

SIKH GURDWARA - SAN JOSE (CALIFORNIA)

FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

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FINANCIAL STATEMENTS
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Noe and Company

Independent Auditor's Report

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

Report on the Financial Statements

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, 2013 and 2012, 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 from 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, 2013 and 2012, 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.

Noe and Company

Oakland, California
March 19, 2014

SIKH GURDWARA - SAN JOSE (CALIFORNIA)
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 271,551	\$ 136,945
Certificates of Deposit	96,954	96,309
Investments	<u>1,680,184</u>	<u>1,201,156</u>
Total Current Assets	2,048,689	1,434,410
Property and Equipment:		
Land	2,200,000	2,200,000
Buildings	34,424,815	34,424,815
Building Improvements	412,765	223,284
Vehicle	32,000	-
Furniture and Equipment	<u>199,019</u>	<u>199,019</u>
	37,268,599	37,047,118
Less: Accumulated Depreciation	<u>(5,002,712)</u>	<u>(4,071,106)</u>
Net Property and Equipment	32,265,887	32,976,012
Loan Costs, net	<u>51,245</u>	<u>73,207</u>
Total Assets	\$ <u>34,365,821</u>	\$ <u>34,483,629</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 216,078	\$ 202,124
Payroll Taxes Payable	3,120	3,248
Loans from Members	45,000	45,000
Note Payable, current portion	<u>463,738</u>	<u>471,852</u>
Total Current Liabilities	727,936	722,224
Note Payable, long-term portion	<u>11,816,820</u>	<u>12,269,660</u>
Total Liabilities	12,544,756	12,991,884
Net Assets:		
Unrestricted	<u>21,821,065</u>	<u>21,491,745</u>
Total Net Assets	<u>21,821,065</u>	<u>21,491,745</u>
Total Liabilities and Net Assets	\$ <u>34,365,821</u>	\$ <u>34,483,629</u>

See accompanying notes to financial statements

SIKH GURDWARA - SAN JOSE (CALIFORNIA)
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted Support and Revenues:		
Contributions	\$ 2,100,687	\$ 2,247,657
In-Kind Contributions	32,000	-
Investment Income, net	484,440	26,459
Special Events Revenue	11,500	9,785
Special Events Direct Benefit Costs	(15,734)	(6,752)
Legal Settlement Receipts	<u>50,676</u>	<u>-</u>
Total Unrestricted Support and Revenues	2,663,569	2,277,149
Expenses:		
Program Services		
Path, Kirtan, and Katha	869,704	823,211
Khalsa School	426,037	386,644
Community Kitchen (Langar)	<u>397,749</u>	<u>376,032</u>
Total Program Services	1,693,490	1,585,887
General and Administrative	<u>640,759</u>	<u>584,948</u>
Total Expenses	<u>2,334,249</u>	<u>2,170,835</u>
Changes in Net Assets	329,320	106,314
Unrestricted Net Assets, Beginning of the Year	<u>21,491,745</u>	<u>21,385,431</u>
Unrestricted Net Assets, End of the Year	\$ <u>21,821,065</u>	\$ <u>21,491,745</u>

See accompanying notes to financial statements

SIKH GURDWARA - SAN JOSE (CALIFORNIA)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2013

	<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	\$ 165,788	\$ 14,075	\$ 32,981	\$ 212,844	\$ 40,384	\$ 253,228
Payroll Taxes	12,683	1,077	2,522	16,282	3,090	19,372
Religious Services	135,299			135,299		135,299
Contract Services		16,307		16,307	118,604	134,911
School Activities		22,877		22,877		22,877
Advertising					24,900	24,900
Repair and Maintenance	32,497	19,215	21,049	72,761	2,216	74,977
Bank Charges		1,645		1,645	7,388	9,033
Insurance	16,760	9,332	10,856	36,948	1,143	38,091
Printing and Reproduction		4,361		4,361	4,164	8,525
Supplies		54,380	2,110	56,490	33,996	90,486
Telephone	3,659	2,037	2,370	8,066	249	8,315
Rent					4,813	4,813
Utilities	55,507	30,907	35,954	122,368	3,785	126,153
Property Taxes	18,382	10,235	11,906	40,523	1,253	41,776
Janitorial Services	16,322	9,088	10,572	35,982	1,113	37,095
Security Expenses	2,900	1,615	1,878	6,393	198	6,591
Depreciation	409,907	228,243	265,508	903,658	27,948	931,606
Interest Expenses					363,583	363,583
Miscellaneous Expenses		643	43	686	1,932	2,618
Total Expense	\$ 869,704	\$ 426,037	\$ 397,749	\$ 1,693,490	\$ 640,759	\$ 2,334,249

See accompanying notes to financial statements.

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

	<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	\$ 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
Total Expense	\$ 823,211	\$ 386,644	\$ 376,032	\$ 1,585,887	\$ 584,948	\$ 2,170,835

See accompanying notes to financial statements.

SIKH GURDWARA - SAN JOSE (CALIFORNIA)
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities:		
Changes in Net Assets	\$ 329,320	\$ 106,314
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	931,606	906,248
In-Kind Contributions	(32,000)	-
Amortization of Loan Costs	21,962	21,962
Unrealized Loss (Gain) on Investments	(436,717)	2,158
Realized Loss (Gain) on Sale of Investments	(25,623)	4,027
Changes in Operating Assets and Liabilities:		
Decrease in Employee Advances	-	1,200
Increase (Decrease) in Accounts Payable	13,954	(167,615)
Increase (Decrease) in Payroll Taxes Payable	<u>(128)</u>	<u>905</u>
Net Cash Provided by Operating Activities	802,374	875,199
Cash Flows From Investing Activities:		
Proceeds from Sale of Investments	210,950	98,373
Purchase of Investments	(227,638)	(129,601)
Purchase of Certificates of Deposit	(645)	(1,309)
Building Improvements	<u>(189,481)</u>	<u>(223,284)</u>
Net Cash Used in Investing Activities	(206,814)	(255,821)
Cash Flows From Financing Activities:		
Principal Payments on Note Payable	(460,954)	(440,707)
Payments on loans from Members	<u>-</u>	<u>(115,000)</u>
Net Cash Used in Financing Activities	<u>(460,954)</u>	<u>(555,707)</u>
Net Increase in Cash	134,606	63,671
Cash and Cash Equivalents, Beginning of Year	<u>136,945</u>	<u>73,274</u>
Cash and Cash Equivalents, End of Year	\$ <u>271,551</u>	\$ <u>136,945</u>
Supplemental Disclosures:		
Interests paid	<u>\$ 363,583</u>	<u>\$ 384,279</u>

See accompanying notes to financial statements

SIKH GURDWARA - SAN JOSE (CALIFORNIA)
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

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, 2013 and 2012

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, 2013 and 2012.

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, 2013 and 2012.

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, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as temporarily restricted contributions.

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, 2013 and 2012

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 \$1,000 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, 2014, 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, 2013 and 2012

3. INVESTMENTS

Investments are stated at fair value and consist of the following at December 31, 2013:

	<u>Cost</u>	<u>Fair Value</u>	<u>Level of Inputs</u>
Mutual Funds	\$ 501,832	\$ 559,064	Level 1
Equity Securities	<u>1,078,977</u>	<u>1,121,120</u>	Level 1
	<u>\$ 1,580,809</u>	<u>\$ 1,680,184</u>	

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>	

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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Interest/Dividend Income	\$ 32,625	\$ 40,033
Net Realized Gain (Loss) on Investments	25,623	(4,027)
Unrealized Gain (Loss) on Investments	436,717	(2,158)
Investment Fees	<u>(10,525)</u>	<u>(7,389)</u>
Total	<u>\$ 484,440</u>	<u>\$ 26,459</u>

SIKH GURDWARA - SAN JOSE (CALIFORNIA)
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2013 and 2012

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 2013 and 2012 were \$21,962 and \$21,962, respectively.

5. NOTE PAYABLE

The following is a summary of the note payable:

2013 2012

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 2.66%) through April 2016, secured by real property.

\$ 12,280,558 \$ 12,741,512

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

Year Ending December 31:

2014	\$ 463,738
2015	476,273
2016	<u>11,340,547</u>
Total	<u>\$ 12,280,558</u>

6. COMMITMENTS AND CONTINGENCIES

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."

SIKH GURDWARA - SAN JOSE (CALIFORNIA)
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2013 and 2012

6. COMMITMENTS AND CONTINGENCIES (Continued)

Tarlochan Singh Nahal et al. vs. Sikh Gurdwara - San Jose et al. (Continued)

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. The Gurdwara has also filed an Answer to the Intervenors' complaint alleging, among other things, that to the extent that the Intervenors seek damages, its conduct was not the cause of any injury alleged by the Intervenors.

As of February 11, 2014, trial on the Intervenors' complaint is imminent, however, the Court has placed trial on standby pending assignment to a department for trial.

Management intends to defend against the case vigorously.

SIKH GURDWARA - SAN JOSE (CALIFORNIA)
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2013 and 2012

6. COMMITMENTS AND CONTINGENCIES (Continued)

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.

On June 5, 2012, the Court granted Plaintiff's motion to preclude a suspended corporation from asserting any defense and to strike the answer of Defendant Amritsar Publication & Media Group, LLC, and ordered the answer of Defendant Amritsar Publication & Media Group, LLC to be stricken.

On June 25, 2012, Defendant Jasjeet Singh and Defendant Harjot Singh Khalsa filed Answers to the complaint.

On November 30, 2012, following a bankruptcy petition filed by Jasjeet Singh, the U.S. Bankruptcy Court ordered that Jasjeet Singh be granted a discharge under Section 727 of title 11 of the Bankruptcy Code. Subsequently the claims against Jasjeet Singh were voluntarily dismissed.

On January 6, 2014, On January 6, 2014, the case went to trial against Defendant Harjot Singh Khalsa. The case was bifurcated such that the issue of alter ego liability was tried first. The Court found that there was no alter ego liability. On January 21, 2014, the Judge issued a Statement of Decision entering judgment as follows: "1. Plaintiff shall recover nothing from Khalsa; 2. Khalsa is the prevailing party and entitled to the recovery of his costs, subject to a memorandum of costs duly filed with this Court; 3. The Court shall retain jurisdiction to enforce the terms of the Judgment."

Management intends to appeal the January 21, 2014 Statement of Decision and to continue to pursue the case vigorously.

SIKH GURDWARA - SAN JOSE (CALIFORNIA)
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2013 and 2012

6. COMMITMENTS AND CONTINGENCIES (Continued)

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. Plaintiffs filed a First Amended Complaint on November 21, 2012, and filed a Second Amended Complaint on January 23, 2013.

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.

On March 18, 2013, Defendant Kulwant Singh filed a motion to strike the suit under California's anti-SLAPP statute. On May 7, 2013, the Court denied the Defendant's motion to strike, allowing the case to move forward toward trial.

No trial date has been set yet. A trial setting conference is scheduled on April 22, 2014. Management intends to pursue the case vigorously.