

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2015 and 2014**

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**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, 2015 and 2014, 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 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, 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, 2015 and 2014, 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 25, 2016

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,139,537	\$ 1,058,217
Certificates of Deposit	-	2,316
Investments	<u>1,174,779</u>	<u>1,172,732</u>
Total Current Assets	2,314,316	2,233,265
Property and Equipment:		
Land	2,200,000	2,200,000
Buildings	34,424,815	34,424,815
Building Improvements	588,984	542,879
Vehicle	32,000	32,000
Furniture and Equipment	<u>202,499</u>	<u>199,019</u>
	37,448,298	37,398,713
Less: Accumulated Depreciation	<u>(6,896,129)</u>	<u>(5,947,048)</u>
Net Property and Equipment	30,552,169	31,451,665
Loan Costs, net	<u>10,320</u>	<u>29,283</u>
<b>Total Assets</b>	<b>\$ <u>32,876,805</u></b>	<b>\$ <u>33,714,213</u></b>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts Payable	\$ 65,000	\$ 10,000
Payroll Taxes Payable	6,294	4,217
Note Payable, current portion	<u>11,294,148</u>	<u>481,684</u>
Total Current Liabilities	11,365,442	495,901
Note Payable, long-term portion	<u>-</u>	<u>11,316,744</u>
Total Liabilities	11,365,442	11,812,645
Net Assets:		
Unrestricted	<u>21,511,363</u>	<u>21,901,568</u>
Total Net Assets	<u>21,511,363</u>	<u>21,901,568</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>32,876,805</u></b>	<b>\$ <u>33,714,213</u></b>

See accompanying notes to financial statements

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2015 and 2014**

	<u><b>2015</b></u>	<u><b>2014</b></u>
<b>Unrestricted Support and Revenues:</b>		
Contributions	\$ 2,060,581	\$ 2,186,051
Investment Income, net	112,148	406,449
Special Events Revenue	42,452	36,000
Special Events Direct Benefit Costs	(57,757)	(38,204)
Rent Income	<u>25,487</u>	<u>23,820</u>
Total Unrestricted Support and Revenues	2,182,911	2,614,116
<b>Expenses:</b>		
Program Services		
Path, Kirtan, and Katha	932,985	947,516
Khalsa School	421,906	465,752
Community Kitchen (Langar)	<u>397,940</u>	<u>439,811</u>
Total Program Services	1,752,831	1,853,079
General and Administrative	<u>820,285</u>	<u>680,534</u>
Total Expenses	<u>2,573,116</u>	<u>2,533,613</u>
Changes in Net Assets	(390,205)	80,503
Unrestricted Net Assets, Beginning of the Year	<u>21,901,568</u>	<u>21,821,065</u>
<b>Unrestricted Net Assets, End of the Year</b>	<b>\$ <u>21,511,363</u></b>	<b>\$ <u>21,901,568</u></b>

See accompanying notes to financial statements

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2015**

	<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	\$ 227,158	\$ 15,069	\$ 31,175	\$ 273,402	\$ 52,265	\$ 325,667
Payroll Taxes	17,377	1,154	2,384	20,915	3,999	24,914
Religious Services	136,342			136,342		136,342
Contract Services		28,095		28,095	251,493	279,588
School Activities		17,206		17,206		17,206
Advertising					19,382	19,382
Repair and Maintenance	30,857	17,182	19,987	68,026	2,104	70,130
Bank Charges		1,698		1,698	9,225	10,923
Election Costs					56,025	56,025
Insurance	19,493	10,854	12,626	42,973	1,329	44,302
Printing and Reproduction		1,918		1,918	3,965	5,883
Supplies		47,773	6,765	54,538	9,209	63,747
Telephone	5,970	3,324	3,867	13,161	408	13,569
Rent					1,614	1,614
Utilities	30,877	17,193	20,000	68,070	2,105	70,175
Property Taxes	19,630	10,930	12,715	43,275	1,338	44,613
Janitorial Services	24,722	13,766	16,013	54,501	1,686	56,187
Security Expenses	2,964	1,651	1,920	6,535	202	6,737
Depreciation	417,595	232,525	270,488	920,608	28,472	949,080
Interest Expenses					357,569	357,569
Miscellaneous Expenses		1,568		1,568	17,895	19,463
Total Expense	<u>\$ 932,985</u>	<u>\$ 421,906</u>	<u>\$ 397,940</u>	<u>\$ 1,752,831</u>	<u>\$ 820,285</u>	<u>\$ 2,573,116</u>

See accompanying notes to financial statements.

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2014**

	<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	\$ 178,265	\$ 18,288	\$ 32,107	\$ 228,660	\$ 37,321	\$ 265,981
Payroll Taxes	13,637	1,400	2,456	17,493	2,855	20,348
Religious Services	142,658			142,658		142,658
Contract Services		21,056		21,056	186,383	207,439
School Activities		32,971		32,971		32,971
Advertising					16,275	16,275
Repair and Maintenance	39,550	23,711	25,618	88,879	2,697	91,576
Bank Charges		1,650		1,650	9,721	11,371
Insurance	14,703	8,187	9,524	32,414	1,002	33,416
Printing and Reproduction		5,235		5,235	1,671	6,906
Equipment Rental					864	864
Supplies		40,952	8,219	49,171	27,347	76,518
Telephone	4,623	2,574	2,994	10,191	315	10,506
Utilities	80,324	44,726	52,028	177,078	5,477	182,555
Property Taxes	29,373	16,355	19,026	64,754	2,003	66,757
Janitorial Services	22,352	12,446	14,478	49,276	1,524	50,800
Security Expenses	6,523	3,632	4,225	14,380	445	14,825
Depreciation	415,508	231,362	269,136	916,006	28,330	944,336
Interest Expenses					346,597	346,597
Miscellaneous Expenses		1,207		1,207	9,707	10,914
Total Expense	<u>\$ 947,516</u>	<u>\$ 465,752</u>	<u>\$ 439,811</u>	<u>\$ 1,853,079</u>	<u>\$ 680,534</u>	<u>\$ 2,533,613</u>

See accompanying notes to financial statements.



**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash Flows From Operating Activities:</b>		
Changes in Net Assets	\$ (390,205)	\$ 80,503
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	949,080	944,336
Amortization of Loan Costs	21,963	21,962
Unrealized Gain on Investments	(87,965)	(369,430)
Realized Gain on Sale of Investments	(30)	(14,971)
Changes in Operating Assets and Liabilities:		
Increase in Loan Costs	(3,000)	-
Increase (Decrease) in Accounts Payable	55,000	(206,078)
Increase in Payroll Taxes Payable	<u>2,077</u>	<u>1,097</u>
Net Cash Provided by Operating Activities	546,920	457,419
<b>Cash Flows From Investing Activities:</b>		
Proceeds from Sale of Investments	187,846	994,314
Purchase of Investments	(101,898)	(102,461)
Sale of Certificates of Deposit	2,316	94,638
Purchase of Equipment	(3,480)	-
Building Improvements	<u>(46,104)</u>	<u>(130,114)</u>
Net Cash Provided by Investing Activities	38,680	856,377
<b>Cash Flows From Financing Activities:</b>		
Principal Payments on Note Payable	(504,280)	(482,130)
Payments on Loans from Members	<u>-</u>	<u>(45,000)</u>
Net Cash Used in Financing Activities	<u>(504,280)</u>	<u>(527,130)</u>
Net Increase in Cash	81,320	786,666
Cash and Cash Equivalents, Beginning of Year	<u>1,058,217</u>	<u>271,551</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ <u>1,139,537</u></b>	<b>\$ <u>1,058,217</u></b>
<b>Supplemental Disclosures:</b>		
Interests Paid	\$ <u>357,569</u>	\$ <u>346,597</u>

See accompanying notes to financial statements

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2015 and 2014**

**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, 2015 and 2014**

**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, 2015 and 2014.

**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, 2015 and 2014.

**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, 2015 and 2014**

**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. The uninsured balances were \$691,705 and \$628,745 at December 31, 2015 and 2014, respectively.

**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.

**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.

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2015 and 2014**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 \$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.

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2015 and 2014**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Subsequent Events**

The Gurdwara has evaluated subsequent events through March 25, 2016, which is the date the financial statements were available to be issued.

**3. INVESTMENTS**

Investments are stated at fair value and consist of the following at December 31, 2015:

	<u>Cost</u>	<u>Fair Value</u>	<u>Level of Inputs</u>
Mutual Funds	\$ 569,506	\$ 578,217	Level 1
Equity Securities	<u>481,549</u>	<u>596,562</u>	Level 1
	<u>\$ 1,051,055</u>	<u>\$ 1,174,779</u>	

Investments are stated at fair value and consist of the following at December 31, 2014:

	<u>Cost</u>	<u>Fair Value</u>	<u>Level of Inputs</u>
Mutual Funds	\$ 532,760	\$ 571,114	Level 1
Equity Securities	<u>429,798</u>	<u>601,618</u>	Level 1
	<u>\$ 962,558</u>	<u>\$ 1,172,732</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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest/Dividend Income	\$ 33,393	\$ 44,149
Net Realized Gain on Investments	30	14,971
Unrealized Gain on Investments	87,965	369,430
Investment Fees	<u>(9,240)</u>	<u>(22,101)</u>
Total	<u>\$ 112,148</u>	<u>\$ 406,449</u>

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2015 and 2014**

**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 Gurdrara's premises with monthly receipts of \$2,223.

The future minimum rental receipts required under the long-term non-cancelable site lease at December 31, 2015, are as follows:

Year Ending December 31,

2016	\$ 26,678
2017	26,678
2018	<u>20,009</u>
Total	\$ <u>73,365</u>

Rent incomes for the years ended December 31, 2015 and 2014 were \$25,487 and \$23,820, respectively.

**5. NOTE PAYABLE**

The following is a summary of the note payable:

**2015      2014**

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.

\$ 11,294,148    \$ 11,798,428

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

Year Ending December 31:

2016	\$ <u>11,294,148</u>
Total	\$ <u>11,294,148</u>

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2015 and 2014**

**6. 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 2015 and 2014 were \$21,963 and \$21,962, respectively.

On December 30, 2015, the Gurdwara paid refinancing costs of \$3,000 to Umpqua Bank.

**7. 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."

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.



**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2015 and 2014**

**7. COMMITMENTS AND CONTINGENCIES (Continued)**

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

On September 16, 2011, the Intervenor 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 Intervenor and asserted various defenses. The Gurdwara has also filed an Answer to the Intervenor's complaint alleging, among other things, that to the extent that the Intervenor seek damages, its conduct was not the cause of any injury alleged by the Intervenor.

On February 14, 2014, the Class Action Complaint in Intervention trial came on regularly for hearing. The presentation of evidence ended on March 26, 2014. The Court's Final Decision and Judgment, filed on September 5, 2014, found that the Plaintiffs and the Gurdwara are the prevailing parties and entitled to costs against the Intervenor. By order filed December 18, 2014, the Court entered an order that, among other things, lifted the stay on its previous order that various member information be released, and ordered certain election procedures. The Court subsequently appointed a Special Master.

On January 30, 2015, the Gurdwara filed a notice of appeal. On April 8, 2015, the Gurdwara filed a petition for writ of supersedeas with the Court of Appeal. The Court of Appeal denied that petition. On or about August 31, 2015, the Special Master filed a Final Report concluding that the election plan was properly administered. In a related matter, on August 10, 2015, Plaintiff Balbir Dhillon filed a Verified Complaint against Defendant the Gurdwara and other defendants. On August 17, 2015, the Gurdwara filed a Special Motion to strike pursuant to California Code of Civil Procedure Section 425.16. On August 28, 2015, Plaintiff voluntarily dismissed his complaint. On or about September 14, 2015, the Gurdwara filed a memorandum of costs for \$536.90. The Gurdwara also filed a motion for attorneys' fees and costs. On December 3, 2015, the Court granted that motion, awarding the Gurdwara attorneys' fees and costs in the amount of \$9,727.50 against Balbir Dhillon.

Management intends to continue to defend the case vigorously.

**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.

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2015 and 2014**

**7. COMMITMENTS AND CONTINGENCIES (Continued)**

**Sikh Gurdwara - San Jose vs. Amritsar Publication & Media Group, LLC et al. (Continued)**

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 the 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 Sihgh 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, 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 has appealed the January 21, 2014 Statement of Decision. On February 26, 2016, the Court of Appeal, Sixth Appellate District, issued an opinion affirming that statement of decision. The deadline to file a petition for review with the California Supreme Court is April 6, 2016. Management intends to continue to pursue the case vigorously.

**Sikh Gurdwara - San Jose vs. Greenleaf-TNX Sikh Solar, LLC**

In August of 2014, the Gurdwara filed a complaint against Greenleaf-TNX Sikh Solar, LLC ("Greenleaf") in the Superior Court of Santa Clara County (the "Action") alleging three separate causes of action. Greenleaf, in response to the Action, filed a petition to have the matter arbitrated, pursuant to a Dispute Resolution provision in the parties' agreement, and then answered the complaint by filing its demand for arbitration before JAMS.

**SIKH GURDWARA - SAN JOSE (CALIFORNIA)**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2015 and 2014**

**7. COMMITMENTS AND CONTINGENCIES (Continued)**

**Sikh Gurdwara - San Jose vs. Greenleaf-TNX Sikh Solar, LLC (Continued)**

The matter was arbitrated before the Judge on December 16, 2015. On January 19, 2016, a mutual settlement agreement and release of claims (the "Agreement") was made by between Greenleaf-TNX Sikh Solar, LLC, a California Limited Liability Company ("Greenleaf"), Greenleaf-TNX Management, LLC, a Delaware Limited Liability Company ("Greenleaf Management"), Sunpeak Universal Holdings, Inc., a California Corporation ("Sunpeak"; Greenleaf and Sunpeak are referred to collectively as "Members") and the Gurdwara. The Members are the owners of 100% of the membership interests (the "Membership Interests") in Greenleaf.

Pursuant to the terms and conditions of the Agreement, Greenleaf shall sell, assign, transfer and deliver to the Gurdwara, and/or its assignees, 100% of Membership Interests for \$1,050,000.

On January 19, 2016, the Gurdwara received a note receivable of \$800,000 from Greenleaf in connection with executing the Agreement. The note receivable bore interest at the rate of 4% per annum.