

KOREAN AMERICAN COMMUNITY SERVICES
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012
(With summarized comparative information for the
fiscal year ended June 30, 2011)

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Independent Auditor's Report

The Board of Directors
Korean American Community Services
4300 N. California Avenue
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I have audited the accompanying statement of financial position of the Korean American Community Services (KACS), an Illinois not-for-profit organization, as of June 30, 2012, and related statements of activities, functional expenses, and cash flows for the fiscal year then ended. These statements are the responsibility of KACS' management. My responsibility is to express an opinion on these financial statements based on my audit. The prior fiscal year summarized comparative information is derived from KACS' 2011 financial statements, which were audited by me. My report, dated September 15, 2011 expressed an unqualified opinion on those financial statements.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KACS as of June 30, 2012, and the changes in its net assets and cash flows for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated October 22, 2012 on my consideration of KACS' internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

The accompanying schedule of federal awards expended is presented on page 15 for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

James M. Babic, PC

October 22, 2012

KOREAN AMERICAN COMMUNITY SERVICES
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2012
(With summarized comparative totals as of June 30, 2011)

	June 30, 2012			Total	Total as of June 30, 2011
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<u>ASSETS</u>					
Current assets:					
Cash	\$ 30,513	\$ 48,900	\$ -	\$ 79,413	\$ 95,801
Contract fees and grants receivable	228,437	47,500	-	275,937	366,470
Prepaid expenses	31,608	-	-	31,608	26,090
Total current assets	290,558	96,400	-	386,958	488,361
Land, building, improvements, and office fixtures and equipment, net of accumulated depreciation (Note 6)	497,635	-	-	497,635	546,954
Other assets:					
Investments (Note 7)	1,276	-	64,748	66,024	66,255
Security deposit	3,600	-	-	3,600	3,600
Total other assets	4,876	-	64,748	69,624	69,855
Total assets	<u>\$ 793,069</u>	<u>\$ 96,400</u>	<u>\$ 64,748</u>	<u>\$ 954,217</u>	<u>\$ 1,105,170</u>
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Revolving line of credit (Note 8)	\$ 140,000	\$ -	\$ -	\$ 140,000	\$ -
Accounts payable	36,616	-	-	36,616	49,803
Accrued payroll and withholdings	66,581	-	-	66,581	61,894
Grant and contract advances (Note 9)	5,000	-	-	5,000	52,634
Current maturities of long-term debt (Note 10)	8,407	-	-	8,407	8,119
Total current liabilities	256,604	-	-	256,604	172,450
Long-term debt, net of current maturities (Note 10)	160,696	-	-	160,696	169,103
Total liabilities	417,300	-	-	417,300	341,553
Net assets	375,769	96,400	64,748	536,917	763,617
Total liabilities and net assets	<u>\$ 793,069</u>	<u>\$ 96,400</u>	<u>\$ 64,748</u>	<u>\$ 954,217</u>	<u>\$ 1,105,170</u>

The accompanying notes are an integral part of these financial statements

KOREAN AMERICAN COMMUNITY SERVICES
STATEMENT OF ACTIVITIES
AND CHANGE IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(With summarized comparative totals for the fiscal year ended June 30, 2011)

	Fiscal Year Ended June 30, 2012				Total for Fiscal Year Ended June 30, 2011
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Public support and revenue:					
Public support:					
Grants and contributions (Note 11)	\$ 383,396	\$ 102,900	\$ -	\$ 486,296	\$ 502,371
Fund-raising events, net of direct expenses (Note 12)	47,918	-	-	47,918	69,159
United Way allocation	1,502	-	-	1,502	5,675
Total public support	432,816	102,900	-	535,716	577,205
Net assets released from restrictions upon satisfaction of program requirements	125,750	(125,750)	-	-	-
Revenue:					
Contract fees and awards (Note 11)	1,607,097	-	-	1,607,097	1,729,417
Program service fees	182,905	-	-	182,905	150,212
Management fees (Note 13)	90,334	-	-	90,334	130,410
Rental income	1,350	-	-	1,350	5,400
Interest	206	-	-	206	398
Expense reimbursements and other	7,363	-	-	7,363	24,257
Total revenues	1,889,255	-	-	1,889,255	2,040,094
Total public support and revenue	2,447,821	(22,850)	-	2,424,971	2,617,299
Expenses:					
Program services:					
Community education and support	484,646	-	-	484,646	407,601
Early childhood center	1,067,274	-	-	1,067,274	1,085,417
Wellness	199,618	-	-	199,618	207,822
Community health	316,981	-	-	316,981	259,461
Senior services and public benefits	187,041	-	-	187,041	163,293
Total program services expenses	2,255,560	-	-	2,255,560	2,123,594
Supporting services:					
General management & administration	322,961	-	-	322,961	292,892
Resource development	73,150	-	-	73,150	72,946
Total supporting services expenses	396,111	-	-	396,111	365,838
Total expenses	2,651,671	-	-	2,651,671	2,489,432
Net increase (decrease) in net assets	(203,850)	(22,850)	-	(226,700)	127,867
Net assets:					
Beginning of the year	579,619	119,250	64,748	763,617	635,750
End of the year	\$ 375,769	\$ 96,400	\$ 64,748	\$ 536,917	\$ 763,617

The accompanying notes are an integral part of these financial statements

KOREAN AMERICAN COMMUNITY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(With summarized comparative totals for the fiscal year ended June 30, 2011)

	PROGRAM SERVICES					SUPPORTING SERVICES			GRAND TOTALS	
	Community Education & Support	Early Childhood Center	Wellness	Community Health	Senior Services Benefits	Total Program Services	General Mgmt. & Admin.	Resource Develop- ment	Total Supporting Services	
Salaries	\$ 241,963	\$ 644,097	\$ 126,439	\$ 172,313	\$ 138,672	\$ 1,323,484	\$ 191,267	\$ 32,998	\$ 224,265	\$ 1,547,749
Retirement plan contributions (Note 14)	713	5,962	-	609	1,200	8,484	3,250	165	3,415	11,899
Employee benefits	29,484	115,222	18,693	18,999	11,507	193,905	20,629	4,863	25,492	219,397
Payroll taxes	15,687	37,641	7,798	10,606	8,351	80,083	38,136	2,524	40,660	120,743
Professional and contract services	93,769	18,715	344	8,301	8,420	129,549	10,617	32,600	43,217	172,766
Subcontractors	1,775	635	-	25,548	-	27,958	-	-	-	27,958
Occupancy (Note 15)	14,565	57,540	3,657	6,259	2,395	84,416	8,426	-	8,426	92,842
Office equipment repairs, and maintenance	4,663	2,895	849	2,472	643	11,522	1,314	-	1,314	12,836
Office supplies	13,573	2,886	1,196	3,735	1,358	22,748	1,511	-	1,511	24,259
Program expenditures	38,476	107,705	26,903	23,649	880	197,613	-	-	-	197,613
Dues, subscriptions, seminars	950	-	250	6,090	650	7,940	2,460	-	2,460	10,400
Insurance	2,380	10,328	1,587	6,541	1,587	22,423	2,379	-	2,379	24,802
Postage and courier	555	179	51	2,240	348	3,373	1,180	-	1,180	4,553
Printing	1,351	1,094	427	8,824	1,018	12,714	2,415	-	2,415	15,129
Telecommunications	3,945	2,515	1,606	2,254	432	10,752	2,710	-	2,710	13,462
Travel and transportation	5,246	5,164	1,178	5,879	1,917	19,384	4,811	-	4,811	24,195
Advertising and public relations	4,052	2,177	967	4,267	617	12,080	841	-	841	12,921
Community and cultural events	-	200	-	1,985	-	2,185	6,035	-	6,035	8,220
Meetings and conferences	652	849	397	714	1,352	3,964	5,773	-	5,773	9,737
Staff training and development	1,925	5,145	2,192	850	1,634	11,746	1,982	-	1,982	13,728
Financial aid and awards	-	-	-	-	-	-	4,000	-	4,000	4,000
Depreciation	7,229	40,054	4,227	2,137	3,244	56,891	5,394	-	5,394	62,285
Interest	1,009	4,540	647	437	606	7,239	5,859	-	5,859	13,098
Other	684	1,731	210	2,272	210	5,107	1,972	-	1,972	7,079
Total functional expenses	\$ 484,646	\$ 1,067,274	\$ 199,618	\$ 316,981	\$ 187,041	\$ 2,255,560	\$ 322,961	\$ 73,150	\$ 396,111	\$ 2,651,671
										\$ 2,489,432

The accompanying notes are an integral part of these financial statements

KOREAN AMERICAN COMMUNITY SERVICES
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2012 and JUNE 30, 2011

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Net increase (decrease) in net assets	\$ (226,700)	\$ 127,867
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	62,285	56,237
Transfer of endowment investment earnings	1,000	1,000
Endowment investment contributions and earnings	(769)	(3,767)
(Increase) decrease in:		
Contract fees and grants receivable	90,533	(54,556)
Prepaid expenses	(5,518)	3,926
Increase (decrease) in:		
Accounts payable	(13,187)	(12,072)
Accrued payroll and withholdings	4,687	(1,472)
Grant and contract advances	(47,634)	48,660
Net cash provided by (used in) operating activities	<u>(135,303)</u>	<u>165,823</u>
CASH USED IN INVESTING ACTIVITIES		
Purchases of equipment	(12,966)	(22,575)
Purchase of building improvements	-	(222,024)
Total cash used in investing activities	<u>(12,966)</u>	<u>(244,599)</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Proceeds, line of credit	290,000	230,000
Payments, line of credit	(150,000)	(318,364)
Proceeds, long-term debt	-	183,000
Payments, long-term debt	(8,119)	(26,173)
Net cash provided by financing activities	<u>131,881</u>	<u>68,463</u>
NET DECREASE IN CASH	(16,388)	(10,313)
CASH, BEGINNING OF THE YEAR	<u>95,801</u>	<u>106,114</u>
CASH, END OF THE YEAR	<u>\$ 79,413</u>	<u>\$ 95,801</u>
SUPPLEMENTAL INFORMATION		
Interest paid	\$ 13,098	\$ 12,006

The accompanying notes are an integral part of these financial statements

KOREAN AMERICAN COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(With summarized comparative information for the fiscal year ended June 2011)

NOTE 1 - HISTORY AND NATURE OF THE ORGANIZATION

The Korean American Community Services (KACS) was incorporated in 1972 under the General Not for Profit Corporation Act of Illinois. KACS' mission is to celebrate our ethnicity and to empower all members of the community by providing educational, legal, health, and social services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and presentation

The financial statements are prepared on the accrual basis of accounting.

Financial statement presentation follows the Financial Accounting Standards Board *Accounting Standards Codification* (ASC) No. 958-605 and No. 958-205.

Under ASC No. 958-605 contributions are recognized in the period received, or in the period in which an unconditional promise to give is made.

Under ASC 958-205, KACS is required to report information regarding its financial position according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Classification of net assets as unrestricted, temporarily restricted, or permanently restricted is based on the absence or existence of donor imposed restrictions.

Donor-imposed restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, restricted support that is received and fulfilled within the same fiscal year is reported as unrestricted.

Income taxes

KACS is exempt from federal taxes under Section 501(c)3 of the Internal Revenue Code. Contributions to KACS qualify as charitable contributions under Section 170(b)(1)(A). KACS is classified as an organization that is not a private foundation under Section 509(a)(2).

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures. Actual results could differ from those estimates.

Expense allocation

The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3 - PRIOR YEAR SUMMARIZED INFORMATION

The financial statements include certain prior-year summarized information presented for comparative purposes. Such comparative information is summarized in total but not by net asset class and, therefore, does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with KACS' financial statements for the fiscal year ended June 30, 2011, from which the summarized information was derived.

KOREAN AMERICAN COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(With summarized comparative information for the fiscal year ended June 2011)

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2012 are available for the following specific program services for subsequent fiscal years:

Women's Health Issues	\$	56,250
Senior Citizens Programs		18,400
Support for the Needy		5,500
Computer Literacy		6,250
Immigrant Family Wellness		10,000
Total temporarily restricted net assets as of June 30, 2012	\$	<u>96,400</u>

NOTE 5 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets of \$64,748 are restricted to investments in perpetuity. Income related to these investments is restricted for the purpose of funding scholarships.

NOTE 6 - LAND, BUILDING, AND EQUIPMENT

Land, building, and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful life of the asset. The estimated useful lives of the assets listed below range from 5 to 31 years. As of June 30, 2012 and June 30, 2011, land, building, and equipment were as follows:

	06/30/2012	06/30/2011
Land, building, and building improvements	\$ 1,108,439	\$ 1,108,439
Office fixtures and equipment	321,471	308,505
Total cost of land, building, improvements, office fixtures and equipment ..	1,429,910	1,416,944
Less accumulated depreciation	(932,275)	(869,990)
Land, building, office fixtures and equipment, net of accumulated depreciation	<u>\$ 497,635</u>	<u>\$ 546,954</u>

NOTE 7 - INVESTMENTS

Investments are measured at the fair market value as of the date of the statement of financial position. Income from investments is recorded as an increase in unrestricted net assets unless such income is restricted by the donors. Below is a summary of investment activity for the fiscal year ended June 30, 2012:

Asset:	Fair Market Value 06/30/2011	Purchases and Interest Income	Intra- Investment Transfers	Payments to Scholarship Awardees	Fair Market Value 06/30/2012
Savings account	\$ 20,576	\$ 632	\$ -	\$ -	\$ 21,208
Certificate of deposit	45,679	137	-	(1,000)	44,816
Totals	<u>\$ 66,255</u>	<u>\$ 769</u>	<u>\$ -</u>	<u>\$ (1,000)</u>	<u>\$ 66,024</u>

KOREAN AMERICAN COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(With summarized comparative information for the fiscal year ended June 2011)

NOTE 8 - REVOLVING LINE OF CREDIT

KACS has a revolving line of credit with JP Morgan Chase Bank, NA. The line of credit originated in May, 2011, was renewed in June, 2012, matures in June, 2014, is limited to \$500,000, bears an interest rate equal to the LIBOR rate plus three percentage points (3.78% as of June 30, 2012), and is secured KACS' real property and other operating assets.

NOTE 9 - GRANT AND CONTRACT ADVANCES

Grant and contract advances as of June 30, 2012 will be recognized as revenue in subsequent fiscal years when KACS meets the related grant or contract obligations, or refunded if the related grant or contract obligations are not fully met.

NOTE 10 - LONG-TERM DEBT, net of current maturities

Long-term debt, net of current maturities, as of June 30, 2012 and June 30, 2011 is as follows:

	<u>06/30/2012</u>	<u>06/30/2011</u>
Promissory note payable to Illinois Facility Fund secured by real estate known as 4300 N. California Ave. Chicago, IL, original amount of \$183,000. The note commenced in August, 2010, matures in September, 2025, bears an initial interest rate of 6.00% which will continue through September, 2015, and is payable in monthly installments of \$1,544 (principal and interest). Proceeds from this note were used to fund roof repairs on real property owned by KACS.		
This note payable was refinanced in August, 2012 with a different lender. Under the terms of the refinancing, the loan will be payable in 59 equal monthly installments of \$1,408 and one final payment equal to the unpaid principal and interest as of the August, 2017 maturity date, and will bear an interest rate of 4.12% throughout the term of the loan. Monthly installments began in September, 2012.		
Outstanding balance	\$ 169,103	\$ 177,222
Less current maturities	<u>8,407</u>	<u>8,119</u>
Outstanding balance, net of current maturities	<u>\$ 160,696</u>	<u>\$ 169,103</u>

Future minimum obligations of long-term debt, under the terms of the refinancing per above, are as follows:

<u>Fiscal year ended:</u>	<u>Amount</u>
June 30, 2013	\$ 8,407
June 30, 2014	10,476
June 30, 2015	10,916
June 30, 2016	11,374
June 30, 2017	11,852
June, 30, 2018	<u>116,078</u>
Total	<u>\$ 169,103</u>

KOREAN AMERICAN COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(With summarized comparative information for the fiscal year ended June 2011)

NOTE 11 - GRANTS AND CONTRIBUTIONS, AND CONTRACT FEES AND AWARDS

KACS recognized grants and contributions, and contracts fees and awards from the following funding sources for the fiscal years ended June 30, 2012 and June 30, 2011:

<u>Grants and contributions:</u>	<u>06/30/2012</u>	<u>06/30/2011</u>
Albert and Alice Fischer Charitable Trust	\$ 7,500	\$ -
Blowitz Ridgeway Foundation	-	10,000
Blue Cross and Blue Shield of Illinois	10,000	-
Charter One Foundation	-	10,000
Chicago Community Trust	-	70,000
Chicago Foundation for Women	-	15,000
Circle of Service Foundation	12,500	12,500
Comcast	11,702	10,000
Elizabeth Morse Charitable Trust	5,000	-
Field Foundation of Illinois	15,000	15,000
Illinois Attorney General	18,037	24,050
Illinois Department of Commerce and Economic Opportunity	102,769	69,423
Illinois Department of Insurance	10,032	3,344
Illinois Violence Prevention Authority	-	10,000
Internal Revenue Service	17,562	15,430
Ishida Winifred Foundation	6,500	-
Lloyd A. Fry Foundation	10,000	-
Michael Reese Health Trust	25,000	25,000
Northwestern University	5,400	-
People's Gas Light & Coke Co.		5,000
Pritzker Early Childhood Foundation		7,000
Public Law Foundation, Columbia Law School	12,000	-
Ravenswood Healthcare Foundation	20,000	20,000
Retirement Research Foundation	35,000	45,000
Susan Komen Breast Cancer Foundation	75,000	75,000
VNA Foundation	48,660	-
Washington Square Health Foundation, Inc.	-	7,500
Various individuals, each \$5,000 or more	12,000	18,000
Others, under \$5,000 each	26,634	35,124
Total grants and contributions	<u>\$ 486,296</u>	<u>\$ 502,371</u>

(Continued on the following page)

KOREAN AMERICAN COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(With summarized comparative information for the fiscal year ended June 2011)

NOTE 11 - GRANTS AND CONTRIBUTIONS, AND CONTRACT FEES AND AWARDS (continued)

<u>Contract fees and awards:</u>	06/30/2012	06/30/2011
Albany Park Community Center	\$ 35,000	\$ -
Asian Health Coalition of Illinois	15,147	28,766
After School Matters	28,373	12,107
Chinese Mutual Aid Association	34,219	27,730
Chicago Public Schools	300,000	308,000
City of Chicago, Department of Family and Support Services	870,937	931,796
City of Chicago, Office of Tourism and Culture	15,200	14,400
City of Chicago, Department of Housing	19,950	19,781
Community and Economic Development Assoc. of Cook County ..	11,380	20,492
Glenbrook North High School	5,000	6,200
Illinois Coalition for Immigrant and Refugee Rights	93,981	137,466
Illinois Department of Health and Family Services	5,750	8,100
Illinois Department of Public Health	9,213	59,647
Illinois State Board of Education	89,091	84,391
Jewish Federation of Metropolitan Chicago	55,686	62,924
Korean Education Center	8,440	-
Others, under \$5,000 each (both years)	9,730	7,617
Total contract fees and awards	<u>\$ 1,607,097</u>	<u>\$ 1,729,417</u>

NOTE 12 - FUNDRAISING EVENTS, net of direct expenses

Revenues and expenses related to fundraising events held during the fiscal years ended June 30, 2012 and June 30, 2011 are as follows:

	Fiscal Year Ended June 30, 2012	Fiscal Year Ended June 30, 2011
<u>Revenues:</u>		
Ticket sales, auctions proceeds, and contributions	<u>\$ 82,126</u>	<u>\$ 93,473</u>
<u>Expenses:</u>		
Catering, printing, and other	<u>34,208</u>	<u>24,314</u>
Revenues net of expenses	<u>\$ 47,918</u>	<u>\$ 69,159</u>

KOREAN AMERICAN COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(With summarized comparative information for the fiscal year ended June 2011)

NOTE 13 - MANAGEMENT FEES AND EXPENSE REIMBURSEMENTS RECEIVABLE

During the fiscal years ended June 30, 2012 and June 30, 2011 KACS provided property management services to two unrelated organizations that provide housing for senior citizens. During the fiscal years ended June 30, 2012 and June 30, 2011 KACS received management fees of \$90,334 and \$130,410, respectively.

NOTE 14 - RETIREMENT PLAN

KACS has a defined contribution retirement plan for its full-time employees aged 21 or older and have completed 1,000 hours of service. Under the plan, KACS matches 50% of each employees contribution to the plan, limited to 4% of an employee's total compensation, subject to a vesting schedule. To qualify for employer matching, an employee must have completed three years of service. KACS' contribution to the plan were \$11,899 and \$12,197 for the fiscal years ended June 30, 2012, and 2011; respectively.

NOTE 15 - OFFICE LEASE OBLIGATIONS

On July 6, 2009 KACS entered into a three-year office lease agreement for a satellite office located in Prospect Heights, Illinois. The lease agreement expires on July 31, 2014. Total monthly rent paid under this agreement during the fiscal year ended June 30, 2012 was \$25,645. Future minimum obligations under this lease agreement are as follows:

Fiscal Year Ended June 30,	Amount
2013	\$ 22,638
2014	2,204
Total	\$ 24,842

NOTE 17 - SUBSEQUENT EVENTS

KACS has evaluated subsequent events through October 22, 2012, the date financial statements were available to be issued.

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Independent Auditor's 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

The Board of Directors
Korean American Community Services
4300 N. California Ave.
Chicago, Illinois 60618

I have audited the financial statements of Korean American Community Services (KACS) as of, and for the fiscal year ended, June 30, 2012, and have issued my report thereon dated October 22, 2012. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered KACS' internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KACS' internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of KACS' internal control over financial reporting.

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 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.

My consideration of internal control over financial reporting was for the limited purpose of described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether KACS' financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of KACS' Board of Directors and management, and federal awarding and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

James M. Babic, PC

October 22, 2012

James M. Babic, PC
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Independent Auditor's Report on Compliance With Requirements That Could Have a Direct
and Material Effect on Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133

The Board of Directors
Korean American Community Services
4300 N. California Ave.
Chicago, Illinois 60618

Compliance

I have audited the compliance of Korean American Community Services (KACS) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of KACS' major federal programs for the fiscal year ended June 30, 2012. KACS' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of KACS' management. My responsibility is to express an opinion on KACS' compliance based on my audit.

I conducted my 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 OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 KACS' compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of KACS' compliance with those requirements.

In my opinion, KACS complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2012.

(Report continued on next page)

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Independent Auditor's Report on Compliance With Requirements That Could Have a Direct
and Material Effect on Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133

(Continued from the preceding page)

Internal Control Over Compliance

The management of KACS is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered KACS' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of KACS' 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.

My consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of KACS' Board of Directors and management, and federal awarding and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

James M. Babic, PC

September 15, 2012

KOREAN AMERICAN COMMUNITY SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS	
<u>Financial Statements</u>	
Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Any material weaknesses identified?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes
Any reportable conditions identified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/> None <input type="checkbox"/> Yes
Any non-compliance material to financial statements noted?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes
<u>Federal Awards</u>	
Internal control over major programs:	
Any material weaknesses identified?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes
Any reportable conditions identified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/> None <input type="checkbox"/> Yes
Type of auditor report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes
<u>Identification of major programs:</u>	
Head Start, Pre-School Day Care, and After-School Programs	CFDA 93.600, 93.575, 93.708, and 93.596
Dollar threshold to distinguish between type A and type B programs:	\$300,000
SECTION II - FINANCIAL STATEMENT FINDINGS	
For the fiscal year ended June 30, 2012, there were no reportable conditions, material weaknesses, or instances of non-compliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of <i>Government Auditing Standards</i> .	
SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS	
For the fiscal year ended June 30, 2012, no matters required to be reported under section 510(a) of OMB circular A-133 were found.	
SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	
For the fiscal year ended June 30, 2011, no matters required to be reported under section 510(a) of OMB circular A-133 were found.	
SECTION V - SECTION 505(d)1(ix) REPORTING REQUIREMENT	
Auditee qualified as a low-risk auditee under Section 510(a)	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes

KOREAN AMERICAN COMMUNITY SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011

Grantor / Program	Pass-Through Grantor	CFDA Number	Agency Pass Through Number	Award Expended	
				06/30/2012	06/30/2011
<u>U.S. Department of Health and Human Services</u>					
Head Start	The City of Chicago, Department of Family and Support Services	93.600	25230 / 18187	\$ 158,429	\$ 220,670
Child Care	The City of Chicago, Department of Family and Support Services	93.575	25230 / 18187	553,370	511,023
Child Care for Two Year Olds	The City of Chicago, Department of Family and Support Services	93.596	25230 / 18187	43,201	70,065
Head Start / Early Start A.R.R.A. Quality Improvement Budget	The City of Chicago, Department of Family and Support Services	93.708	18187	-	36,108
Total, U.S. Department of Health and Human Services				<u>755,000</u>	<u>837,866</u>
<u>U.S. Department of Agriculture</u>					
Child & Adult Care Food Program	Illinois State Board of Education	10.558	15016602P00	89,091	84,391
<u>U.S. Department of Housing and Urban Development</u>					
Family Violence Initiative, Domestic Violence	The City of Chicago, Department of Family and Support Services	14.218	25538 / 23210	41,884	38,896
Housing Resource Center	The City of Chicago, Department of Housing	14.218	25655 / 23415	19,950	19,781
Innovative Programs for Under-Served Adults	The City of Chicago, Department of Family and Support Services	14.218	26043 / 23210	65,280	55,033
Total U.S. Department of Housing and Urban Development				<u>127,114</u>	<u>113,710</u>
<u>U.S. Department of Treasury</u>					
Low Income Taxpayer Clinic	N/A	21.008	11LITC0053	17,562	15,430
<u>U.S. Department of Education</u>					
Adult Education EL / Civics	Illinois Community College Board / Chinese Mutual Aid Association	84.002A	508AY	27,249	27,730
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 1,016,016</u>	<u>\$ 1,079,127</u>

SCHEDULE OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS

Program title	CFDA Number	Fiscal Year Ended	
		06/30/2012	06/30/2011
None	NA	\$ -	\$ -

VALUE OF FEDERAL AWARDS EXPENDED IN THE FORM OF NON-CASH ASSISTANCE, THE AMOUNT OF INSURANCE IN EFFECT DURING THE YEAR, AND LOANS OR LOAN GUARANTEES OUTSTANDING AT YEAR END

Program title	CFDA Number	Fiscal Year Ended	
		06/30/2012	06/30/2011
None	NA	\$ -	\$ -

The schedules presented on this page were prepared on the accrual basis of accounting, which is consistent with the accounting basis used to prepare the general purpose financial statements.

The accompanying notes are an integral part of these financial statements.