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**SIKH GURDWARA - SAN JOSE**  
**(A California Not-for-Profit Corporation)**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**(with summarized comparative totals as of and for  
the year ended December 31, 2018)**

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**SIKH GURDWARA - SAN JOSE**  
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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Sikh Gurdwara - San Jose (the "Gurdwara"), a California nonprofit corporation, which comprise the statement of financial position of the Gurdwara as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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 entity'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 entity's internal control. Accordingly, We 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Gurdwara as of December 31, 2019, 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.

**Other Matter**

We have previously audited the Gurdwara's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Computation of Debt Service Coverage Ratio and Liquidity Maintenance Ratio on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Harshwal & Company LLP*

Oakland, California  
May 20, 2020



**SIKH GURDWARA - SAN JOSE**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**  
**(Summarized Totals for 2018)**

	2019	2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 612,310	\$ 1,222,056
Investments	1,489,449	786,745
Prepaid Expenses	16,498	-
Total current assets	2,118,257	2,008,801
Noncurrent assets:		
Property and equipments, net	27,895,044	28,975,237
Total noncurrent assets	27,895,044	28,975,237
Total assets	30,013,301	30,984,038
<b>LIABILITIES</b>		
Current liabilities:		
Payroll taxes payable	-	-
Note payable, current portion	253,178	238,469
Total current liabilities	253,178	238,469
Noncurrent liabilities:		
Note payable, long-term portion	10,280,512	10,533,690
Total noncurrent liabilities	10,280,512	10,533,690
Total liabilities	10,533,690	10,772,159
<b>NET ASSETS</b>		
Net assets without donor restriction	19,479,611	20,211,879
Total net assets	19,479,611	20,211,879
Total liabilities and net assets	\$ 30,013,301	\$ 30,984,038

The accompanying notes are an integral part of these financial statements

**SIKH GURDWARA - SAN JOSE**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2019**  
**(Summarized Totals for 2018)**

	Without Donor Restrictions	Total 2019	2018
<b>REVENUES</b>			
Contributions	\$ 2,811,528	\$ 2,811,528	\$ 2,845,925
Rent income	40,718	40,718	40,718
Investment income, net	167,836	167,836	(22,225)
Total revenues	3,020,082	3,020,082	2,864,418
<b>EXPENSES</b>			
Program services	1,170,382	1,170,382	937,104
General and administrative	2,581,968	2,581,968	2,511,691
Total expenses	3,752,350	3,752,350	3,448,795
Changes in net assets	(732,268)	(732,268)	(584,377)
Net assets, beginning of the year	20,211,879	20,211,879	20,796,256
Net assets, end of the year	\$ 19,479,611	\$ 19,479,611	\$ 20,211,879

The accompanying notes are an integral part of these financial statements

**SIKH GURDWARA - SAN JOSE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Path, Kirtan and Katha	Khalsa School	Community Kitchen (Langar)	Special Events	Total Program Services	General Administrative	Total Expenses
Salaries and wages	\$ 504,045	\$ 17,550	\$ 25,722	\$ -	\$ 547,317	\$ 46,198	\$ 593,515
Payroll taxes	38,560	1,342	1,968	-	41,871	3,534	45,405
Religious services	308,021	-	-	-	308,021	-	308,021
Contract services	-	-	-	-	-	12,130	12,130
Equipment costs	-	-	-	-	-	14,722	14,722
Special event cost	-	-	-	88,891	88,891	-	88,891
Cultural program	-	-	-	10,096	10,096	-	10,096
School activities	-	100,584	-	-	100,584	-	100,584
Advertising	-	-	-	5,843	5,843	91,231	97,074
Repair and maintenance	-	-	6,747	-	6,747	103,571	110,318
Bank charges	-	-	-	-	-	3,299	3,299
Election costs	-	-	-	-	-	9,462	9,462
Insurance	-	-	-	-	-	29,067	29,067
Printing and reproduction	-	-	-	-	-	33	33
Supplies	-	-	57,409	-	57,409	193	57,602
Telephone	-	-	-	-	-	2,975	2,975
Rent	-	-	-	-	-	2,271	2,271
Travel	1,495	-	-	-	1,495	530	2,025
Utilities	-	-	-	-	-	131,090	131,090
Property taxes	-	-	-	-	-	49,496	49,496
Janitorial services	-	-	-	-	-	124,246	124,246
Landscaping	-	-	-	-	-	20,411	20,411
Legal	-	-	-	-	-	117,987	117,987
Security expenses	-	-	-	-	-	90,954	90,954
Depreciation	-	-	-	-	-	1,242,084	1,242,084
Interest expenses	-	-	-	-	-	467,101	467,101
Miscellaneous expenses	-	-	2,109	-	2,109	19,382	21,491
<b>Total Expense</b>	<b>\$ 852,121</b>	<b>\$ 119,476</b>	<b>\$ 93,955</b>	<b>\$ 104,830</b>	<b>\$ 1,170,383</b>	<b>\$ 2,581,968</b>	<b>\$ 3,752,350</b>

The accompanying notes are an integral part of these financial statements

**SIKH GURDWARA - SAN JOSE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Path, Kirtan and Katha	Khalsa School	Community Kitchen (Langar)	Special Events	Total Program Services	General Administrative	Total Expenses
Salaries and wages	\$ 391,318	\$ 17,120	\$ 18,687	-	\$ 427,125	\$ 37,329	\$ 464,454
Payroll taxes	29,934	1,310	1,430	-	32,674	2,856	35,530
Religious services	227,727	-	-	-	227,727	-	227,727
Contract services	-	-	-	-	-	9,055	9,055
Equipment costs	-	-	-	-	-	3,109	3,109
Special event cost	-	-	-	74,628	74,628	-	74,628
Cultural program	-	-	-	15,923	15,923	-	15,923
School activities	-	104,627	-	-	104,627	-	104,627
Advertising	-	-	-	1,685	1,685	57,114	58,799
Repair and maintenance	-	-	-	-	-	278,383	278,383
Bank charges	-	-	-	-	-	5,017	5,017
Insurance	-	-	-	-	-	43,442	43,442
Printing and reproduction	-	-	-	-	-	3,647	3,647
Supplies	-	-	34,951	-	34,951	11,643	46,594
Telephone	-	-	-	-	-	1,609	1,609
Rent	-	-	-	-	-	612	612
Travel	4,385	-	-	-	4,385	116,163	120,548
Utilities	-	-	-	-	-	46,225	46,225
Property taxes	-	-	-	-	-	101,693	101,693
Janitorial services	-	-	-	-	-	18,604	18,604
Landscaping	-	-	-	-	-	4,451	4,451
Legal	-	-	-	-	-	21,629	21,629
Security expenses	-	-	-	-	-	1,224,368	1,224,368
Depreciation	-	-	-	-	-	477,207	477,207
Interest expenses	-	-	-	-	-	11,347	11,347
Miscellaneous expenses	-	-	8,474	4,905	13,379	36,188	49,567
<b>Total Expense</b>	<b>\$ 653,364</b>	<b>\$ 123,057</b>	<b>\$ 63,542</b>	<b>\$ 97,141</b>	<b>\$ 937,104</b>	<b>\$ 2,511,691</b>	<b>\$ 3,448,795</b>

The accompanying notes are an integral part of these financial statements



**SIKH GURDWARA - SAN JOSE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019**  
**(Summarized Totals for 2018)**

	2019	2018
<b><i>Cash Flows From Operating Activities:</i></b>		
Changes in net assets	\$ (732,268)	\$ (584,377)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,242,084	1,224,368
Amortization of loan costs	-	11,347
Unrealized loss/(gain) on investments	(155,730)	58,405
Realized loss/(gain) on sale of investments	6,695	(16,961)
Changes in operating assets and liabilities:		
Increase (decrease) in prepaid expenses	(16,498)	-
Increase (decrease) in payroll taxes payable	-	(843)
Net cash provided (used) by operating activities	344,283	691,939
<b><i>Cash Flows From Investing Activities:</i></b>		
Proceeds from sale of investments	(553,669)	16,485
Purchase of investments	-	(32,672)
Purchase of equipment	(161,891)	(55,666)
Building improvements	-	(62,537)
Net cash provided (used) by investing activities	(715,560)	(134,390)
<b><i>Cash Flows From Financing Activities:</i></b>		
Principal payments on note payable	(238,469)	(224,615)
Net cash provided (used) by financing activities	(238,469)	(224,615)
Net change in cash and cash equivalents	(609,746)	332,934
Cash and cash equivalents, beginning of year	1,222,056	889,122
Cash and cash equivalents, end of year	\$ 612,310	\$ 1,222,056
Supplemental Disclosures:		
Interest Paid	\$ 467,101	\$ 477,207

The accompanying notes are an integral part of these financial statements

**SIKH GURDWARA - SAN JOSE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 - ORGANIZATION**

Sikh Gurdwara - San Jose (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.

**A. 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.

**B. Khalsa School**

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

**C. 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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of Gurdwara have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require Gurdwara to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without Donor Restrictions: - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Gurdwara. These net assets may be used at the discretion of Gurdwara's management and the board of directors. Net assets that are not subject to donor-imposed stipulations. Also, contributions that are restricted by the donor are reported as increases in Without Donor Restrictions 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.

Net assets with Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Gurdwara had no net assets with donor restriction at December 31, 2019 and 2018.

**B. 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.

**C. Certificates of Deposit**

Certificates of deposit are carried at market value.



**SIKH GURDWARA - SAN JOSE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**D. 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 net assets with donor restrictions if the restrictions are met in the reporting period in which the income and gains are recognized.

**E. 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.

**F. Donated Property and Equipment**

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

**G. 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.

**H. Expense Allocation**

The costs of providing various program and supporting services has been summarized on a functional basis in the statements of activities and statement of functional expenses. These statements reports certain expense categories that are attributable to more than one program or supporting function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied.

**SIKH GURDWARA - SAN JOSE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**H. Expense Allocation- Cont'd**

The expenses that are allocated include salaries and wages, payroll taxes which are allocated on the basis of estimates of time and effort, as well as school activities, religious services, supplies, special event cost which are allocated on their respective function/ program. All remaining expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization considered general administrative expenses.

**I. 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.

**J. 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.

**K. 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.

**L. Property and Equipment**

Expenses for property and equipment greater than or equal to \$2,500 are capitalized at cost and depreciated over their estimated useful lives using the straight-line method. The fair value of donated capital items are similarly capitalized.

**M. New Accounting Pronouncement**

FASB has issued ASU No. 2016-02, Leases (Topic 842). The amendments in this update were issued to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. The amendments in this update are effective for fiscal years beginning after December 15, 2019. Early application is permitted; however, the Gurdwara has not yet adopted Topic 842.



**SIKH GURDWARA - SAN JOSE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 3 - CASH AND INVESTMENTS**

As of December 31, 2019, the Gurdwara's cash and investments consisted of the following:

	<u>2019</u>	<u>2018</u>
Deposits (less outstanding checks and other items)	\$ 612,310	\$ 1,222,056
Total Cash	<u>\$ 612,310</u>	<u>\$ 1,222,056</u>

At year-end, the carrying amount of the Gurdwara's cash deposits was \$612,310 and the bank balance was \$641,206. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

Credit Risk: Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The Gurdwara maintains its cash in bank deposit accounts that at times may exceed insured limits. The Gurdwara has not experienced any losses in such accounts. At December 31, 2019 and 2018, the Gurdwara had \$91,898 and \$588,782 in excess of insured limits.

	<u>Bank of America</u>	<u>Wells Fargo Bank</u>	<u>Umpqua Bank</u>	<u>Total</u>
Total amounts of deposits	\$ 341,898	\$ 177,513	\$ 121,795	\$ 641,206
FDIC coverage	<u>250,000</u>	<u>177,513</u>	<u>121,795</u>	<u>549,308</u>
Total uninsured balance	<u>\$ 91,898</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,898</u>

Investments are stated at fair value and consist of the following at December 31, 2019:

	<u>Cost</u>	<u>Fair Value</u>	<u>Level of Inputs</u>
Mutual Funds	\$ 401,173	\$ 414,500	Level 1
Equity Securities	356,792	526,522	Level 1
Govt & Agency Securities	585	577	Level 1
Bonds	5,096	5,506	Level 1
Cash and Sweep balances	<u>542,344</u>	<u>542,344</u>	
Total	<u>\$ 1,305,990</u>	<u>\$ 1,489,449</u>	

Investments are stated at fair value and consist of the following at December 31, 2018:

	<u>Cost</u>	<u>Fair Value</u>	<u>Level of Inputs</u>
Mutual Funds	\$ 313,832	\$ 345,350	Level 1
Equity Securities	305,430	362,251	Level 1
Govt & Agency Securities	53,370	52,614	Level 1
Bonds	<u>27,938</u>	<u>26,530</u>	Level 1
Total	<u>\$ 700,570</u>	<u>\$ 786,745</u>	

**SIKH GURDWARA - SAN JOSE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 3 - CASH AND INVESTMENTS - CONT'D**

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest Income	\$ 1,502	\$ 2,903
Dividend Income	22,736	26,264
Net Realized Gain/(Loss) on Investments	(6,695)	16,961
Unrealized Gain/(Loss) on Investments	155,730	(58,405)
Investment Fees	<u>(5,437)</u>	<u>(9,948)</u>
Total	<u>\$ 167,836</u>	<u>\$ (22,225)</u>

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2019 consist of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 2,200,000	\$ 2,200,000
Construction In Progress	71,121	-
Buildings	34,424,815	34,424,815
Buildings and improvements	913,751	913,751
Furniture and equipment	1,686,456	1,595,686
Vehicles	<u>32,000</u>	<u>32,000</u>
Total property and equipment	39,328,143	39,166,252
Less: accumulated depreciation	<u>11,433,099</u>	<u>10,191,015</u>
Total property and equipment, net	<u>\$ 27,895,044</u>	<u>\$ 28,975,237</u>

Depreciation expense for the year ended December 31, 2019 was \$1,242,084.

**NOTE 5 - OPERATING LEASE**

On September 16, 2013, the Gurdwara renewed a site lease with T-Mobile West Tower LLC for the purpose of installing, operation, repairing and maintaining Antenna Facilities in the Gurdwara's premises for five years with monthly receipts of \$3,393.

The future minimum rental receipts required under the long-term non-cancelable site lease at December 31, 2019, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2020	<u>\$ 40,718</u>
Total	<u>\$ 40,718</u>

Lease income for the years ended December 31, 2019 and 2018 was \$40,718 for each year.



**SIKH GURDWARA - SAN JOSE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 6 - NOTE PAYABLE**

At Feb 20, 2017 the Gurdwara had \$11,174,638 of variable-rate debt outstanding with payments due on a monthly basis. The note accrued interest at Daily LIBOR plus 1.75%. In order to hedge interest rate risk, on January 31, 2017, the Gurdwara entered into a Swap Agreement, governed by International Swaps and Derivatives Association, Inc. Master Agreement 2002 with Umpqua Bank with effective date of Swap Agreement as Feb 20, 2017 and termination date as April 20, 2026. The Gurdwara entered into an interest rate swap for a notional amount of \$11,174,638 at fixed rate of 2.57%. Under this agreement, the Gurdwara pays the fixed rate of 2.57% on the outstanding balance on monthly basis and receives Daily LIBOR on a monthly basis. Payments are settled on a net basis, and the Gurdwara has effectively converted its variable-rate debt into fixed-rate debt with an effective interest rate of 4.32% (2.57%+1.75%).

The following is a summary of the note payable:

	2019	2018
Note payable to Umpqua Bank, due monthly in installments of principal pursuant to a ten year amortization schedule with Fixed interest rate of 4.32% through April 2026, secured by real property.	<u>\$ 10,533,690</u>	<u>\$ 10,772,159</u>
	<u>\$ 10,533,690</u>	<u>\$ 10,772,159</u>

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

Year Ended	Interest	Principal	Total
2020	\$ 457,607	\$ 253,178	\$ 710,785
2021	444,949	268,793	713,742
2022	432,846	285,372	718,218
2023	419,998	302,972	722,970
2024-2026	925,929	9,423,375	10,349,304
Total	\$ 2,681,329	\$ 10,533,690	\$ 13,215,019

**NOTE 7 - RISK MANAGEMENT**

The Gurdwara is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Gurdwara carries commercial insurance covering such risks of loss, including workers' compensation.

**NOTE 8 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

The Gurdwara has \$2,118,257 of financial assets available within one year of the balance sheet date to meet cash needs for general expenses. The Gurdwara's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$938,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

**SIKH GURDWARA - SAN JOSE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 9 - EVALUATION OF SUBSEQUENT EVENTS**

In February 2020, the World Health Organization has declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets.

As the COVID-19 pandemic is complex and rapidly evolving. At this point, we cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on our business, results of operations, financial position and cash flows.



**SUPPLEMENTARY INFORMATION**

**SIKH GURDWARA - SAN JOSE**  
**SUPPORTING DATA REQUIRED BY THE LENDER-**  
**DEBT SERVICE COVERAGE RATIO AND LIQUIDITY MAINTENANCE RATIO**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Debt Service Ratio Calculation**

Net revenue available for debt service (cash flow) Divided by	\$ 976,917
Maximum annual debt service as defined in the debt agreement	710,785
Debt service ratio	1.37
Debt service ratio required by lender	1.00 to 1.25

**Calculation of Net Revenues Available for Debt Service on the Debt**

Changes in net assets from operating activities	(732,268)
Plus: Depreciation expense	1,242,084
Amortization of loan cost	-
Interest expenses	<u>467,101</u>
Net revenue available for debt service	<u>976,917</u>

**Debt Service for the year ended December 31, 2019**

Principal payment upon long- term debt during the year ended December 30, 2020	253,178
Interest expenses during the year ended December 30, 2020	<u>457,607</u>
Maximum annual debt service as defined in the debt agreement	<u><u>\$ 710,785</u></u>

**Liquidity maintenance**

Liquidity maintenance	\$ 2,101,759
Liquidity maintenance required by lender	600,000

**Calculation of Liquidity maintenance**

Unrestricted cash	612,310
Marketable securities	<u>1,489,449</u>
Liquidity maintenance	<u><u>\$ 2,101,759</u></u>