

**THE SIKH COALITION**

**DECEMBER 31, 2018**

**OWEN J. FLANAGAN & COMPANY, LLP**

CERTIFIED PUBLIC ACCOUNTANTS  
60 EAST 42<sup>ND</sup> STREET, SUITE 2810  
NEW YORK, NEW YORK 10165

OWEN J. FLANAGAN, CPA  
(1925-1996)

KEVIN C. SUNKEL, CPA  
JOHN L. CORCORAN, CPA  
MEREDITH A.F. KORN, CPA  
LAUREN A. MARCIN, CPA

(212) 682-2783  
FACSIMILE (212) 697-5843  
WWW.OJFLANAGAN.COM

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

**Independent Auditor's Report**

**To the Board of Directors of  
The Sikh Coalition**

We have audited the accompanying financial statements of The Sikh Coalition (the "Coalition"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, cash flows and functional expenses for the years 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 opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Sikh Coalition as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Emphasis-of-Matter***

As discussed in Note 2 to the financial statements, in 2018, The Sikh Coalition adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

*Bruce J. Flanagan & Co.*

August 21, 2019

THE SIKH COALITION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2018 AND 2017

Exhibit A

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,038,000	\$ 773,630
Investments, at fair value	725,807	779,793
Beneficial interest in life insurance	13,043	7,292
Prepaid expenses and other receivables	790	1,651
Contributions receivable	673,576	1,196,622
Property and equipment (net of accumulated depreciation of \$63,162 in 2018 and \$40,051 in 2017)	<u>21,245</u>	<u>37,111</u>
<u>Total Assets</u>	<u>\$ 2,472,461</u>	<u>\$ 2,796,099</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 42,985	\$ 39,069
Accrued expenses	128,630	99,018
Deferred rent	<u>27,372</u>	<u>26,944</u>
<u>Total Liabilities</u>	<u>198,987</u>	<u>165,031</u>
Net Assets		
Without donor restrictions	1,279,520	1,273,604
With donor restrictions		
Time or purpose restricted	514,235	844,889
Endowment funds	<u>479,719</u>	<u>512,575</u>
<u>Total Net Assets</u>	<u>2,273,474</u>	<u>2,631,068</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 2,472,461</u>	<u>\$ 2,796,099</u>

The accompanying notes are an integral part of these financial statements.

THE SIKH COALITION  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018

Exhibit B-1

		<u>With Donor Restrictions</u>		
	<u>Without Donor Restrictions</u>	<u>Time or Purpose Restricted</u>	<u>Endowment Funds</u>	<u>Total</u>
Revenues				
Contributions	\$ 1,308,968	\$ 19,917	\$ -	\$ 1,328,885
Grants	25,000	223,595		248,595
Donated goods and services	240,045			240,045
Special events (net of direct costs of \$31,595)	76,763			76,763
Other income	2,366			2,366
Beneficial interest in life insurance	-	5,751		5,751
Net investment return	(18,305)		(32,856)	(51,161)
Net assets released from restrictions	579,917	(579,917)		-
<u>Total Revenues</u>	<u>2,214,754</u>	<u>(330,654)</u>	<u>(32,856)</u>	<u>1,851,244</u>
Expenses				
Program services	1,906,152			1,906,152
Fund-raising	183,008			183,008
Administrative	119,678			119,678
<u>Total Expenses</u>	<u>2,208,838</u>			<u>2,208,838</u>
Change in Net Assets for Year	5,916	(330,654)	(32,856)	(357,594)
Net Assets - beginning of year	1,273,604	844,889	512,575	2,631,068
Net Assets - end of year	<u>\$ 1,279,520</u>	<u>\$ 514,235</u>	<u>\$ 479,719</u>	<u>\$ 2,273,474</u>

The accompanying notes are an integral part of these financial statements.

THE SIKH COALITION  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2017

Exhibit B-2

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Time or Purpose Restricted</u>	<u>Endowment Funds</u>	<u>Total</u>
Revenues				
Contributions	\$ 1,137,351	\$ 32,591	\$ -	\$ 1,169,942
Grants	-	1,195,900		1,195,900
Donated goods and services	282,561			282,561
Special events (net of direct costs of \$30,254)	81,233			81,233
Other income	3,081			3,081
Beneficial interest in life insurance	-	130		130
Net investment return	29,750		62,585	92,335
Net assets released from restrictions	661,642	(599,057)	(62,585)	-
<u>Total Revenues</u>	<u>2,195,618</u>	<u>629,564</u>	<u>-</u>	<u>2,825,182</u>
Expenses				
Program services	1,518,494			1,518,494
Fund-raising	214,086			214,086
Administrative	126,232			126,232
<u>Total Expenses</u>	<u>1,858,812</u>			<u>1,858,812</u>
Change in Net Assets for Year	336,806	629,564	-	966,370
Net Assets - beginning of year	936,798	215,325	512,575	1,664,698
Net Assets - end of year	<u>\$ 1,273,604</u>	<u>\$ 844,889</u>	<u>\$ 512,575</u>	<u>\$ 2,631,068</u>

The accompanying notes are an integral part of these financial statements.

THE SIKH COALITION  
STATEMENT OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2018 AND 2017

Exhibit C

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS PROVIDED (USED)</u>		
FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (357,594)	\$ 966,370
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Increase in beneficial interest in life insurance	(5,751)	(131)
Depreciation	23,111	22,698
Decrease (increase) in contributions receivable	523,046	(538,108)
Decrease in prepaid expenses and other receivables	861	29,139
Increase (decrease) in accounts payable	3,916	(57,436)
Increase (decrease) in accrued expenses	29,612	(41,807)
Increase in deferred rent	428	26,944
Donated securities	(3,892)	(3,593)
Realized gains	(31,420)	(28,767)
Change in unrealized appreciation	92,764	(48,118)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>275,081</u>	<u>327,191</u>
FROM INVESTING ACTIVITIES:		
Purchase of equipment	(7,245)	(9,110)
Proceeds from sale of investments	404,448	665,774
Purchase of investments	(407,914)	(654,340)
<u>NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES</u>	<u>(10,711)</u>	<u>2,324</u>
NET INCREASE IN CASH	264,370	329,515
CASH, beginning of year	<u>773,630</u>	<u>444,115</u>
CASH, end of year	<u><u>\$ 1,038,000</u></u>	<u><u>\$ 773,630</u></u>

The accompanying notes are an integral part of these financial statements.

THE SIKH COALITION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2018

Exhibit D-1

	Government Advocacy	Community Relations	Education	Legal Affairs	Total Program	Fund- raising	Administrative	Total
Employee services	\$ 204,177	\$ 297,458	\$ 246,857	\$ 406,788	\$ 1,155,280	\$ 136,833	\$ 68,425	\$ 1,360,538
Advertising and public relations	120	2,600	-	-	2,720	-	-	2,720
Bank and service fees	284	414	344	566	1,608	-	968	2,576
Books, subscriptions and publications	28,937	8,076	6,614	17,292	60,919	14,220	5,517	80,656
Fund-raising and advocacy fees	-	-	-	-	-	19,742	-	19,742
Insurance	608	886	736	3,881	6,111	-	3,182	9,293
Equipment and repairs	161	314	112	1,116	1,703	-	623	2,326
Postage and shipping	3,890	10,817	5,140	7,823	27,670	1,977	1,238	30,885
Printing and copying	4,047	26,386	10,624	7,090	48,147	1,575	567	50,289
Professional fees	23,456	6,374	10,894	203,464	244,188	1,219	31,748	277,155
Rent and utilities	22,170	32,745	26,804	44,170	125,889	267	564	126,720
Supplies	1,397	4,837	2,241	3,657	12,132	335	953	13,420
Telephone and internet	1,355	1,974	1,639	2,700	7,668	307	1,557	9,532
Temporary assistance	22,801	15,237	7,565	12,342	57,945	1,113	2,461	61,519
Travel, conferences and meals	37,168	44,264	20,674	32,442	134,548	3,096	712	138,356
Depreciation	3,468	5,053	4,193	6,910	19,624	2,324	1,163	23,111
<u>Total Expenses</u>	<u>\$ 354,039</u>	<u>\$ 457,435</u>	<u>\$ 344,437</u>	<u>\$ 750,241</u>	<u>\$ 1,906,152</u>	<u>\$ 183,008</u>	<u>\$ 119,678</u>	<u>\$ 2,208,838</u>

The accompanying notes are an integral part of these financial statements.



THE SIKH COALITION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2017

Exhibit D-2

	Government Advocacy	Community Relations	Education	Legal Affairs	Total Program	Fund- raising	Administrative	Total
Employee services	\$ 161,685	\$ 187,370	\$ 168,305	\$ 250,602	\$ 767,962	\$ 111,049	\$ 55,933	\$ 934,944
Advertising and public relations	10	6,500	-	-	6,510	-	-	6,510
Bank and service fees	27	31	28	41	127	163	3,977	4,267
Books, subscriptions and publications	3,066	3,603	3,418	11,768	21,855	6,598	3,092	31,545
Fund-raising and advocacy fees	-	-	-	-	-	24,871	1,468	26,339
Insurance	2,160	2,503	2,248	3,348	10,259	1,484	747	12,490
Equipment and repairs	256	197	-	-	453	-	249	702
Postage and shipping	572	3,269	1,044	936	5,821	11,924	1,559	19,304
Printing and copying	864	12,661	3,612	601	17,738	26,040	530	44,308
Professional fees	9,396	8,208	6,154	252,625	276,383	3,673	42,620	322,676
Rent and utilities	20,520	23,779	21,360	31,804	97,463	14,093	7,098	118,654
Supplies	2,117	1,444	1,878	902	6,341	3,118	3,618	13,077
Telephone and internet	3,424	3,924	3,390	5,048	15,786	1,554	1,006	18,346
Temporary assistance	24,139	57,362	22,425	40,263	144,189	80	885	145,154
Travel, conferences and meals	52,794	34,018	17,269	24,882	128,963	6,743	2,092	137,798
Depreciation	3,925	4,549	4,086	6,084	18,644	2,696	1,358	22,698
<u>Total Expenses</u>	<u>\$ 284,955</u>	<u>\$ 349,418</u>	<u>\$ 255,217</u>	<u>\$ 628,904</u>	<u>\$ 1,518,494</u>	<u>\$ 214,086</u>	<u>\$ 126,232</u>	<u>\$ 1,858,812</u>

The accompanying notes are an integral part of these financial statements.

**THE SIKH COALITION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 NATURE OF ORGANIZATION**

The Sikh Coalition (the "Coalition") is a New Jersey not-for-profit corporation operating in New York City and California. It has been created to defend civil rights and liberties, educate the broader community about the Sikh religion and diversity, promote community empowerment and foster civic engagement amongst Sikh Americans. They focus their efforts through program areas such as Community Relations, Education, Government Advocacy and Legal Affairs.

The Coalition receives the majority of its support from grants and contributions.

**NOTE 2 NEW ACCOUNTING PRONOUNCEMENT**

On August 18, 2016 the FASB issued ASU 2016-14, *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* effective for fiscal years beginning after December 15, 2017. The Coalition has adjusted the presentation of its financial statements accordingly, applying the changes to its beginning Net Assets balances. The new standards change the following aspects of the Coalition's financial statements:

- The temporary restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions. The Coalition has opted to further disaggregate this class to show "Time or purpose restricted" and "Endowment funds" separately.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 14).
- During 2018, the donor-restricted endowment funds have fair values less than the original gift amount of \$512,575. The Coalition has disclosed how this underwater situation affects spending from the fund (Note 9).

The changes have the following effect on net assets at December 31, 2017:

Net Asset Classifications	ASU 2016-14 Classifications			Total Net Assets
	Without Donor Restrictions	With Donor Restrictions		
		Time or Purpose Restricted	Endowment Funds	
As previously presented:				
Unrestricted net assets	\$ 1,273,604	\$ -	\$ -	\$ 1,273,604
Temporarily restricted net assets	-	844,889	-	844,889
Permanently restricted net assets	-	-	512,575	512,575
Total Net Assets	\$ 1,273,604	\$ 844,889	\$ 512,575	\$ 2,631,068

THE SIKH COALITION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***

The Coalition's financial statements are prepared using the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

***Method of Presentation***

In accordance with generally accepted accounting principles, net assets are recorded based on donor restrictions or lack thereof.

*Net Assets Without Donor Restrictions* – Net assets which have no donor-imposed stipulations and may be used for general operations.

*Net Assets With Donor Restrictions* – Net assets from contributions which have donor-imposed stipulations that either expire due to the passage of time or actions of the Coalition, or require that they be held in perpetuity by the Coalition. When the donor stipulations have been satisfied, the contribution is reclassified to net assets without donor restrictions. The donor-restricted endowment funds consist of \$512,575 of original gifts to be held in perpetuity. The investment return from these funds must be spent in accordance with donor stipulations.

***Investments***

The Coalition's investments consist of publicly traded equity securities, exchange-traded funds and mutual funds. They are reported at fair market value as determined by the investment custodian based on market price quotations.

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with investments, it is reasonably possible that changes in the values of investments could occur.

Realized gains and losses from the sale of investments are determined by comparison of cost to proceeds on a first-in, first-out method. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

The Coalition has adopted a conservative investment policy which attempts to provide a predictable stream of funding for its programs while seeking to maintain the purchasing power of its endowment assets including those assets of donor restricted funds that must be held in perpetuity.

The Coalition relies on a low-risk total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Coalition puts emphasis on lower risk equity-based investments to achieve its long-term return objectives within prudent risk constraints.

***Functional Allocation of Expenses***

The financial statements report certain categories of expenses that are attributable to Government Advocacy, Community Relations, Education, Legal Affairs, Fund-Raising and Administrative. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis which is consistently applied. The Coalition allocates these expenses based on estimates of time and effort per employee and other Coalition resources utilized on programmatic activities as compared to management of the Coalition.

THE SIKH COALITION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

***Use of Estimates***

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

***Cash and Cash Equivalents***

Cash consists of funds in checking, savings, money market funds held within investment accounts and a short-term certificate of deposit with a maturity of one year.

***Property and Equipment***

Property and equipment are carried at cost. Depreciation is recorded using the straight-line method over estimated service lives of the property, which range from 3 to 5 years.

***Contributions Receivable***

Unconditional contributions are recorded when the Coalition is notified. Long term pledge receivables are discounted to present value using the Prime Rate. The Prime Rate at December 31, 2018 was 5.5%.

***Subsequent Events***

In connection with the preparation of the financial statements the Coalition evaluated subsequent events after the statement of financial position date of December 31, 2018 through August 21, 2019 which was the date the financial statements were available to be issued.

***Accounting for Uncertainty in Income Taxes***

The Coalition recognizes the effect of income tax positions only if these positions are more likely than not to be sustained. Management has determined that the Coalition had no uncertain tax positions that would require financial statement recognition and/or disclosure.

**NOTE 4 TAX STATUS**

The Coalition is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is further classified as a publicly supported organization.

**NOTE 5 PROPERTY AND EQUIPMENT**

A summary of the property and equipment and accumulated depreciation as of December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$74,630	\$67,385
Artwork	9,777	9,777
	<u>84,407</u>	<u>77,162</u>
Less: Accumulated depreciation	63,162	40,051
	<u>\$21,245</u>	<u>\$37,111</u>

**THE SIKH COALITION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 6 INVESTMENTS**

A summary of net investment return as of December 31, 2018 and 2017 is as follows:

	2018	2017
Interest and dividends	\$ 16,154	\$ 20,017
Realized gain on investments	31,420	28,767
Change in unrealized gain on investments	(92,764)	48,118
Directly reported investment fees	(5,971)	(4,567)
	<u>\$ (51,161)</u>	<u>\$ 92,335</u>

A summary of investments as of December 31, 2018 and 2017 is as follows:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Mutual funds				
Large cap stock	\$138,070	\$133,796	\$139,580	\$158,573
Long/Intermediate-term	169,558	164,103	155,684	157,508
Alternative strategies	106,480	91,472	96,096	95,043
International stock	77,391	71,751	57,455	68,004
Multi-sector fixed income	26,994	26,027	48,283	48,647
Other	70,386	62,960	49,850	54,030
Exchange-traded funds	176,023	166,957	183,138	193,112
Common stocks-Technology	9,163	8,741	5,201	4,876
	<u>\$774,065</u>	<u>\$725,807</u>	<u>\$735,287</u>	<u>\$779,793</u>

***Fair Value of Investments***

Investments are carried at fair value based on quoted market prices. The Coalition follows Financial Accounting Standards Board (FASB) guidance on *Fair Value Measurements*, which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the higher reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices on active market which may include quoted prices for similar assets or liabilities or other input which can be corroborated by observable market data. Level 3 inputs are unobservable input and are used to the extent that observable inputs do not exist. In accordance with FASB guidance, investments valued at Net Asset Value as a practical expedient are excluded from the fair value hierarchy.

The Coalition's investments are comprised entirely of Level 1 investments.

THE SIKH COALITION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**NOTE 7 DONATED SERVICES**

During 2018 and 2017, the Coalition engaged law firms on a pro bono basis for a variety of different reasons, but primarily in defense of Sikh's rights through legal services and advocacy. These services have been recorded under Professional fees on the Statement of Functional Expenses at a cost of \$215,045 and \$240,811 in 2018 and 2017, respectively.

During 2018, the Coalition received two and a half months of donated services from a board member serving as the interim executive director valued at \$25,000 and recorded under Employee services on the Statement of Functional Expenses.

During 2017, the Coalition received donated consulting services of \$1,750 recorded under Temporary assistance on the Statement of Functional Expenses and four months of donated services from a board member serving as the interim executive director valued at \$40,000 and recorded under Employee services on the Statement of Functional Expenses.

**NOTE 8 TIME OR PURPOSE RESTRICTED**

At December 31, 2018 and 2017, temporarily restricted net assets were restricted for the following purposes:

	<u>2018</u>	<u>2017</u>
Library Project	\$ 22,993	\$ 22,993
Program Projects	160,000	177,705
Time Restricted	292,200	580,900
Organizational Development	-	30,000
Beneficial Interest in Life Insurance	13,043	7,292
Small grants program	25,999	25,999
	<u>\$ 514,235</u>	<u>\$ 844,889</u>

During the year ended December 31, 2018 and 2017, net assets released from restriction were released for the following purposes:

	<u>2018</u>	<u>2017</u>
Program Projects	\$ 249,917	\$ 282,241
Time Restricted	300,000	300,000
Organizational Development	30,000	16,466
Junior Sikh Camp	-	350
Endowment earnings for operations	-	56,166
Endowment earnings legal intern	-	3,663
Endowment earnings interns	-	2,756
	<u>\$ 579,917</u>	<u>\$ 661,642</u>

THE SIKH COALITION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**NOTE 9 ENDOWMENT**

The Coalition has three endowment funds. The first endowment totals \$460,000 which is to be held in perpetuity with all earnings to be spent on the furthering of the Coalition's goals in accordance with donor stipulations. The Dhillon Family Endowment Fund was endowed to support legal internships and the Puran S. Bajwa Fund was endowed to support intern scholarships; both are to be held in perpetuity with the earnings to be spent as directed by the donors.

During 2015, the Dhillon Family Endowment Fund and Puran S. Bajwa Fund received new contributions of \$5,000 each, increasing the principal balances to \$30,000 and \$22,575, respectively.

The Board of Directors of the Coalition has interpreted the New Jersey Uniform Prudent Management of Institutional Funds Act as not restricting the governing board from appropriating realized income and unrealized appreciation of endowment funds for expenditure with respect to the purposes for which the endowment fund was established. The Coalition has deemed it prudent to annually release all earnings on the endowment fund into net assets without donor restrictions to help support its programs in accordance with the donor stipulations. If the Coalition incurs a negative net investment return for the year, the balance remains in the Endowment Funds net assets, disaggregated into the time or purpose restricted column, until they can be appropriated for expenditure.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Coalition has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. Deficiencies of this nature exists as a result from unfavorable market fluctuations and continued appropriation of expenses relating to the donor-restricted endowment fund.

At December 31, 2018, the historical cost of the endowment was \$512,575. The fair value of these funds was \$479,719. Due to the endowment funds being underwater, the Board elected not to appropriate any funds in 2018.

Endowment net asset composition and activity as of December 31, 2018 and 2017 is as follows:

	2018		
	Time or Purpose Restricted	Perpetual Endowment	Total Endowment Funds
Balance at beginning of year	\$ -	\$ 512,575	\$ 512,575
Net investment return	(32,856)	-	(32,856)
Appropriation for expenditure	-	-	-
Balance at end of year	<u>\$ (32,856)</u>	<u>\$ 512,575</u>	<u>\$ 479,719</u>

  

	2017		
	Time or Purpose Restricted	Perpetual Endowment	Total Endowment Funds
Balance at beginning of year	\$ -	\$ 512,575	\$ 512,575
Net investment return	62,585	-	62,585
Appropriation for expenditure	(62,585)	-	(62,585)
Balance at end of year	<u>\$ -</u>	<u>\$ 512,575</u>	<u>\$ 512,575</u>



THE SIKH COALITION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**NOTE 10 CONCENTRATION OF RISK**

During 2018 and 2017, the Coalition had cash in banks exceeding federally insured limits. The Coalition manages this risk by using only large, established financial institutions.

**NOTE 11 LEASE COMMITMENT**

On May 11, 2012 the Coalition entered into a five-year lease agreement for office space at 50 Broad Street, New York City. The lease commenced August 1, 2012 and ended July 1, 2017. The Coalition signed a lease agreement on July 14, 2017 for new office space within the same building. The term of the agreement is for five years and two months and the annual base rent in the initial year is approximately \$105,000 with annual increases of approximately 3%. The Coalition also received three months of free rent. Under the terms of the lease, the minimum lease payments as of December 31, 2018 are as follows:

2019	\$ 109,375
2020	112,656
2021	116,036
2022	<u>89,121</u>
	<u>\$427,188</u>

**NOTE 12 RETIREMENT PLAN**

The Coalition maintains a deferred annuity plan under Section 403(b) of the Internal Revenue Code for all eligible employees. After 1 year of service, the Coalition will match employee contributions up to 3% of the employee's salary. The total expense for this benefit was \$20,852 and \$11,451 in 2018 and 2017, respectively.

**NOTE 13 CONTRIBUTIONS RECEIVABLE**

Contributions receivable are expected to be collected as follows:

2019	\$ 531,376
2020	<u>150,000</u>
	681,376
Discount	<u>(7,800)</u>
	<u>\$673,576</u>



THE SIKH COALITION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**NOTE 14 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Coalition's financial assets as of December 31, 2018, reduced by amounts not available for general expenditures within one year of the statement of financial position date because of contractual or donor-imposed restrictions. Amounts available include donor-restricted amounts that are available for general expenditure in the following year:

Cash and cash equivalents	\$ 1,038,000
Investments	725,807
Beneficial interest in life insurance	13,043
Contributions receivable	<u>673,576</u>
	2,450,426
Contractual or donor-imposed restrictions	
Receivables scheduled to be collected in more than one year	(142,200)
Purpose restricted	(222,035)
Endowment funds	<u>(479,719)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,606,472</u>

The Coalition manages its liquidity and cash needs by establishing a budget for each fiscal year based on expected revenues to fund anticipated expenses. Cash flow is monitored regularly and investments are redeemed as needed with board approval. The Coalition maintains a strong cash position so a draw-down from its investments is rare. If funds are drawn from the investment accounts, they are replenished as soon as possible.