THE KOREA SOCIETY

Financial Statements
for the year ended
December 31, 2019
(with Summarized Comparative Totals for 2018)
Independent Auditor’s Report

To the Board of Directors
The Korea Society

We have audited the accompanying financial statements of The Korea Society (the “Society”) which comprise the statement of financial position as of December 31, 2019 and the related statements of activities, functional expenses 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.

Auditor’s 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. 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 Korea Society as of December 31, 2019, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.
Report on Summarized Comparative Information

We have previously audited the Society's 2018 financial statements, and our report dated March 13, 2019, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Condron O'Meara McCutty & Donnelly LLP

February 14, 2020
THE KOREA SOCIETY

Statement of Financial Position

Assets

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,774,307</td>
</tr>
<tr>
<td>Investments, at fair value</td>
<td>7,291,251</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>255,405</td>
</tr>
<tr>
<td>Contributions receivable, net</td>
<td>557,695</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>27,605</td>
</tr>
<tr>
<td>Leasehold improvements, and furniture, fixtures and equipment (net of $275,723 and $137,379 of accumulated depreciation in 2019 and 2018, respectively)</td>
<td>1,274,811</td>
</tr>
<tr>
<td>Right to use asset</td>
<td>5,452,250</td>
</tr>
<tr>
<td>Investments restricted for long-term purposes, at fair value</td>
<td>9,684,859</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$26,318,183</strong></td>
</tr>
</tbody>
</table>

Liabilities and Net Assets

**Liabilities**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$45,910</td>
<td>$64,436</td>
</tr>
<tr>
<td>Lease liability</td>
<td>5,806,774</td>
<td>6,359,097</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>5,852,684</td>
<td>6,423,533</td>
</tr>
</tbody>
</table>

**Net assets**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Without donor restrictions</td>
<td>10,222,945</td>
<td>7,851,815</td>
</tr>
<tr>
<td>With donor restrictions</td>
<td>10,242,554</td>
<td>9,713,586</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>20,465,499</td>
<td>17,565,401</td>
</tr>
</tbody>
</table>

**Total liabilities and net assets**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$26,318,183</strong></td>
<td><strong>$23,988,934</strong></td>
<td><strong>$23,988,934</strong></td>
</tr>
</tbody>
</table>

See notes to financial statements.
THE KOREA SOCIETY

Statement of Activities
Year Ended December 31, 2019
(with Summarized Comparative Totals for the year ended December 31, 2018)

<table>
<thead>
<tr>
<th>2019</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
<th>2018 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$ 1,487,710</td>
<td>$ 858,968</td>
<td>$ 2,346,678</td>
<td>$ 1,374,037</td>
</tr>
<tr>
<td>Program revenue</td>
<td>151,975</td>
<td>-</td>
<td>151,975</td>
<td>114,841</td>
</tr>
<tr>
<td>Special events, net of direct costs of $271,471 and $244,840 for 2019 and 2018, respectively</td>
<td>581,724</td>
<td>-</td>
<td>581,724</td>
<td>436,992</td>
</tr>
<tr>
<td>Other</td>
<td>2,055</td>
<td>-</td>
<td>2,055</td>
<td>14,760</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>330,000</td>
<td>(330,000)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total operating activities</strong></td>
<td>2,553,464</td>
<td>528,968</td>
<td>3,082,452</td>
<td>1,940,630</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>2,003,058</td>
<td>-</td>
<td>2,003,058</td>
<td>1,956,667</td>
</tr>
<tr>
<td>Supporting activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>451,669</td>
<td>-</td>
<td>451,669</td>
<td>432,130</td>
</tr>
<tr>
<td>Development</td>
<td>451,434</td>
<td>-</td>
<td>451,434</td>
<td>436,943</td>
</tr>
<tr>
<td><strong>Total supporting activities</strong></td>
<td>903,103</td>
<td>-</td>
<td>903,103</td>
<td>869,073</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>2,906,161</td>
<td>-</td>
<td>2,906,161</td>
<td>2,825,740</td>
</tr>
<tr>
<td>Change in net assets from operating activities</td>
<td>(352,697)</td>
<td>528,968</td>
<td>176,271</td>
<td>(885,110)</td>
</tr>
<tr>
<td><strong>Non operating activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment return - net</td>
<td>2,723,827</td>
<td>-</td>
<td>2,723,827</td>
<td>(801,518)</td>
</tr>
<tr>
<td><strong>Increase (decrease) in net assets</strong></td>
<td>2,371,130</td>
<td>528,968</td>
<td>2,900,098</td>
<td>(1,686,628)</td>
</tr>
<tr>
<td><strong>Net assets, beginning of year</strong></td>
<td>7,851,815</td>
<td>9,713,586</td>
<td>17,565,401</td>
<td>19,252,029</td>
</tr>
<tr>
<td><strong>Net assets, end of year</strong></td>
<td>$10,222,945</td>
<td>$10,242,554</td>
<td>$20,465,499</td>
<td>$17,565,401</td>
</tr>
</tbody>
</table>

See notes to financial statements.
# Statement of Functional Expenses

**Year Ended December 31, 2019**

(with Summarized Comparative Totals for the year ended December 31, 2018)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Program Services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy</td>
<td>$ 53,656</td>
<td>$ 53,502</td>
</tr>
<tr>
<td>Corporate</td>
<td>$ 227,500</td>
<td>$ 207,500</td>
</tr>
<tr>
<td>Congressional</td>
<td>$ 55,922</td>
<td>$ 55,922</td>
</tr>
<tr>
<td>Education</td>
<td>$ 32,053</td>
<td>$ 32,053</td>
</tr>
<tr>
<td>Arts</td>
<td>$ 7,110</td>
<td>$ 7,110</td>
</tr>
<tr>
<td>Culture</td>
<td>$ 29,515</td>
<td>$ 29,515</td>
</tr>
<tr>
<td>Media</td>
<td>$ 459,258</td>
<td>$ 459,258</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 633,563</td>
<td>$ 633,563</td>
</tr>
<tr>
<td><strong>Supporting Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and General</td>
<td>$ -</td>
<td>$ 41,217</td>
</tr>
<tr>
<td>Development</td>
<td>$ 41,217</td>
<td>$ 41,217</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 41,217</td>
<td>$ 41,217</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 1,051,061</td>
<td>$ 1,051,061</td>
</tr>
</tbody>
</table>

### Details:

- **Program costs**
  - Policy: $53,656
  - Corporate: $227,500
  - Congressional: $55,922
  - Education: $32,053
  - Arts: $7,110
  - Culture: $29,515
  - Media: $459,258
  - Total: $633,563

- **Salaries and related expenses**
  - 2019: $273,988
  - 2018: $214,162

- **Consulting and professional fees**
  - 2019: $37,051
  - 2018: $18,525

- **Occupancy**
  - 2019: $164,318
  - 2018: $82,159

- **Travel, lodging and entertainment**
  - 2019: $2,027
  - 2018: $1,014

- **Equipment rental and maintenance**
  - 2019: $7,313
  - 2018: $3,656

- **Office supplies**
  - 2019: $2,421
  - 2018: $1,211

- **Telephone and communication**
  - 2019: $1,610
  - 2018: $805

- **Insurance**
  - 2019: $3,248
  - 2018: $1,624

- **Other**
  - 2019: $7,187
  - 2018: $3,593

- **Depreciation and amortization**
  - 2019: $27,669
  - 2018: $13,834

### Totals:

- **Total**
  - 2019: $580,488
  - 2018: $294,085

- **Program Services Total**
  - 2019: $239,424
  - 2018: $156,680

- **Supporting Activities Total**
  - 2019: $115,985
  - 2018: $106,680

- **Total**
  - 2019: $2,003,058
  - 2018: $1,903,103

See notes to financial statements.
THE KOREA SOCIETY

Statement of Cash Flows

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cash flows from operating activities

| Increase (decrease) in net assets | $ 2,900,098 | $(1,686,628) |
| Adjustments to reconcile increase (decrease) in net assets to net cash (used in) operating activities |
| Depreciation and amortization | 138,344 | 137,379 |
| Right to use asset amortization | (13,902) | (13,902) |
| Net realized and unrealized (gain) loss on investments | (2,266,248) | 1,119,499 |
| (Increase) in accounts receivable | (251,175) | (2,131) |
| (Increase) decrease in contributions receivable | (528,968) | 354,227 |
| (Increase) decrease in prepaid expenses | (18,289) | 78,929 |
| Decrease in accounts payable and accrued expenses | (18,526) | (65,550) |
| Net cash (used in) operating activities | (58,666) | (78,177) |

Cash flows from investing activities

| Purchase of investments | (4,017,387) | (702,289) |
| Proceeds from sale of investments | 3,226,424 | 645,517 |
| Expenditures for furniture, fixtures and equipment | (7,420) | (57,727) |
| Net cash (used in) investing activities | (798,383) | (114,499) |

Net (decrease) in cash and cash equivalents | (857,049) | (192,676) |

Cash and cash equivalents, beginning of year | 2,631,356 | 2,824,032 |
Cash and cash equivalents, end of year | $ 1,774,307 | $ 2,631,356 |

See notes to financial statements.
THE KOREA SOCIETY

Notes to Financial Statements
December 31, 2019 and December 31, 2018

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.

Permanently 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.
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.

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, 2019. The Society routinely assesses the financial strength of its cash, cash equivalents and investment portfolio. As a consequence, concentrations of credit risk are limited.
THE KOREA SOCIETY

Notes to Financial Statements (continued)
December 31, 2019 and December 31, 2018

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.

Comparative information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Society’s financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Subsequent events

The Society has evaluated events and transactions for potential recognition or disclosure through February 14, 2020, 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, 2019 and December 31, 2018 for general use within one year of the statement of financial position date.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,774,307</td>
<td>$2,631,356</td>
</tr>
<tr>
<td>Investments, at fair value</td>
<td>7,291,251</td>
<td>4,234,040</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>255,405</td>
<td>4,230</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>318,726</td>
<td>28,727</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$9,639,689</strong></td>
<td><strong>$6,898,353</strong></td>
</tr>
</tbody>
</table>
THE KOREA SOCIETY

Notes to Financial Statements (continued)
December 31, 2019 and December 31, 2018

**Note 3 – Investments**

The following is a summary of investments at December 31, 2019 and December 31, 2018:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Fair Value</td>
</tr>
<tr>
<td>Common stocks</td>
<td>$272,932</td>
<td>$197,988</td>
</tr>
<tr>
<td>Mutual funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>11,934,416</td>
<td>15,909,864</td>
</tr>
<tr>
<td>International</td>
<td>867,260</td>
<td>868,258</td>
</tr>
<tr>
<td>Total</td>
<td>$13,074,608</td>
<td>$16,976,110</td>
</tr>
</tbody>
</table>

Consists of:

- Without donor restrictions: $7,291,251 | $4,234,040
- With perpetual donor restrictions: $9,684,859 | $9,684,859

Total: $16,976,110 | $13,918,899

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

The components of investment return for the years ended December 31, 2019 and 2018 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends</td>
<td>$457,579</td>
<td>$317,342</td>
</tr>
<tr>
<td>Capital gains distribution on investments</td>
<td>-</td>
<td>639</td>
</tr>
<tr>
<td>Realized gain on sale of investments</td>
<td>59,547</td>
<td>256,007</td>
</tr>
<tr>
<td>Unrealized gain (loss) on investments</td>
<td>$2,206,701</td>
<td>(1,375,506)</td>
</tr>
<tr>
<td>Total</td>
<td>$2,723,827</td>
<td>($801,518)</td>
</tr>
</tbody>
</table>

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, 2019 contributions are expected to be received as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year</td>
<td>$318,726</td>
</tr>
<tr>
<td>Due within one to five years</td>
<td>310,000</td>
</tr>
<tr>
<td>Sub-total</td>
<td>628,726</td>
</tr>
<tr>
<td>Less: amount to reduce contributions receivable to their present value (discount rate – 5.0%)</td>
<td>71,031</td>
</tr>
<tr>
<td>Total</td>
<td>$557,695</td>
</tr>
</tbody>
</table>
THE KOREA SOCIETY

Notes to Financial Statements (continued)
December 31, 2019 and December 31, 2018

Note 5 – Assets restricted for long-term investment

Assets restricted for long-term investment at December 31, 2019 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, 2019:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Fund</td>
<td>$ 1,619,007</td>
</tr>
<tr>
<td>Board Designated Fund</td>
<td>$ 8,603,938</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 10,222,945</strong></td>
</tr>
</tbody>
</table>

Note 7 – Net assets with donor restrictions

A summary of the transactions in net assets with temporary donor restrictions for 2019 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance at December 31, 2018</th>
<th>Support and Other Additions</th>
<th>Released from Restrictions</th>
<th>Balance at December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>KIEP</td>
<td>$ 20,000</td>
<td>$ -</td>
<td>$ (20,000)</td>
<td>$ -</td>
</tr>
<tr>
<td>Samsung Electronics</td>
<td>-</td>
<td>831,260</td>
<td>(300,000)</td>
<td>531,260</td>
</tr>
<tr>
<td>KoChon</td>
<td>-</td>
<td>27,708</td>
<td>(10,000)</td>
<td>17,708</td>
</tr>
<tr>
<td>Philip and Birgitte Sherman</td>
<td>8,727</td>
<td>-</td>
<td>-</td>
<td>8,727</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>28,727</strong></td>
<td><strong>858,968</strong></td>
<td><strong>(330,000)</strong></td>
<td><strong>557,695</strong></td>
</tr>
</tbody>
</table>

Net assets with perpetual donor restrictions consist of the following as of December 31, 2019:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea Foundation Endowment</td>
<td>$ 8,400,000</td>
</tr>
<tr>
<td>Kim Koo Endowment</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Philip D. Sherman Endowment</td>
<td>175,000</td>
</tr>
<tr>
<td>Other permanent endowment funds</td>
<td>109,859</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,684,859</strong></td>
</tr>
</tbody>
</table>

Changes in Net Assets with Donor Restrictions for the Year Ended December 31, 2019:

<table>
<thead>
<tr>
<th></th>
<th>Temporary Donor Restrictions</th>
<th>Perpetual Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets, beginning of year</td>
<td>$ 28,727</td>
<td>$ 9,684,859</td>
<td>$ 9,713,586</td>
</tr>
<tr>
<td>Contributions</td>
<td>858,968</td>
<td>-</td>
<td>858,968</td>
</tr>
<tr>
<td>Net assets released from restriction</td>
<td>(330,000)</td>
<td>-</td>
<td>(330,000)</td>
</tr>
<tr>
<td>Net assets, end of year</td>
<td><strong>$ 557,695</strong></td>
<td><strong>$ 9,684,859</strong></td>
<td><strong>$ 10,242,554</strong></td>
</tr>
</tbody>
</table>
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 Republic of Korea and 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

Net Assets with Donor Restrictions Composition by Type of Fund as of December 31, 2019:

<table>
<thead>
<tr>
<th></th>
<th>Temporary Donor Restrictions</th>
<th>Perpetual Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions receivable</td>
<td>$ 557,695</td>
<td>$ -</td>
<td>$ 557,695</td>
</tr>
<tr>
<td>Investments</td>
<td>-</td>
<td>9,684,859</td>
<td>9,684,859</td>
</tr>
<tr>
<td>Total</td>
<td>$ 557,695</td>
<td>$ 9,684,859</td>
<td>$ 10,242,554</td>
</tr>
</tbody>
</table>

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.
THE KOREA SOCIETY

Notes to Financial Statements (continued)
December 31, 2019 and December 31, 2018

Note 9 – 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.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$778,560</td>
</tr>
<tr>
<td>2021</td>
<td>778,560</td>
</tr>
<tr>
<td>2022</td>
<td>778,560</td>
</tr>
<tr>
<td>2023</td>
<td>827,220</td>
</tr>
<tr>
<td>2024</td>
<td>827,220</td>
</tr>
<tr>
<td>2025 and thereafter</td>
<td>2,481,660</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6,471,780</td>
</tr>
<tr>
<td><strong>Less: amount to reduce lease payments to their present value (discount rate – 5%)</strong></td>
<td>665,006</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td>$5,806,774</td>
</tr>
</tbody>
</table>

Note 10 – 403(b) plan

The Society has a 403(b) plan (the “Plan”) for all eligible employees. Each employee can contribute to the plan in accordance with IRS regulations. The employee becomes fully vested over a six-year period. The Society contributes 5% for all employees based on their annual salary. The Society made contributions totaling $38,829 and $39,507 to the Plan for the year ended December 31, 2019 and December 31, 2018, respectively. Forfeitures of non-vested contributions are used to reduce Society’s contributions to the Plan. The amount of forfeitures used to reduce Society’s contributions totaled $10,780 and $162 for the years ended December 31, 2019 and December 31, 2018, respectively.
THE KOREA SOCIETY

Notes to Financial Statements (continued)
December 31, 2019 and December 31, 2018

Note 11 – Related party transactions

A Board member of the Society is a chairman of the cultural non-profit organizations that provided curating and related services for the Society's Art Gallery. The fees and disbursements paid to organizations totaled approximately $4,000 and 8,000 for the years ended December 31, 2019 and December 31, 2018.

A Board member of the Society is a principal of a law firm that provided legal services to the Society. Legal fees and disbursements paid to the firm totaled $2,459 for the year ended December 31, 2018.

Note 12 – Contingency

The Society received a notice from the Korean National Tax Service (KNTS) relating to gift taxes imposed on a donation received from a Foundation. The Society has been levied for approximately $400,000. The Society has consulted with a Korean tax specialist who believes the Levy is without basis. The Society has not recorded any liability with respect to the levy in its financial statements.

Note 13 – 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.