

FINANCIAL REPORT

2008

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, 2008.

STAFF:

Bill Singh Bains, CPA

Jai Pal Singh, CPA

SIKH GURDWARA – SAN JOSE

Financial Statements – 2008

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, 2008, 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.

Bill Singh Bains, CPA, CIA

May 15, 2009

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

Sikh Gurdwara - San Jose

Statement of Financial Position

December 31, 2008

Assets

	2008	2007
Current assets		
Cash and Cash Equivalents - <i>(See Note 5)</i>	\$ 974,024.35	\$ 3,359,827.44
Total Current assets	974,024.35	3,359,827.44
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 (See Note 6)	7,470,730.15	864,630.65
Less: accumulated depreciation	(1,664,571.13)	(1,341,951.13)
Total Land Building & Equipment	21,145,726.61	14,862,247.11
Other Assets		
Construction Reserve - <i>(See Note 5)</i>	9,161,352.77	12,773,165.00
Interest Reserve - <i>(See Note 5)</i>	968,608.35	987,200.00
Loan Costs - Unamortized <i>(See Note 5)</i>	75,515.00	151,030.00
Total Other Assets	10,205,476.12	13,911,395.00
Total Assets	\$ 32,325,227.08	\$ 32,133,469.55

Liabilities and Net Assets

Current liabilities		
Payroll Taxes Due (Refunds)	\$ (741.05)	\$ 1,632.23
Deposit Due - <i>(See Note 5)</i>	-	400,000.00
Loan - Construction - Phase 2 - <i>(See Note 5)</i>	13,500,000.00	13,500,000.00
Loans from Followers - Interest bearing	-	81,700.00
Loans from Followers - Non Interest bearing	-	100,000.00
Total Current Liabilities	13,499,258.95	14,083,332.23
Net Assets		
Net Investment in Land, Building & Equipment	16,807,079.38	14,862,247.11
Restricted Fund Balance - <i>(See Note 5)</i>	1,044,123.35	2,734,203.00
Unrestricted Fund Balance	974,765.40	453,687.21
Total Net Assets	18,825,968.13	18,050,137.32
Total Liabilities and Net Assets	\$ 32,325,227.08	\$ 32,133,469.55

The accompanying notes are an integral part of this financial statement

Sikh Gurdwara - San Jose
Statement of Activities
For the period ending December 31, 2008

	2008	2007
Revenue & Other Support		
Contributions - Gurdwara	1,675,924.51	1,768,463.25
Khalsa School Fees, Contributions & Grants	68,621.00	106,999.60
Investment Income	53,409.49	102,014.84
Total Unrestricted Revenue	\$ 1,797,955.00	\$ 1,977,477.69
Expenses		
Program Services		
Program A (Path & Kirtan)	262,802.25	242,862.07
Program B (Khalsa Children School)	88,792.44	70,508.43
Program C (Community Kitchen - Langar)	29,559.93	24,890.62
Support Activities		
Management and General	640,969.57	539,056.74
Total Expenses	1,022,124.19	877,317.86
Net Income (Loss)	775,830.81	1,100,159.83
Changes in Net Assets	775,830.81	1,100,159.83
Net assets at beginning of year	18,050,137.32	16,949,977.49
Prior Period Adjustment		-
Net assets at end of year	\$ 18,825,968.13	\$ 18,050,137.32

The accompanying notes are an integral part of this financial statement

Sikh Gurdwara - San Jose
Schedule of Functional Expenses
December 31, 2008

	Program A - Path/Kirtan	Program B - School	Program C - Langar	Management & General	Total	
					2008	2007
Automobile Expenses				\$ 69.90	\$ 69.90	\$ 789.77
Bank Charges		\$ 726.25		1,874.92	2,601.17	652.34
Books		8,171.37			8,171.37	10,431.11
Camp-School Students		11,285.20			11,285.20	1,570.23
Contributions	\$ 44,541.00	-			44,541.00	18,047.80
Depreciation				322,620.00	322,620.00	322,620.00
Equipment Rental				371.60	371.60	8,300.00
Hemkunt/Special Project		7,719.02			7,719.02	4,903.23
Insurance				28,295.99	28,295.99	18,288.41
Kitchen Appliances					-	141.58
Kitchen Supplies			\$ 8,314.54		8,314.54	7,684.04
Kitchen Cleaning/Janitorial			2,075.00	11,670.00	13,745.00	-
License/Permits				324.59	324.59	20.00
Miscellaneous		2,944.97	90.00	2,470.22	5,505.19	16,534.88
Music (Kirtan) Expenses		24,534.21			24,534.21	18,775.00
Office Supplies		1,910.70		175.29	2,085.99	6,270.07
Payroll-Kitchen staff			15,852.00		15,852.00	15,852.00
Payroll Taxes-Kitchen			1,213.00		1,213.00	1,213.00
Postage & Delivery		237.83			237.83	268.00
Printing/Reproduction		189.46			189.46	399.24
Professional Charges		9,330.26		5,310.00	14,640.26	13,172.76
Religious Services	218,261.25				218,261.25	233,014.27
Repairs (Insurance Refunds)			2,015.39	67,182.51	69,197.90	(30,345.85)
School Supplies		15,707.74			15,707.74	6,330.69
Security				15,034.92	15,034.92	20,026.58
Snacks/Picnic-School		4,435.43			4,435.43	9,992.77
Supplies		1,600.00		3,845.64	5,445.64	2,264.19
Taxes-Property				55,808.28	55,808.28	53,195.08
Telephone				11,133.27	11,133.27	11,055.76
Utilities				99,495.13	99,495.13	105,850.91
Wages & Taxes				15,287.31	15,287.31	-
Total	\$262,802.25	\$ 88,792.44	\$ 29,559.93	\$ 640,969.57	\$ 1,022,124.19	877,317.86

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, 2008

	2008	2007
Cash flows from operating activities:		
Net Income/(Loss)	\$ 775,830.81	\$ 1,100,159.83
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operations:		
Depreciation and amortization expense	322,620.00	322,620.00
Increase/(decrease) in Payroll Taxes	(2,373.28)	1,176.67
Net cash provided by (used in) operating activities	1,096,077.53	1,423,956.50
 Cash flows from investing activities:		
Construction Reserve	3,305,918.88	(13,511,395.00)
Investment in fixed assets-capitalized costs	(6,606,099.50)	(584,094.36)
Net cash provided by (used in) investing activities	(3,300,180.62)	(14,095,489.36)
 Cash flows from financing activities:		
Additional borrowing	-	13,681,700.00
Repayments of Sangat Loan	(181,700.00)	-
Repayments of long-term debt	-	-
Net cash provided by (used in) financing activities	(181,700.00)	13,681,700.00
 Net Increase(Decrease) in Cash	 (2,385,803.09)	 1,010,167.14
 Cash at Beginning of Period	 3,359,827.44	 2,349,660.30
 Cash at End of Period	 \$ 974,024.35	 3,359,827.44

The accompanying notes are an integral part of this financial statement

Sikh Gurdwara – San Jose
Notes to Financial Statements
December 31, 2008

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.

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 2008, Sikh Gurdwara began construction of Phase 2 of Sikh Gurdwara building. A summary of the construction costs incurred in 2008 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, 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, 2008 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>7,470,730</u>
Total	\$22,810,297
Less Accumulated Depreciation	-1,664,571
Total Land, Building and Equipment	\$21,145,726

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. In 2008, Sikh Gurdwara withdrew and used for construction \$3,334,162. Sikh Gurdwara also had interest reserve of \$987,200 with the Bank to pay future interest on this loan. Out of this reserve \$18,592 was withdrawn by the bank as interest. The remaining \$968,608 is with the Bank. The construction loan is due in December 2009. Loan closings costs of \$151,030 charged by the Bank in December 2007 are amortized in 2008 and 2009, \$75,515 in each year.

Note 6 – Phase 2 Building Construction

In 2008, Sikh Gurdwara incurred costs detailed on next page for the construction of Phase 2 of Sikh Gurdwara main building:

Sikh Gurdwara - San Jose
Phase 2 Construction Costs
January - December 2008

Category	Amount
Anne Johnson Metal Deck	\$ 170,154.90
Columns, Arches & GFRC	341,500.87
Construction Management	44,809.90
Doors & Windows	26,817.86
Electrical	153,725.91
Elevators	28,321.46
Fire Sprinkler & Protection	93,944.00
Foundation & Concrete Work	588,273.62
Foundation & Slab	172,734.71
HVAC	409,619.30
Insulation	13,983.55
Interest (Construction Loans)	25,825.65
Kitchen Hoods & Equipment	8,000.00
Large Dome Skin	16,515.00
Lathing & Plastering	60,210.00
Loan Costs-Amotization	75,515.00
Plumbing	392,258.15
Retaining Wall & Trash En	11,888.65
Roofing	61,560.00
Sheet Metal	19,080.00
Sheet Rock & Denz Glass	110,017.64
Structural Steel	2,239,715.08
Supervisors & Engineers	123,124.35
Testing & Inspections	167,602.81
Trash Hauling & Misc Exp	54,276.03
Wood & Steel Stud Frame	1,140,750.76
Total	6,606,099.50
Construction Costs Incurred in 2008	6,606,099.50
Funded by Loan Proceeds from American Continental Bank	3,334,162.23
Funded by Sikh Gurdwara's own Funds	3,271,937.27
Pre-Construction Costs Incurred During or before December 2006	280,536.29
Pre-Construction Costs Incurred During January to September 2007	209,565.69
Construction Costs Incurred During October 2007 to December 2007	374,528.67
Total Cost of Phase 2 as of December 31, 2008	7,470,730.15