

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

AUDITED FINANCIAL STATEMENTS

December 31, 2020

HARSHWAL 
& COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

SIKH GURDWARA - SAN JOSE
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2020, 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.

Other Matter

We have previously audited the Gurdwara's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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 15 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.

Harshwal & Company LLP

Oakland, California
May 31, 2021

SIKH GURDWARA - SAN JOSE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020
(Summarized Totals for 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 620,456	\$ 612,310
Investments	1,487,512	1,489,449
Prepaid expenses	-	16,498
Other assets	16,700	-
Property and equipment, net	26,716,844	27,895,044
Total assets	28,841,512	30,013,301
LIABILITIES		
Note payable, current portion	311,611	253,178
Note payable, long-term portion	10,011,719	10,280,512
PPP loan	123,649	-
Total liabilities	10,446,979	10,533,690
NET ASSETS		
Net assets without donor restriction	18,394,533	19,479,611
Total net assets	18,394,533	19,479,611
Total liabilities and net assets	\$ 28,841,512	\$ 30,013,301

The accompanying notes are an integral part of these financial statements

SIKH GURDWARA - SAN JOSE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020
(Summarized Totals for 2019)

	Without Donor Restrictions	Total 2020	2019
REVENUES			
Contributions	\$ 1,846,813	\$ 1,846,813	\$ 2,811,528
Rent income	43,569	43,569	40,718
Investment income, net	179,136	179,136	167,836
Total revenues	<u>2,069,518</u>	<u>2,069,518</u>	<u>3,020,082</u>
EXPENSES			
Program services	861,847	861,847	1,170,383
General and administrative	<u>2,292,749</u>	<u>2,292,749</u>	<u>2,581,967</u>
Total expenses	<u>3,154,596</u>	<u>3,154,596</u>	<u>3,752,350</u>
Changes in net assets	(1,085,078)	(1,085,078)	(732,268)
Net assets, beginning of the year	<u>19,479,611</u>	<u>19,479,611</u>	<u>20,211,879</u>
Net assets, end of the year	<u>\$ 18,394,533</u>	<u>\$ 18,394,533</u>	<u>\$ 19,479,611</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, 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 Expense	\$ 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
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Path, Kirtan and Katha	Khalsa School	Community Kitchen (Langar)	Special Events	Total Program Services	General Administrative	Total Expenses
Salaries and wages	\$ 504,045	\$ 17,550	\$ 25,722	\$ -	\$ 547,317	\$ 46,198	\$ 593,515
Payroll taxes	38,560	1,343	1,968	-	41,871	3,534	45,405
Religious services	308,021	-	-	-	308,021	-	308,021
Contract services	-	-	-	-	-	12,130	12,130
Equipment costs	-	-	-	-	-	14,722	14,722
Special event cost	-	-	-	88,891	88,891	-	88,891
Cultural program	-	-	-	10,096	10,096	-	10,096
School activities	-	100,584	-	-	100,584	-	100,584
Advertising	-	-	-	5,843	5,843	91,231	97,074
Repair and maintenance	-	-	-	-	5,843	103,571	110,318
Bank charges	-	-	6,747	-	6,747	3,299	3,299
Election Costs	-	-	-	-	-	9,462	9,462
Insurance	-	-	-	-	-	29,067	29,067
Printing and reproduction	-	-	-	-	-	33	33
Supplies	-	-	57,409	-	57,409	193	57,602
Telephone	-	-	-	-	-	2,975	2,975
Rent	-	-	-	-	-	2,271	2,271
Travel	1,495	-	-	-	-	530	2,025
Utilities	-	-	-	-	1,495	-	1,495
Property taxes	-	-	-	-	-	131,090	131,090
Janitorial services	-	-	-	-	-	49,496	49,496
Landscaping	-	-	-	-	-	124,246	124,246
Legal	-	-	-	-	-	20,411	20,411
Security expenses	-	-	-	-	-	117,987	117,987
Depreciation	-	-	-	-	-	90,954	90,954
Interest expenses	-	-	-	-	-	1,242,084	1,242,084
Miscellaneous expenses	-	-	-	-	-	467,101	467,101
			2,109	-	2,109	19,382	21,491
Total Expense	\$ 852,121	\$ 119,477	\$ 93,955	\$ 104,830	\$ 1,170,383	\$ 2,581,967	\$ 3,752,350

The accompanying notes are an integral part of these financial statements

SIKH GURDWARA - SAN JOSE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020
(Summarized Totals for 2019)

	<u>2020</u>	<u>2019</u>
<i>Cash Flows From Operating Activities:</i>		
Changes in net assets	\$ (1,085,078)	\$ (732,268)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,248,786	1,242,084
Amortization of loan costs	-	-
Unrealized loss/(gain) on investments	(184,753)	(155,730)
Realized loss/(gain) on sale of investments	20,527	6,695
Changes in operating assets and liabilities:		
Increase (decrease) in prepaid expenses	16,498	(16,498)
Increase (decrease) in other assets	(16,700)	
Net cash provided (used) by operating activities	<u>(720)</u>	<u>344,283</u>
<i>Cash Flows From Investing Activities:</i>		
Proceeds from sale of investments	166,163	(553,669)
Purchase of equipment	<u>(70,586)</u>	<u>(161,891)</u>
Net cash provided (used) by investing activities	<u>95,577</u>	<u>(715,560)</u>
<i>Cash Flows From Financing Activities:</i>		
Principal payments on note payable	(210,360)	(238,469)
Proceeds from PPP loan	<u>123,649</u>	-
Net cash provided (used) by financing activities	<u>(86,711)</u>	<u>(238,469)</u>
Net change in cash and cash equivalents	8,146	(609,746)
Cash and cash equivalents, beginning of year	<u>612,310</u>	<u>1,222,056</u>
Cash and cash equivalents, end of year	<u>\$ 620,456</u>	<u>\$ 612,310</u>
Supplemental Disclosures:		
Interest Paid	<u>\$ 424,430</u>	<u>\$ 467,101</u>

The accompanying notes are an integral part of these financial statements

SIKH GURDWARA - SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 restriction at December 31, 2020 and 2019.

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, 2020

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. 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.

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.

SIKH GURDWARA - SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

H. Expense Allocation- Cont'd

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

Effective January 1, 2020, the Gurdwara adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers. Under the new revenue recognition standard, 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.

The Gurdwara does not expect a material impact to its statements of financial position and statements of Activities on an ongoing basis from the adoption of the new standard.

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.

L. 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. The fair value of donated capital items are similarly capitalized.

SIKH GURDWARA - SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

M. New Accounting Pronouncement

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.

NOTE 3 - CASH AND INVESTMENTS

As of December 31, 2020, the Gurdwara's cash and investments consisted of the following:

	<u>2020</u>	<u>2019</u>
Deposits (less outstanding checks and other items)	\$ 620,456	\$ 612,310
Total Cash	<u>\$ 620,456</u>	<u>\$ 612,310</u>

At year-end, the carrying amount of the Gurdwara's cash deposits was \$620,456 and the bank balance was \$609,098. The difference between the bank balance and the carrying amount represents outstanding checks and deposits 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, 2020 and 2019, the Gurdwara had \$146,600 and \$91,898 in excess of insured limits.

	<u>Bank of America</u>	<u>Wells Fargo Bank</u>	<u>Umpqua Bank</u>	<u>Total</u>
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, 2020:

	<u>Cost</u>	<u>Fair Value</u>	<u>Level of Inputs</u>
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	<u>32,565</u>	<u>32,565</u>	
Total	<u>\$ 1,107,915</u>	<u>\$ 1,487,512</u>	

SIKH GURDWARA - SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 - CASH AND INVESTMENTS - CONT'D

Investments are stated at fair value and consist of the following at December 31, 2019:

	<u>Cost</u>	<u>Fair Value</u>	<u>Level of Inputs</u>
Mutual Funds	\$ 401,173	\$ 414,500	Level 1
Equity Securities	356,792	526,522	Level 1
Govt & Agency Securities	585	577	Level 1
Bonds	5,096	5,506	Level 1
Cash and Sweep balances	<u>542,344</u>	<u>542,344</u>	Level 1
Total	<u>\$ 1,305,990</u>	<u>\$ 1,489,449</u>	

The following schedule summarizes investment returns on investments and cash and cash equivalents, which were all unrestricted and reported in the statements of activities for the year ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest Income	\$ 350	\$ 1,502
Dividend Income	20,565	22,736
Net Realized Gain/(Loss) on Investments	(20,527)	(6,695)
Unrealized Gain/(Loss) on Investments	184,753	155,730
Investment Fees	<u>(6,005)</u>	<u>(5,437)</u>
Total	<u>\$ 179,136</u>	<u>\$ 167,836</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2020 consist of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 2,200,000	\$ 2,200,000
Construction In Progress	39,550	71,121
Buildings	34,495,936	34,424,815
Buildings and improvements	913,751	913,751
Furniture and equipment	1,717,492	1,686,456
Vehicles	<u>32,000</u>	<u>32,000</u>
Total property and equipment	39,398,729	39,328,143
Less: accumulated depreciation	<u>12,681,885</u>	<u>11,433,099</u>
Total property and equipment, net	<u>\$ 26,716,844</u>	<u>\$ 27,895,044</u>

Depreciation expense for the year ended December 31, 2020 was \$1,248,786.

SIKH GURDWARA - SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 has \$2,107,968 of financial assets available within one year of the balance sheet date to meet cash needs for general expenses. The Gurdwara's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$789,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

NOTE 9 - PAYCHECK PROTECTION PROGRAM LOAN PROCEED

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 PPP, established as part of the Corona Virus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying the Gurdwara for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying the Gurdwara. The loans and accrued interest are forgivable after eight weeks as long as the Borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the Borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Gurdwara intends to use the proceeds for purpose consistent with the PPP.

The Gurdwara intends to use the proceeds for purposes consistent with the PPP. While the Gurdwara currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, the Gurdwara has plans in place to do everything necessary to meet the conditions for forgiveness of the loan, in whole or in part.

Since, the Gurdwara's covered payroll period was not completed as of December 31, 2020; amount of loan that will be forgiven or payable is uncertain, so as of December 31, 2020, the Gurdwara had not disclosed the future maturities.

NOTE 10 - EVALUATION OF SUBSEQUENT EVENTS

The Gurdwara has evaluated all subsequent events through May 31, 2021, the date through which the financial statements were available to be issued.

The Gurdwara plans to apply for Employee Retention Credit for the fiscal year ended December 31, 2020. The anticipated refund amount for quarter 3 and quarter 4 of FY 2020 is \$116,122. The Gurdwara has claimed the payroll tax credit of quarter 1 of FY 2021.

The COVID-19 pandemic is complex and rapidly evolving. At this point, we cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on our business, results of operations, financial position and cash flows.

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, 2020

Debt Service Ratio Calculation

Net revenue available for debt service (cash flow) Divided by	\$ 588,138
Maximum annual debt service as defined in the debt agreement	789,691
Debt service ratio	0.74
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	(1,085,078)
Plus: Depreciation expense	1,248,786
Amortization of loan cost	-
Interest expenses	<u>424,430</u>
Net revenue available for debt service	<u>588,138</u>

Debt Service for the year ended December 31, 2020

Principal payment upon long- term debt during the year ended December 31, 2021	311,611
Interest expenses during the year ended December 31, 2021	<u>478,080</u>
Maximum annual debt service as defined in the debt agreement	<u>\$ 789,691</u>

Liquidity maintenance

Liquidity maintenance	\$ 2,107,968
Liquidity maintenance required by lender	600,000

Calculation of Liquidity maintenance

Unrestricted cash	620,456
Marketable securities	<u>1,487,512</u>
Liquidity maintenance	<u>\$ 2,107,968</u>