
SIKH GURDWARA - SAN JOSE
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

SIKH GURDWARA - SAN JOSE
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YEAR ENDED DECEMBER 31, 2017 AND 2016

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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 statements of financial position of the Gurdwara as of December 31, 2017 and 2016, 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

Our responsibility is to express an opinion on these financial statements based on our audits. 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 positions of the Gurdwara as of December 31, 2017 and 2016, 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.

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.

Patel & Associates, LLP
Certified Public Accountants

Patel & Associates, LLP

Oakland, California
June 25, 2018

SIKH GURDWARA - SAN JOSE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current assets:		
Cash and Cash Equivalents	\$ 889,122	\$ 628,932
Investments	<u>812,002</u>	<u>1,036,243</u>
Total current assets	<u>1,701,124</u>	<u>1,665,175</u>
Property and equipment:		
Land	2,200,000	2,200,000
Buildings	34,424,815	34,424,815
Building Improvements	746,640	746,640
Vehicle	32,000	32,000
Furniture and Equipment	<u>1,644,594</u>	<u>361,311</u>
	39,048,049	37,764,766
Less: Accumulated depreciation	<u>(9,074,670)</u>	<u>(7,839,489)</u>
Net property and equipment	<u>29,973,379</u>	<u>29,925,277</u>
Promissory note receivable	-	800,000
Loan costs, net	<u>11,347</u>	<u>34,040</u>
Total assets	<u>31,685,850</u>	<u>32,424,492</u>
Liabilities and Net Assets		
Current liabilities:		
Payroll taxes payable	843	-
Note payable, current portion	<u>243,609</u>	<u>978,160</u>
Total current liabilities	<u>244,452</u>	<u>978,160</u>
Note payable, long-term portion	<u>10,753,165</u>	<u>10,230,181</u>
Total liabilities	<u>10,997,617</u>	<u>11,208,341</u>
Net assets:		
Unrestricted	<u>20,688,233</u>	<u>21,216,151</u>
Total net assets	<u>20,688,233</u>	<u>21,216,151</u>
Total liabilities and net assets	<u>\$31,685,850</u>	<u>\$32,424,492</u>

SIKH GURDWARA - SAN JOSE
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Unrestricted support and revenues:		
Contributions	\$ 2,560,056	\$ 2,030,950
Investment income, net	121,307	(143,322)
Special events revenue	-	194,194
Special events direct benefit costs	-	(140,064)
Rent income	40,718	37,589
Interest income	<u>16,175</u>	<u>-</u>
Total unrestricted support and revenues	<u>2,738,256</u>	<u>1,979,347</u>
Expenses:		
Program Services:		
Path, kirtan, and katha	560,465	458,698
Khalsa school	112,018	98,584
Community kitchen (Langar)	51,226	47,850
Special Events	<u>182,268</u>	<u>-</u>
Total program services	<u>905,977</u>	<u>605,132</u>
General and administrative	<u>2,360,198</u>	<u>1,669,427</u>
Total expenses	<u>3,266,175</u>	<u>2,274,559</u>
Changes in net assets	(527,919)	(295,212)
Unrestricted net assets, beginning of the year	<u>21,216,152</u>	<u>21,511,363</u>
Unrestricted net assets, end of the year	<u>\$20,688,233</u>	<u>\$21,216,151</u>

SIKH GURDWARA - SAN JOSE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Path, Kirtan and Katha	Khalsa School	Community Kitchen (Langar)	Special Events	Total Program Services	General Administrative	Total Expenses
Salaries and wages	\$ 304,962	\$ 14,125	\$ 29,486	\$ -	\$ 348,573	\$ 36,346	\$ 384,919
Payroll taxes	23,330	1,080	2,256	-	26,666	2,780	29,446
Religious services	228,049	-	-	-	228,049	-	228,049
Contract services	-	-	-	-	-	11,755	11,755
Equipment costs	-	-	-	-	-	1,483	1,483
Special event cost	-	-	-	152,866	152,866	-	152,866
Cultural Program	-	-	-	29,402	29,402	-	29,402
School activities	-	96,813	-	-	96,813	-	96,813
Advertising	-	-	-	-	-	41,164	41,164
Repair and maintenance	-	-	-	-	-	74,505	74,505
Bank charges	-	-	-	-	-	10,517	10,517
Election costs	-	-	-	-	-	3,430	3,430
Insurance	-	-	-	-	-	54,798	54,798
Printing and reproduction	-	-	-	-	-	1,100	1,100
Supplies	-	-	19,484	-	19,484	4,100	23,584
Telephone	-	-	-	-	-	10,442	10,442
Rent	-	-	-	-	-	2,072	2,072
Travel	4,124	-	-	-	4,124	2,056	6,180
Utilities	-	-	-	-	-	172,662	172,662
Property taxes	-	-	-	-	-	43,144	43,144
Janitorial services	-	-	-	-	-	95,756	95,756
Landscaping	-	-	-	-	-	28,306	28,306
Legal	-	-	-	-	-	3,233	3,233
Security expenses	-	-	-	-	-	24,578	24,578
Depreciation	-	-	-	-	-	1,235,182	1,235,182
Interest expenses	-	-	-	-	-	474,736	474,736
Miscellaneous expenses	-	-	-	-	-	26,053	26,053
Total Expense	\$ <u>560,465</u>	\$ <u>112,018</u>	\$ <u>51,226</u>	\$ <u>182,268</u>	\$ <u>905,977</u>	\$ <u>2,360,198</u>	\$ <u>3,266,175</u>

SIKH GURDWARA - SAN JOSE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Path, Kirtan and Katha	Khalsa School	Community Kitchen (Langar)	Total Program Services	General Administrative	Total Expenses
Salaries and wages	\$ 318,278	\$ 14,807	\$ 33,500	\$ 366,585	\$ 43,540	\$ 410,125
Payroll taxes	24,348	1,133	2,563	28,044	3,331	31,375
Religious services	115,162	21,629	-	136,791	-	136,791
Contract services	-	640	-	640	12,800	13,440
Equipment costs	-	1,030	2,866	3,896	1,779	5,675
Event costs	-	11,623	-	11,623	-	11,623
School activities	-	40,507	-	40,507	-	40,507
Advertising	-	-	-	-	23,545	23,545
Repair and maintenance	-	780	450	1,230	56,914	58,144
Bank charges	-	1,739	-	1,739	9,151	10,890
Election costs	-	-	-	-	940	940
Insurance	-	-	-	-	39,443	39,443
Printing and reproduction	-	3,669	-	3,669	1,819	5,488
Supplies	-	1,027	6,971	7,998	12,528	20,526
Telephone	-	-	-	-	11,801	11,801
Travel	910	-	-	910	-	910
Utilities	-	-	-	-	84,998	84,998
Property taxes	-	-	-	-	40,585	40,585
Janitorial services	-	-	-	-	58,276	58,276
Landscaping	-	-	-	-	19,375	19,375
Legal	-	-	-	-	6,843	6,843
Security expenses	-	-	-	-	11,651	11,651
Depreciation	-	-	-	-	943,360	943,360
Interest expenses	-	-	-	-	271,019	271,019
Miscellaneous expenses	-	-	1,500	1,500	15,729	17,229
Total Expense	<u>\$ 458,698</u>	<u>\$ 98,584</u>	<u>\$ 47,850</u>	<u>\$ 605,132</u>	<u>\$ 1,669,427</u>	<u>\$ 2,274,559</u>

SIKH GURDWARA - SAN JOSE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Changes in net assets	\$ (527,919)	\$ (295,212)
Adjustments to reconcile changes in net Assets to net cash provided by operating activities:		
Depreciations	1,235,182	943,360
Amortization of loan costs	22,694	13,238
Unrealized loss/(gain) on investments	(68,634)	122,144
Realized loss/(gain) on sale of investments	(33,551)	39,783
Changes in operating assets and liabilities:		
(Increase) decrease in loan costs	-	(36,958)
Increase (decrease) in accounts payable	-	(65,000)
Increase (decrease) in payroll taxes payable	<u>843</u>	<u>(6,294)</u>
Net cash provided by operating activities	<u>628,615</u>	<u>715,061</u>
Cash Flows From Investing Activities:		
Proceeds from sale of investments	353,431	856,278
Purchase of investments	(27,006)	(879,669)
Purchase of equipment	(483,283)	(158,812)
Building improvements	<u>-</u>	<u>(157,656)</u>
Net cash provided by investing activities	<u>(156,858)</u>	<u>(339,859)</u>
Cash Flows From Financing Activities:		
Principal payments on note payable	(211,567)	(85,807)
Issue of promissory note receivable	<u>-</u>	<u>(800,000)</u>
Net cash used in financing activities	<u>(211,567)</u>	<u>(885,807)</u>
Net change in cash	260,190	(510,605)
Cash and cash equivalents, beginning of year	<u>628,932</u>	<u>1,139,537</u>
Cash and cash equivalents, end of year	<u>\$ 889,122</u>	<u>\$ 628,932</u>
Supplemental Disclosures:		
Interests Paid	<u>\$ 474,736</u>	<u>\$ 271,019</u>

SIKH GURDWARA - SAN JOSE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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.

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.

NOTE 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.

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, 2017 and 2016.

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, 2017 and 2016.

SIKH GURDWARA - SAN JOSE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

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.

SIKH GURDWARA - SAN JOSE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fair Value Measurements (Cont'd)

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.

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 benefited.

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.

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 \$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 is similarly capitalized.

SIKH GURDWARA - SAN JOSE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 3: CASH AND INVESTMENTS

As of December 31, 2017, the Gurdwara's cash and investments consisted of the following:

<u>Cash</u>	<u>2017</u>	<u>2016</u>
Deposits (less outstanding checks and other items)	\$ <u>889,122</u>	\$ <u>628,932</u>
Total Cash	\$ <u>889,122</u>	\$ <u>628,932</u>

At year-end, the carrying amount of the Gurdwara's cash deposits was \$889,122 and the bank balance was \$928,589. 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, 2017 and 2016, the Gurdwara had \$300,693 and \$201,113 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	\$ 550,693	\$ 178,718	\$ 199,178	\$ 928,589
FDIC coverage	<u>250,000</u>	<u>178,718</u>	<u>199,178</u>	<u>627,896</u>
Total uninsured balance	\$ <u>300,693</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>300,693</u>

Investments are stated at fair value and consist of the following at December 31, 2017:

	<u>Cost</u>	<u>Fair Value</u>	<u>Level of Inputs</u>
Mutual Funds	\$ 294,080	\$ 359,045	Level 1
Equity Securities	296,706	380,185	Level 1
Govt & Agency Securities	46,088	45,932	Level 1
Bonds	<u>26,227</u>	<u>26,840</u>	Level 1
	\$ <u>663,101</u>	\$ <u>812,002</u>	

Investments are stated at fair value and consist of the following at December 31, 2016:

	<u>Cost</u>	<u>Fair Value</u>	<u>Level of Inputs</u>
Mutual Funds	\$ 357,342	\$ 395,332	Level 1
Equity Securities	<u>510,501</u>	<u>640,911</u>	Level 1
	\$ <u>867,843</u>	\$ <u>1,036,243</u>	

SIKH GURDWARA - SAN JOSE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest/Dividend Income	\$ 29,592	\$ 28,966
Net Realized Gain/(Loss) on Investments	33,551	(39,783)
Unrealized Gain/(Loss) on Investments	68,634	(122,144)
Investment Fees	<u>(10,470)</u>	<u>(10,361)</u>
	<u>\$ 121,307</u>	<u>\$ (143,322)</u>

NOTE 4: 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, 2017, are as follows:

<u>Years ending December 31:</u>	<u>Amount</u>
2018	<u>30,537</u>
Total	<u>\$ 30,537</u>

Lease incomes for the years ended December 31, 2017 and 2016 were \$40,716 and \$37,589, respectively.

NOTE 5: 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%).

SIKH GURDWARA - SAN JOSE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 5: NOTE PAYABLE (CONT'D)

The following is a summary of the note payable:

	<u>2017</u>	<u>2016</u>
Note payable to Umpqua Bank, due monthly in instalments of principal pursuant to a ten year amortization schedule with interest rate per year equal LIBOR plus 1.75% through April 2026, secured by real property.	\$ -	\$ 11,208,341
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>10,996,774</u>	<u>-</u>
	<u>\$10,996,774</u>	<u>\$11,208,341</u>

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

<u>Year Ended</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2018	\$ 517,271	\$ 243,609	\$ 760,880
2019	466,198	239,641	705,839
2020	456,665	254,421	711,086
2021	443,949	270,113	714,062
2022-2026	<u>1,741,529</u>	<u>9,988,990</u>	<u>11,730,519</u>
Total	<u>\$ 3,625,612</u>	<u>\$10,996,774</u>	<u>\$14,622,386</u>

NOTE 6: LOAN COSTS

In March 2016, the Gurdwara paid \$47,278 in closing costs on a note payable. These costs are amortized using the straight-line method over the 10-year term of the loan. Amortized loan costs in 2017 was \$35,931.

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.

REQUIRED 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, 2017

Debt Service Ratio Calculation

Net revenue available for debt service (cash flow) Divided by	\$ 1,204,693
Maximum annual debt service as defined in the debt agreement	<u>760,880</u>
Debt service ratio	<u>1.58</u>
Debt service ratio required by lender	<u>1.00 to 1.25</u>

Calculation of Net Revenues Available for Debt Service on the Debt

Changes in net assets	(527,919)
Plus: Depreciation expense	1,235,182
Amortization of loan cost	22,694
Interest expenses	<u>474,736</u>
Net revenue available for debt service	<u>1,204,693</u>

Debt Service for the year ended December 31, 2018

Principal payment upon long- term debt during the year ended December 31, 2018	243,609
Interest expenses during the year ended December 31, 2018	<u>517,271</u>
Maximum annual debt service as defined in the debt agreement	<u>\$ 760,880</u>

Liquidity maintenance

Liquidity maintenance	\$ 1,701,124
Liquidity maintenance required by lender	<u>600,000</u>

Calculation of Liquidity maintenance

Unrestricted cash	889,122
Marketable securities	<u>812,002</u>
Liquidity maintenance	<u>\$ 1,701,124</u>