

Sikh Gurdwara- San Jose

Accounting Policies and Procedures

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1.0 Introduction

The following manual is a description of the accounting procedure and responsibilities for the Sikh Gurdwara Prabhandak Committee (SJPC), Office Accounting Team, Dharam Parchar Committee and the CPA. Sikh Gurdwara-San Jose is a Sikh Temple incorporated as a 501(c)(3) tax-exempt organization. Sikh Gurdwara-San Jose is registered with the Secretary of State in California and will follow IRS guidelines for churches and religious organizations.

Ownership of this document resides solely with the SJPC. Revisions or changes to this document can only be approved by SJPC.

2.0 Chart of Accounts

A chart of accounts is maintained in QuickBooks by the Gurdwara CPA. Any changes made to the Chart of Accounts are done so by the CPA based on changing environment or need as determined by the Gurdwara CPA.

3.0 Accounting Policies and Procedures

Policy

Sikh Gurdwara uses the accrual basis of accounting to record all donations received and disbursements in QuickBooks Online. At the end of the month or fiscal year, the Gurdwara CPA records cash disbursements, receipts based on transaction data provided by the SGMC. Other transactions recorded by the Gurdwara CPA include mortgage pay down and any non-cash activities (i.e. depreciation) in QuickBooks Online.

4.0 Cash Receipts

Cash Receipt Sources

Cash is received during regular services are the Gurdwara, during general or special events in which a donation check is issued to the donator and online via PayPal.

1. Donations received via Paypal are deposited into the Gurdwara's operating account electronically.
2. Donations received during regular services are counted and deposited into the Gurdwara safe.
3. Checks are received and a donation receipt is issued to the donator as evidence of the donation.

Cash Handling Procedures

For donations that are received during services, at the end of each service, at least 3 committee members and 3 sevadars count all cash received. Another member of the counting team recounts the cash to ensure accuracy of the count. At least one member of the Gurdwara Committee and a non-Committee sevadar deposit the cash received into the Gurdwara safe nightly. A cash log is maintained in Excel noting the total cash deposited into the Gurdwara safe each evening.

When cash is ready to be deposited to the bank, a counting team of four to five people, with at least two current Gurdwara Committee members, removes all cash and checks from the safe to

conduct a re-count of all cash and checks. The cash and checks are recorded in the deposit log/ record book. Two committee members are responsible for depositing the cash into the Gurdwara's bank account. The deposit receipt is attached to the deposit log/ record book and at least one Gurdwara Committee member will verify that the deposit receipt amount agrees to the deposit log/ record book and Excel cash log to ensure all totals match.

The Office Accounting Team receives the deposit fund report from the counting team and enters the deposit into QuickBooks Online.

Gurdwara Safe Access

Only three committee members have the key/ combination to the safe and can open the safe to add/ remove cash for deposit to the bank.

5.0 Cash Disbursements

General

The Gurdwara issues checks for various expenditures including, but not limited to, wages, religious expenses, utilities, kitchen & cleaning supplies, professional fees and maintenance & security.

All checks must be approved and signed by three current Gurdwara Committee members.

Payroll Disbursements

The Gurdwara regularly employs employees to assist with various services the Gurdwara requires. These include:

1. Regular Employees – These employees are on monthly salary and the Gurdwara Committee must approve their salaries.
2. Religious Employees – Since these are non-salaried employees, the Gurdwara Head Granthi and office retains detailed records of employees' weekly assignments, hours worked and accurate recording of services provided.

All employees are paid every two weeks via a check. A member of the SJPC issues a check for the hours worked per the religious services provided for each Gurdwara employee.

Payroll liabilities and related taxes are recorded by the Gurdwara CPA as incurred.

Religious Expense Disbursements

As the Gurdwara is a religious organization, the Gurdwara incurs various expenses associated with its activities. Religious expenses include payments to visiting preachers, i.e. missionaries, kathawachiks and celebration of religious festivals. The Dharam Parchar Committee approves all religious expenses. Checks related to Dharam Parchar Committee are signed by 3 Gurdwara Committee members prior to issuance.

Note: Please see below for the Gurdwara's policy and procedures around tracking missionaries that are independent contractors.

Other Expenses

Other expenses include various non-religious expenses including utilities, kitchen & cleaning supplies, professional fees and maintenance & security. These expenses are paid as incurred as they are required to be incurred to ensure the smooth and efficient operation of the Gurdwara.

Transaction Recording

All checks are issued from Bank checks or QuickBooks Online checks. Upon issuing the check, QuickBooks Online credits the Cash account and debits the associated expense account.

6.0 Loans

The Gurdwara may engage in loan activity from time to time in order to fund various activities such as construction. Loans are obtained in two methods: 1) Bank loans and 2) Personal loans from Gurdwara worshippers.

Loans from the bank are approved by the Gurdwara Committee prior to being taken out. Loan repayments are paid back via the cash disbursements process described above.

Personal loans made by Gurdwara worshippers are received and repaid in accordance with the request by the worshipper. Loan repayments are paid back via the cash disbursements process described above.

Interest expense is recorded by the Gurdwara CPA in accordance with the loan agreement for both bank and person loans.

Loan accounting (transaction recording, short-term/ long-term re-classes) is completed by the Gurdwara CPA as part of the financial recording and reporting process.

7.0 Investments

General

The Gurdwara may invest cash in various investments in order to gain a better return on cash. Please refer to the Gurdwara's Investment Policy for additional detail.

8.0 Bank Reconciliations

Three levels of cash account reconciliations take place by the Gurdwara:

1. The Gurdwara Office Management reconciles all deposits, checks, transfers and credit card donations from Gurdwara records in QuickBooks Online to bank statements.
2. On a monthly basis, the Gurdwara CPA reconciles performs a similar reconciliation to #1.
3. Gurdwara Office double checks reconciliation done by CPA and approves it on monthly basis.

9.0 Fixed Assets Policy & Procedures

General

The Gurdwara maintains several fixed assets on its books, the majority of which are land, buildings and construction in progress (of the new Gurdwara). The Gurdwara records fixed assets as they are placed into service and depreciates them in accordance with their useful life. Land is not depreciated, as its useful life is not defined.

Construction in progress is defined as all construction costs associated with the development of the new Gurdwara. All costs associated with the construction of the Gurdwara are charged to the Construction in Progress account. Once construction is complete, the balance will be moved to the Fixed Assets – Buildings account and will be depreciated over its estimated useful life of the fixed asset.

Fixed Asset balance transfers and depreciation are calculated by the CPA. The Gurdwara CPA assists in determining the estimated useful life of the fixed asset prior to recording depreciation.

SCOPE:

This policy establishes the standards and procedures for ensuring that *Sikh Gurdwara-San Jose* accounts for capital assets and depreciation are in compliance with SJPC's objectives.. It is *Sikh Gurdwara-San Jose's* policy to capitalize the buildings, cost of computer and kitchen equipment, furniture and leasehold improvements exceeding \$500. Normal repairs and maintenance costs are expensed as incurred.

PROCEDURES:

1.0 DEFINITION:

Kitchen equipment (not tied to building & easily moveable), Computer hardware, computer software, equipment and furniture include property, hardware, software, furniture and equipment are acquired for use in the course of *Sikh Gurdwara-San Jose's* business. Computer software purchased for internal use is considered a capital asset. Computer software internally developed for internal use or for resale is not addressed in this policy statement. Repairs and maintenance include expenditures made to maintain an existing asset in usable condition without extending the asset's useful life or significantly increasing its capacity. Freight includes expenditures made to transport the asset to the asset's resident location. Sales tax includes any state and local sales tax applied to the purchase value of an acquired asset.

2.0 ACQUISITION AND CAPITALIZATION POLICY:

Capital asset additions must be purchased within the established financial approval policies of *Sikh Gurdwara-San Jose* in accordance with the approval policy.

Expenditures that do not meet the minimum dollar requirement must be expensed. The cost of maintenance contracts on equipment and software shall be expensed when paid.

All capitalized assets shall be depreciated using the straight-line method over their estimated useful lives as follows:

Asset Category	Estimated Useful Life
Buildings	40 years
Buildings Improvements	10 years
Equipment	5 years
Furniture and Fixtures	5 years

Any exceptions to this policy must be reviewed and approved by the Sikh Gurdwara Prabhandak Committee.

3.0 TRANSFERS:

The transfer of fixed assets between departments should have no impact on its net book value. All assets are transferred at their net book value with no recognition of a gain or loss by the department transferring the asset.

A change in a capital asset's location or ownership occurs when:

- A capital asset is **MOVED** to another office or building, even if the ownership remains the same.
- A capital asset is **TRANSFERRED** to another department, even if the location remains the same.
- A capital asset is **TRANSFERRED** to another primary user, even if the location and/or department remains the same.

All costs associated with the transfer will be expensed.

4.0 RETIREMENTS AND DISPOSALS:

Company-owned capital assets are to be retained as long as they continue to contribute in an efficient and economical manner to *Sikh Gurdwara-San Jose's* operations. This may extend beyond the useful life used for depreciation purposes. Only when the assets are disposed of will the original asset and accumulated depreciation be written off the fixed asset record.

Capital assets must have a zero net book value at the time of retirement or disposal. If there is any remaining value, the asset shall first be written off to the appropriate account.

All disposals of capital assets must be approved by the SJPC prior to disposal.

All sales of *Sikh Gurdwara-San Jose* assets to *Sikh Gurdwara-San Jose* employees along with donations of *Sikh Gurdwara-San Jose* capital assets must be approved by the SJPC. An asset disposal form must be completed prior to the sale or disposition.

Upon approval of disposition, the asset may be disposed of in the following manner – sold, donated, scrapped or used in a trade-in transaction if authorized. Upon disposition of the asset, the *SJPC* will be notified and the asset will be deleted from the asset records and a gain/loss will be recorded.

5.0 FINANCIAL AND PHYSICAL CONTROL:

Capital assets will be inventoried (counted) on a periodic basis. The SJPC will perform a full physical inventory of *Sikh Gurdwara-San Jose* capital assets on a two year rotational basis. Each department will be notified of the count procedures and the dates of the physical inventory.

Capital assets that are not accounted for after the physical inventory shall be investigated, reported to SJPC.

APPROVALS/DOCUMENTATION:

1.0 ACCOUNTING RECORDS:

Upon asset acquisition, the fixed asset department is responsible for assigning and attaching asset number tags to the property where it can be readily located. The Sikh Gurdwara office will maintain a detailed listing of each capital asset item along with the following:

- Depreciation records which will include the description
- Date acquired
- Vendor name
- Cost basis
- Assigned department
- Depreciation method/life
- Accumulated depreciation
- Net book value

2.0 APPROVALS

Capital asset additions must be purchased within the established financial approval policies of *Sikh Gurdwara-San Jose* in accordance with the approval policy

10.0 Financial Reporting

End of Month

Process

On a monthly basis, the Office Accounting Team prepares financial statements based on the QuickBooks Online information. As part of this information, the monthly and year to date (YTD) financial and a comparison of budget vs. actual expenses is also prepared. This information is presented to the Gurdwara Committee. The Committee approved the financial statements before reporting results to the Sangat.

All monthly financials and back up information are retained in Excel format with supporting information from QuickBooks.

End of Year

Process

The Gurdwara CPA is responsible for preparing year-end financial statements. As part of this process, the CPA may make adjustments required to the financials to account for any year-end

activities (i.e. short term and long term re-class of loans, any impairments or losses, etc.) and prepare notes to the financial statements.

Once all year-end activities are completed, the Gurdwara CPA releases the final financials to the Gudwara Committee for approval prior to issuing to the Sangat.

All annual financials and back up information are retained in Excel format with supporting information from QuickBooks.

11.0 Internal Controls

Policies and Procedures Overview

The review of internal controls is one of the most important procedures the Gurdwara Committee has for fulfilling its fiduciary responsibilities to the Sangat (devotees).

There should be segregation of duties within the accounting cycle. As cash collections and disbursements are the main source of income and expense transactions for the Gurdwara, appropriate segregation of duties should be imposed on cash handling. Those who are responsible for counting and collecting cash should not also be responsible for depositing it into the bank or recording the cash receipt into QuickBooks Online. Those who are recording expenses and printing checks should not also be signing them prior to issuance.

In addition to cash handling and management, expenses are also a key area of focus for the Gurdwara. The Gurdwara Committee monitors expenses monthly and reviews a budget to actual for expenses to ensure expenses are reasonable and consistent with expectations.

Details Policies and Procedures

Every committee member who is part of the treasury, accounting and office is responsible to make sure that every item/component/transaction is accounted for. As part of this responsibility, the committee members must ensure that every process includes controls to achieve the following objectives:

1. **Completeness and Accuracy:** That all of the transactions for a given period have been processed and that Individual or batches/ groups of transactions have not been omitted or misdirected. As part of this, the Gurdwara Committee reviews the financials and budget vs. actual of expenses monthly to ensure all transactions are completely and accurately recorded.
2. **Authorization:** For all accounts payables, at least 3 signatures must be required on the checks, which will ensure that only those transactions which are approved by the Sikh Gurdwara Prabhandak Committee are processed. Dharam Parchar expenses are approved by the Dharam Parchar Committee. The Gurdwara Committee also approves all financials prior to issuance to the Sangat.
3. **Timeliness:** Transactions are recorded within the appropriate reporting period. All transactions must be processed within the applicable accounting period to ensure the financials are complete and accurate.

4. **Every Committee Member**

- a) Is responsible for knowing and following the appropriate policies and procedures as applicable.
- b) Has a responsibility for internal controls.
- c) Is responsible for the execution of control activities.
- d) Must be aware of opportunities that increase the reliability and integrity of the Sikh Gurdwara's accounting systems.

5. **Quick Books Online**

The Gurdwara uses QuickBooks Online to manage the accounting. The Gurdwara office accounting team must make sure that

- a) ONLY authorized sevadars, committee members and the CPA have access to it due to the criticality of the data.
- b) All deposits are entered correctly and audited by another committee member or sevadar.
- c) All checks are entered into the correct expense category and audited by another committee member or sevadar.
- d) The Gurdwara office accounting team is responsible for providing all the documents to the CPA and ensuring they are complete and accurate.

12.0 Budget

General

The Sikh Gurdwara committee and membership is responsible for preparing and approving the annual budget at least annually. The budget must include detail on expected donations, estimated expenses by expense type and estimated net income. A copy of the annual budget is provided to the Gurdwara CPA as well as financial institutions that have provided loans to the Gurdwara (i.e. Bank of America).

13.0 Accounting Systems

General

The accounting computer and software will have access controlled by passwords. The Office Accounting Team will be given an administrative password and will control which other personnel will be given passwords. Passwords will be changed at least once a year.

The QuickBooks Online data file will be backed up on a regular basis, at least monthly to ensure financial data is appropriately retained.

QuickBooks Online software will be upgraded every three years in order to stay up to date with current support and technology.

14.0 Policy Violations

Deviations or violations of these policies and procedures will be reviewed by the SJPC.

Glossary

Charava - Offerings (currency and checks) made by devotees during various programs. These offerings (currency and checks) are made by Sangat when they bow in front of Sri Guru Granth Sahib, The Sikh Holy Scripture. The Charava receipt is for record of amount received by the Gurdwara and cannot be used by the host family for tax deductible donation.

Committee - Sikh Gurdwara Management Committee (SJPC), may be referred to as the committee in the policies and procedures.

Dharam Parchar Committee - This is a subcommittee made of 5 SJPC members. This committee is responsible for managing all religious programs at the Gurdwara.

Donations – This is amount donated by the devotees in the form of cash, check or credit cards. These donations are tax deductible.

Gurdwara (Sikh Temple) - The Sikh Gurdwara-San Jose, also referred to as the Gurdwara.

Head Granthi - Referred to as the Head Priest. This is the primary person for booking events and managing day to day religious functions.

Kathawachik - A religious preacher who is invited by the Dharam Parchar Committee for a short time (approx. 1 month) to give sermons.

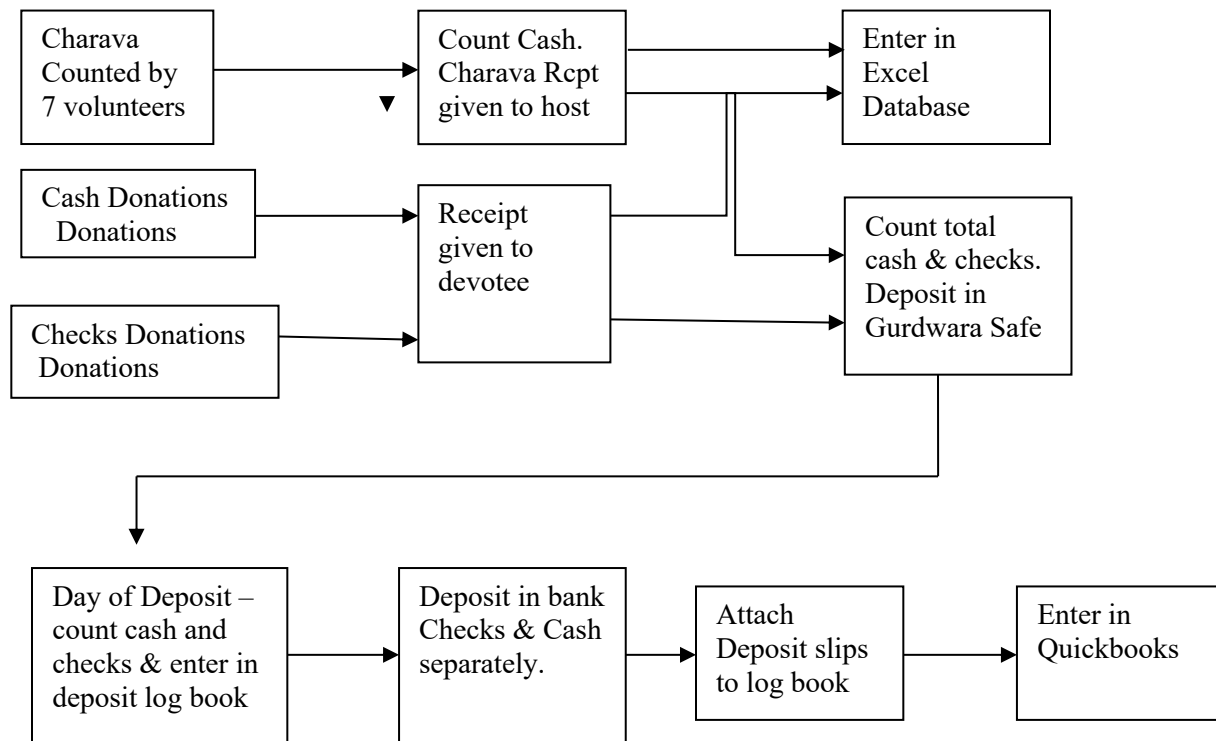
Missionaries - Religious (cantors) preachers who are invited by the Dharam Parchar Committee for a longer duration (One month to six months).

Sangat – Are a group of devotees.

Sevadar – Is a person who provides any service to the Gurdwara. This person may or may not be SJPC member.

Appendix

Income from Offerings(Charava) & Donations



Notes:

1. Charava – These are the offerings made by Sangat when they bow in front of Sri Guru Granth Sahib, The Sikh Holy Scripture. The Charava receipt is for record of amount received by the Gurdwara and can not be used by the host family for tax deductible donation.
2. Donations -- This is amount donated by the devotees in the form of cash, check or credit cards. These donations are tax deductible.