

SIKH GURDWARA - SAN JOSE
AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2023

(With summarized comparative totals as of and
for the year ended December 31, 2022)



SIKH GURDWARA - SAN JOSE
TABLE OF CONTENTS
DECEMBER 31, 2023

	<u>Page(s)</u>
Independent Auditor's Report.....	1
Basic Financial Statements:	
Statements of Financial Position.....	4
Statements of Activities.....	5
Statements of Functional Expenses.....	6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8
Supplementary Information:	
Supporting Data Required by the Lender- Debt Service Coverage Ratio and Liquidity Maintenance Ratio.....	17

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sikh Gurdwara - San Jose (the "Gurdwara"), (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, 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, 2023, and the changes in its net assets and its cash flows for the year 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 the 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 the 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 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 the 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 the Gurdwara'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.

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 17 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.

Report on Summarized Comparative Information

We had previously audited the Gurdwara's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 12, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harshmal & Company LLP

Oakland, California
June 19, 2024

BASIC FINANCIAL STATEMENTS

SIKH GURDWARA - SAN JOSE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023
(With summarized comparative totals as of December 31, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 1,212,293	\$ 1,374,285
Investments	1,874,165	1,538,672
Deferred rent receivable	51,042	25,521
Deposit and advances	1,500	29,000
Property and equipment, net	<u>24,200,456</u>	<u>24,758,999</u>
Total assets	<u>27,339,456</u>	<u>27,726,477</u>
LIABILITIES		
Accounts payable	73,157	67,231
Accrued liabilities	38,822	35,465
Notes payable	<u>9,553,150</u>	<u>9,856,123</u>
Total liabilities	<u>9,665,129</u>	<u>9,958,819</u>
NET ASSETS		
Without donor restrictions	<u>17,674,327</u>	<u>17,767,658</u>
Total net assets	<u>17,674,327</u>	<u>17,767,658</u>
Total liabilities and net assets	<u>\$ 27,339,456</u>	<u>\$ 27,726,477</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, 2023
 (With summarized comparative totals for the year ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
OPERATING REVENUES		
Contributions of cash and other financial assets	\$ 3,276,821	\$ 3,060,546
ARPA grant	18,811	-
Lease rent	71,126	71,126
Other interest income	<u>53</u>	<u>5,574</u>
Total operating revenues	<u>3,366,811</u>	<u>3,137,246</u>
OPERATING EXPENSES		
Program services	1,417,288	1,212,494
General and administrative	<u>2,400,527</u>	<u>2,568,502</u>
Total operating expenses	<u>3,817,815</u>	<u>3,780,996</u>
Changes in net assets from operating activities	<u>(451,004)</u>	<u>(643,750)</u>
NONOPERATING REVENUES		
Investment income, net	<u>357,673</u>	<u>(338,243)</u>
Total nonoperating revenues	<u>357,673</u>	<u>(338,243)</u>
Change in net assets - without donor restrictions	<u>(93,331)</u>	<u>(981,993)</u>
Net assets - without donor restrictions, beginning of year	<u>17,767,658</u>	<u>18,749,651</u>
Net assets - without donor restrictions, end of year	<u>\$ 17,674,327</u>	<u>\$ 17,767,658</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, 2023
(With summarized comparative totals for the year ended December 31, 2022)

	Program Services					Total Expenses		
	Path, Kirtan and Katha	Khalsa School	Community Kitchen (Langar)	Special Events	Total Program Services	General and Administrative	2023	2022
Salaries and wages	\$ 781,297	\$ 12,374	\$ -	\$ -	\$ 793,671	\$ -	\$ 793,671	\$ 698,439
Payroll taxes	59,731	984	-	-	60,715	-	60,715	53,431
Religious services	275,998	-	-	10,238	286,236	-	286,236	274,990
Contract services	17,709	-	-	30,189	47,898	25,900	73,798	19,971
Equipment costs	-	-	-	-	-	32,161	32,161	1,617
School activities	-	90,139	-	30,638	120,777	-	120,777	117,160
Advertising	-	-	-	-	-	54,560	54,560	78,704
Repair and maintenance	-	-	12,181	-	12,181	101,203	113,384	113,847
Bank charges	-	-	-	-	-	10,539	10,539	8,651
Insurance	-	-	-	-	-	49,376	49,376	56,692
Printing and reproduction	557	-	-	-	557	528	1,085	521
Supplies	-	-	54,976	-	54,976	9,925	64,901	47,273
Telephone	-	-	-	-	-	27,916	27,916	22,854
Equipment rental	-	-	-	21,468	21,468	7,981	29,449	3,405
Travel	-	-	-	-	-	532	532	560
Utilities	-	-	-	-	-	198,476	198,476	357,847
Property taxes	-	-	-	-	-	48,186	48,186	46,381
Janitorial services	-	-	-	-	-	173,276	173,276	159,037
Landscaping	-	-	-	-	-	8,666	8,666	21,595
Legal	-	-	-	-	-	206,132	206,132	35,776
Security expenses	-	-	-	-	-	19,788	19,788	19,604
Depreciation	-	-	-	-	-	997,645	997,645	1,066,013
Interest expenses	-	-	-	-	-	423,732	423,732	553,731
Youth sports	-	-	-	10,619	10,619	-	10,619	8,719
Miscellaneous expenses	-	-	-	8,190	8,190	4,005	12,195	14,178
Total expenses 2023	<u>\$ 1,135,292</u>	<u>\$ 103,497</u>	<u>\$ 67,157</u>	<u>\$ 111,342</u>	<u>\$ 1,417,288</u>	<u>\$ 2,400,527</u>	<u>\$ 3,817,815</u>	
Total expenses 2022	<u>\$ 977,126</u>	<u>\$ 90,693</u>	<u>\$ 53,378</u>	<u>\$ 91,297</u>	<u>\$ 1,212,494</u>	<u>\$ 2,568,502</u>		<u>\$ 3,780,996</u>

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, 2023
(With summarized comparative totals for the year ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Changes in net assets from operating activities	\$ (451,004)	\$ (643,750)
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:		
Depreciation	997,645	1,066,013
Change in operating assets and liabilities:		
Deposit and advances	27,500	(29,000)
ERC refund receivable	-	125,745
Deferred rent receivable	(25,521)	(25,521)
Accounts payable	5,926	67,231
Accrued liabilities	<u>3,357</u>	<u>32,087</u>
Net cash provided by operating activities	<u>557,903</u>	<u>592,805</u>
Cash Flows from Investing Activities		
Proceeds from investments	22,180	72,818
Purchase of equipment	<u>(439,102)</u>	<u>(246,431)</u>
Net cash used in investing activities	<u>(416,922)</u>	<u>(173,613)</u>
Cash Flows from Financing Activities		
Payments on notes payable	<u>(302,973)</u>	<u>(285,371)</u>
Net cash used in financing activities	<u>(302,973)</u>	<u>(285,371)</u>
Net change in cash and cash equivalents	(161,992)	133,821
Cash and cash equivalents, beginning of year	<u>1,374,285</u>	<u>1,240,464</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,212,293</u></u>	<u><u>\$ 1,374,285</u></u>
Supplemental disclosures:		
Interest paid	<u><u>\$ 428,882</u></u>	<u><u>\$ 535,352</u></u>

The accompanying notes are an integral part of these financial statements

SIKH GURDWARA - SAN JOSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - GENERAL INFORMATION

Sikh Gurdwara - San Jose (the "Gurdwara") is a California nonprofit organization which was founded and started its operation in 1984. 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 daily. 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 the Gurdwara have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the 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 the Gurdwara's management and the board of directors. 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 those 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, 2023 and 2022.

B. Cash & Cash Equivalents

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.

SIKH GURDWARA - SAN JOSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

C. 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.

D. 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.

E. 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:

<u>Asset class</u>	<u>Useful lives</u>
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.

F. 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 FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

G. 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 Gurdwara considered general administrative expenses.

H. Advertising Expenses

The Gurdwara incurs advertising expenses as part of its efforts to promote its mission, programs, and fundraising activities. These expenses are essential for increasing public awareness, attracting donors, and recruiting volunteers. Advertising expenses for the years ended December 31, 2023 and 2022 were \$54,560 and \$78,704, respectively.

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.

SIKH GURDWARA - SAN JOSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

K. Income Tax Status - Cont'd

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.

L. Leases

The Gurdwara has adopted ASC 842 for accounting for its leases from the fiscal year ending December 31, 2022. The primary objective of this implementation is to enhance the relevance and consistency of information regarding the Gurdwara's leasing activities. Under this guidance, lease income is recognized over the lease term on a straight-line basis. The Gurdwara's financial statements include adequate disclosures to provide insight into the nature and extent of leasing activities.

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, 2022, from which the summarized information was derived.

SIKH GURDWARA - SAN JOSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 - CASH AND CASH EQUIVALENTS

At December 31, 2023, and 2022, the Gurdwara's cash consisted of the following:

	<u>2023</u>	<u>2022</u>
Checking/Savings account	\$ 792,139	\$ 976,307
Cash and sweep balances	<u>420,154</u>	<u>397,978</u>
Total	<u>\$ 1,212,293</u>	<u>\$ 1,374,285</u>

At year-end, the carrying amount of the Gurdwara's Checking/Savings account was \$792,139 and the bank balance was \$712,426. The difference between the bank balance and the carrying amount represents outstanding checks and deposit in transit.

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, 2023 and 2022, the Gurdwara had \$164,371 and \$550,344 in excess of insured limits.

NOTE 4 - INVESTMENTS

Investments are stated at fair value as of December 31, 2023 and 2022, and consist of the following:

	<u>2023</u>	<u>2022</u>
Mutual Funds	\$ 799,513	\$ 381,566
Equity Securities	1,069,941	1,003,231
Fixed Income Securities	<u>4,711</u>	<u>153,875</u>
Total	<u>\$ 1,874,165</u>	<u>\$ 1,538,672</u>

FAIR VALUE MEASUREMENTS

Information related to the investment measured at fair value on a recurring basis at December 31, 2023 is as follows:

Description	Fair Value	Fair Value Measurement Using		
		(Level 1)	(Level 2)	(Level 3)
Mutual Fund	\$ 799,513	\$ 799,513	\$ -	\$ -
Equity Securities	1,069,941	1,069,941	-	-
Fixed Income Securities	<u>4,711</u>	<u>4,711</u>	-	-
Total Investments	<u>\$ 1,874,165</u>	<u>\$ 1,874,165</u>	<u>\$ -</u>	<u>\$ -</u>

SIKH GURDWARA - SAN JOSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 - INVESTMENTS - CONT'D

Information related to the investment measured at fair value on a recurring basis at December 31, 2022 is as follows:

Description	Fair Value	Fair Value Measurement Using		
		(Level 1)	(Level 2)	(Level 3)
Mutual Fund	\$ 381,566	\$ 381,566	\$ -	\$ -
Equity Securities	1,003,231	1,003,231	-	-
Fixed Income Securities	153,875	153,875	-	-
Total Investments	<u>\$ 1,538,672</u>	<u>\$ 1,538,672</u>	<u>\$ -</u>	<u>\$ -</u>

The following schedule summarizes investment returns on investments, reported in the statements of activities for the year ended December 31, 2023 and 2022:

	2023	2022
Interest Income	\$ 3,299	\$ 619
Dividend Income	46,462	36,098
Net Realized Gain/(Loss) on Investments	151,715	(16,738)
Unrealized Gain/(Loss) on Investments	170,821	(343,243)
Investment Fees	(14,624)	(14,979)
Total	<u>\$ 357,673</u>	<u>\$ (338,243)</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2023 and 2022, consist of the following:

	2023	2022
Land	\$ 2,200,000	\$ 2,200,000
Construction in progress	496,209	283,452
Buildings	34,424,815	34,424,815
Buildings and improvements	1,030,948	929,568
Furniture and equipment	2,005,715	1,880,750
Vehicles	32,000	32,000
Total property and equipment	40,189,687	39,750,585
Less: accumulated depreciation	15,989,231	14,991,586
Property and equipment, net	<u>\$ 24,200,456</u>	<u>\$ 24,758,999</u>

Depreciation expense for the years ended December 31, 2023 and 2022 were \$997,645 and \$1,066,013.

SIKH GURDWARA - SAN JOSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 6 - LEASE

On May 28, 2010, the Gurdwara entered into lease agreement 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 \$1,985. Lessor and lessee entered into an amendment to the lease wherein the term of the lease had been modified to include an additional nine extensions of five years. According to the lease, the expiration date of final extension will be May 31, 2060. Rent will be increased for each such renewal term over the monthly or annual installment of rent payable of the preceding renewal term by 12%. In consideration of the additional ground space being lease pursuant to the first amendment effective from the year 2016, tenant shall pay to landlord the amount of \$1,170 per month. The ground expansion fees shall increase in the same manner and at the same time as rent, as provided in the lease, and shall be payable, in advance, together with the rent.

The Gurdwara deferred rent receivable for the year ended December 31, 2023, was as follows:

	Beginning Balance	Additions	Deletion	Ending Balance
Deferred rent receivable	\$ 25,521	\$ 25,521	\$ -	\$ 51,042
Total	<u>\$ 25,521</u>	<u>\$ 25,521</u>	<u>\$ -</u>	<u>\$ 51,042</u>

As lessor, the undiscounted cash flows from future minimum lease payments to be received for the operating leases in effect as of December 31, 2023 are as follows:

Years ending December 31:	Total amount
2024	\$ 45,605
2025	48,797
2026	51,077
2027	51,077
2028	51,077
Thereafter	<u>2,393,564</u>
Total	<u>\$ 2,641,197</u>

The Gurdwara recognized lease revenue of \$71,126 and \$71,126 during the years ended December 31, 2023 and 2022, respectively. The revenue is shown under the operating revenues in the statements of activities.

NOTE 7 - NOTE PAYABLE

At February 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 February 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%.

SIKH GURDWARA - SAN JOSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 - NOTE PAYABLE - CONT'D

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 notes payable:

	<u>2023</u>	<u>2022</u>
Notes payable, current	\$ 321,659	\$ 302,973
Notes payable, net of current	<u>9,231,491</u>	<u>9,553,150</u>
Total notes payable	<u><u>\$ 9,553,150</u></u>	<u><u>\$ 9,856,123</u></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>
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><u>\$ 939,198</u></u>	<u><u>\$ 9,553,150</u></u>	<u><u>\$ 10,492,348</u></u>

NOTE 8 - 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 worker's compensation.

NOTE 9 - 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:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,212,293	\$ 1,374,285
Investments	<u>1,874,165</u>	<u>1,538,672</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 3,086,458</u></u>	<u><u>\$ 2,912,957</u></u>

SIKH GURDWARA - SAN JOSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Gurdwara receives contributions from devotees that may be subject to audit or review by the stakeholders. Management believes that Gurdwara has complied with all the applicable provisions. From time to time, Gurdwara is involved in certain legal matters, which arise in the normal course of operations. Management believes the outcome of outstanding investigations and pending litigation are not expected to have a material effect on the Gurdwara's financial position.

NOTE 11 - SUBSEQUENT EVENTS

The management of the Gurdwara has reviewed the results of operations for the period of time from its year end December 31, 2023 through June 19, 2024, the date the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

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, 2023

Debt Service Coverage Ratio Calculation

Net revenue available for debt service (cash flow) Divided by	\$ 970,373
Maximum annual debt service as defined in the debt agreement	734,840
Debt service coverage ratio	1.32
Debt service coverage 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	\$ (451,004)
Add: Depreciation expense	997,645
Interest expenses	<u>423,732</u>
Net revenue available for debt service	<u><u>\$ 970,373</u></u>

Debt Service for the year ended December 31, 2023

Principal payment upon long- term debt during the year ended December 31, 2024	\$ 321,659
Interest expenses during the year ended December 31, 2024	<u>413,181</u>
Maximum annual debt service as defined in the debt agreement	<u><u>\$ 734,840</u></u>

Liquidity maintenance

Liquidity maintenance	\$ 3,086,458
Liquidity maintenance required by lender	600,000

Calculation of Liquidity maintenance

Unrestricted cash	1,212,293
Marketable securities	<u>1,874,165</u>
Liquidity maintenance	<u><u>\$ 3,086,458</u></u>