxes

KCS is exempt from Federal and State income taxes under section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

KOREAN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

KCS has adopted the provisions of Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. On December 31, 2020 and for the year ended, KCS had no material unrecognized tax benefits, tax penalties or interest.

KCS's Federal form 990, Return of Organization Exempt from Income Taxes, for the years ended December 31, 2018 through 2020 are subject to examination by the IRS, generally for three years after they were filed. The California form 199, California Exempt Organization Annual Information Return, for the years ended December 31, 2017 through 2020 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

Accrued Vacation

Accumulated unpaid employee vacation benefits are recognized as liabilities of KCS.

Fair Value of Financial Instruments

The Financial Accounting Standards Board (FASB) issued ASC 820, which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America and expands disclosures about fair value measurements. The guidance clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exist, therefore requiring an entity to develop its assumptions.

The annuity contract is reported at contract value, which approximates fair value. Contract value represents contributions made under the agreement plus earnings. As this investment is contract-based, observable prices for identical or similar investments do not exist, and accordingly, the investment is valued using unobservable inputs and is classified as Level 3.

KCS's financial instruments, including cash and cash equivalents, accounts receivable, grant receivable, other receivables, accounts payable, accrued liabilities and other payables are carried at cost, which approximates their fair value because of the short-term maturity of these instruments.

Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash and cash equivalent and accounts receivable.

KCS maintains its cash accounts with high-quality insured depository financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation for up to \$250,000.

KOREAN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

KCS's operations is contingent to receiving or securing federal or state grants. As of December 31, 2020, KCS's cash balance, including short-term investment, exceeding the maximum insured amount totaled \$1,772,655.

Cost Allocation Plan

KCS allocates its costs based on the relative benefits received by the programs or activities. Accordingly, KCS applies several methods for allocating costs:

Direct Costs - Expenses that are charged directly to specific programs, projects, or cost centers based upon benefit received. These expenses may be allocated directly to either Program Services or Supporting Services.

Shared Direct Cost - Costs associated with programs or projects with more than a single funding source are shared between the programs and projects.

Personnel and Personnel-Related Cost - Costs incurred for personnel and personnel-related expenses shall be charged based upon the allocation of staff time as reported on timesheets. Office supplies, telephone, equipment rental and lease, and equipment repair and maintenance are also allocated based upon staff time spent on each project or FTE (full-time equivalent) method.

- **Occupancy and Space Cost** - Costs are allocated based upon staff time spent on each project or FTE (full-time equivalent) method. The FTE for each program and will need to be determined and the percentage of the total FTE of the cost center calculated.

Indirect Costs - Costs that have broad benefits to all aspects of an organization, but by its nature cannot be readily or reasonably allocated shall be charged as an indirect cost according to an approved indirect cost allocation plan. KCS has an indirect cost rate approved by its cognizant federal agency and applies this rate across all projects and activities, except as restricted by the funder.

Recent Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The guidance in ASU 2016-02 (as subsequently amended by ASU 2018-01, ASU 2018-10, ASU 2018-11, ASU 2018-20 and ASU 2019-01) requires that a lessee recognizes in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. As with previous guidance, there continues to be a differentiation between finance leases and operating leases, however this distinction now primarily relates to differences in the manner of expense recognition over time and in the classification of lease payments in the statement of cash flows. Lease assets and liabilities arising from both finance and operating leases will be recognized in the statement of financial position.

The transitional guidance for adopting the requirements of ASU 2016-02 calls for a modified retrospective approach that includes a number of optional practical expedients that entities may elect to apply. In addition, ASU 2018-11 provides for an additional (and optional) transition method by which entities may elect to initially apply the transition requirements in Topic 842 at that Topic's effective date with the effects of initially applying Topic 842 recognized as a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption and without retrospective application to any comparative prior periods presented. The standard is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, for public business entities, certain not-for-profit

KOREAN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

entities, and certain employee benefit plans. For all other entities, the standard is effective for annual periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Under the amendment of AUS 2020-05, due to Coronavirus Disease 2019 (COVID-19) pandemic, the effective date of leases for all other entities is deferred to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Organization is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

Note 3 – Annuity Contract

The Organization has entered into a fixed annuity contract with insurance companies. The Organization’s contract investment balance is credited with earnings based upon contractually determined interest rates. The insurance companies establish an effective annual interest rates. In no event will such effective annual interest rate be less than the minimum interest rate as defined by the contract. The annuity contracts are included in the statement of financial position at contract value as reported by the insurance companies, which approximate fair value. There are no reserves against contract value for credit risk of the issuer or otherwise.

The following table sets forth by level, within the fair value hierarchy, the Plan’s assets at fair value as of December 31, 2020:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Registered investment companies	\$ -	\$ -	\$ 603,375	\$ 603,375
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 603,375</u>	<u>\$ 603,375</u>

Note 4 - Commitments

KCS leases multiple operating facilities and certain equipment under non-cancelable operating lease agreements. Future minimum payments under these lease agreements on December 31, 2020 were as follows:

Years ending December 31,	Total
2021	\$ 572,591
2022	522,823
2023	455,892
2024	433,285
2025 and thereafter	405,656
Total	<u>\$ 2,390,247</u>

Rent expense for the year ended December 31, 2020 was \$550,299.

KOREAN COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

Note 5 - Paycheck Protection Program

In May 2020, KCS received loan proceeds from the Small Business Administration (SBA) in the amount of \$844,687, pursuant to the Paycheck Protection Program ("PPP") established under the CARES Act. The PPP Loan was subject to forgiveness under the PPP upon KCS's request to the extent that the proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent, and covered utility payments. The amount has been recorded as other revenue for the year ended December 31, 2020, as KCS fully utilized the funds in accordance with the forgiveness requirements. KCS reduced its liability and recorded a gain on the extinguishment.

Note 6 - Availability of Financial Assets

The Organization's financial assets available within one year of December 31, 2020 for general expenditure are as follows:

<u>Current assets</u>	<u>Amount</u>
Cash and cash equivalents	\$ 2,231,136
Short term investments	1,001,625
Accounts receivable, net	2,045,994
Prepaid expenses	48,298
Other receivables	115,674

As part of the Organization's liquidity management practices, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization invests cash in excess of daily requirements in short-term investments.

Note 7 - Subsequent Events

KCS has evaluated all subsequent events to the balance sheet date of December 31, 2020 through the date that the financial statements were available to be issued, which was March 31, 2022 and has determined that there are no subsequent events that require disclosure under FASB ASC Topic 855, *Subsequent Events*.

**REPORT IN ACCORDANCE
WITH GOVERNMENT
AUDITING STANDARDS**



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Korean Community Services, Inc.
Anaheim, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Korean Community Services, Inc. (KCS), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered KCS's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KCS's internal control. Accordingly, we do not express an opinion on the effectiveness of KCS's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KCS's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CKP, LLP

March 31, 2022

**REPORT IN ACCORDANCE
WITH TITLE 2 U.S. CODE OF
FEDERAL REGULATIONS PART 200,
UNIFORM ADMINISTRATIVE REQUIREMENTS,
COST PRINCIPLES, AND
AUDIT REQUIREMENTS FOR
FEDERAL AWARDS**



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Korean Community Services, Inc.
Anaheim, California

Report on Compliance for Each Major Federal Program

We have audited Korean Community Services Inc.'s (KCS) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of KCS's major federal programs for the year ended December 31, 2020. KCS's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each KCS's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about KCS's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of KCS's compliance.

Opinion on Each Major Federal Program

In our opinion, KCS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of KCS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered KCS's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of KCS's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of KCS as of and for the year ended December 31, 2020, and have issued our report thereon dated March 31, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

CKP, LLP

March 31, 2022

KOREAN COMMUNITY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2020

<u>Federal Grantor / Pass-Through Grantor / Program</u>	<u>CFDA Number</u>	<u>Agency Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Treasury</u>			
Pass through:			
Orange County Health Care Agency			
Coronavirus Relief Fund (CRF)	21.019*	MA-042-21010341	\$ 250,000
Coronavirus Relief Fund (CRF)	21.019*	MA-042-21010526	482,697
Coronavirus Relief Fund (CRF)	21.019*	MA-042-21010633	<u>83,944</u>
Total U.S. Department of Treasury			<u>816,641</u>
<u>U.S. Department of Health and Human Services - Health Resources and Services Administration (HRSA)</u>			
Health Center Program	93.224*	H80CS33646-01-00	435,609
Health Center Program	93.224*	H80CS33646-02-09	191,649
FY 2020 Coronavirus Supplemental Funding for Health Centers	93.224*	H8CCS34050	51,385
Health Center Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding	93.224*	H8DCS35782	420,475
FY 2020 Expanding Capacity for Coronavirus Testing (ECT)	93.224*	H8ECS37659	29,790
Pass through:			
University of California, Irvine			
Technology Advanced Geriatrics	93.969	U1QHP28724-04-00	9,527
Technology Advanced Geriatrics	93.969	U1QHP28724-05-00	<u>11,247</u>
Total U.S. Department Health and Human Services			<u>1,149,682</u>
 Total Federal Awards			 <u>\$ 1,966,323</u>

* : Tested as Major Programs

KOREAN COMMUNITY SERVICES, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2020

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Korean Community Services, Inc. (KCS) under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of KCS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of KCS.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

KOREAN COMMUNITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness (es) identified? _____ Yes ___X___ No

Significant deficiency (ies) identified not considered to be material weaknesses? _____ Yes ___X___ None reported

Noncompliance material to financial statements noted? _____ Yes ___X___ No

Federal Awards

Internal control over major programs:

Material weakness (es) identified? _____ Yes ___X___ No

Significant deficiency (ies) identified not considered to be material weaknesses? _____ Yes ___X___ None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? _____ Yes ___X___ No

Identification of Major Programs:

CFDA Number

21.019
93.224

Name of Federal Program or Cluster

Coronavirus Relief Fund
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes ___X___ No

KOREAN COMMUNITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

1. No Current Year Findings

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None