

FINANCIAL REPORT

2009

Prepared For:

SIKH GURDWARA – SAN JOSE

Prepared by:

BAINS ACCOUNTANCY CORP

Certified Public Accountant

1590 Oakland Road, Suite B-206

San Jose, CA 95131

(408) 451-9750 ■ Fax (408) 451-9740

CONFIDENTIAL

PREFACE

Sikh Gurdwara – San Jose (California), incorporated in October 1985, is a non-profit organization committed to providing religious, educational and cultural services to the residents of San Jose and surrounding cities. The management committee consisting of 21 members from the Sikh Community manages the Gurdwara. Various sub-committees manage operating activities of the Sikh Gurdwara.

Bains Accountancy Corporation, Certified Public Accountant has been contracted by the organization to provide financial services for the Sikh Gurdwara. The outcome of these financial services was the preparation of a compilation report for the Sikh Gurdwara - San Jose for the calendar year ending December 31, 2009.

STAFF:

Bill Singh Bains, CPA

Jai Pal Singh, CPA

SIKH GURDWARA – SAN JOSE

Financial Statements – 2009

Table of Contents

	Page No.
Accountant's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9

Bains Accountancy Corporation



Certified Public Accountant
1590 Oakland Road, Ste. B-206
San Jose, CA 95131
408.451.9750; Fax: 408.451.9740
www.bainscpa.com

The Board of Directors
Sikh Gurdwara – San Jose
3636 Murillo Road
San Jose, CA 95148

We have compiled the accompanying Statement of Financial Position of Sikh Gurdwara, San Jose as of December 31, 2009, and the related Statement of Activities, Functional Expenses and Cash Flow for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

A handwritten signature in black ink, appearing to read "Bill Singh Bains".

Bill Singh Bains, CPA, CIA

May 12, 2010

Sikh Gurdwara - San Jose

Statement of Financial Position

December 31, 2009

Assets

	2009	2008
Current assets		
Cash and Cash Equivalents - <i>(See Note 5)</i>	\$ <u>1,630,117</u>	\$ <u>974,024</u>
Total Current assets	1,630,117	974,024
Land Building & Equipment		
Land (Gurdwara & House)	2,620,000	2,620,000
Buildings - Gurdwara	12,354,735	12,354,735
Buildings - House	282,358	282,358
Furniture and Fixtures	82,474	82,474
Main Hall - Construction In Progress (See Note 6)	13,238,830	7,470,730
Less: accumulated depreciation	<u>(1,987,191)</u>	<u>(1,664,571)</u>
Total Land Building & Equipment	<u>26,591,207</u>	<u>21,145,727</u>
Other Assets		
Construction Reserve - <i>(See Note 5)</i>	4,603,813	9,161,353
Interest Reserve - <i>(See Note 5)</i>	643,708	968,608
Loan Costs - Unamortized <i>(See Note 5)</i>	-	75,515
Total Other Assets	<u>5,247,521</u>	<u>10,205,476</u>
Total Assets	<u>\$ <u>33,468,845</u></u>	<u>\$ <u>32,325,227</u></u>

Liabilities and Net Assets

Current liabilities		
Payroll Taxes Due (Refunds)	\$ 6,435	\$ (741)
Loan - Construction - Phase 2 - <i>(See Note 5)</i>	<u>13,500,000</u>	<u>13,500,000</u>
Total Current Liabilities	13,506,435	13,499,259
Net Assets		
Net Investment in Land, Building & Equipment	17,695,020	16,807,079
Restricted Fund Balance - <i>(See Note 5)</i>	643,708	1,044,123
Unrestricted Fund Balance	<u>1,623,682</u>	<u>974,765</u>
Total Net Assets	<u>19,962,410</u>	<u>18,825,968</u>
Total Liabilities and Net Assets	<u>\$ <u>33,468,845</u></u>	<u>\$ <u>32,325,227</u></u>

The accompanying notes are an integral part of this financial statement

Sikh Gurdwara - San Jose
Statement of Activities
For the period ending December 31, 2009

	2009	2008
Revenue & Other Support		
Contributions - Gurdwara	2,007,345	1,675,925
Khalsa School Fees, Contributions & Grants	157,713	68,621
Investment Income	13,194	53,409
Total Unrestricted Revenue	\$ 2,178,252	\$ 1,797,955
Expenses		
Program Services		
Program A (Path & Kirtan)	226,368	262,802
Program B (Khalsa Children School)	87,285	88,792
Program C (Community Kitchen - Langar)	22,871	29,560
Support Activities		
Management and General	705,286	640,970
Total Expenses	1,041,810	1,022,124
Net Income (Loss)	1,136,442	775,831
Changes in Net Assets	1,136,442	775,831
Net assets at beginning of year	18,825,968	18,050,137
Net assets at end of year	\$ 19,962,410	\$ 18,825,968

The accompanying notes are an integral part of this financial statement

Sikh Gurdwara - San Jose
Schedule of Functional Expenses
December 31, 2009

	Program A - Path/Kirtan	Program B - School	Program C - Langar	Management & General	Total	
					2009	2008
Automobile Expenses				144	144	70
Bank Charges		1,496		4,101	5,597	2,601
Books		7,020			7,020	8,171
Camp-School Students		7,749			7,749	11,285
Contributions	300	125			425	44,541
Depreciation				322,620	322,620	322,620
Equipment Rental				638	638	372
Hemkunt/Special Project		12,068			12,068	7,719
Insurance				22,074	22,074	28,296
Kitchen Supplies			4,289		4,289	8,315
Kitchen Cleaning/Janitorial			1,000	18,063	19,063	13,745
License/Permits				50	50	325
Miscellaneous/Legal Fees		645	395	53,805	54,845	5,505
Music (Kirtan) Expenses		28,475			28,475	24,534
Office Supplies		5,115		2,454	7,569	2,086
Payroll-Kitchen staff			16,222		16,222	15,852
Payroll Taxes-Kitchen			966		966	1,213
Postage & Delivery		73		370	443	238
Printing/Reproduction		2,032		2,705	4,738	189
Professional Charges		8,020		5,025	13,045	14,640
Religious Services	226,068				226,068	218,261
Repairs			-	72,103	72,103	69,198
School Supplies		7,863			7,863	15,708
Security				13,208	13,208	15,035
Snacks/Picnic-School		6,603			6,603	4,435
Supplies		-		-	-	5,446
Taxes-Property				47,919	47,919	55,808
Telephone				11,221	11,221	11,133
Utilities				92,870	92,870	99,495
Wages & Taxes				35,917	35,917	15,287
Total	226,368	87,285	22,871	705,286	1,041,810	1,022,124

The accompanying notes are an integral part of this financial statement

Sikh Gurdwara - San Jose
Statement of Cash Flows
For the period ending December 31, 2009

	2009	2008
Cash flows from operating activities:		
Net Income/(Loss)	\$ 1,136,442	\$ 775,831
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operations:		
Depreciation and amortization expense	322,620	322,620
Increase/(decrease) in Payroll Taxes	7,176	(2,373)
	1,466,238	1,096,078
 Cash flows from investing activities:		
Construction Reserve	4,957,955	3,305,919
Investment in fixed assets-capitalized costs	(5,768,100)	(6,606,100)
	(810,145)	(3,300,181)
 Cash flows from financing activities:		
Repayments of Sangat Loan	-	(181,700)
	-	(181,700)
 Net Increase(Decrease) in Cash	656,092	(2,385,803)
 Cash at Beginning of Period	974,024	3,359,827
 Cash at End of Period	\$ 1,630,117	974,024

The accompanying notes are an integral part of this financial statement

Sikh Gurdwara – San Jose
Notes to Financial Statements
December 31, 2009

Note 1 – Nature of Activities

Sikh Gurdwara – San Jose is a non-profit organization committed to providing religious, educational and cultural services to the residents of San Jose and surrounding cities. There are three programs that account for a majority of the Gurdwara's activities:

Program A – Path and Kirtan

Religious services such as reading sermons and singing devotional music (Path, Kirtan and Katha) are conducted at Sikh Gurdwara on a regular basis. Spiritual leaders and priests from around the world provide these services. Complimentary food, snacks and beverages are provided to devotees of the Sikh Gurdwara. Direct costs related to this ongoing function are shown under Program A.

Program B – Khalsa School

Educational services are provided to young children at Sikh Gurdwara. Children are taught Punjabi language, principles of Sikh religion, and devotional music. Khalsa School is funded and managed by the Gurdwara Committee thru a sub-committee. Direct costs related to this function are shown as Program B.

Program C – Community Kitchen - Langar

At Sikh Gurdwara, hot meals are served to devotees and visitors every day. Community Kitchen (Langar) is generally funded by followers, who bring food supplies and prepare food at the Sikh Gurdwara. This Kitchen is open to the general public. All direct costs related to the operations and maintenance of the Kitchen are shown under Program Services as Program C.

Note 2 – Significant Accounting Policies

The financial statements of Sikh Gurdwara - San Jose have been prepared on the accrual basis of accounting. The significant policies followed are described below to enhance the usefulness of the financial statements to the reader.

Classes of Net Assets

There are no restrictions placed on the assets by donors. Therefore, all assets are available at the discretion of the management committee for use in the organizations' operations or investment in building and equipment in accordance with the policies of the organization.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in checking, savings, time deposits and money market bank accounts. Cash also includes securities valued at-market on December 31, 2009 of \$72,583. Sikh Gurdwara deposits most of the cash in various commercial banks located in San Jose, CA. From time to time, cash balance in these accounts exceeds federally insured limits.

Land Building and Equipment Depreciation

Expenditure on building and equipment are at capitalized at cost. Depreciation is computed on the straight-line method over the estimated useful lives of assets: 5 years for Equipment, Furniture and Fixtures and 40 years for Buildings. During 2009, Sikh Gurdwara continued construction of Phase 2 of Sikh Gurdwara building. A summary of the construction costs incurred in 2009 is shown in Note 6.

Revenues and Expenses

Unrestricted contributions are recognized when cash or ownership of donated assets is unconditionally promised to the organization. As of the date of the financial statements no restrictions were placed by the donors on donated assets.

Other income is recognized when earned. Expenses are recognized when incurred in accordance with the accrual basis of accounting.

Comparative Totals

Financial Statements include certain prior-year summarized comparative information in total. 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 Sikh Gurdwara's financial statements for the year ended December 31, 2008 from which the summarized information was derived.

Note 3 – Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time. The value of this contributed time is not susceptible to objective measurements of valuation and accordingly is not reflected in the financial statements.

Note 4 – Land Building and Equipment

Land Building and Equipment at December 31, 2009 consisted of the following:

Equipment, Furniture & Fixtures	\$82,474
Land & Building	
Land & Building – House	702,358
Land & Building – Gurdwara	14,554,735
Construction In Progress – Phase 2 (See Note 6)	<u>13,238,830</u>
Total	\$28,578,397
Less Accumulated Depreciation	-1,987,191
Total Land, Building and Equipment	\$26,591,206

Note 5 – Construction Loan

In December 2007, American Continental Bank (the Bank) agreed to lend Sikh Gurdwara \$13.5 million for the construction of Phase 2 of Sikh Gurdwara main building. The loan agreement required that these funds be kept with the Bank to pay for construction costs. At end of 2009, the Bank had \$4,603,813 as unspent reserve. Sikh Gurdwara also had interest reserve of \$987,200 with the Bank to pay future interest on this loan. Out of this reserve, \$324,900 was withdrawn by the bank as interest in 2009. In 2008, \$18,592 was withdrawn by the bank as interest. The remaining \$643,708 is with the Bank. The construction loan was due in December 2009. However, bank granted a temporary extension of due date to June 30, 2010. Loan closings costs charged by the Bank in December 2007 are amortized in 2008 and 2009.

Note 6 – Phase 2 Building Construction

In 2009, Sikh Gurdwara incurred costs detailed on next page for the construction of Phase 2 of Sikh Gurdwara main building:

**Sikh Gurdwara - San Jose
Construction In Progress - Phase II**

Construction Costs incurred in 2009	\$	5,375,506
Other Costs incurred in 2009:		
Loan Extension Fees	25,675	
Bank Charges	248	
Interest Paid to Bank	324,900	
Interest Received from Bank	(16,459)	
Loan Closing Costs Amortization	58,230	
Total Other Costs		<u>392,594</u>
Total Costs Incurred in 2009 for Phase II		<u>5,768,100</u>
Pre-Construction Costs Incurred During or before December 2006		280,536
Pre-Construction Costs Incurred During January to September 2007		209,566
Construction Costs Incurred During October 2007 to December 2007		374,529
Construction Costs Incurred During January 2008 to December 2008		<u>6,606,100</u>
Total Costs Incurred Prior to January 2009		7,470,730
Total Cost of Phase II as of December 31, 2009	\$	13,238,830