

**KOREAN AMERICAN SENIOR ASSOCIATION OF
ORANGE COUNTY**

TRANSPORTATION DEVELOPMENT ACT FUNDS

Financial Statements and Supplemental Data

Year Ended June 30, 2013

**KOREAN AMERICAN SENIOR ASSOCIATION OF
ORANGE COUNTY**

TRANSPORTATION DEVELOPMENT ACT FUNDS

Financial Statements and Supplemental Data

Year Ended June 30, 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Orange County Transportation Authority
Orange, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act (TDA) Article 4.5 Funds (Funds) of the Korean American Senior Association of Orange County (KASA) a non-profit corporation, and a subrecipient of the City of Garden Grove, California (City), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Funds of KASA as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Funds of KASA and do not purport to, and do not, present fairly the financial position of KASA as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of allocations 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 accompanying schedule of allocations 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 December 13, 2013 on our consideration of KASA's internal control over financial reporting for the TDA Funds 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 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 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 KASA's internal control over financial reporting for the TDA Funds and compliance.

Vavrinch, Train, Day & Co., LLP

Laguna Hills, California
December 13, 2013

**KOREAN AMERICAN SENIOR ASSOCIATION OF ORANGE COUNTY
TRANSPORTATION DEVELOPMENT ACT FUND**

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013**

	<u>Article 4.5</u>
ASSETS	
Cash and Investments	\$ 5,675
Total Assets	<u>\$ 5,675</u>
LIABILITIES AND NET ASSETS	
Payroll Tax Payable	<u>1,054</u>
Total Liabilities	<u>1,054</u>
Net Assets - Unrestricted	<u>4,621</u>
Total Liabilities and Net Assets	<u>\$ 5,675</u>

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

**KOREAN AMERICAN SENIOR ASSOCIATION OF ORANGE COUNTY
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
TDA Allocation	\$ -	\$ 87,025	\$ 87,025
Local Match	-	17,405	17,405
Released from Temporary Restriction	104,430	(104,430)	-
Total Public Support and Revenue	<u>104,430</u>	<u>-</u>	<u>104,430</u>
 EXPENSES			
Program Services:			
TDA Expenses	<u>99,707</u>	-	<u>99,707</u>
Total Expenses	<u>99,707</u>	-	<u>99,707</u>
Change in Net Assets	<u>4,723</u>	-	<u>4,723</u>
Net Assets, Beginning of Year	<u>(102)</u>	-	<u>(102)</u>
Net Assets, End of Year	<u>\$ 4,621</u>	<u>\$ -</u>	<u>\$ 4,621</u>

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

**KOREAN AMERICAN SENIOR ASSOCIATION OF ORANGE COUNTY
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 4,723
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Changes in operating assets and liabilities:	
Decrease in Due to Korean American Senior Association of Orange County	(15,000)
Decrease in payroll tax payable	(1,100)
Net cash flows from operating activities	<u>(11,377)</u>
Net change in cash and cash equivalents	(11,377)
Cash and cash equivalents, beginning of year	<u>17,052</u>
Cash and cash equivalents, end of year	<u><u>\$ 5,675</u></u>

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

**KOREAN AMERICAN SENIOR ASSOCIATION OF ORANGE COUNTY
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements are intended to reflect the financial position and results of operations of the Korean American Senior Association of Orange County (KASA) Transportation Development Act (TDA) Article 4.5 Funds (Funds) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of KASA and changes in its net assets and cash flows thereof for the year then ended in accordance with generally accepted accounting principles in the United States of America.

On June 27, 2011, KASA entered into a Cooperative Agreement (Agreement) with OCTA and the City of Garden Grove (City) to provide transportation services to eligible individuals in accordance with Section 99275 of the California Public Utilities Code (Code). The Agreement extends through June 30, 2016. The Agreement provides that all TDA Program monies are to be passed through the City to KASA. According to the Code, TDA Program funds may only be expended for community transit services, including services for the disabled who cannot use conventional transit services. In accordance with the Agreement, KASA is required to provide matching funds equal to 20% of the allocation amount. KASA satisfied its required match for the fiscal year ended June 30, 2013.

Nature of Activities

KASA was organized in 1976 as a non-profit organization and is exempt from income taxes under section 501(c) (3) of the Internal Revenue Code. The purpose of KASA is to provide social service assistance, including transportation services, and English language classes to the Korean senior population in Orange County.

Financial Statement Presentation and Basis of Accounting

The TDA Funds financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The TDA Funds are required to present a statement of cash flows. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

The TDA Funds report information regarding its financial position and activities according to three classes of net assets: Unrestricted Net Assets, Temporarily Restricted Net Assets, and Permanently Restricted Net Assets. Unrestricted Net Assets are the net assets that are neither permanently restricted nor temporarily restricted by donor imposed stipulations. Temporarily Restricted Net Assets are net assets that result from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be removed by actions of KASA pursuant to those stipulations. Permanently Restricted Net Assets are net assets resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the action of KASA.

As of June 30, 2013 unrestricted net assets were comprised of \$3,936 and \$685 for TDA and local match funds, respectively.

Program Expenses

The TDA Funds support the Senior Mobility Program which provides transportation to seniors within the local community. The costs to support the program include support staff, vehicle maintenance, and administrative costs, which are all considered direct expenses by KASA.

**KOREAN AMERICAN SENIOR ASSOCIATION OF ORANGE COUNTY
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Income Taxes

KASA is exempt from Federal income and California franchise taxes under Section 501(c) (3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been recorded in the financial statements.

Statement of Cash Flows

The indirect method is used to report cash flows from operating activities. Cash and cash equivalents include short term highly liquid cash balances with maturities less than 90 days, not restricted by donors for specific purposes.

Estimates

The preparation of basic 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.

Cash and Investments

Cash and investments are pooled to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the TDA Funds based upon the average cash balance. The investment policies and any related risks, applicable to the TDA Funds, are those of KASA and are disclosed in KASA's basic financial statements. KASA's basic financial statements can be obtained at KASA, Garden Grove, California.

NOTE 2 – SUBSEQUENT EVENTS

Subsequent events were evaluated by KASA's management through December 13, 2013, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

SUPPLEMENTARY INFORMATION

**KOREAN AMERICAN SENIOR ASSOCIATION OF ORANGE COUNTY
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
YEAR ENDED JUNE 30, 2013**

<u>Project Description</u>	<u>Project Type</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at 06/30/2012</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Unspent Allocations at 06/30/2013</u>	<u>Project Status</u>
Senior Transportation Program	Local	2012-13	\$ 87,025	\$ -	\$ 87,025	\$ 83,089	\$ 3,936	Open
Totals			<u>\$ 87,025</u>	<u>\$ -</u>	<u>\$ 87,025</u>	<u>\$ 83,089</u>	<u>\$ 3,936</u>	



**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**

Board of Directors
Orange County Transportation Authority
Orange, 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 the Transportation Development Act (TDA) Article 4.5 Funds (Funds) of the Korean American Senior Association (KASA), a non-profit corporation, and a subrecipient of the City of Garden Grove, California (City), which comprise the statement of financial position as of June 30, 2013, 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 December 13, 2013. Our report included an emphasis of matter paragraph stating that the financial statements of the TDA Funds do not purport to, and do not, present fairly the financial position of KASA as of June 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered KASA's internal control over financial reporting (internal control) of the TDA Funds 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 KASA's internal control. Accordingly, we do not express an opinion on the effectiveness of KASA'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 KASA's TDA Funds 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.

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 KASA's financial statements of the TDA Funds are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Section 6667 of Part 21 of the California Code of regulations and the allocation instructions of the Orange County Transportation Authority, 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*, including the requirements of Section 6667 of part 21 of the California Code of Regulations and the allocation instructions of the Orange County Transportation Authority.

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.



Laguna Hills, California
December 13, 2013