

**GURU NANAK FOUNDATION
OF AMERICA, INC.**

**Financial Statements
For the Year Ended December 31, 2009**

AFFLUENT FINANCIAL SERVICES LLC

Certified Public Accountants

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Report of Independent Auditors

To the Board of Trustees of the
Guru Nanak Foundation of America, Inc.:

We have audited the accompanying statement of financial position and the related statement of activities and changes in net assets, and cash flows of the Guru Nanak Foundation of America, Inc. (the "Foundation") as of December 31, 2009, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Guru Nanak Foundation of America, Inc. as of December 31, 2009, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America, except for:

- The Foundation recognized estimated cost of certain property and equipment acquired in past years and restated the opening net asset balance as of January 1, 2009, of which the Foundation does not have sufficient supporting documents to substantiate the transactions (see Note 7).

AFFLUENT FINANCIAL SERVICES LLC

February 26, 2010

Guru Nanak Foundation of America, Inc.
Statement of Financial Position
As of December 31, 2009

Assets

Current assets

Cash and cash equivalents	\$ 117,231
Certificate of deposits	115,119
Total current assets	<u>232,350</u>

Property and equipment, net

1,948,810

Total assets

\$ 2,181,160

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued expenses	\$ 12,057
Note payable	25,876
Total current liabilities	<u>37,933</u>

Noncurrent liabilities

Note payable, net of current portion

1,285,375

Total liabilities

1,323,308

Unrestricted net assets

683,125

Temporarily restricted net assets

174,727

Total net assets

857,852

Total liabilities and net assets

\$ 2,181,160

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

Guru Nanak Foundation of America, Inc.
Statement of Activities and Changes in Net Assets
For the year ended December 31, 2009

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
Revenues			
Contributions and donations	\$ 297,609	\$ 22,725	\$ 320,334
Membership dues	50,138	-	50,138
Net assets released from restrictions	14,557	(14,557)	-
	<u>\$ 362,304</u>	<u>\$ 8,168</u>	<u>\$ 370,472</u>
Expenses			
Gurdwara Committee	204,331	-	204,331
Building Maintenance	31,297	-	31,297
Langar Committee	19,372	-	19,372
Education Committee	14,557	-	14,557
Membership Committee	1,503	-	1,503
Community Affairs	1,958	-	1,958
Dharmik programs	6,303	-	6,303
	<u>279,321</u>	<u>-</u>	<u>279,321</u>
Change in Net Assets before			
Other Income (Expenses)	82,983	8,168	91,151
Interest income	1,849	-	1,849
Interest expense	(93,600)	-	(93,600)
Change in net assets	<u>(8,768)</u>	<u>8,168</u>	<u>(600)</u>
Unrestricted net assets, beginning of year			
before restatement (Note 7)	486,964	-	486,964
Adjustments (Note 7)	204,929	166,559	371,488
Unrestricted net assets, beginning of year as restated	<u>691,893</u>	<u>166,559</u>	<u>858,452</u>
Unrestricted net assets, end of year	<u>\$ 683,125</u>	<u>\$ 174,727</u>	<u>\$ 857,852</u>

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

Guru Nanak Foundation of America, Inc.
Statement of Cash Flows
For the year ended December 31, 2009

Cash flows from operating activities	
Change in net assets	\$ (600)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	13,750
Changes in assets and liabilities:	
Certificate of deposits	(12,832)
Accounts payable and accrued expenses	19,447
Net cash provided by operating activities	<u>19,765</u>
Cash flows from investing activities	
Purchases of property and equipment	(16,743)
Net cash used in investing activities	<u>(16,743)</u>
Cash flows from financing activities	
Principal payments under the Note payable	(22,081)
Net cash used in financing activities	<u>(22,081)</u>
Net change in cash and cash equivalents	(19,059)
Cash and cash equivalents, beginning of year	136,290
Cash and cash equivalents, end of year	<u>\$ 117,231</u>
Supplemental disclosure of cash flow information	
Property and equipment capitalized by restating opening net assets	<u>\$ 361,000</u>
Interest paid	<u>\$ 93,600</u>

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

Guru Nanak Foundation of America, Inc.
Notes to Financial Statements
December 31, 2009

1. Organization

Guru Nanak Foundation of America, Inc., (the “Foundation” or “GNFA”), is a non-profit organization incorporated under the laws of the State of Maryland in July 1970. The objective of the Foundation is to promote religious, educational, social and cultural aspects of Sikhism in the Washington DC metropolitan area. Primary sources of funding include public contributions, membership dues and funds raised via cultural programs and fund raisers.

The Board of Trustees (the “Board”) appoints members to Committees that manage various activities and issues. Significant Committees and their responsibilities are as follows:

- a. **Gurdwara Committee** is responsible for the general management of the Gurdwara and its regular functions including weekly prayer meetings, religious ceremonies and community affairs.
- b. **Membership Committee** is responsible for evaluation of credentials of new applicants to various categories of membership and present their recommendations to the Board for approval and final presentation to the General Body, if necessary. It is also responsible for evaluating the participation of various members in the Foundation and may be called upon to investigate any activities that may seem to be contrary to the Foundation’s By-laws.
- c. **Education Committee** is responsible to plan, develop and carry-out activities pertaining to education in religious, language and socio-cultural activities of Sikhs and Sikhism, with the ultimate purpose of developing a regular, full time Sikh school up to high school level.
- d. **Finance and Resource Committee** is responsible to plan and execute short term and long term financial and other goals as may pertain to building new facilities and maintaining old facilities.

2. Summary of Significant Accounting Policies

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, consequently, revenue is recognized when earned and expenses when obligations are incurred.

Cash and Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

Guru Nanak Foundation of America, Inc.
Notes to Financial Statements
December 31, 2009

Unrestricted Net Assets

Unrestricted net assets are those whose use by the Foundation is not subject to any donor-imposed stipulations. Board designated voluntary restrictions, such as voluntarily earmarking assets for a particular purpose, are included among the unrestricted net assets of the Foundation. The board is free to designate certain portions of its funds for certain activities; however, these are included among unrestricted net assets since they are not bound by restrictions imposed by a donor.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Foundation is subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. Generally donors restricted contributions are reported as temporarily restricted support even if those restrictions are met in the same reporting period the contributions are received. Currently, all temporarily restricted net assets are restricted for education and capital projects.

Permanently Restricted Net Assets

Permanently restricted net assets are those whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. Income from these assets can be unrestricted or restricted based on donor stipulations. Currently, the Foundation does not have any permanently restricted net assets.

Property and Equipment

Acquisitions of property and equipment are recorded at cost and depreciated using the straight-line depreciation method over the estimated useful life of the respective assets, which range from 3 to 40 years. The Foundation capitalizes all property and equipment purchased with a cost of \$5,000 or more.

When assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts. Any gain or loss resulting from disposition is credited or charged to operations. Expenditures for equipment repairs and maintenance are charged to operations as incurred.

Functional Allocation of Expenses

The cost of providing programs and other activities has been summarized on a functional basis in the statement of activities. All indirect expenses are recorded in the Gurdwara Committee program expenses.

Tax Status

The Foundation is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for federal and state income taxes has been recorded in the accompanying financial statements. GNFA has gained an exemption from the Montgomery County, Maryland for exemption from local real estate taxes effective January 1, 2005.

Guru Nanak Foundation of America, Inc.
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The Foundation adopted FASB Interpretation "Accounting for Uncertainty in Income Taxes" in 2009. The Interpretation prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of this Interpretation had no impact on the Foundation's financial statements. There are no uncertain tax positions as of December 31, 2009. There was no unrelated business income during the year ended December 31, 2009.

Fair Value Option

The Foundation has the option to elect to measure financial instruments at fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Foundation has not elected to measure any existing financial instruments at fair value at December 31, 2009. However, the Foundation may elect to measure newly acquired financial instruments at fair value in the future.

Management Estimates and Uncertainties

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The estimates susceptible to significant changes include, among others; those used in determining the cost of land parcels purchased in the past and useful lives of respective assets. Management believes the estimated amounts used for the financial statements are reasonable and disclosures in the financial statements are adequate.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through February 26, 2010, the date the financial statements were available to be issued.

3. Property and Equipment

Property and equipment consisted of the following at December 31, 2009:

Building -1976	\$ 260,000
Building Improvements -1992	306,743
Land -1974	75,000
Land -1978	60,000
Land -2001	1,584,817
	<u>2,286,560</u>
Less accumulated depreciation and amortization	(337,750)
Property and equipment, net	<u>\$ 1,948,810</u>

Guru Nanak Foundation of America, Inc.
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Depreciation expense for the year ended December 31, 2009 was \$13,750.

In 1974, the Foundation purchased 78,408 square feet of land at an approximate cost of \$75,000. In 1976, the Foundation constructed the initial building at an approximate cost of \$260,000. In 1978, the Foundation purchased adjacent land of 1.85 acres at an approximate cost of \$60,000. In 1992, the Foundation made major improvements to the existing building at an approximate cost of \$290,000. In November 2001, the Foundation purchased additional land of 396,445 square feet for approximately \$1.8 million. In 2003, Maryland State Highway had to recoup approximately 1 acre from the Foundation for their highway extension project, for which they paid the Foundation approximately \$200,000 in 2003 and an additional \$40,000 in 2005.

4. Note Payable

The Foundation (the “Borrower”) borrowed \$1.45 million from International Association of Machinists and Aerospace Workers, an unincorporated labor association (the “Lender”) and signed a Deed of Trust Balloon Note (“Note”) dated October 29, 2001 to pay the Note in monthly installments of principal and interest in the amount of \$9,640 at an interest rate of 7% per annum, until October 31, 2014 (the “maturity date”) when the remaining principal and interest balance is payable as a balloon payment. This Note is secured by real property located at 12901 and 12821 Old Columbia Pike, Silver Spring, Maryland (the “Property”) and was being made to finance the purchase of the Property. The Note is also secured by the Purchase Money Deed of Trust from the Foundation to R. Thomas Buffenbarger and Donald E. Wharton, as Trustees, encumbering the property (as amended, modified or supplemented from time to time, the “Deed of Trust”).

As a covenant to this Note, the Foundation agreed to notify the Lender immediately in writing, as soon as the Foundation has knowledge of (1) any action, suit or proceedings in excess of \$100,000 pending or threatened against or affecting the Borrower with respect to the Property, or (2) any changes in the financial or business condition of the Foundation, that either in any case or in the aggregate, may result in a material adverse change in the business, properties or assets or in the conditions, financial or otherwise, of the Foundation, or that questions the validity of any of the Loan documents or any action taken or to be taken in connection with the Loan documents. As of December 31, 2009 the Foundation was in compliance with all such covenants. At December 31, 2009, the Foundation’s future minimum payments under the Note are as follows:

Year ending December 31:

2010	\$	115,681
2011		115,681
2012		115,681
2013		115,681
2014		1,247,417
Total		<u>1,710,141</u>
Less amount representing interest		<u>(398,890)</u>
Total future principal payments	\$	<u><u>1,311,251</u></u>

Guru Nanak Foundation of America, Inc.
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5. Functional Expenses

Details of expenses for program activities are as follows:

	Gurdwara Committee	Building Maintenance	Langar	Education Committee	Membership	Community Affairs	Dharmik Program	Total
Salaries	77,839							77,839
Utilities	34,366							34,366
Depreciation	13,750							13,750
Employee Benefits	13,000							13,000
Targeted Fundraising - Other	13,705							13,705
Kirtan Bheeta - Visiting Ragis	12,952							12,952
Payroll Taxes	11,642							11,642
Janitorial Expense	7,850							7,850
Professional Fees	5,700							5,700
Other	3,760		3,980	2,768		388	2,367	13,262
Postage and Delivery	1,912							1,912
Insurance	1,748							1,748
Targeted Fundraising - Pingalwara	1,723							1,723
Newsletter	1,695							1,695
Bank Service Charges	805							805
Punjabi Newspaper	404							404
Special Religious Programs	350							350
Security Expense	345							345
Office Supplies	311							311
Printing and Reproduction	252							252
Youth Committee	114							114
Other Supplies	108							108
Khalsa School				11,139				11,139
Khalsa School Trailers				650				650
Paper Supplies			15,392					15,392
Landscaping		1,650						1,650
Pest Control		585						585
Building Maintenance		29,062						29,062
GNFA Mela						301		301
Cultural Program						1,270		1,270
Jap Sahib Award							735	735
Youth Camp							3,201	3,201
Election Expense					1,503			1,503
Total Expenses	204,331	31,297	19,372	14,557	1,503	1,958	6,303	279,321

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6. Concentration of Credit Risk

Financial instruments which potentially subject the Foundation to a concentration of credit risk principally consist of cash and cash equivalent, certificate of deposits and the Note payable. The Foundation maintains cash and deposit balances at several financial institutions and the cash balance at each financial institution is insured under the Federal Deposit Insurance Corporation (FDIC) upto a certain limit. At times, the balances in cash and deposit may exceed the balance insured by the FDIC, however, the Foundation has not experienced any losses related to this concentration to date and believes it is not exposed to any significant credit risks.

7. Restatement of Opening Net Assets

The Foundation did not capitalize and depreciate certain property and equipment purchased in past years. In 1974, the Foundation purchased 78,408 square feet of land at an approximate cost of \$75,000. In 1976, the Foundation constructed the initial building at an approximate cost of \$260,000. In 1978, the Foundation purchased adjacent land of 1.85 acres at an approximate cost of \$60,000. In 1992, the Foundation made major improvements to the existing building at an approximate cost of \$290,000. Certain temporarily restricted net assets were also incorrectly classified as unrestricted net assets. To recognize certain property and equipment and disclose net assets under correct net asset class, the Foundation restated its opening net assets as at January 1, 2009, as follows:

	Unrestricted	Temporarily Restricted	Total
Opening net assets-1/1/09	\$ 486,964		\$ 486,964
Adjustments:			
Reclassification to Temporarily restricted net assets	(166,559)	166,559	-
Recognize parcel of land acquired in 1974	75,000		75,000
Recognize parcel of land contributed in 1978	60,000		60,000
Recognize building 1976	260,000		260,000
Improvements 1992	290,000		290,000
Accumulated depreciation	(324,000)		(324,000)
Adjustment to recognize income and expenses on accrual basis	10,488		10,488
	<u>204,929</u>	<u>166,559</u>	<u>371,488</u>
Adjusted Opening net assets- 1/1/09	<u>\$ 691,893</u>	<u>\$ 166,559</u>	<u>\$ 858,452</u>