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

**Financial Statements  
For the Year Ended December 31, 2010**

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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 of Guru Nanak Foundation of America, Inc. (the "Foundation") as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation'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 provides 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, 2010, 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.

AFFLUENT FINANCIAL SERVICES LLC

March 5, 2011

**Guru Nanak Foundation of America, Inc.**  
**Statement of Financial Position**  
**As of December 31, 2010**

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**Assets**

Current assets

Cash and cash equivalents	\$ 102,651
Certificates of deposit	127,892
Membership dues receivable	13,999
Total current assets	<u>244,542</u>

Property and equipment, net

1,937,526
<u>\$ 2,182,068</u>

Total assets

**Liabilities and Net Assets**

Current liabilities

Accounts payable and accrued expenses	\$ 9,267
Note payable	29,937
Total current liabilities	<u>39,204</u>

Noncurrent liabilities

Note payable, net of current portion	1,208,506
Total liabilities	<u>1,247,710</u>

Unrestricted net assets

Temporarily restricted net assets

752,310
182,048
<u>934,358</u>
<u>\$ 2,182,068</u>

Total net assets

Total liabilities and net assets

*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, 2010**

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
<b>Revenues</b>			
Contributions and donations	\$ 337,149	\$ 31,140	\$ 368,289
Membership dues	46,319	-	46,319
Net assets released from restrictions	23,819	(23,819)	-
	<u>\$ 407,287</u>	<u>\$ 7,321</u>	<u>\$ 414,608</u>
<b>Expenses</b>			
<b>Program expenses</b>			
Gurdwara Committee	132,596	-	132,596
Building Maintenance Committee	23,096	-	23,096
Langar Committee	12,530	-	12,530
Education Committee	14,487	-	14,487
Membership Committee	319	-	319
Community Affairs Committee	5,515	-	5,515
Newsletter Committee	8,865	-	8,865
Youth Committee	1,422	-	1,422
Capital Projects Committee	9,332	-	9,332
Dharmik programs	5,959	-	5,959
	<u>214,121</u>	<u>-</u>	<u>214,121</u>
Fund-raising expenses	38,308	-	38,308
Depreciation expense	11,284	-	11,284
Interest expense	74,389	-	74,389
	<u>338,102</u>	<u>-</u>	<u>338,102</u>
<b>Total expenses</b>	<u>338,102</u>	<u>-</u>	<u>338,102</u>
<b>Change in net assets</b>	69,185	7,321	76,506
Unrestricted net assets, beginning of year	683,125	174,727	857,852
Unrestricted net assets, end of year	<u>\$ 752,310</u>	<u>\$ 182,048</u>	<u>\$ 934,358</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, 2010**

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<b>Cash flows from operating activities</b>	
Change in net assets	\$ 76,506
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	11,284
Changes in assets and liabilities:	
Certificate of deposits	(12,773)
Membership dues receivable	(13,999)
Accounts payable and accrued expenses	(2,790)
Net cash provided by operating activities	<u>58,228</u>
<b>Cash flows from financing activities</b>	
Principal payments under the Note payable	<u>(55,100)</u>
Net cash used in financing activities	<u>(55,100)</u>
Net change in cash and cash equivalents	3,128
Cash and cash equivalents, beginning of year	117,231
Cash and cash equivalents, end of year	<u>\$ 120,359</u>
<b>Supplemental disclosure of cash flow information</b>	
Interest paid	<u>\$ 74,389</u>

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

**Guru Nanak Foundation of America, Inc.**  
**Notes to Financial Statements**  
**December 31, 2010**

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**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.**  
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**December 31, 2010**

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**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, other than fund-raising, depreciation and interest expense 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 from local real estate taxes effective January 1, 2005.

**Guru Nanak Foundation of America, Inc.**  
**Notes to Financial Statements**  
**December 31, 2010**

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There are no uncertain tax positions as of December 31, 2010. There was no unrelated business income during the year ended December 31, 2010.

**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 and building improvements made in prior years 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 March 5, 2011, the date the financial statements were available to be issued.

**3. Property and Equipment**

Property and equipment consisted of the following at December 31, 2010:

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	(349,034)
Property and equipment, net	<u>\$ 1,937,526</u>

Depreciation expense for the year ended December 31, 2010 was \$11,284.

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



**Guru Nanak Foundation of America, Inc.**  
**Notes to Financial Statements**  
**December 31, 2010**

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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, 2010, the Foundation was in compliance with all such covenants. At December 31, 2010, the Foundation’s future minimum payments under the Note are as follows:

<b>Year ending December 31:</b>	
2011	\$ 115,680
2012	115,680
2013	115,680
2014	1,214,287
Total	<u>1,561,327</u>
Less amount representing interest	<u>(322,884)</u>
Total future principal payments	<u>\$ 1,238,443</u>

**5. 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) up to 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.

**6. Commitments and Contingencies**

The Foundation is planning to construct a new building for a Gurdwara, a school and a clinic. In June 2010, the Foundation signed a contract in the total amount of approximately \$102 thousand with a third-party engineering company to conduct environmental studies, land surveying and development services and obtaining relevant permit from the County's Planning and Park Commission. At December 31, 2010, none of the above contracted amount has been incurred.

**7. Subsequent Events**

The Foundation is planning to issue bonds to its members in 2011. Most of these members live in Maryland, Virginia and District of Columbia. At the date of this report, the Foundation is in an early phase of preparing relevant documents required for registration with respective state jurisdictions.

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 5, 2011, the date the financial statements were available to be issued.

**Guru Nanak Foundation of America, Inc.**  
**Notes to Financial Statements**  
**December 31, 2010**

**8. Functional Expenses**

Details of expenses for program and other activities are as follows:

Expenses	Program Expenses										Total Program Expenses
	Gurdwara Committee	Building Maintenance Committee	Langar committee	Education Committee	Membership Committee	Community Affairs Committee	Newsletter Committee	Youth Committee	Capital Projects Committee	Dharmik Program	
Salaries	55,761										55,761
Utilities	24,112										24,112
Depreciation											0
Employee Benefits	4,000										4,000
Kirtan Bheeta - Visiting Ragis	12,204										12,204
Payroll Taxes	9,174										9,174
Janitorial Expense	8,400										8,400
Professional Fees	6,000										6,000
Advertising	857										857
Other				2,074							2,074
Postage and Delivery	2,677										2,677
Insurance	1,748										1,748
Newsletter							8,865				8,865
Bank Service Charges	2,257										2,257
Punjabi Newspaper	665										665
Nishan Sahib	1,480										1,480
Security Expense	1,359										1,359
Personal Property Taxes	122										122
Office Supplies	721										721
Printing and Reproduction	1,060										1,060
Youth Committee								1,422			1,422
Khalsa School				6,102							6,102
Khalsa School Trailers				2,101							2,101
Paper Supplies			12,530								12,530
Landscaping		3,268									3,268
Pest Control		480									480
Building Maintenance		19,348									19,348
Cultural Program						5,515					5,515
Dharmik Program									170		170
Dharmik Program- Awards									3,071		3,071
Youth Camp									2,718		2,718
Election Expense					319						319
Trailers for the school				4,210							4,210
Capial Projects									9,332		9,332
<b>Total Expenses</b>	<b>132,596</b>	<b>23,096</b>	<b>12,530</b>	<b>14,487</b>	<b>319</b>	<b>5,515</b>	<b>8,865</b>	<b>1,422</b>	<b>9,332</b>	<b>5,959</b>	<b>214,121</b>