
GURU NANAK FOUNDATION OF AMERICA, INC.

**Financial Statements and
Accountant's Audit Report**

Year Ended December 31, 2013

WTL Financial Services, Inc.
Certified Public Accountants

GURU NANAK FOUNDATION OF AMERICA, INC.

Audited Financial Statements

December 31, 2013

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WTL Financial Services, Inc.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

April 30, 2014

The Board of Trustees,
Guru Nanak Foundation of America, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements which comprise statement of financial position of Guru Nanak Foundation of America, Inc. (the "Foundation") as of December 31, 2013, and the related statement of activities 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 account 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 of 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 assessment of the risks of material misstatement of the financial statements, 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 Guru Nanak Foundation of America, Inc. as of December 31, 2013, 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.

Sincerely,

WTL Financial Services

Silver Spring, MD

Guru Nanak Foundation of America, Inc.
Statement of Financial Position
As of Dec 31, 2013

ASSETS

Current Assets

Cash and cash equivalents	\$ 471,502
Certificates of Deposit	138,995
Contributions Receivable	-
Prepaid expenses	1,919
Deferred financing expenses- current	6,378

Total Current Assets	<u>618,794</u>
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Non-Current Assets

Property & equipment, net	1,901,665
Deferred financing expenses, net of current portion	-

Total non-current Assets	<u>1,901,665</u>
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Total Assets	<u><u>\$ 2,520,459</u></u>
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LIABILITIES & NET ASSETS

Current Liabilities

Accounts Payable & Accrued expenses	\$ 11,129
Loan Payable -current	889,198
Total current liabilities	<u>900,327</u>

Non-Current Liabilities

Loan Payable -net of current portion	-
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Total non-current liabilities	-
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Net Assets

Unrestricted net Assets	1,049,680
Temporarily restricted net Assets	570,453
Total Net Assets	<u>1,620,132</u>

Total Liabilites & Net Assets	<u><u>\$ 2,520,459</u></u>
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The accompanying notes are an integral part of the financial statements

Guru Nanak Foundation of America, Inc.
Statement of Activities and Changes in Net Assets
For the year ended Dec 31, 2013

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
REVENUES			
Contributions and donations	\$ 303,592	190,231	493,823
Membership Dues	48,654	-	48,654
Net assets released from restrictions	28,535	(28,535)	-
Total Revenues	\$ 380,781	161,696	542,477
EXPENSES:			
Program expenses			
Gurudwara Committee	153,586	-	153,586
Building Maintenance Committee	18,016	-	18,016
Langar Committee	16,786	-	16,786
Education Committee	10,105	-	10,105
Community Affairs Committee	7,529	-	7,529
Youth Committee	-	-	-
Capital Projects Committee	18,430	-	18,430
Dharmik Committee	4,361	-	4,361
Total Program Expenses	228,811	-	228,811
Supporting Services			
Management & General:			
Depreciation	17,802	-	17,802
Interest expense	31,827	-	31,827
Loan refinance amortization	10,592	-	10,592
Total Management & general expense	60,221	-	60,221
Fund Raising expenses	34,465	-	34,465
Total supporting services	94,686	-	94,686
Total Expenses	323,498	-	323,498
Change in Net Assets	57,283	161,696	218,979
Net Assets, beginning of the year	992,397	408,756	1,401,153
Net Assets, end of the year	1,049,680	570,453	1,620,132

The accompanying notes are an integral part of the financial statements

Guru Nanak Foundation of America, Inc.
Statement of Cash flows
For the year ended Dec 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 218,979
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	17,802
Amortization	10,592
Changes in assets & liabilities:	
Certificates of deposits	(1,284)
Prepaid expenses	(36)
Contributions receivable	3,595
Accounts payable and accrued expenses	(15,540)
Net Cash Provided by Operating activities	<u>234,109</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from new loan	-
Payment of refinancing expenses	-
Principal payments under the loan payable	(88,173)
Principal payments under the Note payable	-
Net Cash Used in Financing activities	<u>(88,173)</u>

CASH FLOWS FROM INVESTMENT ACTIVITIES:

Purchase of Fixed assets	(14,225)
Net Cash Used in Investment activities	<u>(14,225)</u>

Net change in cash and cash equivalents	131,711
Cash and cash equivalents, beginning of year	<u>339,791</u>
Cash and cash equivalents, end of year	<u>471,502</u>
Supplemental disclosure of cash flow information	
Interest paid	<u>31,827</u>

The accompanying notes are an integral part of the financial statements

Guru Nanak Foundation of America, Inc.

Notes to Financial Statements

For the year ended December 31, 2013

1. Organization

Guru Nanak Foundation of America, Inc. (the "Foundation" or "GNFA") is a non-profit organization incorporated in July 1970 under the laws of the State of Maryland. The objective of the Foundation is to promote religious, educational, social and cultural aspects of Sikhism in the Washington D.C. 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
For the year ended December 31, 2013

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 donor 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.

Contributions

The Foundation recognizes contributions and unconditional promises to give as revenue in the period received or promised whichever is earlier. All contributions are considered to be unrestricted unless specifically restricted by the donor. Contributions are reported as temporarily or permanently restricted if they are received with donor stipulations that limit their use or are subject to time restrictions. A donor restriction expires when a purpose restriction is accomplished or a stipulated time restriction ends. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets in the Statement of Activities as net assets released from restrictions.

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.

Guru Nanak Foundation of America, Inc.

Notes to Financial Statements

For the year ended December 31, 2013

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.

There was no unrelated business income during the year ended December 31, 2012. There were no uncertain tax positions as of December 31, 2012.

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.

Guru Nanak Foundation of America, Inc.
Notes to Financial Statements
For the year ended December 31, 2013

3. Property and Equipment

Property and equipment consisted of the following at December 31, 2013:

Building -1976	\$ 260,000
Building Improvements -1992	306,743
Land -1974	75,000
Land -1978	60,000
Land -2001	1,584,817
Equipment	<u>14,225</u>
	2,300,785
Less accumulated depreciation	<u>(399,120)</u>
Property and equipment, net	<u>\$ 1,901,665</u>

Depreciation expense for the year ended December 31, 2013 was \$17,802.

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 recouped 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

On August 8, 2012, the Foundation entered into a loan agreement ("Loan") with Sandy Spring Bank (the "Lender"), a Maryland banking institution, along with Daljit Sawhney and Pavanjit Sawhney (collectively, the "Guarantors") and borrowed \$1,000,000. The Loan is payable in monthly installments of principal and interest in the amount of \$6,089 at an interest rate of 4% per annum, based on a 240 month amortization schedule, until its maturity date of August 8, 2014 when the remaining principal and interest balance is payable as a balloon payment. Proceeds of the loan from Sandy Spring bank were used to pay off the principal and interest balance outstanding under the Note to International Association of Machinists and Aerospace Workers.

Guru Nanak Foundation of America, Inc.
Notes to Financial Statements
For the year ended December 31, 2013

The Loan is secured by real property located at 12917 Old Columbia Pike, Silver Spring, Maryland (the "Property"). The Guarantors have issued an unconditional pledge as to current and future financial assets in their personal Vanguard Account number 09995534763 with a minimum market value of \$380,000, by executing a collateral pledge agreement in favor of the Lender. The Loan is also secured by the Deed of Trust from the Foundation to Terry Rawlings and Steven E. Anderson, as Trustees, encumbering the above secured property.

As of December 31, 2013, the Foundation and the Guarantors were in compliance with all debt covenants related to the above Loan. At December 31, 2013, the Foundation's future minimum payments under the Loan are as follows:

Year ending Dec 31:	
2014	\$ 967,614
Less: amount representing interest	<u>(63,313)</u>
Total future principal payments	\$ 889,198
 Loan payable- current portion	 \$ 889,198

5. Deferred Financing Expenses

During the year ended December 31, 2012, the foundation paid \$21,184 as the refinancing costs for a loan with Sandy Spring Bank. Refinancing costs are deferred and amortized over the term of the loan from August 8, 2012 (inception date) through August 8, 2014 (maturity date). At December 31, 2013, the deferred refinancing expenses consists the following:

Total refinancing expenses paid	\$ 21,184
Less cumulative amortization	
Deferred refinancing expenses, net of amortization	\$ 6,378

Guru Nanak Foundation of America, Inc.

Notes to Financial Statements

For the year ended December 31, 2013

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 Loan 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.

7. 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 environment studies, land surveying and development services and obtaining relevant permit from the County's Planning and Park Commission. At December 31, 2013, partial amount of work related to the above contract had been done. During 2013 and 2012 the Foundation paid approximately \$18,430 and \$17,681 respectively, in costs related to initial engineering drawings, surveys, environmental studies etc. which are expensed as the Foundation has not received the building permit yet. All expenses after obtaining the building permit will be capitalized.

8. Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through May 5, 2014 the date the financial statements were available to be issued.

GURU NANAK FOUNDATION OF AMERICA, INC.

Supplementary Schedule of Functional Expenses
For the year ended Dec 31, 2013

Description	Program Expenses									Management & General				Total expense
	Gurudwara Committee	Building Maintenance Committee	Langar Committee	Education Committee	Community Affairs Committee	Youth Committee	Capital Projects Committee	Dharmik Program	Total Program Expenses	Depr'n expense	Refinance Costs	Interest expense	Fund Raising	
Amortization of loan refinance cost									-		10,592			10,592
Bank charges	5,013								5,013					5,013
Building Permit and Other		120					13,855		13,975					13,975
Cultural Program					4,831				4,831					4,831
Depreciation									-	17,802				17,802
Dharmik Program- Awards								1,405	1,405					1,405
Election	350								350					350
Equipment Rents	1,000								1,000					1,000
Fireworks					200				200					200
Fund-raising Dinner									-				30,374	30,374
Groceries and Paper Supplies			16,786						16,786					16,786
Insurance	3,253								3,253					3,253
Istri Satsang									-					-
Janitorial		8,450							8,450					8,450
Khalsa School				10,105					10,105					10,105
Kirtan Bheeta - Visiting Ragis	14,269								14,269					14,269
Landscaping		2,565							2,565					2,565
Merit Awards and Scholarship	2,000								2,000					2,000
Mortgage Interest Expense									-		31,827			31,827
Membership									-				196	196
Office Supplies	1,197								1,197					1,197
Other	4,089								4,089					4,089
Payroll Taxes	5,637								5,637					5,637
Personal Property Taxes	1,044								1,044					1,044
Pest Control		863							863					863
Picnic					2,498				2,498					2,498
Postage and Delivery									-					-
Printing and Reproduction	2,724								2,724					2,724
Professional Fees	8,250						4,200		12,450					12,450
Punjabi Newspaper	1,112								1,112					1,112
Rent									-					-
Repairs and Maintenance		6,017							6,017					6,017
Salaries	74,225								74,225					74,225
Survey Expenses							375		375					375
Targeted Fundraising - Pingalwara									-				2,095	2,095
Telephone									-					-
Travel									-				1,800	1,800
Utilities	29,371								29,371					29,371
Website	52								52					52
Youth Camp								2,955	2,955					2,955
Total Expenses	153,586	18,016	16,786	10,105	7,529	0	18,430	4,361	228,811	17,802	10,592	31,827	34,465	323,498