

# FINANCIAL REPORT

**2002**

Prepared For:

**SIKH GURDWARA – SAN JOSE**

Prepared by:

**BAINS ACCOUNTANCY CORP**

*Certified Public Accountant*

1590 Oakland Road, Suite B114

San Jose, CA 95131

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**CONFIDENTIAL**

# PREFACE

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Sikh Gurdwara – San Jose (California), incorporated in October 1985, is a non-profit organization committed to providing religious, educational and cultural services to the residents of San Jose and surrounding cities. The management committee consisting of 23 members from the Sikh Community manages the Gurdwara. Various sub-committees manage operating activities of the Sikh Gurdwara.

Bains Accountancy Corporation, Certified Public Accountant has been contracted by the organization to provide financial services for the Sikh Gurdwara. The outcome of these financial services was the preparation of a compilation report for the Sikh Gurdwara - San Jose for the calendar year ending December 31, 2002.

## STAFF:

Balwant Singh Bains, CPA

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# SIKH GURDWARA – SAN JOSE

Financial Statements – 2002

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# Bains Accountancy Corporation



## *Certified Public Accountant*

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The Board of Directors  
Sikh Gurdwara – San Jose  
2785 Quimby Road  
San Jose, CA 95148

We have compiled the accompanying Statement of Financial Position of Sikh Gurdwara, San Jose as of December 31, 2002, and the related Statement of Activities, Functional Expenses and Cash Flow for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Balwant Singh Bains, CPA, CIA

October 25, 2003

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

# Sikh Gurdwara - San Jose

## Statement of Financial Position

December 31, 2002

### Assets

Current assets			
Cash and Cash Equivalents	\$	<u>845,532.95</u>	\$ 845,532.95
Land Building & Equipment			
Land		1,100,000.00	
Buildings		494,524.00	
Furniture and fixtures		48,967.00	
New Site - Land and Building		9,646,054.86	
Less: accumulated depreciation		<u>(373,309.13)</u>	
Total Land Building & Equipment			10,916,236.73
Total Assets	\$		<u>11,761,769.68</u>

### Liabilities and Net Assets

Current liabilities			
Accrued expenses		24,441.16	
Long Term Debt - Current Portion		<u>2,013,522.00</u>	
	\$		2,037,963.16
Long-term liabilities			
Loans from Followers		<u>3,309,832.00</u>	
Total Long-term liabilities			3,309,832.00
Net Assets			
Net Investment in Land, Building & Equipment		5,568,441.57	
Restricted Fund Balance - (See Note 5)		523,682.00	
Unrestricted Fund Balance		<u>321,850.95</u>	
Total Net Assets			6,413,974.52
Total Liabilities and Net Assets	\$		<u>11,761,769.68</u>

*The accompanying notes are an integral part of this financial statement*

# Sikh Gurdwara - San Jose

## Statement of Activities

For the period ending December 31, 2002

### Revenue & Other Support

Contributions	1,027,796.16
Khalsa School Fees	41,108.50
Interest Income	14,541.08
<b>Total Unrestricted Revenue</b>	<b>\$ 1,083,445.74</b>

### Expenses

#### Program Services

Program A (Path & Kirtan)	169,188.00
Program B (Khalsa Children School)	39,204.17
Program C (Annual Fair - Mela)	19,026.00

#### Support Activities

Management and General	71,789.18
<b>Total Expenses</b>	<b>299,207.35</b>

Changes in Net Assets	784,238.39
Net Assets - December 31, 2001 - <i>(See Note 6)</i>	5,629,736.13
Net Assets - December 31, 2002	6,413,974.52

*The accompanying notes are an integral part of this financial statement*

**Sikh Gurdwara - San Jose**  
Schedule of Functional Expenses  
December 31, 2002

	<u>Program A - Path/Kirtan</u>	<u>Program B - School</u>	<u>Program C - Mela</u>	<u>Management &amp; General</u>	<u>Total</u>
Bank Charges				\$ 336.05	\$ 336.05
Books	\$ 5,714.00	\$ 3,942.52			9,656.52
Contributions	10,421.00	902.00			11,323.00
Cultural Programs/Special Event		7,240.15	19,026.00		26,266.15
Deprecation				16,484.13	16,484.13
Equipment Rental				144.00	144.00
Insurance				6,425.00	6,425.00
Miscellaneous				2,499.00	2,499.00
Music (Kirtan) Expenses		14,780.00			14,780.00
Postage & Delivery				37.00	37.00
Printing/Reproduction		457.83		642.00	1,099.83
Professional Charges	19,105.00	4,160.29		3,948.00	27,213.29
Religious Services	133,948.00				133,948.00
Repairs & Maintenance				8,737.00	8,737.00
School Supplies		4,686.10			4,686.10
Snacks-School		3,035.28			3,035.28
Taxes-Property				2,421.00	2,421.00
Telephone				2,362.00	2,362.00
Utilities				27,754.00	27,754.00
<b>Total</b>	<u>\$ 169,188.00</u>	<u>\$ 39,204.17</u>	<u>\$ 19,026.00</u>	<u>\$ 71,789.18</u>	<u>\$ 299,207.35</u>

*The accompanying notes are an integral part of this financial statement*

**Sikh Gurdwara - San Jose**  
Statement of Cash Flows  
For the period ending December 31, 2002

<b>Cash flows from operating activities:</b>	
Net Income/(Loss)	\$ 784,238.39
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operations:	
Depreciation and amortization expense	16,484.13
Increase/(decrease) in accrued expenses	<u>(3,788.84)</u>
Net cash provided by (used in) operating activities	796,933.68
<b>Cash flows from investing activities:</b>	
Investment in fixed assets-Capitalized Costs	<u>(2,404,843.86)</u>
Net cash provided by (used in) investing activities	(2,404,843.86)
<b>Cash flows from financing activities:</b>	
Additional borrowing during period	1,690,332.00
Repayments on long-term debt	<u>(75,000.00)</u>
Net cash provided by (used in) financing activities	1,615,332.00
<b>Net Increase(Decrease) in Cash</b>	7,421.82
Cash at Beginning of Period ( <i>See Note 6</i> )	<u>838,111.13</u>
Cash at End of Period	<u>\$ 845,532.95</u>

*The accompanying notes are an integral part of this financial statement*

**Sikh Gurdwara – San Jose**  
**Notes to Financial Statements**  
**December 31, 2002**

**Note 1 – Nature of Activities**

Sikh Gurdwara – San Jose is a non-profit organization committed to providing religious, educational and cultural services to the residents of San Jose and surrounding cities. There are three programs that account for a majority of the Gurdwara's activities:

***Program A – Path and Kirtan***

Religious services such as reading sermons and singing devotional music (Path, Kirtan and Katha) are conducted at Sikh Gurdwara on a regular basis. Spiritual leaders and priests from around the world provide these services. Complimentary food, snacks and beverages are provided to devotees of the Sikh Gurdwara. Direct costs related to this ongoing function are shown under Program A.

***Program B – Khalsa School***

Educational services are provided to young children at Sikh Gurdwara. Children are taught Punjabi language, principles of Sikh religion, and devotional music. Khalsa School is funded and managed by the Gurdwara Committee thru a sub-committee. Direct costs related to this function are shown as Program B.

***Program C – Annual Vaisakhi Mela***

Vaisakhi Mela is the annual religious, sports, and cultural event organized by the Sikh Gurdwara in spring. This all day event is open to the general public. All direct costs related to the organization of this annual event are shown under Program Services as Program C.

**Note 2 – Significant Accounting Policies**

The financial statements of Sikh Gurdwara - San Jose have been prepared on the accrual basis of accounting. The significant policies followed are described below to enhance the usefulness of the financial statements to the reader.

**Classes of Net Assets**

There are no restrictions placed on the assets by donors. Therefore, all assets are available at the discretion of the management committee for use in the organizations' operations or investment in building and equipment in accordance with the policies of the organization. Management Committee has used \$523,682 of its cash as a collateral for the security deposit with City of San Jose (See Note 5)

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in checking, savings, and money market bank accounts, and deposits held by other third parties (See Note 5).

### **Land Building and Equipment Depreciation**

Expenditure on building and equipment are at capitalized at cost. Depreciation is computed on the straight-line method over the estimated useful lives of assets (5 years for Furniture and Fixtures and 30 years for building and improvements). The cost of land and new building included construction costs, capitalized interest and property taxes to bring the land to its intended purpose of new Gurdwara. During 2002, \$2,404,844 (construction costs \$2,148,740, capitalized interest \$253,727 and property taxes \$2,377) were capitalized and included in the amount shown as Land and Building.

### **Revenues and Expenses**

Unrestricted contributions are recognized when cash or ownership of donated assets is unconditionally promised to the organization. As of the date of the financial statements no restrictions were placed by the donors on donated assets.

Other income is recognized when earned. Expenses are recognized when incurred in accordance with the accrual basis of accounting.

### **Note 3 – Contributed Services**

A substantial number of unpaid volunteers have made significant contributions of their time. The value of this contributed time is not susceptible to objective measurements of valuation and accordingly is not reflected in the financial statements.

### **Note 4 – Land Building and Equipment**

Land Building and Equipment at December 31, 2002 consisted of the following:

Furniture & Fixtures	\$48,967
Land & Building	
Land – 2785 Quimby Road	494,524
Building – 2785 Quimby Road	1,100,000
Land and New Building – Under Construction	<u>9,646,055</u>
Total	\$11,289,546
Less Accumulated Depreciation	-373,309
Total Land, Building and Equipment	\$10,916,237

The change in Land and New Building represents capitalized construction costs as well as capitalized interest on construction loans and property taxes on new property.

### **Note 5 –Restricted Fund Balance**

Sikh Gurdwara has used \$523,682 of its time deposits with Wells Fargo Bank as collateral for the security deposit required by the City of San Jose, Public Works Department. In July 2000, the City required this deposit for the satisfactory completion of public works projects near and around the new building under construction at the new Gurdwara site in San Jose. The City is expected to release these funds by the end of calendar year 2003.

### **Note 6 –Prior Period Adjustment**

During compilation of 2002 financial statements, it was discovered that the cash balance and unrestricted fund balance were understated in 2001 financial statements balance sheet by \$204,721.13. This error has been corrected and corrected beginning cash and unrestricted fund balance is reflected in these financial statements.