

SIKH GURDWARA - SAN JOSE
(A California Not-for-Profit Corporation)

AUDITED FINANCIAL STATEMENTS

December 31, 2021

**(With summarized comparative totals as of and for the year
ended December 31, 2020)**

HARSHWAL[®] 
& COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

SIKH GURDWARA - SAN JOSE
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	01
Financial Statements:	
Statements of Financial Position.....	04
Statements of Activities.....	05
Statement of Functional Expenses- Year Ended December 31, 2021.....	06
Statement of Functional Expenses- Year Ended December 31, 2020.....	07
Statements of Cash Flows.....	08
Notes to the Financial Statements.....	09
Supplementary Information:	
Supporting Data Required by the Lender- Debt Service Coverage Ratio and Liquidity Maintenance Ratio.....	18

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sikh Gurdwara - San Jose
San Jose, California

Opinion

We have audited the accompanying financial statements of Sikh Gurdwara - San Jose (the "Gurdwara"), a California nonprofit corporation, which comprise the statement of financial position of the Gurdwara as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Gurdwara as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Gurdwara and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Gurdwara's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Gurdwara's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ABC Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Gurdwara's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 31, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 18 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.

Harshmal & Company LLP

Oakland, California
August 01, 2022

SIKH GURDWARA - SAN JOSE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021
(With summarized comparative totals as of December 31, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 940,010	\$ 620,456
Investments	2,250,187	1,487,512
ERTC refund receivable	125,745	-
Other assets	-	16,700
Property and equipment, net	<u>25,578,581</u>	<u>26,716,844</u>
Total assets	<u>28,894,523</u>	<u>28,841,512</u>
LIABILITIES		
Payroll taxes payable	3,378	-
Note payable, current portion	285,372	311,611
Note payable, long-term portion	9,856,122	10,011,719
PPP loan	<u>-</u>	<u>123,649</u>
Total liabilities	<u>10,144,872</u>	<u>10,446,979</u>
NET ASSETS		
Net assets without donor restrictions	<u>18,749,651</u>	<u>18,394,533</u>
Total net assets	<u>18,749,651</u>	<u>18,394,533</u>
Total liabilities and net assets	<u><u>\$ 28,894,523</u></u>	<u><u>\$ 28,841,512</u></u>

The accompanying notes are an integral part of these financial statements

SIKH GURDWARA - SAN JOSE
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
 (With summarized comparative totals for the year ended December 31, 2020)

	Without Donor Restrictions	Total 2021	2020
REVENUES			
Contributions	\$ 2,815,163	\$ 2,815,163	\$ 1,846,813
ARPA Grant	4,000	4,000	-
Rent income	45,604	45,604	43,569
PPP loan forgiveness income	247,299	247,299	-
ERC payroll tax refund	312,168	312,168	-
Investment income, net	<u>247,991</u>	<u>247,991</u>	<u>179,136</u>
Total revenues	<u>3,672,225</u>	<u>3,672,225</u>	<u>2,069,518</u>
EXPENSES			
Program services	1,065,475	1,065,475	861,847
General and administrative	<u>2,245,755</u>	<u>2,245,755</u>	<u>2,292,749</u>
Total expenses	<u>3,311,230</u>	<u>3,311,230</u>	<u>3,154,596</u>
Changes in net assets	<u>360,995</u>	<u>360,995</u>	<u>(1,085,078)</u>
Net assets, beginning of the year	18,394,533	18,394,533	19,479,611
<i>Restatement</i>	<u>(5,877)</u>	<u>(5,877)</u>	<u>-</u>
Net assets, beginning of the year- <i>Restated</i>	<u>18,388,656</u>	<u>18,388,656</u>	<u>19,479,611</u>
Net assets, end of the year	<u><u>\$ 18,749,651</u></u>	<u><u>\$18,749,651</u></u>	<u><u>\$18,394,533</u></u>

The accompanying notes are an integral part of these financial statements

SIKH GURDWARA - SAN JOSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Path, Kirtan and Katha	Khalsa School	Community Kitchen (Langar)	Special Events	Total Program Services	General Administrativ e	Total Expenses
Salaries and wages	\$ 604,762	\$ 11,075	\$ -	\$ -	\$ 615,837	\$ -	\$ 615,837
Payroll taxes	46,265	847	-	-	47,112	-	47,112
Religious services	164,923	-	-	-	164,923	-	164,923
Contract services	-	-	-	-	-	21,783	21,783
School activities	-	49,600	-	-	49,600	-	49,600
Advertising	-	-	-	1,611	1,611	50,625	52,236
Repair and maintenance	-	-	-	-	-	115,047	115,047
Bank charges	-	-	-	-	-	7,966	7,966
Insurance	-	-	-	-	-	47,226	47,226
Printing and reproduction	-	-	-	770	770	-	770
Supplies	-	-	36,531	-	36,531	-	36,531
Telephone	-	-	-	-	-	19,092	19,092
Travel	-	-	-	-	-	854	854
Utilities	-	-	-	-	-	79,090	79,090
Property taxes	-	-	-	-	-	45,350	45,350
Janitorial services	-	-	-	-	-	119,648	119,648
Landscaping	-	-	-	-	-	19,551	19,551
Legal	-	-	-	-	-	77,156	77,156
Security expenses	-	-	-	-	-	19,463	19,463
Depreciation	-	-	-	-	-	1,237,811	1,237,811
Interest expenses	-	-	-	-	-	383,817	383,817
Covid19 expenses	-	-	-	106,484	106,484	-	106,484
Miscellaneous expenses	-	-	-	42,607	42,607	1,276	43,883
Total expenses	\$ 815,950	\$ 61,522	\$ 36,531	\$ 151,472	\$ 1,065,475	\$ 2,245,755	\$ 3,311,230

The accompanying notes are an integral part of these financial statements

SIKH GURDWARA - SAN JOSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Path, Kirtan and Katha	Khalsa School	Community Kitchen (Langar)	Special Events	Total Program Services	General Administrative	Total Expenses
Salaries and wages	\$ 487,533	\$ 8,748	\$ -	\$ -	\$ 496,281	\$ -	\$ 496,281
Payroll taxes	37,296	670	-	-	37,966	-	37,966
Religious services	149,334	-	3,638	-	152,972	-	152,972
Contract services	465	-	593	-	1,058	12,783	13,841
Equipment costs	-	-	-	-	-	26,345	26,345
Special event cost	-	-	-	2,345	2,345	-	2,345
Cultural program	-	-	-	1,988	1,988	-	1,988
School activities	-	77,280	-	-	77,280	-	77,280
Advertising	-	-	-	2,770	2,770	44,962	47,732
Repair and maintenance	-	-	5,343	-	5,343	59,444	64,787
Bank charges	-	-	-	-	-	2,995	2,995
Insurance	-	-	-	-	-	38,383	38,383
Printing and reproduction	1,737	-	-	2,665	4,402	612	5,014
Supplies	-	-	45,177	-	45,177	-	45,177
Telephone	-	-	-	-	-	8,490	8,490
Travel	2,705	-	-	-	2,705	455	3,160
Utilities	-	-	-	-	-	104,449	104,449
Property taxes	-	-	-	-	-	50,977	50,977
Janitorial services	-	-	-	-	-	79,425	79,425
Landscaping	-	-	-	-	-	18,700	18,700
Legal	-	-	-	-	-	156,944	156,944
Security expenses	-	-	-	-	-	10,741	10,741
Depreciation	-	-	-	-	-	1,248,786	1,248,786
Interest expenses	-	-	-	-	-	424,430	424,430
Miscellaneous expenses	-	-	-	31,560	31,560	3,828	35,388
Total expenses	\$ 679,070	\$ 86,698	\$ 54,751	\$ 41,328	\$ 861,847	\$ 2,292,749	\$ 3,154,596

The accompanying notes are an integral part of these financial statements

SIKH GURDWARA - SAN JOSE
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(With summarized comparative totals as of December 31, 2020)

	<u>2021</u>	<u>2020</u>
<i>Cash Flows From Operating Activities:</i>		
Changes in net assets	\$ 360,995	\$ (1,085,078)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,237,811	1,248,786
PPP loan forgiveness income	(247,299)	-
Unrealized loss/(gain) on investments	(218,104)	(184,753)
Realized loss/(gain) on sale of investments	(17,426)	20,527
Changes in operating assets and liabilities:		
Prepaid expenses	-	16,498
Other assets	16,700	(16,700)
ERTC refund receivable	(125,745)	
Payroll tax payable	<u>3,378</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>1,010,310</u>	<u>(720)</u>
<i>Cash Flows From Investing Activities:</i>		
Proceeds from sale of investments	-	166,163
Purchase of investments	(527,145)	-
Purchase of equipment	<u>(105,425)</u>	<u>(70,586)</u>
Net cash provided (used) by investing activities	<u>(632,570)</u>	<u>95,577</u>
<i>Cash Flows From Financing Activities:</i>		
Principal payments on note payable	(181,836)	(210,360)
Proceeds from PPP loan	<u>123,650</u>	<u>123,649</u>
Net cash provided (used) by financing activities	<u>(58,186)</u>	<u>(86,711)</u>
Net change in cash and cash equivalents	319,554	8,146
Cash and cash equivalents, beginning of year	<u>620,456</u>	<u>612,310</u>
Cash and cash equivalents, end of year	<u>\$ 940,010</u>	<u>\$ 620,456</u>
Supplemental Disclosures:		
Interest Paid	<u>\$ 383,817</u>	<u>\$ 424,430</u>

The accompanying notes are an integral part of these financial statements

SIKH GURDWARA - SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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.

A. 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.

B. Khalsa School

The Gurdwara provides educational services to young children. Children are taught Punjabi language, principal of Sikh religion, and devotional music.

C. 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

A. Basis of Presentation

The financial statements of Gurdwara have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require Gurdwara to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without Donor Restrictions: - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Gurdwara. These net assets may be used at the discretion of Gurdwara's management and the board of directors. Net assets that are not subject to donor-imposed stipulations. Also, contributions that are restricted by the donor are reported as increases in Without Donor Restrictions 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.

Net assets with Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Gurdwara had no net assets with donor restrictions at December 31, 2021 and 2020.

B. 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.

C. Certificates of Deposit

Certificates of deposit are carried at market value.

SIKH GURDWARA - SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

D. 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 net assets with donor restrictions if the restrictions are met in the reporting period in which the income and gains are recognized.

E. 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.

F. Property and Equipment

Expenses 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. Estimated useful lives of assets are as follows:

Buildings	40 years
Building and improvements	10 years
Furniture and equipment	5 years
Vehicles	5 years

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

G. 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.

SIKH GURDWARA - SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

H. Expense Allocation

The costs of providing various program and supporting services have been summarized on a functional basis in the statements of activities and statement of functional expenses. These statements report certain expense categories that are attributable to more than one program or supporting function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied.

The expenses that are allocated include salaries and wages, payroll taxes which are allocated on the basis of estimates of time and effort, as well as school activities, religious services, supplies, special event cost which are allocated on their respective function/ program. All remaining expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization considered general administrative expenses.

I. 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.

J. 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.

Revenue Recognition

Per Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, revenue is recognized when obligations under the terms of a contract with the customer are satisfied; generally this occurs with the transfer of control of goods at a point in time based on shipping terms and transfer of title. Revenue is measured as the amount of consideration expect to be received in exchange for transferring goods. Sales, value add, and other taxes collected concurrent with revenue-producing activities are excluded from revenue.

K. 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.

SIKH GURDWARA - SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

L. New Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2016-02 one year, making it effective for annual reporting periods beginning after December 15, 2021. The Gurdwara is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

In November 2019, the FASB issued ASU 2019-10, Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates, which delays the effective date of ASU 2016-13 for certain entities. The new standard is effective for years beginning after December 15, 2022, including interim periods within those years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Gurdwara is currently evaluating the impact on its financial statements.

M. Comparative Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Gurdwara's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

NOTE 3 - CASH AND INVESTMENTS

At December 31, 2021, and 2020, the Gurdwara's cash consisted of the following:

	<u>2021</u>	<u>2020</u>
Deposits (less outstanding checks and other items)	\$ 940,010	\$ 620,456
Total	<u>\$ 940,010</u>	<u>\$ 620,456</u>

At year-end, the carrying amount of the Gurdwara's cash deposits was \$940,010 and the bank balance was \$951,576. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

SIKH GURDWARA - SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 - CASH AND INVESTMENTS - CONT'D

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, 2021 and 2020, the Gurdwara had \$464,125 and \$146,600 in excess of insured limits.

	Bank of America	Wells Fargo Bank	Umpqua Bank	Total 2021
Total amounts of deposits	\$ 714,125	\$ 138,633	\$ 98,818	\$ 951,576
FDIC coverage	250,000	138,633	98,818	487,451
Total uninsured balance	<u>\$ 464,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 464,125</u>

	Bank of America	Wells Fargo Bank	Umpqua Bank	Total 2020
Total amounts of deposits	\$ 396,600	\$ 170,992	\$ 41,506	\$ 609,098
FDIC coverage	250,000	170,992	41,506	462,498
Total uninsured balance	<u>\$ 146,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,600</u>

Investments are stated at fair value and consist of the following at December 31, 2021:

	Cost	Fair Value	Level of Inputs
Mutual Funds	\$ 6,019	\$ 18,055	Level 1
Equity Securities	1,333,936	1,931,678	Level 1
Cash and Sweep balances	300,454	300,454	
Total	<u>\$ 1,640,409</u>	<u>\$ 2,250,187</u>	

Investments are stated at fair value and consist of the following at December 31, 2020:

	Cost	Fair Value	Level of Inputs
Mutual Funds	\$ 610,319	\$ 631,175	Level 1
Equity Securities	459,493	817,259	Level 1
Govt & Agency Securities	448	448	Level 1
Bonds	5,090	6,065	Level 1
Cash and Sweep balances	32,565	32,565	
Total	<u>\$ 1,107,915</u>	<u>\$ 1,487,512</u>	

SIKH GURDWARA - SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 - CASH AND INVESTMENTS - CONT'D

The following schedule summarizes investment returns on investments, reported in the statements of activities for the year ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest Income	\$ 185	\$ 350
Dividend Income	26,179	20,565
Net Realized Gain/(Loss) on Investments	17,426	(20,527)
Unrealized Gain/(Loss) on Investments	218,104	184,753
Investment Fees	<u>(13,903)</u>	<u>(6,005)</u>
Total	<u>\$ 247,991</u>	<u>\$ 179,136</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2021 consist of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 2,200,000	\$ 2,200,000
Construction in progress	216,096	39,550
Buildings	34,424,815	34,495,936
Buildings and improvements	913,751	913,751
Furniture and equipment	1,717,492	1,717,492
Vehicles	<u>32,000</u>	<u>32,000</u>
Total property and equipment	39,504,154	39,398,729
Less: accumulated depreciation	<u>13,925,573</u>	<u>12,681,885</u>
Property and equipment, net	<u>\$ 25,578,581</u>	<u>\$ 26,716,844</u>

Depreciation expense for the years ended December 31, 2021 and 2020 were \$1,237,811 and \$1,248,786.

NOTE 5 - OPERATING LEASE

On March 01, 2016, the Gurdwara renewed a site lease with T-Mobile West Tower LLC for the purpose of installing, operating, repairing and maintaining Antenna Facilities in the Gurdwara's premises for five years with monthly receipts of \$3,800.

Lease income for the years ended December 31, 2021 and 2020 were \$45,604 and \$43,569 respectively.

SIKH GURDWARA - SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6 - 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%).

The following is a summary of the note payable:

	<u>2021</u>	<u>2020</u>
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>\$ 10,141,494</u>	<u>\$ 10,323,330</u>
	<u>\$ 10,141,494</u>	<u>\$ 10,323,330</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>
2022	\$ 438,530	\$ 285,372	\$ 723,902
2023	425,682	302,972	728,654
2024	413,181	321,659	734,840
2025	397,558	341,498	739,056
2026	<u>128,459</u>	<u>8,889,993</u>	<u>9,018,452</u>
Total	<u>\$ 1,803,410</u>	<u>\$ 10,141,494</u>	<u>\$ 11,944,904</u>

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.

NOTE 8 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Gurdwara's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested into short-term investments, including money market accounts and certificates of deposit. The Gurdwara had the following financial assets that could readily be made available within one year to fund expenses without limitations:

SIKH GURDWARA - SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES - CONT'D

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 940,010	\$ 620,456
Investments	2,250,187	1,487,512
ERTC refund receivable	<u>125,745</u>	<u>-</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,315,942</u>	<u>\$ 2,107,968</u>

NOTE 9 - PAYCHECK PROTECTION PROGRAM LOAN

On May 04, 2020, the Gurdwara received loan proceeds in the amount of \$123,649 under the Paycheck Protection Program ("PPP"), from Harvest Small Business Finance, LLC (the "Lender"). Under the terms of the PPP, up to 100% of the loan (and related interest) may be forgiven if the proceeds are used for covered expenses and certain other requirements related to wage rates and maintenance of full-time equivalents are met. The Gurdwara applied for forgiveness with the lender and received forgiveness on August 31, 2021 from the Small Business Administration (SBA) in full. The amount of loan forgiveness is presented as a component of income in the statement of activities during the fiscal year ended December 31, 2021.

On February 25, 2021, the Gurdwara received another loan proceeds in the amount of \$123,650 under the Paycheck Protection Program ("PPP"), from Harvest Small Business Finance, LLC. The Gurdwara applied for forgiveness with the lender and received forgiveness on December 17, 2021 from the Small Business Administration (SBA) in full. The amount of loan forgiveness was presented as a component of income in the statement of activities during the fiscal year ended December 31, 2021.

NOTE 10 - EMPLOYEE RETENTION CREDIT (ERC) RECEIVABLE

The ERC provides eligible employers with less than 500 employees a refundable tax credit against the employer's share of social security taxes. The ERC is equal to 70% of qualified wages paid to employees during calendar 2021 for a maximum credit per employee of \$7,000 per employee for each calendar quarter through December 31, 2021. During the year ended December 31, 2021, the Gurdwara claimed ERCs of \$312,168, recognized as revenue. Such claimed ERCs not settled prior to year-end in the amount of \$125,745 are expected to be settled shortly thereafter and are disclosed within assets on Gurdwara's statement of financial position.

SIKH GURDWARA - SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 11 - RESTATEMENT

During the fiscal year ended December 31, 2021, the Gurdwara determined that changes to the beginning of year net assets - without donor restrictions were necessary due to incorrect accumulated depreciation on capital assets in the prior year. As a result, prior year financial statements have been restated by \$5,877 to show the effects of the change.

NOTE 12 - EVALUATION OF SUBSEQUENT EVENTS

The Gurdwara has evaluated all subsequent events through August 01, 2022, the date through which the financial statements were available to be issued.

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, 2021

Debt Service Ratio Calculation

Net revenue available for debt service (cash flow) Divided by	\$ 1,982,623
Maximum annual debt service as defined in the debt agreement	723,902
Debt service ratio	2.74
Debt service ratio required by lender	1.00 to 1.25

Calculation of Net Revenues Available for Debt Service on the Debt

Changes in net assets from operating activities	\$ 360,995
Plus: Depreciation expense	1,237,811
Interest expenses	383,817
	<hr/>
Net revenue available for debt service	<u>\$ 1,982,623</u>

Debt Service for the year ended December 31, 2021

Principal payment upon long- term debt during the year ended December 31, 2022	285,372
Interest expenses during the year ended December 31, 2022	438,530
	<hr/>
Maximum annual debt service as defined in the debt agreement	<u>\$ 723,902</u>

Liquidity maintenance

Liquidity maintenance	\$ 3,190,197
Liquidity maintenance required by lender	600,000

Calculation of Liquidity maintenance

Unrestricted cash	940,010
Marketable securities	2,250,187
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Liquidity maintenance	<u>\$ 3,190,197</u>