

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

Year Ended December 31, 2017

GURU NANAK FOUNDATION OF AMERICA, INC.

(GNFA)

The accompanying notes and auditor's report are an integral part of the financial statements

GURU NANAK FOUNDATION OF AMERICA, INC.

Audited Financial Statements

December 31, 2017

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The accompanying notes and auditor's report are an integral part of the financial statements

Victor J Williams, CPA, PA

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

May 11, 2018

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, 2017, and the related statement of activities and changes in net assets 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 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, 2017, 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,



Victor J Williams, CPA, PA

The accompanying notes and auditor's report are an integral part of the financial statements

Statement of Financial Position
As of December 31, 2017

ASSETS

Current Assets

| | |
|---------------------------|----------------|
| Cash and cash equivalents | \$ 678,236 |
| Receivables | 17,278 |
| Prepaid expenses | 18,379 |
| Total Current Assets | <u>713,893</u> |

Non-Current Assets

| | |
|---------------------------|------------------|
| Property & equipment, net | 3,377,860 |
| Total non-current Assets | <u>3,377,860</u> |

Intangibles

| | |
|-----------------------|--------------|
| Refinancing Cost, net | 2,000 |
| Total Intangibles | <u>2,000</u> |

| | |
|--------------|---------------------|
| Total Assets | <u>\$ 4,093,753</u> |
|--------------|---------------------|

LIABILITIES & NET ASSETS

Current Liabilities

| | |
|--------------------------------|---------------|
| Accounts Payables and Accruals | \$ 5,000 |
| Loan Payable -current | 22,906 |
| Total current liabilities | <u>27,906</u> |

Non-Current Liabilities

| | |
|--------------------------------------|----------------|
| Loan Payable -net of current portion | 557,554 |
| Total non-current liabilities | <u>557,554</u> |

Net Assets

| | |
|-----------------------------------|------------------|
| Unrestricted net Assets | 1,483,683 |
| Temporarily restricted net Assets | 2,024,609 |
| Total Net Assets | <u>3,508,292</u> |

| | |
|--------------------------------|---------------------|
| Total Liabilities & Net Assets | <u>\$ 4,093,752</u> |
|--------------------------------|---------------------|

The accompanying notes and auditor's report 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 December 31, 2017

| | Unrestricted Net Assets | Temporarily Restricted Net Assets | Total Net Asset |
|---|----------------------------|---|-----------------|
| REVENUES | | | |
| Contributions and donations | \$ 316,764 | 212,875 | 529,639 |
| Membership Dues | 42,422 | | 42,422 |
| Net assets released from restrictions | 203,945 | (203,945) | - |
| Total Revenues | \$ 563,131 | 8,930 | 572,061 |
| EXPENSES: | | | |
| Program expenses | | | |
| Gurudwara Committee | 196,768 | - | 196,768 |
| Building Maintenance Committee | 15,897 | - | 15,897 |
| Langar Committee | 23,282 | - | 23,282 |
| Education Committee | 15,024 | - | 15,024 |
| Community Affairs Committee | 10,797 | - | 10,797 |
| Youth Committee | 3,260 | - | 3,260 |
| Capital Projects Committee | 23,202 | - | 23,202 |
| Dharmik Committee | 11,698 | - | 11,698 |
| Total Program Expenses | 299,928 | - | 299,928 |
| Supporting Services | | | |
| Management & General: | | | |
| Denreciation | 10,095 | - | 10,095 |
| Amortization | 1,000 | - | 1,000 |
| Interest expense | 22,906 | - | 22,906 |
| Total Management & general expense | 34,001 | - | 34,001 |
| Fund Raising expenses | 7,125 | - | 7,125 |
| Total supporting services | 41,626 | - | 41,626 |
| Total Expenses | 341,054 | - | 341,054 |
| Change in Net Assets | 222,077 | 8,930 | 231,007 |
| Net Assets, beginning of the year | 1,261,606 | 2,015,679 | 3,277,285 |
| Net Assets, end of the year | 1,483,683 | 2,024,609 | 3,508,292 |

The accompanying notes and auditor's report are an integral part of the financial statements

Guru Nanak Foundation of America, Inc.
Statement of Cash flows
For the year ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---|----------------|
| Change in net assets | \$ 231,007 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 10,095 |
| Amortization | 1,000 |
| Changes in assets & liabilities: | |
| Certificates of deposits | - |
| Prepaid expenses | (16,399) |
| Contributions receivable | (18,379) |
| Accounts payable and accrued expenses | 5,000 |
| Net Cash Provided by Operating activities | <u>212,324</u> |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | |
|---|-----------------|
| Proceeds from new loan | - |
| Payment of refinancing expenses | (3,000) |
| Principal payments under the loan payable | (37,094) |
| Principal payments under the Note payable | - |
| Net Cash Used in Financing activities | <u>(40,094)</u> |

CASH FLOWS FROM INVESTMENT ACTIVITIES:

| | |
|--|------------------|
| Change in fixed assets | (167,446) |
| Net Cash Used in Investment activities | <u>(167,446)</u> |

| | |
|--|----------------|
| Net change in cash and cash equivalents | 4,784 |
| Cash and cash equivalents, beginning of year | <u>673,452</u> |
| Cash and cash equivalents, end of year | <u>678,236</u> |
| Supplemental disclosure of cash flow information | |
| Interest paid | <u>22,906</u> |

The accompanying notes and auditor's report are an integral part of the financial statements

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 include: 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 presents 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.

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 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, 2017

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, 2017. There were no uncertain tax positions as of December 31, 2017.

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, 2017

3. Property and Equipment

Property and equipment consisted of the following at December 31, 2017

| | |
|----------------------------------|---------------------|
| Building -1976 | \$ 260,000 |
| Building Improvements -1992 | 306,742 |
| New Building Construction - 2017 | 167,446 |
| Land -1974 | 75,000 |
| Land -1978 | 60,000 |
| Land -2001 | 1,584,817 |
| Land -2014 | 1,373,413 |
| Equipment | <u>19,125</u> |
| | 3,679,097 |
| Less accumulated depreciation | <u>(468,683)</u> |
| Property and equipment, net | <u>\$ 3,377,860</u> |

Depreciation expense for the year ended December 31, 2017 was \$10,095.

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. In 2014, two land parcels of combined size of approximately 8.42 acres, were donated to the Foundation. The land was recorded at \$1,373,413 which was the assessed value for transfer to the Foundation.

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. In Aug 8, 2014, this loan was modified to be extended by three years, at a lower interest rate. This loan was again modified on August 8, 2017 at an interest rate of 4.53% per annum in monthly installments of principal and interest in the amount of \$4,192. The loan matures in 36 months at which point the board plans to seek modification of existing terms. The \$3,000 refinancing fee will be amortized within three years (36 months).

The accompanying notes and auditor's report are an integral part of the financial statements

Guru Nanak Foundation of America, Inc.

Notes to Financial Statements

For the year ended December 31, 2017

As of December 31, 2017, the Foundation and the Guarantors were in full compliance with all debt covenants related to the above Loan. At December 31, 2017, the Foundation's future minimum payments under the Loan are as follows:

| | |
|--|-----------------|
| Year ending December 31, 2016 | \$ 617,555 |
| Less: amount representing principal and interest | <u>(37,095)</u> |
| Total future payments as December 31, 2017 | \$ 580,460 |
| | |
| Loan payable- current portion | \$ 22,906 |

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 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.

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 \$102,000 with a third-party engineering company to conduct environmental studies, land surveying and development services and obtaining relevant permits from the County's Planning and Park Commission. At December 31, 2014, partial amount of work related to the above contract had been done. In 2017, work on this project has been ramped up as can be indicated by the substantial amounts being transferred from temporarily restricted to unrestricted net assets.

7. Subsequent Events

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

The accompanying notes and auditor's report are an integral part of the financial statements

Guru Nanak Foundation of America, Inc.

Supplementary Schedule of Functional Expenses

For the year ended Dec 31 2017

| Description | Program Expenses | | | | | | | Management & General | | | | Fund Raising | 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 | | | | |
| Amortization | | | | | | | | | | | | | | | | | | |
| Bank charges | 5,627 | | | | | | | | | | | | | 1,000 | | | | 1,000 |
| Books | | | | 1,087 | | | | | | | | | | | | | | 1,087 |
| Building Permit and Other | | | | | | | | | | | | | | | | | | 382 |
| Depreciation | | | | | | | | | | | | | | 10,095 | | | | 10,095 |
| Electrical | | | 12 | | | | | | | | | | | | | | | 12 |
| Groceries and Paper Supplies | | | 23,282 | | | | | | | | | | | | | | | 23,282 |
| Insurance | 6,429 | | | | | | | | | | | | | | | | | 6,429 |
| Janitorial | | | 10,213 | | | | | | | | | | | | | | | 10,213 |
| Khalsa School | | | | | | | 6,109 | | | | | | | | | | | 11,690 |
| Kirtan, Visiting Ragis | 17,124 | | | | | | | 5,581 | | | | | | | | | | 23,241 |
| Landscaping | | | 1,100 | | | | | 6,117 | | | | | | | | | | 1,100 |
| Merit Awards and Scholarship | | | | | | | | | | | | | | | | | | 3,205 |
| Mortgage Interest Expense | | | | | | | | | | | | | | | | | | 3,205 |
| Membership | (713) | | | | | | | | | | | | | | | | | 22,906 |
| Office Supplies | 553 | | | | | | | | | | | | | | | | | (713) |
| Other | | | | | | | 708 | | | | | | | | | | | 553 |
| Permits | 5,344 | | | | | | | | | | | | | | | | | 708 |
| Pest Control | | 999 | | | | | | | | | | | | | | | | 5,344 |
| Postage and Delivery | 49 | | | | | | | | | | | | | | | | | 999 |
| Printing and Reproduction | 375 | | | | | | | | | | | | | | | | | 49 |
| Professional Fees | 15,250 | | | | | | | | | | | | | | | | | 375 |
| Punjabi Newspaper | 1,140 | | | | | | | | | | | | | | | | | 15,250 |
| Religious and Community Programs | 3,477 | | | | | | | | | | | | | | | | | 1,140 |
| Repairs and Maintenance | | 3,573 | | | | | | | | | | | | | | | | 14,274 |
| Salaries | 80,764 | | | | | | 3,915 | | | | | | | | | | | 14,274 |
| Security | 14,200 | | | | | | | | | | | | | | | | | 8,090 |
| Targeted Fundraising - Pingalwara | | | | | | | | | | | | | | | | | | 80,764 |
| Taxes- Payroll | 11,874 | | | | | | | | | | | | | | | | | 14,200 |
| Taxes -Real estate | | | | | | | | | | | | | | | | | | - |
| Telephone | 1,958 | | | | | | | | | | | | | | | | | 11,874 |
| Utilities | 33,317 | | | | | | | | | | | | | | | | | 22,218 |
| Youth Camp | | | | | | | | | | | | | | | | | | 1,958 |
| | | | | | | | | | | | | | | | | | | 33,317 |
| | | | | | | | | | | | | | | | | | | 3,260 |
| | 196,768 | 15,897 | 23,282 | 15,024 | 10,797 | 3,260 | 23,202 | 11,698 | 299,928 | 10,095 | 1,000 | 22,906 | 7,125 | 341,054 | | | | |

