

FINANCIAL REPORT

2003

Prepared For:

SIKH GURDWARA – SAN JOSE

Prepared by:

BAINS ACCOUNTANCY CORP

Certified Public Accountant

1590 Oakland Road, Suite B114

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, 2003.

STAFF:

Balwant Singh Bains, CPA

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SIKH GURDWARA – SAN JOSE

Financial Statements – 2003

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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, 2003, 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.

Balwant Singh Bains, CPA, CIA

November 30, 2004

Member: American Institute of Certified Public Accountants and, National Society of Accountants

Sikh Gurdwara - San Jose
Statement of Financial Position
December 31, 2003

Assets

	<u>2003</u>	<u>2002</u>
Current assets		
Cash and Cash Equivalents	\$ <u>1,856,939.04</u>	\$ <u>845,532.95</u>
Land Building & Equipment		
Land	100,000.00	1,100,000.00
Buildings	494,524.00	494,524.00
Furniture and fixtures	48,967.00	48,967.00
New Site - Land and Building	12,221,776.19	9,646,054.86
Less: accumulated depreciation	<u>(389,793.13)</u>	<u>(373,309.13)</u>
Total Land Building & Equipment	<u>12,475,474.06</u>	<u>10,916,236.73</u>
Total Assets	<u>\$ 14,332,413.10</u>	<u>\$ 11,761,769.68</u>

Liabilities and Net Assets

Current liabilities		
Accrued expenses	\$ -	\$ 24,441.16
Long Term Debt - Current Portion	<u>-</u>	<u>2,013,522.00</u>
	-	2,037,963.16
Long-term liabilities		
Loans from Followers - Interest bearing	991,332.00	3,309,832.00
Loans from Followers - Non Interest bearing	<u>278,000.00</u>	<u>-</u>
Total Long-term liabilities	<u>1,269,332.00</u>	<u>3,309,832.00</u>
Net Assets		
Net Investment in Land, Building & Equipment	11,206,142.06	5,568,441.57
Restricted Fund Balance - (See Note 5)	523,682.00	523,682.00
Unrestricted Fund Balance	<u>1,333,257.04</u>	<u>321,850.95</u>
Total Net Assets	<u>13,063,081.10</u>	<u>6,413,974.52</u>
Total Liabilities and Net Assets	<u>\$ 14,332,413.10</u>	<u>\$ 11,761,769.68</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, 2003

	2003	2002
Revenue & Other Support		
Contributions - Gurdwara	943,786.00	1,027,796.16
Khalsa School Fees & Contributions	57,439.00	41,108.50
Interest Income	9,274.71	14,541.08
Total Unrestricted Revenue	\$ 1,010,499.71	\$ 1,083,445.74
Expenses		
Program Services		
Program A (Path & Kirtan)	193,436.00	169,188.00
Program B (Khalsa Children School)	59,299.56	39,204.17
Program C (Annual Fair - Mela)	5,290.00	19,026.00
Program D (Community Kitchen - Langar)	17,487.00	-
Support Activities		
Management and General	76,326.07	71,789.18
Total Expenses	351,838.63	299,207.35
Net Income (Loss)	658,661.08	784,238.39
Gain on Sale of Property <i>(See Note 6)</i>	5,690,445.50	-
Sales of Housing Allocations <i>(See Note 7)</i>	300,000.00	-
Changes in Net Assets	6,649,106.58	784,238.39
Net assets at beginning of year	6,413,974.52	5,629,736.13
Net assets at end of year	\$ 13,063,081.10	\$ 6,413,974.52

The accompanying notes are an integral part of this financial statement

Sikh Gurdwara - San Jose
Schedule of Functional Expenses
December 31, 2003

	Program A - Path/Kirtan	Program B - School	Program C - Mela	Program D - Langar	Management & General	Total	
						2003	2002
Bank Charges					\$ 361.07	\$ 361.07	336.05
Books	\$ -	\$ 6,966.21				6,966.21	9,656.52
Cultural Programs/Special Event		14,588.96	5,290.00			19,878.96	26,266.15
Depreciation					16,484.00	16,484.00	16,484.13
Equipment Rental						-	144.00
Insurance					7,928.00	7,928.00	6,425.00
Kitchen Appliances				7,161.00		7,161.00	
Kitchen Supplies				2,526.00		2,526.00	
Miscellaneous	6,705.00					6,705.00	2,499.00
Music (Kirtan) Expenses	351.00	18,625.00				18,976.00	14,780.00
Postage & Delivery					178.00	178.00	37.00
Printing/Reproduction		844.69				844.69	1,099.83
Professional Charges	11,240.00	3,710.06		7,800.00	8,500.00	31,250.06	27,213.29
Religious Services	175,140.00					175,140.00	133,948.00
Repairs & Maintenance					8,385.00	8,385.00	8,737.00
School Supplies		10,512.88				10,512.88	4,686.10
Snacks-School		4,051.76				4,051.76	3,035.28
Taxes-Property					3,858.00	3,858.00	2,421.00
Telephone					3,182.00	3,182.00	2,362.00
Utilities					27,450.00	27,450.00	27,754.00
Total	\$193,436.00	\$59,299.56	\$ 5,290.00	\$ 17,487.00	\$ 76,326.07	\$ 351,838.63	299,207.35

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, 2003

	2003	2002
Cash flows from operating activities:		
Net Income/(Loss)	\$ 658,661.08	\$ 784,238.39
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operations:		
Depreciation and amortization expense	16,484.00	16,484.13
Increase/(decrease) in accrued expenses	(24,441.16)	(3,788.84)
Net cash provided by (used in) operating activities	650,703.92	796,933.68
 Cash flows from investing activities:		
Net proceeds from the sale of land	6,690,445.50	-
Proceeds from the sale of housing Allocations	300,000.00	-
Investment in fixed assets-capitalized costs	(2,575,721.33)	(2,404,843.86)
Net cash provided by (used in) investing activities	4,414,724.17	(2,404,843.86)
 Cash flows from financing activities:		
Additional borrowing/reclassifications during period	1,269,332.00	1,690,332.00
Repayments on long-term debt	(5,323,354.00)	(75,000.00)
Net cash provided by (used in) financing activities	(4,054,022.00)	1,615,332.00
 Net Increase(Decrease) in Cash	1,011,406.09	7,421.82
 Cash at Beginning of Period	845,532.95	838,111.13
 Cash at End of Period	\$ 1,856,939.04	845,532.95

The accompanying notes are an integral part of this financial statement

Sikh Gurdwara – San Jose
Notes to Financial Statements
December 31, 2003

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 – Annual Vaisakhi Mela

Vaisakhi Mela is the annual religious, sports and cultural event organized by the Sikh Gurdwara in the spring. This all day event is open to the general public. All direct costs related to the organization of this annual event are shown under Program Services as Program C.

Program D – 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 D.

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. Management Committee has used \$523,682 of its cash as collateral for the security deposit with City of San Jose (See Note 5)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in checking, savings, and money market bank accounts and deposits held by other third parties (See Note 5). Sikh Gurdwara deposits all of the cash in two 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 Furniture and Fixtures and 30 years for building and improvements). The cost of land and new building included construction costs, capitalized interest and property taxes to bring the land to its intended purpose of new Gurdwara. During 2003, \$2,575,721 (construction costs \$2,335,140, capitalized interest \$187,907 and property taxes \$52,674) were capitalized and included in the amount shown as Land and Building.

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, 2002 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, 2003 consisted of the following:

Furniture & Fixtures	\$48,967
Land & Building	
Land/Building – 2785 Quimby Road	1,594,524
Land Sold – 2785 Quimby Road	-1,000,000
Land and New Building – Under Construction 3636 Murillo Avenue	<u>12,221,776</u>
Total	\$12,865,267
Less Accumulated Depreciation	-389,793
Total Land, Building and Equipment	\$12,475,474

The change in Land and New Building represents capitalized construction costs as well as capitalized interest on construction loans and property taxes on new property.

Note 5 –Restricted Fund Balance

Sikh Gurdwara has used \$523,682 of its time deposits with Wells Fargo Bank as collateral for the security deposit required by the City of San Jose, Public Works Department. In July 2000, the City required this deposit for the satisfactory completion of public works projects near and around the new building under construction at the new Gurdwara site in San Jose. The City has released these funds in 2004.

Note 6 –Gain on Sale of Properties

During 2003, Sikh Gurdwara sold a portion of its property located 2785 Quimby Road, San Jose, CA for \$6,750,000 and realized a net gain of \$5,690,446.

Note 7 –Sale of Housing Allocations

In July 2003, the Sikh Gurdwara received \$300,000 from Santa Clara Valley Housing Group for the sale of six unused housing allocations. An allocation is the right granted by the Santa Clara County to build houses at the new Sikh Gurdwara site.