

# FINANCIAL REPORT

**2005**

Prepared For:

**SIKH GURDWARA – SAN JOSE**

Prepared by:

**BAINS ACCOUNTANCY CORP**

*Certified Public Accountant*

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**CONFIDENTIAL**

# PREFACE

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Sikh Gurdwara – San Jose (California), incorporated in October 1985, is a non-profit organization committed to providing religious, educational and cultural services to the residents of San Jose and surrounding cities. The management committee consisting of 23 members from the Sikh Community manages the Gurdwara. Various sub-committees manage operating activities of the Sikh Gurdwara.

Bains Accountancy Corporation, Certified Public Accountant has been contracted by the organization to provide financial services for the Sikh Gurdwara. The outcome of these financial services was the preparation of a compilation report for the Sikh Gurdwara - San Jose for the calendar year ending December 31, 2005.

## STAFF:

Bill Singh Bains, CPA

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# SIKH GURDWARA – SAN JOSE

Financial Statements – 2005

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# Bains Accountancy Corporation



## *Certified Public Accountant*

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

We have compiled the accompanying Statement of Financial Position of Sikh Gurdwara, San Jose as of December 31, 2005, and the related Statement of Activities, Functional Expenses and Cash Flow for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Bill Singh Bains, CPA, CIA

June 26, 2006

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

## Sikh Gurdwara - San Jose

### Statement of Financial Position

December 31, 2005

#### Assets

	<u>2005</u>	<u>2004</u>
Current assets		
Cash and Cash Equivalents	\$ 1,773,260.69	\$ 1,253,203.26
Refunds due from Escrow Company	-	21,285.53
Total Current assets	<u>1,773,260.69</u>	<u>1,274,488.79</u>
Land Building & Equipment		
Land (Gurdwara & House)	2,620,000.00	2,620,000.00
Buildings - New Gurdwara	12,354,735.29	12,354,735.29
Buildings - House	282,358.00	282,358.00
Furniture and Fixtures	73,474.30	48,967.00
Main Hall - Construction In Progress	130,987.39	-
Less: accumulated depreciation	<u>(696,708.13)</u>	<u>(375,883.13)</u>
Total Land Building & Equipment	<u>14,764,846.85</u>	<u>14,930,177.16</u>
Total Assets	<u>\$ 16,538,107.54</u>	<u>\$ 16,204,665.95</u>

#### Liabilities and Net Assets

Long-term liabilities		
Loans from Followers - Non Interest bearing	\$ -	\$ 10,000.00
Total Long-term liabilities	<u>-</u>	<u>10,000.00</u>
Net Assets		
Net Investment in Land, Building & Equipment	14,764,846.85	14,930,177.16
Unrestricted Fund Balance	<u>1,773,260.69</u>	<u>1,264,488.79</u>
Total Net Assets	<u>16,538,107.54</u>	<u>16,194,665.95</u>
Total Liabilities and Net Assets	<u>\$ 16,538,107.54</u>	<u>\$ 16,204,665.95</u>

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

**Sikh Gurdwara - San Jose**  
**Statement of Activities**  
For the period ending December 31, 2005

	<b>2005</b>	<b>2004</b>
<b>Revenue &amp; Other Support</b>		
Contributions - Gurdwara	1,203,298.69	1,221,389.00
Khalsa School Fees, Contributions & Grants	67,277.37	53,797.40
Interest Income	54.95	2,814.63
<b>Total Unrestricted Revenue</b>	\$ 1,270,631.01	\$ 1,278,001.03
<b>Expenses</b>		
<b>Program Services</b>		
Program A (Path & Kirtan)	246,481.37	173,046.00
Program B (Khalsa Children School)	66,713.49	47,008.51
Program C (Grand Opening)	-	69,601.00
Program D (Community Kitchen - Langar)	33,409.62	20,645.00
<b>Support Activities</b>		
Management and General	580,584.94	427,187.72
<b>Total Expenses</b>	927,189.42	737,488.23
Net Income (Loss)	343,441.59	540,512.80
Gain on Sale of Property <i>(See Note 6-2004 Reports)</i>	-	2,591,072.05
Changes in Net Assets	343,441.59	3,131,584.85
Net assets at beginning of year	16,194,665.95	13,063,081.10
Net assets at end of year	\$ 16,538,107.54	\$ 16,194,665.95

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

**Sikh Gurdwara - San Jose**  
**Schedule of Functional Expenses**  
December 31, 2005

	Program A - Path/Kirtan	Program B - School	Program D - Langar	Management & General	Total	
					2005	2004
Automobile Expenses				\$ 1,645.31	\$ 1,645.31	-
Bank Charges				60.00	60.00	\$ 80.61
Books		\$ 7,904.92			7,904.92	7,628.24
Camp-School Students		11,753.75			11,753.75	-
Contributions	\$ 71,693.00	768.00			72,461.00	-
Cultural Programs/Special Event		-			-	75,505.82
Depreciation				320,825.00	320,825.00	326,916.00
Equipment Rental			\$ 1,400.87	3,294.82	4,695.69	-
Insurance				13,051.00	13,051.00	981.00
Kitchen Appliances			649.45		649.45	153.00
Kitchen Supplies			14,194.96		14,194.96	15,142.00
Kitchen Cleaning			13,057.49		13,057.49	-
License/Permits				9,584.83	9,584.83	-
Miscellaneous	-	505.19	865.00	3,389.35	4,759.54	22,438.80
Music (Kirtan) Expenses	-	18,760.00			18,760.00	12,460.00
Office Supplies		1,456.36		2,447.25	3,903.61	2,432.44
Postage & Delivery		155.30		393.23	548.53	915.00
Printing/Reproduction		538.72			538.72	1,461.84
Professional Charges	-	7,796.51	-	4,545.38	12,341.89	14,111.01
Religious Services	174,788.37				174,788.37	150,954.00
Repairs & Maintenance			3,241.85	33,962.37	37,204.22	12,711.00
School Supplies		11,614.94			11,614.94	7,417.77
Security				2,356.83	2,356.83	-
Snacks-School		5,459.77			5,459.77	4,442.39
Supplies				1,167.59	1,167.59	-
Taxes-Property				35,573.33	35,573.33	46,700.31
Telephone				8,241.12	8,241.12	2,909.00
Utilities				140,047.53	140,047.53	32,128.00
<b>Total</b>	<b>\$246,481.37</b>	<b>\$ 66,713.46</b>	<b>\$ 33,409.62</b>	<b>\$ 580,584.94</b>	<b>\$927,189.39</b>	<b>737,488.23</b>

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

**Sikh Gurdwara - San Jose**  
**Statement of Cash Flows**  
For the period ending December 31, 2005

	<b>2005</b>	<b>2004</b>
<b>Cash flows from operating activities:</b>		
Net Income/(Loss)	\$ 343,441.59	\$ 540,512.80
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operations:		
Depreciation and amortization expense	320,825.00	326,916.00
Net cash provided by (used in) operating activities	664,266.59	867,428.80
 <b>Cash flows from investing activities:</b>		
Net proceeds from the sale of land/building	-	2,844,770.05
Investment in fixed assets-capitalized costs	(134,209.16)	(3,056,602.63)
Net cash provided by (used in) investing activities	(134,209.16)	(211,832.58)
 <b>Cash flows from financing activities:</b>		
Repayments on long-term debt	(10,000.00)	(1,259,332.00)
Net cash provided by (used in) financing activities	(10,000.00)	(1,259,332.00)
 <b>Net Increase(Decrease) in Cash</b>	520,057.43	(603,735.78)
 Cash at Beginning of Period	1,253,203.26	1,856,939.04
 Cash at End of Period	\$ 1,773,260.69	1,253,203.26

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



**Sikh Gurdwara – San Jose**  
**Notes to Financial Statements**  
**December 31, 2005**

**Note 1 – Nature of Activities**

Sikh Gurdwara – San Jose is a non-profit organization committed to providing religious, educational and cultural services to the residents of San Jose and surrounding cities. There are three programs that account for a majority of the Gurdwara's activities:

***Program A – Path and Kirtan***

Religious services such as reading sermons and singing devotional music (Path, Kirtan and Katha) are conducted at Sikh Gurdwara on a regular basis. Spiritual leaders and priests from around the world provide these services. Complimentary food, snacks and beverages are provided to devotees of the Sikh Gurdwara. Direct costs related to this ongoing function are shown under Program A.

***Program B – Khalsa School***

Educational services are provided to young children at Sikh Gurdwara. Children are taught Punjabi language, principles of Sikh religion, and devotional music. Khalsa School is funded and managed by the Gurdwara Committee thru a sub-committee. Direct costs related to this function are shown as Program B.

***Program C – Grand Opening Parade***

Grand opening parade was organized by the Sikh Gurdwara on August 29, 2004 on the opening day of the New Sikh Gurdwara. All direct costs related to this one-time event were shown under Program Services as Program C.

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

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

**Note 2 – Significant Accounting Policies**

The financial statements of Sikh Gurdwara - San Jose have been prepared on the accrual basis of accounting. The significant policies followed are described below to enhance the usefulness of the financial statements to the reader.

**Classes of Net Assets**

There are no restrictions placed on the assets by donors. Therefore, all assets are available at the discretion of the management committee for use in the organizations' operations or investment in building and equipment in accordance with the policies of the organization.

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in checking, savings, time deposits and money market bank accounts. Sikh Gurdwara deposits all of the cash in two commercial banks located in San Jose, CA. From time to time, cash balance in these accounts exceeds federally insured limits. In August 2005, Sikh Gurdwara invested \$1 million in 10 certificates of deposits (each \$100,000) with various maturity dates and interest payable at maturity through AIG Financial Advisors, Inc.

### **Land Building and Equipment Depreciation**

Expenditure on building and equipment are capitalized at cost. Depreciation is computed on the straight-line method over the estimated useful lives of assets: 5 years for Equipment, Furniture and Fixtures and 40 years for Buildings. During 2005, Sikh Gurdwara spent \$130,987 on preliminary construction costs such as city permits, legal costs, project management and blue prints for the remaining Sikh Gurdwara building. This amount included some outstanding payments associated with the building placed in service 2004.

### **Revenues and Expenses**

Unrestricted contributions are recognized when cash or ownership of donated assets is unconditionally promised to the organization. As of the date of the financial statements no restrictions were placed by the donors on donated assets.

Other income is recognized when earned. Expenses are recognized when incurred in accordance with the accrual basis of accounting.

### **Comparative Totals**

Financial Statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly such information should be read in conjunction with the Sikh Gurdwara's financial statements for the year ended December 31, 2004 from which the summarized information was derived.

### **Note 3 – Contributed Services**

A substantial number of unpaid volunteers have made significant contributions of their time. The value of this contributed time is not susceptible to objective measurements of valuation and accordingly is not reflected in the financial statements.

## **Note 4 – Land Building and Equipment**

Land Building and Equipment at December 31, 2005 consisted of the following:

Equipment, Furniture & Fixtures	\$73,474
Land & Building	
Land & Building – House	702,358
Land & Building – New Gurdwara	14,554,735
Construction In Progress – Main Hall	<u>130,987</u>
Total	\$15,461,554
Less Accumulated Depreciation	-696,708
Total Land, Building and Equipment	\$14,764,846

The change in Equipment, Furniture & Fixtures represents purchase of Sound System, Video System, Alarm System and Kitchen Equipment at the New Gurdwara.