

FINANCIAL REPORT

2007

Prepared For:

SIKH GURDWARA – SAN JOSE

Prepared by:

BAINS ACCOUNTANCY CORP

Certified Public Accountant

1590 Oakland Road, Suite B-206

San Jose, CA 95131

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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 23 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, 2007.

STAFF:

Bill Singh Bains, CPA

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SIKH GURDWARA – SAN JOSE

Financial Statements – 2007

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Bains Accountancy Corporation



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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, 2007, 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

August 20, 2008

Sikh Gurdwara - San Jose
Statement of Financial Position
December 31, 2007

Assets

	2007	2006
Current assets		
Cash and Cash Equivalents - <i>(See Note 5)</i>	\$ 3,359,827.44	\$ 2,349,660.30
Total Current assets	<u>3,359,827.44</u>	<u>2,349,660.30</u>
Land Building & Equipment		
Land (Gurdwara & House)	2,620,000.00	2,620,000.00
Buildings - Gurdwara	12,354,735.29	12,354,735.29
Buildings - House	282,358.00	282,358.00
Furniture and Fixtures	82,474.30	82,474.30
Main Hall - Construction In Progress	864,630.65	280,536.29
Less: accumulated depreciation	<u>(1,341,951.13)</u>	<u>(1,019,331.13)</u>
Total Land Building & Equipment	<u>14,862,247.11</u>	<u>14,600,772.75</u>
Other Assets		
Construction Reserve - <i>(See Note 5)</i>	12,773,165.00	-
Interest Reserve - <i>(See Note 5)</i>	987,200.00	-
Loan Costs - <i>(See Note 5)</i>	151,030.00	-
Total Other Assets	<u>13,911,395.00</u>	<u>-</u>
Total Assets	<u>\$ 32,133,469.55</u>	<u>\$ 16,950,433.05</u>

Liabilities and Net Assets

Current liabilities		
Payroll Taxes	\$ 1,632.23	\$ 455.56
Deposit Due - <i>(See Note 5)</i>	400,000.00	
Loans from Followers - Interest bearing	81,700.00	-
Loans from Followers - Non Interest bearing	100,000.00	-
Total Current Liabilities	<u>583,332.23</u>	<u>455.56</u>
Long-term liabilities		
Loan - Construction - Phase 2 - <i>(See Note 5)</i>	<u>13,500,000.00</u>	<u>-</u>
Total Long-term liabilities	13,500,000.00	-
Net Assets		
Net Investment in Land, Building & Equipment	14,862,247.11	14,600,772.75
Restricted Fund Balance - <i>(See Note 5)</i>	2,734,203.00	-
Unrestricted Fund Balance	453,687.21	2,349,204.74
Total Net Assets	<u>18,050,137.32</u>	<u>16,949,977.49</u>
Total Liabilities and Net Assets	<u>\$ 32,133,469.55</u>	<u>\$ 16,950,433.05</u>

See Accompanied Accountants' Compilation Report

Sikh Gurdwara - San Jose
Statement of Activities
For the period ending December 31, 2007

	<u>2007</u>	<u>2006</u>
Revenue & Other Support		
Contributions - Gurdwara	1,768,463.25	1,180,217.79
Khalsa School Fees, Contributions & Grants	106,999.60	67,124.09
Sikh Youth Symposium Donations		151,673.00
Investment Income	102,014.84	77,394.50
Total Unrestricted Revenue	\$ 1,977,477.69	\$ 1,476,409.38
 Expenses		
Program Services		
Program A (Path & Kirtan)	242,862.07	226,061.20
Program B (Khalsa Children School)	70,508.43	67,318.41
Program C (Community Kitchen - Langar)	24,890.62	34,951.87
Program D (Sikh Youth Symposium)	-	136,436.00
 Support Activities		
Management and General	539,056.74	574,771.95
Total Expenses	877,317.86	1,039,539.43
 Net Income (Loss)	1,100,159.83	436,869.95
 Changes in Net Assets	1,100,159.83	436,869.95
 Net assets at beginning of year	<u>16,949,977.49</u>	<u>16,538,107.54</u>
 Prior Period Adjustment		25,000.00
 Net assets at end of year	\$ 18,050,137.32	\$ 16,949,977.49

The accompanying notes are an integral part of this financial statement

Sikh Gurdwara - San Jose
Schedule of Functional Expenses
December 31, 2007

	Program A - Path/Kirtan	Program B - School	Program C - Langar	Management & General	Total	
					2007	2006
Automobile Expenses				\$ 789.77	\$ 789.77	\$ 1,336.01
Bank Charges		\$ 251.10		401.24	652.34	42.38
Books		10,431.11			10,431.11	6,782.98
Camp-School Students		1,570.23			1,570.23	11,606.77
Contributions	\$ 9,847.80	8,200.00			18,047.80	8,037.00
Depreciation				322,620.00	322,620.00	322,623.00
Equipment Rental				8,300.00	8,300.00	2,286.35
Hemkunt/Special Project		4,903.23			4,903.23	-
Insurance				18,288.41	18,288.41	12,036.96
Kitchen Appliances			\$ 141.58		141.58	1,919.17
Kitchen Supplies			7,684.04		7,684.04	7,979.40
Kitchen Cleaning					-	6,650.00
License/Permits				20.00	20.00	2,073.94
Miscellaneous		143.89		16,390.99	16,534.88	4,849.40
Music (Kirtan) Expenses		18,775.00			18,775.00	23,975.00
Office Supplies		1,400.41		4,869.66	6,270.07	3,833.92
Payroll-Kitchen staff			15,852.00		15,852.00	34,650.99
Payroll Taxes-Kitchen			1,213.00		1,213.00	2,650.79
Postage & Delivery		188.00		80.00	268.00	366.60
Printing/Reproduction		399.24			399.24	879.20
Professional Charges		7,922.76		5,250.00	13,172.76	10,905.00
Religious Services	233,014.27				233,014.27	208,579.16
Repairs (Insurance Reimbursements)				(30,345.85)	(30,345.85)	39,933.28
School Supplies		6,330.69			6,330.69	7,724.72
Security				20,026.58	20,026.58	3,338.44
Snacks/Picnic- School		9,992.77			9,992.77	4,941.94
Supplies				2,264.19	2,264.19	3,726.55
Youth Symposium Costs						136,436.00
Taxes-Property				53,195.08	53,195.08	63,071.90
Telephone				11,055.76	11,055.76	8,201.07
Utilities				105,850.91	105,850.91	98,101.51
Total	\$242,862.07	\$ 70,508.43	\$ 24,890.62	\$ 539,056.74	\$877,317.86	1,039,539.43

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, 2007

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Net Income/(Loss)	\$ 1,100,159.83	\$ 436,869.95
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operations:		
Depreciation and amortization expense	322,620.00	322,623.00
Increase/(decrease) in Payroll Taxes	<u>1,176.67</u>	<u>455.56</u>
Net cash provided by (used in) operating activities	1,423,956.50	759,948.51
Cash flows from investing activities:		
Construction Reserve	(13,511,395.00)	-
Investment in fixed assets-capitalized costs	<u>(584,094.36)</u>	<u>(158,548.90)</u>
Net cash provided by (used in) investing activities	(14,095,489.36)	(158,548.90)
Cash flows from financing activities:		
Additional borrowing	13,681,700.00	-
Repayments on long-term debt	<u>-</u>	<u>(25,000.00)</u>
Net cash provided by (used in) financing activities	13,681,700.00	(25,000.00)
Net Increase(Decrease) in Cash	1,010,167.14	576,399.61
Cash at Beginning of Period	<u>2,349,660.30</u>	<u>1,773,260.69</u>
Cash at End of Period	<u>\$ 3,359,827.44</u>	<u>2,349,660.30</u>

See Accompanied Accountants' Compilation Report

Sikh Gurdwara – San Jose
Notes to Financial Statements
December 31, 2007

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. 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. Sikh Gurdwara also invested through AIG Financial Advisors, Inc. in money market accounts (\$2,532) and certificates of deposits (\$399,981) with various maturity dates and interest payable at maturity. This money market account is not FDIC insured.

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 2007, Sikh Gurdwara spent \$584,094 on Phase 2 of Sikh Gurdwara building construction. These costs included charges for city permits, legal costs, project management, blue prints and building construction.

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, 2007 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, 2007 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 – Main Hall-Phase 2	<u>864,631</u>
Total	\$16,204,198
Less Accumulated Depreciation	-1,341,951
Total Land, Building and Equipment	\$14,862,247

Note 5 – Construction Loan

In December 2007, Sikh Gurdwara borrowed \$13.5 million from American Continental Bank for the construction of Phase 2 of Sikh Gurdwara main building. The loan agreement required that Sikh Gurdwara: Deposit additional \$400,000 to American Continental Bank within one month, Leave loan proceeds of \$12,773,165 with bank to pay for future construction costs, leave interest reserve of \$987,200 with bank to pay future interest on their loan, pay \$151,030 in loan costs, and leave \$2,734,203 cash reserve with the bank. Sikh Gurdwara has met all these conditions.