

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2012 and 2011**

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**FINANCIAL STATEMENTS**  
**Years Ended December 31, 2012 and 2011**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses - Year Ended December 31, 2012	5
Statement of Functional Expenses - Year Ended December 31, 2011	6
Statements of Cash Flows	7
Notes to Financial Statements	8



## **Noe and Company**

### **Independent Auditor's Report**

To the Board of Directors of  
**Sikh Gurdwara - San Jose (California)**  
San Jose, California

I have audited the accompanying financial statements of Sikh Gurdwara - San Jose (California) (the "Gurdwara"), a California nonprofit corporation, which comprise the statements of financial position of the Gurdwara as of December 31, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years 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**

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 risk 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 Gurdwara'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 Gurdwara's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of the Gurdwara as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Oakland, California  
March 19, 2013

*Noe and Company*

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 136,945	\$ 73,274
Certificates of Deposit	96,309	95,000
Investments	1,201,156	1,176,113
Employee Advances	<u>-</u>	<u>1,200</u>
Total Current Assets	1,434,410	1,345,587
Property and Equipment:		
Land	2,200,000	2,200,000
Buildings	34,424,815	34,424,815
Building Improvements	223,284	-
Furniture and Equipment	<u>199,019</u>	<u>199,019</u>
	37,047,118	36,823,834
Less: Accumulated Depreciation	<u>(4,071,106)</u>	<u>(3,164,858)</u>
Net Property and Equipment	32,976,012	33,658,976
Loan Costs, net	<u>73,207</u>	<u>95,169</u>
<b>Total Assets</b>	<b>\$ <u>34,483,629</u></b>	<b>\$ <u>35,099,732</u></b>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts Payable	\$ 202,124	\$ 369,739
Payroll Taxes Payable	3,248	2,343
Loans from Members	45,000	160,000
Note Payable, current portion	<u>471,852</u>	<u>434,660</u>
Total Current Liabilities	722,224	966,742
Note Payable, long-term portion	<u>12,269,660</u>	<u>12,747,559</u>
Total Liabilities	12,991,884	13,714,301
Net Assets:		
Unrestricted	<u>21,491,745</u>	<u>21,385,431</u>
Total Net Assets	<u>21,491,745</u>	<u>21,385,431</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>34,483,629</u></b>	<b>\$ <u>35,099,732</u></b>

See accompanying notes to financial statements

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Unrestricted Support and Revenues:</b>		
Contributions	\$ 2,247,657	\$ 2,293,978
Investment Income (Loss), net	26,459	(398,540)
Special Events Revenue	9,785	21,300
Special Events Direct Benefit Costs	(6,752)	(37,749)
Legal Settlement Receipts	<u>-</u>	<u>104,066</u>
Total Unrestricted Support and Revenues	2,277,149	1,983,055
<b>Expenses:</b>		
Program Services		
Path, Kirtan, and Katha	823,211	828,356
Khalsa School	386,644	405,740
Community Kitchen (Langar)	<u>376,032</u>	<u>377,258</u>
Total Program Services	1,585,887	1,611,354
General and Administrative	<u>584,948</u>	<u>768,788</u>
Total Expenses	<u>2,170,835</u>	<u>2,380,142</u>
Changes in Net Assets	106,314	(397,087)
Unrestricted Net Assets, Beginning of the Year	<u>21,385,431</u>	<u>21,782,518</u>
<b>Unrestricted Net Assets, End of the Year</b>	<b>\$ <u>21,491,745</u></b>	<b>\$ <u>21,385,431</u></b>

See accompanying notes to financial statements

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2012**

	<b>Path, Kirtan, and Katha</b>	<b>Khalsa School</b>	<b>Community Kitchen (Langar)</b>	<b>Total Program Services</b>	<b>General and Administrative</b>	<b>Total Expenses</b>
Salaries and Wages	\$ 157,929	\$ 10,550	\$ 32,798	\$ 201,277	\$ 45,046	\$ 246,323
Payroll Taxes	12,079	810	2,506	15,395	3,449	18,844
Religious Services	135,612			135,612		135,612
Contract Services		28,826		28,826	44,466	73,292
School Activities		15,686		15,686		15,686
Advertising					18,725	18,725
Auto Expenses					2,109	2,109
Repair and Maintenance	23,676	13,183	15,336	52,195	1,614	53,809
Bank Charges		1,914		1,914	7,817	9,731
Insurance	13,908	7,744	9,008	30,660	948	31,608
Printing and Reproduction		3,688		3,688	1,032	4,720
Equipment Rental					4,061	4,061
Supplies		35,275	5,469	40,744	37,068	77,812
Telephone	3,584	1,996	2,322	7,902	244	8,146
Utilities	41,267	22,977	26,730	90,974	2,814	93,788
Property Taxes	15,061	8,386	9,756	33,203	1,027	34,230
Janitorial Services	14,919	8,307	9,663	32,889	1,017	33,906
Security Expenses	6,427	3,578	4,163	14,168	438	14,606
Depreciation	398,749	222,031	258,281	879,061	27,187	906,248
Interest Expenses					384,279	384,279
Miscellaneous Expenses		1,693		1,693	1,607	3,300
<b>Total Expense</b>	<b>\$ 823,211</b>	<b>\$ 386,644</b>	<b>\$ 376,032</b>	<b>\$ 1,585,887</b>	<b>\$ 584,948</b>	<b>\$ 2,170,835</b>

See accompanying notes to financial statements.

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2011**

	<u>Path, Kirtan, and Katha</u>	<u>Khalsa School</u>	<u>Community Kitchen (Langar)</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 130,459	\$ -	\$ 12,500	\$ 142,959	\$ 59,365	\$ 202,324
Payroll Taxes	9,956		954	10,910	4,530	15,440
Religious Services	131,440			131,440		131,440
Contract Services		30,159	2,000	32,159	152,817	184,976
School Activities		19,842		19,842		19,842
Advertising					23,425	23,425
Auto Expenses					749	749
Board Expenses					10,073	10,073
Repair and Maintenance	25,364	14,123	16,855	56,342	1,728	58,070
Bank Charges		890		890	5,300	6,190
Insurance	30,664	17,075	19,862	67,601	2,091	69,692
Printing and Reproduction		2,769		2,769	9,818	12,587
Supplies		36,676	415	37,091	41,979	79,070
Postages and Delivery		2,472		2,472	3,273	5,745
Telephone	4,306	2,398	2,789	9,493	294	9,787
Rent		1,500		1,500	21,821	23,321
Utilities	76,339	42,507	49,447	168,293	5,205	173,498
Property Taxes	12,619	7,027	8,174	27,820	860	28,680
Janitorial Services	11,558	6,436	7,486	25,480	787	26,267
Security Expenses	5,177	2,883	3,354	11,414	353	11,767
Depreciation	390,474	217,423	252,922	860,819	26,623	887,442
Legal Settlement Expenses					135,000	135,000
Interest Expenses					261,852	261,852
Miscellaneous Expenses		1,560	500	2,060	845	2,905
<b>Total Expense</b>	<b>\$ 828,356</b>	<b>\$ 405,740</b>	<b>\$ 377,258</b>	<b>\$ 1,611,354</b>	<b>\$ 768,788</b>	<b>\$ 2,380,142</b>

See accompanying notes to financial statements.



**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**STATEMENT OF CASH FLOWS**  
**Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash Flows From Operating Activities:</b>		
Changes in Net Assets	\$ 106,314	\$ (397,087)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	906,248	887,442
Amortization of Loan Costs	21,962	14,641
Unrealized Losses on Investments	2,158	410,886
Realized Losses on Sale of Investments	4,027	-
Changes in Operating Assets and Liabilities:		
Decrease (Increase) in Employee Advances	1,200	(1,200)
Increase in Loan Costs	-	(109,810)
Increase (Decrease) in Accounts Payable	(167,615)	342,217
Decrease in Construction in Progress Payable	-	(620,730)
Increase (Decrease) in Payroll Taxes Payable	905	(1,919)
Net Cash Provided by Operating Activities	<u>875,199</u>	<u>524,440</u>
<b>Cash Flows From Investing Activities:</b>		
Proceeds from Sale of Investments	98,373	13,680
Purchase of Investments	(129,601)	(661,579)
Purchase of Certificates of Deposit	(1,309)	(95,000)
Building Additions	-	(22,070,080)
Building Improvements	(223,284)	-
Purchase of Equipment	-	(112,328)
Decrease in Construction in Progress	-	<u>20,132,978</u>
Net Cash Used in Investing Activities	<u>(255,821)</u>	<u>(2,792,329)</u>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from Note Payable	-	13,500,000
Principal Payments on Note Payable	(440,707)	(317,781)
Proceeds from Loans from Members	-	160,000
Payments on loans from Members	(115,000)	-
Payments on Construction Line of Credit	-	<u>(11,845,127)</u>
Net Cash Provided by (Used in) Financing Activities	<u>(555,707)</u>	<u>1,497,092</u>
Net Increase (Decrease) in Cash	63,671	(770,797)
Cash and Cash Equivalents, Beginning of Year	<u>73,274</u>	<u>844,071</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ <u>136,945</u></b>	<b>\$ <u>73,274</u></b>
<b>Supplemental Disclosures:</b>		
Capitalized Interests on Construction Line of Credit	\$ <u>-</u>	\$ <u>320,933</u>
Interests paid	\$ <u>384,279</u>	\$ <u>261,852</u>

See accompanying notes to financial statements

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2012 and 2011**

**1. ORGANIZATION**

Sikh Gurdwara - San Jose (California) (the “Gurdwara”) is a California nonprofit organization which was founded and started its operation in October 1985. The Gurdwara provides religious, educational, and cultural services to the residents of San Jose and surrounding cities.

**Path, Kirtan, and Katha:**

The Gurdwara provides religious services such as reading sermons and singing devotional music (Path, Kirtan, and Katha) on a regular basis. Spiritual leaders and priests from around the world provide these services.

**Khalsa School:**

The Gurdwara provides educational services to young children. Children are taught Punjabi language, principal of Sikh religion, and devotional music.

**Community Kitchen (Langar):**

The Gurdwara provides hot meals to devotees and visitors everyday. Community Kitchen (Langar) is generally funded by followers who bring food supplies and prepare food at the Gurdwara.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of the Gurdwara have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses as incurred.

**Basis of Presentation**

Net assets of the Gurdwara and changes therein are classified and reported as follows:

**Unrestricted net assets** - Net assets that are not subject to donor-imposed stipulations. Also, contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2012 and 2011**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

**Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Gurdwara and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Gurdwara had no temporarily restricted net assets at December 31, 2012 and 2011.

**Permanently restricted net assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Gurdwara. Generally, the donors of these assets permit the Gurdwara to use all or part of the income earned on any related investments for general or specific purposes. The Gurdwara had no permanently restricted net assets at December 31, 2012 and 2011.

**Cash Equivalents**

For purposes of the statement of cash flows, the Gurdwara considers all unrestricted highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

**Certificates of Deposit**

Certificates of deposit are carried at market value.

**Investments**

Investments in marketable securities with readily determinable fair values are reported in the accompanying statements of financial position at their fair values based on quoted market prices. Unrealized gains and losses are included in the changes in net assets in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

**Donated Services**

Donated services are recognized as contributions in accordance with generally accepted accounting principles, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would typically need to be purchased if not provided by donation. No amounts have been recognized in the accompanying financial statements for donated services because the criteria for recognition of such volunteer effort under generally accepted accounting principles have not been satisfied.

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2012 and 2011**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Credit Risk**

Financial instruments that potentially subject the Gurdwara to concentrations of credit risk are primarily cash and investments. The Gurdwara places its cash in banks that are insured in a limited amount by the Federal Deposit Insurance Corporation.

**Fair Value Measurements**

The Gurdwara reports its fair value measurements using a three level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting standards, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.

Level 2 - Inputs other than quoted prices included in level 1 that are observable for assets or liabilities, either directly or indirectly. Level 2 inputs include quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full terms of the assets or liabilities.

Level 3 - Unobservable inputs for assets or liabilities. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

**Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2012 and 2011**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

**Grants and Contributions**

Grants and contributions, including unconditional promises to give, are recorded as made. All grants and contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

**Income Tax Status**

The Gurdwara is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code and is exempt from California franchise taxes under Section 23701d of the Revenue and Taxation Code. It is the opinion of management that all income earned has been related to the Gurdwara's tax-exempt status and there has been no unrelated business income.

The accounting standard requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. Based on the management's analysis of the Gurdwara's tax positions, the accounting for any uncertainty in the Gurdwara's tax positions is not expected to have a material impact on the financial statements.

**Property and Equipment**

Expenditures for property and equipment greater than or equal to \$500 are capitalized at cost and depreciated over their estimated useful lives using the straight-line method. The fair value of donated capital items is similarly capitalized.

**Subsequent Events**

The Gurdwara has evaluated subsequent events through March 19, 2013, which is the date the financial statements were available to be issued.

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2012 and 2011**

**3. INVESTMENTS**

Investments are stated at fair value and consist of the following at December 31, 2012:

	<u>Cost</u>	<u>Fair Value</u>	<u>Level of Inputs</u>
Mutual Funds	\$ 475,933	\$ 487,378	Level 1
Equity Securities	<u>1,117,449</u>	<u>713,778</u>	Level 1
	<u>\$ 1,593,382</u>	<u>\$ 1,201,156</u>	

Investments are stated at fair value and consist of the following at December 31, 2011:

	<u>Cost</u>	<u>Fair Value</u>	<u>Level of Inputs</u>
Mutual Funds	\$ 462,119	\$ 433,798	Level 1
Equity Securities	<u>1,119,771</u>	<u>742,315</u>	Level 1
	<u>\$ 1,581,890</u>	<u>\$ 1,176,113</u>	

As discussed in Note 2 to the financial statements, the Gurdwara is required to report its fair value measurements of investments in one of three level.

The following schedule summarizes investment returns on investments and cash and cash equivalents, which were all unrestricted and reported in the statements of activities for the year ended December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Interest/Dividend Income	\$ 40,033	\$ 16,586
Net Realized Losses on Investments	(4,027)	-
Unrealized Losses on Investments	(2,158)	(410,886)
Investment Fees	<u>(7,389)</u>	<u>(4,240)</u>
Total	<u>\$ 26,459</u>	<u>\$ (398,540)</u>

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2012 and 2011**

**4. LOAN COSTS**

In April 2011, the Gurdwara paid \$109,810 in closing costs on a note payable. These costs are amortized using the straight-line method over the 5 year term of the loan. Amortized loan costs in 2012 and 2011 were \$21,962 and \$14,641, respectively.

**5. NOTE PAYABLE**

The following is a summary of the note payable:

	<u>2012</u>	<u>2011</u>
Note payable to Bank of America, due monthly in installments of principal pursuant to a twenty year amortization schedule with interest rate per year equal to the BBA LIBOR Daily Floating Rate plus 2.5% (currently 2.71%) through April 2016, secured by real property.	\$ <u>12,741,512</u>	\$ <u>13,182,219</u>

The future scheduled maturities of long-term debt are as follows:

Year Ending December 31:

2013	\$ 471,852
2014	485,235
2015	498,997
2016	<u>11,285,428</u>
Total	<u>\$ 12,741,512</u>

**6. COMMITMENTS AND CONTINGENCIES**

**Sikh Gurdwara - San Jose et al. vs. Kulwant Singh**

In September 2012, the Gurdwara, Sukhdev Singh Baniwal, Bhupindar Singh Dhillon, Sarbjot Singh Swaddi, Pritam Grewal, and Rajinder Singh Mangar filed a libel lawsuit in California Superior Court against Kulwant Singh.

The operative complaint alleges that Kulwant Singh committed libel when he published an article in the *Amritsar Times* on September 21, 2011, and made postings on Facebook on June 30, 2012 and on subsequent dates. The lawsuit alleges that the defendant published the articles with malice, hatred, and ill will toward the Plaintiffs and sought to injure them.

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2012 and 2011**

**6. COMMITMENTS AND CONTINGENCIES (Continued)**

**Sikh Gurdwara - San Jose et al. vs. Kulwant Singh (Continued)**

On March 18, 2013, Defendant Kulwant Singh filed a motion to strike the suit under California's anti-SLAPP statute. The motion is scheduled for hearing on May 7, 2013.

No trial date has been set up. Management intends to pursue the case vigorously.

**Sikh Gurdwara - San Jose vs. Amritsar Publication & Media Group, LLC et al.**

In September 2009, the Gurdwara filed a libel lawsuit in California Superior Court against Amritsar Publication & Media Group, LLC, publisher of Amritsar Times.

The lawsuit alleges that the Amritsar Times committed libel when it published a series of newspaper articles about the Gurdwara beginning in September 2008, and that the defendant published the articles with malice, hatred, and ill will toward the Gurdwara and sought to injure the Gurdwara.

As a result of some discovery obtained through the lawsuit, on December 19, 2011, the Gurdwara filed a motion for leave to file a second amended complaint, to amend the allegations and name as additional defendants Jasjeet Singh, Harjot Singh Khalsa, Daljit Singh Sra, and Jai Singh. On April 25, 2012, the Court granted the motion for leave to file a second amended complaint and the second amended complaint was filed on April 26, 2012.

No trial date has been set yet. Management intends to pursue the case vigorously.

**Quality Sheet Metal, Inc. vs. Sikh Gurdwara - San Jose**

In September of 2010, Quality Sheet Metal, Inc. ("Quality") filed a complaint in the Superior Court of Santa Clara County alleging Breach of Contract and seeking to foreclose on a mechanic lien for approximately \$31,000 owing under a construction contract. The Gurdwara answered the complaint and cross-complained for damages of approximately \$100,000. This matter has been successfully settled. Under the terms of the settlement agreement, Quality paid to the Gurdwara the sum of \$24,250 on March 11, 2013.



**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2012 and 2011**

**6. COMMITMENTS AND CONTINGENCIES (Continued)**

**Tarlochan Singh Nahal et al. vs. Sikh Gurdwara - San Jose et al.**

On June 17, 2011, Tarlochan Singh Nahal, Jagjit Singh Mand, Gurmail Singh Khalsa, and Daljit Singh filed a complaint in Santa Clara Superior Court against the Gurdwara and its Parbandhak Committee members entitled “Action for Judicial Determination of Validity of Appointment and Election of Directors [Corp. Code Section 9418] and Declaratory Relief Action to Determine Invalidity of Bylaw Amendment and Extension of Directors’ Terms of Office.”

On June 28, 2011, the same plaintiffs filed a separate complaint in Santa Clara Superior Court against the Gurdwara, Bhupinder S. Dhillon, and Hardev Takhar entitled “Petition for Writ of Mandate to Produce Records [Corp. Code Section 9514].” Collectively, the two complaints make wide-ranging allegations regarding, among other things, the validity of the Gurdwara’s directors and bylaws, and request, among other things, that the Court order and supervise elections and order the production of various documents. The Court entered an order on July 15, 2011, and the order stated that specified parts of that order “shall constitute a resolution of that writ of mandate entitled *Nahal, et. al. vs. Sikh Gurdwara (San Jose) California, et. al.*, Santa Clara Superior Court Docket Number 111-CV-204048” and that “each party shall bear their own costs and attorneys’ fees in said matter.”

On August 12, 2011, before any membership information was released pursuant to the Court’s July 15, 2011 order, a Class Action Complaint in Intervention was filed by Lakhwinder S. Shahi, Ranjit S. Rai, Gurdev Singh Teer, and Gurpreet Kaur (“Intervenors”). The Class Action Complaint in Intervention seeks “a permanent injunction restraining Plaintiffs from obtaining access to, and restraining the Gurdwara from providing, any of the names, addresses, e-mail and telephone numbers of Intervenors and Class Members that are in the Gurdwara’s record.” It also seeks an order that the bylaws be amended “to ensure that the member private information is secured and private and cannot be disclosed without the members’ prior permission.” After the Class Action Complaint in Intervention was filed, the Court stayed its previous order that various member information be released. On September 16, 2011, the Intervenors filed a request for voluntary dismissal of their complaint’s fourth cause of action, which was entitled “Negligent Breach of Fiduciary Duty.”

Plaintiffs have denied allegations made by the Intervenors and asserted various defenses. Case management conferences are scheduled for April 10, 2013 and May 7, 2013. No trial date has been set yet. Management intends to defend against the case vigorously.