

# FINANCIAL REPORT

**2004**

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, 2004.

## STAFF:

Bill Singh Bains, CPA

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# SIKH GURDWARA – SAN JOSE

Financial Statements – 2004

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# Bains Accountancy Corporation



## *Certified Public Accountant*

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The Board of Directors  
Sikh Gurdwara – San Jose  
3636 Murillo Road  
San Jose, CA 95148

We have compiled the accompanying Statement of Financial Position of Sikh Gurdwara, San Jose as of December 31, 2004, 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.

Bill Singh Bains, CPA, CIA

September 29, 2005

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

**Sikh Gurdwara - San Jose**  
Statement of Financial Position  
December 31, 2004

**Assets**

	<u><b>2004</b></u>	<u><b>2003</b></u>
Current assets		
Cash and Cash Equivalents	\$ 1,253,203.26	\$ 1,856,939.04
Refunds due from Escrow Company	21,285.53	-
Total Current assets	1,274,488.79	1,856,939.04
Land Building & Equipment		
Land (Gurdwara & House)	2,620,000.00	100,000.00
Buildings - New Gurdwara	12,354,735.29	494,524.00
Buildings - House	282,358.00	-
Furniture and fixtures	48,967.00	48,967.00
New Site - Land and Building	-	12,221,776.19
Less: accumulated depreciation	(375,883.13)	(389,793.13)
Total Land Building & Equipment	14,930,177.16	12,475,474.06
Total Assets	\$ 16,204,665.95	\$ 14,332,413.10

**Liabilities and Net Assets**

Long-term liabilities		
Loans from Followers - Interest bearing	\$ -	\$ 991,332.00
Loans from Followers - Non Interest bearing	10,000.00	278,000.00
Total Long-term liabilities	10,000.00	1,269,332.00
Net Assets		
Net Investment in Land, Building & Equipment	14,930,177.16	11,206,142.06
Restricted Fund Balance - (See Note 5)	-	523,682.00
Unrestricted Fund Balance	1,264,488.79	1,333,257.04
Total Net Assets	16,194,665.95	13,063,081.10
Total Liabilities and Net Assets	\$ 16,204,665.95	\$ 14,332,413.10

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

**Sikh Gurdwara - San Jose**  
Statement of Activities  
For the period ending December 31, 2004

	<b>2004</b>	<b>2003</b>
<b>Revenue &amp; Other Support</b>		
Contributions - Gurdwara	1,221,389.00	943,786.00
Khalsa School Fees & Contributions	53,797.40	57,439.00
Interest Income	2,814.63	9,274.71
<b>Total Unrestricted Revenue</b>	\$ 1,278,001.03	\$ 1,010,499.71
<b>Expenses</b>		
<b>Program Services</b>		
Program A (Path & Kirtan)	173,046.00	193,436.00
Program B (Khalsa Children School)	47,008.51	59,299.56
Program C (Grand Opening/Annual Fair - Mela)	69,601.00	5,290.00
Program D (Community Kitchen - Langar)	20,645.00	17,487.00
<b>Support Activities</b>		
Management and General	427,187.72	76,326.07
<b>Total Expenses</b>	737,488.23	351,838.63
Net Income (Loss)	540,512.80	658,661.08
Gain on Sale of Property <i>(See Note 6)</i>	2,591,072.05	5,690,445.50
Sales of Housing Allocations <i>(See Note 7)</i>	-	300,000.00
Changes in Net Assets	3,131,584.85	6,649,106.58
Net assets at beginning of year	13,063,081.10	6,413,974.52
Net assets at end of year	\$ 16,194,665.95	\$ 13,063,081.10

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

**Sikh Gurdwara - San Jose**  
**Schedule of Functional Expenses**  
December 31, 2004

	Program A - Path/Kirtan	Program B - School	Program C - Opening Parade	Program D - Langar	Management & General	Total	
						2004	2003
Bank Charges					\$ 80.61	\$ 80.61	361.07
Books	\$ -	\$ 7,628.24				7,628.24	6,966.21
Cultural Programs/Special Event		5,904.82	69,601.00			75,505.82	19,878.96
Depreciation					326,916.00	326,916.00	16,484.00
Insurance					981.00	981.00	7,928.00
Kitchen Appliances				153.00		153.00	7,161.00
Kitchen Supplies				15,142.00		15,142.00	2,526.00
Miscellaneous	22,092.00				346.80	22,438.80	6,705.00
Music (Kirtan) Expenses	-	12,460.00				12,460.00	18,976.00
Office Supplies		2,432.44				2,432.44	-
Postage & Delivery					915.00	915.00	178.00
Printing/Reproduction		1,461.84				1,461.84	844.69
Professional Charges	-	5,261.01		5,350.00	3,500.00	14,111.01	31,250.06
Religious Services	150,954.00					150,954.00	175,140.00
Repairs & Maintenance					12,711.00	12,711.00	8,385.00
School Supplies		7,417.77				7,417.77	10,512.88
Snacks-School		4,442.39				4,442.39	4,051.76
Taxes-Property					46,700.31	46,700.31	3,858.00
Telephone					2,909.00	2,909.00	3,182.00
Utilities					32,128.00	32,128.00	27,450.00
						-	-
<b>Total</b>	<b>\$173,046.00</b>	<b>\$47,008.51</b>	<b>\$69,601.00</b>	<b>\$20,645.00</b>	<b>\$427,187.72</b>	<b>\$ 737,488.23</b>	<b>351,838.63</b>

*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, 2004

	<b>2004</b>	<b>2003</b>
<b>Cash flows from operating activities:</b>		
Net Income/(Loss)	\$ 540,512.80	\$ 658,661.08
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operations:		
Depreciation and amortization expense	326,916.00	16,484.00
Increase/(decrease) in accrued expenses	-	(24,441.16)
Net cash provided by (used in) operating activities	867,428.80	650,703.92
 <b>Cash flows from investing activities:</b>		
Net proceeds from the sale of land/building	2,844,770.05	6,690,445.50
Proceeds from the sale of housing Allocations	-	300,000.00
Investment in fixed assets-capitalized costs	(3,056,602.63)	(2,575,721.33)
Net cash provided by (used in) investing activities	(211,832.58)	4,414,724.17
 <b>Cash flows from financing activities:</b>		
Additional borrowing/reclassifications during	-	1,269,332.00
Repayments on long-term debt	(1,259,332.00)	(5,323,354.00)
Net cash provided by (used in) financing activities	(1,259,332.00)	(4,054,022.00)
 <b>Net Increase(Decrease) in Cash</b>	(603,735.78)	1,011,406.09
 Cash at Beginning of Period	1,856,939.04	845,532.95
 Cash at End of Period	\$ 1,253,203.26	1,856,939.04

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

**Sikh Gurdwara – San Jose**  
**Notes to Financial Statements**  
**December 31, 2004**

**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 – Grand Opening Parade/Annual Vaisakhi Fair - Mela***

Grand opening parade was organized by the Sikh Gurdwara on August 29, 2004 on the opening day of the New Sikh Gurdwara. All direct costs related to this one-time event are shown under Program Services as Program C. In spring 2003, Sikh Gurdwara organized Vaisakhi Mela, a religious, sports and cultural event. All direct costs related to that event were shown under Program Services as Program C.

***Program D – Community Kitchen - Langar***

At Sikh Gurdwara, hot meals are served to devotees and visitors every day. Community Kitchen (Langar) is generally funded by followers, who bring food supplies and prepare food at the Sikh Gurdwara. This Kitchen is open to the general public. All direct costs related to the operations and maintenance of the Kitchen are shown under Program Services as Program D.

**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 had used \$523,682 of its cash as 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). Sikh Gurdwara deposits all of the cash in two commercial banks located in San Jose, CA. From time to time, cash balance in these accounts exceeds federally insured limits.

### **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, 30 years for old building and improvements, 40 years for new building and house placed in service in 2004). The cost of land and new building included construction costs and capitalized interest to bring the land to its intended purpose of new Gurdwara. During 2004, \$2,332,959 (construction costs \$2,314,429 and capitalized interest \$18,530) were capitalized and included in the amount shown as Land and Building. The new building opened in August 2004.

### **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.

### **Comparative Totals**

Financial Statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly such information should be read in conjunction with the Sikh Gurdwara's financial statements for the year ended December 31, 2003 from which the summarized information was derived.

### **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, 2004 consisted of the following:

Furniture & Fixtures	\$48,967
Land & Building	
Land & Building – House	702,358
Land & Building – New Gurdwara	<u>14,554,735</u>
Total	\$15,306,060
Less Accumulated Depreciation	-375,883
Total Land, Building and Equipment	\$14,930,177

The change in Land and New Building represents capitalized construction costs as well as capitalized interest on construction loans of new property. The change also represents sales of old building and purchase of a house in San Jose.

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

Sikh Gurdwara had 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 has released these funds in 2004.

## **Note 6 –Gain on Sale of Properties**

During 2004, Sikh Gurdwara sold the remaining portion of its property located 2785 Quimby Road, San Jose, CA for \$2,865,000 and realized a net gain of \$2,591,072.

## **Note 7 –Sale of Housing Allocations**

In July 2003, the Sikh Gurdwara received \$300,000 from Santa Clara Valley Housing Group for the sale of six unused housing allocations. An allocation is the right granted by the Santa Clara County to build houses at the new Sikh Gurdwara site.