

THE KOREA SOCIETY

Financial Statements
for the year ended
December 31, 2021
(with Summarized Comparative Totals for 2020)

THE KOREA SOCIETY
Statement of Financial Position

Assets

	December 31	
	2021	2020
Cash and cash equivalents	\$ 2,986,138	\$ 2,129,061
Investments, at fair value	21,824,713	19,087,819
Accounts receivable	33,250	155,650
Contributions receivable, net	404,503	318,726
Prepaid expenses	24,149	64,621
Leasehold improvements, and furniture, fixtures and equipment (net of \$554,225 and \$414,257 of accumulated depreciation in 2021 and 2020, respectively)	1,010,652	1,138,166
Right to use asset	4,291,182	4,886,213
Total assets	\$ 30,574,587	\$ 27,780,256

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 118,727	\$ 38,955
Lease liability	4,617,902	5,226,835
Total liabilities	4,736,629	5,265,790

Net assets

Without donor restrictions	12,871,742	12,442,735
With donor restrictions	12,966,216	10,071,731
Total net assets	25,837,958	22,514,466
Total liabilities and net assets	\$ 30,574,587	\$ 27,780,256

See notes to financial statements.

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Statement of Activities
Year Ended December 31, 2021
(with Summarized Comparative Totals for the year ended December 31, 2020)

	2021			2020
	Without Donor	With Donor	Total	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>	<u>Total</u>
Operating activities				
Contributions	\$ 1,176,537	\$ 575,174	\$ 1,751,711	\$ 1,814,911
Program revenue	207,280	-	207,280	176,320
Special events, net of direct costs of \$251,318 and \$106,944 for 2021 and 2020, respectively	1,053,162	-	1,053,162	419,351
Government grant	146,100	-	146,100	146,100
In-kind contributions	-	56,000	56,000	-
Net assets released from restrictions	<u>551,361</u>	<u>(551,361)</u>	<u>-</u>	<u>-</u>
Total operating activities	<u>3,134,440</u>	<u>79,813</u>	<u>3,214,253</u>	<u>2,556,682</u>
Expenses				
Program services	<u>2,036,677</u>	<u>-</u>	<u>2,036,677</u>	<u>1,877,616</u>
Supporting activities				
Management and general	475,246	-	475,246	459,236
Development	<u>477,870</u>	<u>-</u>	<u>477,870</u>	<u>591,149</u>
Total supporting activities	<u>953,116</u>	<u>-</u>	<u>953,116</u>	<u>1,050,385</u>
Total expenses	<u>2,989,793</u>	<u>-</u>	<u>2,989,793</u>	<u>2,928,001</u>
Change in net assets from operating activities	144,647	79,813	224,460	(371,319)
Non operating activities				
Investment return - net	327,237	2,771,795	3,099,032	2,420,286
Reclassifications	<u>(42,877)</u>	<u>42,877</u>	<u>-</u>	<u>-</u>
Increase in net assets	<u>429,007</u>	<u>2,894,485</u>	<u>3,323,492</u>	<u>2,048,967</u>
Net assets, beginning of year	<u>12,442,735</u>	<u>10,071,731</u>	<u>22,514,466</u>	<u>20,465,499</u>
Net assets, end of year	<u>\$ 12,871,742</u>	<u>\$12,966,216</u>	<u>\$25,837,958</u>	<u>\$22,514,466</u>

See notes to financial statements.

THE KOREA SOCIETY

Statement of Functional Expenses
Year Ended December 31, 2021

(with Summarized Comparative Totals for the year ended December 31, 2020)

	2021											2020		
	Program Services							Supporting Activities				Total	Total	Total
	Policy	Corporate	Congressional	Education	Arts	Culture	Media	Total	Management and General	Development	Direct Cost of Special Events			
Program costs	\$ 39,528	\$ 10,422	\$ 137,664	\$ 86,308	\$ 36,014	\$ 6,145	\$ 26,438	\$ 342,519	\$ -	\$ 41,633	\$ -	\$ 41,633	\$ 384,152	\$ 488,102
Salaries and related expenses	305,004	126,517	31,479	69,627	51,309	55,377	288,167	927,480	260,811	261,511	-	522,322	1,449,802	1,262,577
Consulting and professional fees	-	-	-	18,000	-	-	55,000	73,000	39,050	-	-	39,050	112,050	147,226
Occupancy	125,815	50,344	12,420	73,039	36,482	46,288	189,844	534,232	136,790	135,139	-	271,929	806,161	820,869
Travel, lodging and entertainment	934	384	91	623	302	328	1,409	4,071	996	1,025	7,821	9,842	13,913	2,129
Equipment rental and maintenance	2,585	991	288	1,204	535	912	3,927	10,442	2,778	2,406	-	5,184	15,626	2,503
Office supplies	1,011	467	98	701	546	568	1,526	4,917	1,087	1,092	-	2,179	7,096	5,482
Telephone and communication	2,287	892	226	1,218	617	733	3,400	9,373	2,447	2,358	-	4,805	14,178	12,370
Insurance	2,982	1,446	340	1,422	438	1,009	4,191	11,828	3,485	2,495	-	5,980	17,808	16,757
Venue rental and catering	-	-	-	-	-	-	-	-	-	-	201,050	201,050	201,050	106,944
Other	5,967	2,449	548	3,820	1,836	2,189	9,157	25,966	4,140	6,754	42,447	53,341	79,307	31,452
Depreciation and amortization	<u>21,755</u>	<u>8,837</u>	<u>2,105</u>	<u>12,903</u>	<u>6,349</u>	<u>7,991</u>	<u>32,909</u>	<u>92,849</u>	<u>23,662</u>	<u>23,457</u>	<u>-</u>	<u>47,119</u>	<u>139,968</u>	<u>138,534</u>
Total expenses	507,868	202,749	185,259	268,865	134,428	121,540	615,968	2,036,677	475,246	477,870	251,318	1,204,434	3,241,111	3,034,945
Less: expenses deducted directly on the statement of activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(251,318)</u>	<u>(251,318)</u>	<u>(251,318)</u>	<u>(106,944)</u>
Total expenses reported by function on the statement of activities	<u>\$ 507,868</u>	<u>\$ 202,749</u>	<u>\$ 185,259</u>	<u>\$ 268,865</u>	<u>\$ 134,428</u>	<u>\$ 121,540</u>	<u>\$ 615,968</u>	<u>\$ 2,036,677</u>	<u>\$ 475,246</u>	<u>\$ 477,870</u>	<u>\$ -</u>	<u>\$ 953,116</u>	<u>\$ 2,989,793</u>	<u>\$ 2,928,001</u>

See notes to financial statements.

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Statement of Cash Flows

	Year Ended	
	December 31	
	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Increase in net assets	\$ 3,323,492	\$ 2,048,967
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	139,968	138,534
Right to use asset amortization	(13,902)	(13,902)
Net realized and unrealized (gain) on investments	(2,624,515)	(1,805,689)
Decrease in accounts receivable	122,400	99,755
(Increase) decrease in contributions receivable	(85,777)	238,969
(Increase) decrease in prepaid expenses	40,472	(37,016)
Increase (decrease) in accounts payable and accrued expenses	<u>79,772</u>	<u>(6,955)</u>
Net cash provided by operating activities	<u>981,910</u>	<u>662,663</u>
Cash flows from investing activities		
Purchase of investments	(112,379)	(3,344,986)
Proceeds from sale of investments	-	3,038,966
Expenditures for furniture, fixtures and equipment	<u>(12,454)</u>	<u>(1,889)</u>
Net cash (used in) investing activities	<u>(124,833)</u>	<u>(307,909)</u>
Net increase in cash and cash equivalents	857,077	354,754
Cash and cash equivalents, beginning of year	<u>2,129,061</u>	<u>1,774,307</u>
Cash and cash equivalents, end of year	<u>\$ 2,986,138</u>	<u>\$ 2,129,061</u>

See notes to financial statements.

THE KOREA SOCIETY**Notes to Financial Statements
December 31, 2021 and December 31, 2020****Note 1 – Summary of significant accounting policies****Organization**

The Korea Society (the “Society”) is dedicated to strengthening the bonds of awareness, understanding and cooperation between the United States and Korea, and among Koreans, Korean-Americans and all other Americans. The Society’s efforts extend to the arts, business, education and the media.

Basis of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with Accounting Principles Generally Accepted in the United States of America. Net assets consist of revenue and other support that are classified based on the existence or absence of donor-imposed restrictions. The net assets of the Organization and changes therein are classified and reported as follows:

Without donor restrictions

Net assets that are not subject to donor-imposed restrictions. Such support includes contributions without restrictions and restricted contributions whose donor-imposed restrictions were met during the year. Also included is the Board Designated Endowment Fund, which consist of operating funds set aside by the Board of Directors.

With donor restrictions

Net assets subject to donor-imposed restrictions that will be met either by their use in specific programs or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Restrictions that have been met on net assets with donor restrictions are reported as net assets released from restrictions in the statement of activities.

Perpetual restricted net assets consist of contributions that are restricted by the donor in that the principal must remain in perpetuity but the investment income earned on such funds may be spent in accordance with the donor’s terms.

Contributions and unconditional promises to give

Contributions, including unconditional promises to give, are recognized as revenue when pledged. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Cash equivalents

The Society considers highly liquid instruments with original maturities of ninety days or less to be cash equivalents. Cash equivalents include money market funds included in the investment portfolio.

THE KOREA SOCIETY**Notes to Financial Statements (continued)
December 31, 2021 and December 31, 2020****Note 1 – Summary of significant accounting policies (continued)****Investments**

Investments are recorded in the statement of financial position at fair value based on quoted market prices with the resulting change in unrealized gains or losses included in the statement of activities. Purchases and sales of securities are reflected on a trade-date basis. Realized and unrealized gains (losses) on investments are credited (charged) to unrestricted net assets. Dividends are recorded on the ex-dividend date.

Allowance for doubtful accounts

The Society has not provided for an allowance for doubtful accounts for any potentially uncollectible receivables. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

Leasehold improvements and furniture, fixtures and equipment

Leasehold improvements and furniture, fixtures and equipment are recorded at cost. The Society capitalizes expenditures for assets in excess of a nominal amount with an estimated life of greater than one year. Depreciation of furniture, fixtures and equipment is being provided for by the straight-line method over the estimated useful lives of the related assets ranging from three to fifteen years. Leasehold improvements are amortized using the straight-line method over the lesser of the improvements' estimated useful life or the lease term.

In-kind contributions

In-kind contributions are estimated at their fair value and reported as revenue. In-kind contributions are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Society.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting activities benefited. Expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques including time and effort spent, number of staff and office space usage.

Concentrations of credit risk

The Society's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, cash equivalents and investments. The Society places its cash and cash equivalents with what it believes to be quality financial institutions. The Society has not experienced any losses on these accounts to date. Investments are exposed to various risks such as interest rate, market volatility, liquidity and credit. Due to the uncertainty related to the foregoing risks, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position at December 31, 2021. The Society routinely assesses the financial strength of its cash, cash equivalents and investment portfolio. As a consequence, concentrations of credit risk are limited.

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**Notes to Financial Statements (continued)
December 31, 2021 and December 31, 2020**

Note 1 – Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Reclassifications

During 2021, net assets totaling \$42,877 were reclassified as a result of previous years' unspent endowment funds earnings from without donor restrictions net assets to with donor restrictions net assets. In addition, certain items in the 2020 financial statements have been reclassified for comparative purposes only.

Risks and uncertainties

As a result of the ongoing coronavirus pandemic and other subsequent variants, economic uncertainties exist and the potential impact, if any, on the Foundation's future financial operations is not readily determinable.

Subsequent events

The Society has evaluated events and transactions for potential recognition or disclosure through March 23, 2022, which is the date the financial statements were available to be issued.

Note 2 – Liquidity and availability of financial assets

The Society's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts from contributions and other revenue items.

The following is a summary of the Society's financial assets as of December 31, 2021 and December 31, 2020 for general use within one year of the statement of financial position date.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,986,138	\$ 2,129,061
Investments, at fair value	12,139,854	9,402,960
Accounts receivable	33,250	155,650
Contributions receivable	<u>250,329</u>	<u>318,726</u>
Total	<u>\$ 15,409,571</u>	<u>\$ 12,006,397</u>

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**Notes to Financial Statements (continued)
December 31, 2021 and December 31, 2020**

Note 3 – Investments

The following is a summary of investments at December 31, 2021 and December 31, 2020:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Common stocks	\$ 272,519	\$ 176,658	\$ 272,519	\$ 178,303
Mutual funds				
Domestic	12,548,831	20,355,675	12,436,452	17,682,889
International	<u>1,067,260</u>	<u>1,292,380</u>	<u>1,067,260</u>	<u>1,226,627</u>
Total	<u>\$ 13,888,610</u>	<u>\$ 21,824,713</u>	<u>\$ 13,776,231</u>	<u>\$ 19,087,819</u>

Mutual funds invest mainly in stocks, bonds and short-term investments.

The components of investment return for the years ended December 31, 2021 and December 31, 2020 are as follows:

	2021	2020
Interest and dividends	\$ 392,368	\$ 436,757
Capital gain distributions on investments	82,149	177,840
Realized gain on sale of investments	-	395,603
Unrealized gain on investments	<u>2,624,515</u>	<u>1,410,086</u>
Total	<u>\$ 3,099,032</u>	<u>\$ 2,420,286</u>

The Financial Accounting Standards Board (FASB) established a fair value hierarchy that prioritizes the inputs used to measure fair value into three broad levels. The Society's investments are measured using Level 1 inputs, which are defined as quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date.

Note 4 – Contributions receivable

The Society discounts its non-current contributions receivable to their present value using a rate of 5.0% per annum. As of December 31, 2021, the Society's contributions receivable are expected to be received as follows:

	2021
Due within one year	\$ 250,329
Due within one to five years	<u>200,000</u>
Sub-total	450,329
Less: amount to reduce contributions receivable to their present value (discount rate – 5%)	<u>45,826</u>
Total	<u>\$ 404,503</u>

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**Notes to Financial Statements (continued)
December 31, 2021 and December 31, 2020**

Note 5 – Assets restricted for long-term investment

Assets restricted for long-term investment at December 31, 2021 are available solely for investment of permanent endowment funds and consist of investments totaling \$9,684,859.

Note 6 – Net assets without donor restrictions

Net assets without donor restrictions consist of the following as of December 31, 2021:

Operating fund	\$ 9,888,300
Board-designated endowment fund	<u>2,983,442</u>
Total	<u>\$ 12,871,742</u>

Note 7 – Net assets with donor restrictions

A summary of the transactions in net assets with temporary donor restrictions for 2021 are as follows:

	Balance at December 31, 2020	Support and net investment return	Re- classifications	Released from Restrictions	Balance at December 31, 2021
Kim Koo					
Endowment	\$ 61,293	\$ 45,676	\$ 36,709	\$ (3,166)	\$ 140,512
Sherman Family					
Endowment	6,852	(595)	6,168	(2,797)	9,628
Korea Foundation					
Endowment	-	2,726,714	-	-	2,726,714
GS Caltex	-	277,087	-	(100,000)	177,087
SK Group	-	277,087	-	(100,000)	177,087
KoreanAir	-	56,000	-	(9,871)	46,129
Yang Won Sun	-	21,000	-	(16,800)	4,200
KoChon	10,000	-	-	(10,000)	-
Samsung Electronics	300,000	-	-	(300,000)	-
Philip and Birgitte					
Sherman	8,727	-	-	(8,727)	-
Total	<u>\$ 386,872</u>	<u>\$3,402,969</u>	<u>\$ 42,877</u>	<u>\$ (551,361)</u>	<u>\$ 3,281,357</u>

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**Notes to Financial Statements (continued)
December 31, 2021 and December 31, 2020**

Note 7 – Net assets with donor restrictions (continued)

Net assets with perpetual donor restrictions consist of the following as of December 31, 2021:

	<u>Total</u>
Korea Foundation Endowment	\$ 8,400,000
Kim Koo Endowment	1,000,000
Philip D. Sherman Endowment	175,000
Other permanent endowment funds	<u>109,859</u>
Total	<u>\$ 9,684,859</u>

Changes in Net Assets with Donor Restrictions for the Year Ended December 31, 2021:

	<u>Temporary Donor Restrictions</u>	<u>Perpetual Donor Restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$ 386,872	\$ 9,684,859	\$ 10,071,731
Support and other additions	3,445,846	-	3,445,846
Net assets released from restriction	<u>(551,361)</u>	<u>-</u>	<u>(551,361)</u>
Net assets, end of year	<u>\$ 3,281,357</u>	<u>\$ 9,684,859</u>	<u>\$ 12,966,216</u>

Note 8 – Endowment

The Society's endowment consists of various individual funds established for a variety of purposes. Its endowment includes donor-restricted funds and funds designated by the Society. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Society to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Statutory Law

The Society follows the laws of the New York State Prudent Management of Institutional Funds Act (NYPMIFA) when adhering to donor-restricted contributions. The Society considers the following factors in making a determination to appropriate or accumulate restricted funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Society and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Society
- (7) If appropriate and circumstances warrant, alternatives to endowment expenditures
- (8) The investment policies of the Society

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**Notes to Financial Statements (continued)
December 31, 2021 and December 31, 2020**

Note 8 – Endowment (continued)

Investment objectives

The Society's primary investment objective of the endowment shall be to obtain investment returns higher than the rate of inflation while maintaining safety of the funds. High investment returns shall be sought to support the programs of the Society. Returns in the form of capital gains shall be sought to protect the purchasing power of the funds over time. Transaction costs shall be minimized at all times to the extent possible. It is recognized that there may be time of market volatility, which may lead to negative returns.

Spending policy

Decisions to appropriate endowment funds are made on a fund-by-fund basis and in accordance with any specific directives on spending that the donor has imposed.

Endowment net assets consist of the following as of December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$12,561,713	\$ 12,561,713
Board-designated endowment fund	<u>2,983,442</u>	<u>-</u>	<u>2,983,442</u>
Total	<u>\$ 2,983,442</u>	<u>\$12,561,713</u>	<u>\$ 15,545,155</u>

A summary of the transactions in endowment net assets for 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,658,262	\$ 9,753,004	\$ 12,411,266
Reclassification	-	42,877	42,877
Investment return:			
Interest and dividends	70,667	321,504	392,171
Capital gain distributions on investments	17,239	64,910	82,149
Unrealized gain on investments	<u>237,223</u>	<u>2,385,381</u>	<u>2,622,604</u>
Total investment return	325,129	2,771,795	3,096,924
Appropriation of endowment assets for expenditure	-	(5,963)	(5,963)
Other changes			
Transfer to Board-designated endowment fund	<u>51</u>	<u>-</u>	<u>51</u>
Endowment net assets, end of year	<u>\$ 2,983,442</u>	<u>\$12,561,713</u>	<u>\$ 15,545,155</u>

THE KOREA SOCIETY**Notes to Financial Statements (continued)
December 31, 2021 and December 31, 2020****Note 9 – Government grants**

During May 2020, the Society received a loan in the amount of \$146,100 from the Small Business Administration (“SBA”) under the Paycheck Protection Program (“PPP”) which is a business loan program. The loan is forgivable provided the proceeds are spent on allowable expenditures and the Society maintains employment levels, as more fully described in the provisions of the PPP. As of December 31, 2020, the Society believes it spent the funds in accordance with the provisions of the PPP. The Society was notified in January 2021 that the full amount of the loan was forgiven based on the timing and use of the funds in accordance with the PPP. The \$146,100 was treated as a conditional grant and reflected as a government grant in 2020.

During March 2021, the Society received a second PPP loan for \$146,100 with similar terms to the first PPP loan. The Society was notified in September 2021 that the full amount of the second loan was forgiven based on the timing and use of the funds in accordance with the PPP. The \$146,100 was treated as a conditional grant and reflected as a government grant in 2021.

Note 10 – Lease agreement

During November 2016, the Society signed a new lease for New York office space, for the term of ten years and six months, with an option to renew for an additional five years. The Society took possession of the new space during June 2017. Under the terms of the lease, the Society received rent abatement for the first six months of the lease term. The Society is required to pay a minimum rental of \$778,560 per annum for the first five years of the lease term after the initial six months and \$827,220 per annum during the balance of the lease. In addition to the minimum rental, the Society is responsible for its proportionate share of operating expenses, electricity charges and real estate taxes. As security for this lease, the Society obtained an irrevocable standby letter of credit from a bank in the amount of \$735,982 in favor of the landlord.

The Society has recognized 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 and is required to do the following:

1. Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position.
2. Recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis.

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**Notes to Financial Statements (continued)
December 31, 2021 and December 31, 2020**

Note 10 – Lease agreement (continued)

The following is a summary of the required annual lease payments over the term of the lease:

Year	Amount
2022	\$ 778,560
2023	827,220
2024	827,220
2025	827,220
2026	827,220
2027	827,220
Total	4,914,660
Less: amount to reduce lease payments to their present value (discount rate – 5%)	296,758
Net	\$ 4,617,902

Note 11 – 401(k) plan

The Society terminated its 403(b) plan and rolled over the plan balances to a new 401(k) plan (the “Plan”) on May 1, 2020. Eligible employees can contribute to the Plan in accordance with IRS regulations. The Society matches 100% of the employee’s elective deferral up to 5% of eligible earnings, and both the employee’s elective deferral and employer’s matching contribution become immediately fully vested. The Society made contributions totaling \$50,078 and \$29,599 for the years ended December 31, 2021 and December 31, 2020, respectively. Forfeitures of non-vested contributions are used to reduce the Society’s contributions to the Plan.

Note 12 – Tax status

The Society is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). In addition, the Society has been determined by the Internal Revenue Service to be a publicly supported organization, and not a private foundation within the meaning of Section 509(a)(1) of the Code.