

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

Year Ended December 31, 2023

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, 2023

CONTENTS

- Accountant's Audit Report
- Statement of Financial Position
- Statement of Activities and Changes in Net Assets
- Statement of Cash Flows
- Notes to Financial Statements
- Supplemental Schedule of Functional Expenses

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

Victor J Williams, CPA, PA

Certified Public Accountants

14346 Kimono Cir, Boyds, MD. 20841
Phone (443) 967-3234, Fax (301) 576-8674

INDEPENDENT AUDITOR'S REPORT

March 31, 2024

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, 2023, 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, 2023, 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

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, 2023

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,066,593
Cash and cash equivalents - Restricted	374,654

Total Current Assets	1,441,247
----------------------	-----------

Non-Current Assets

Property & equipment, net	6,138,735
---------------------------	-----------

Total non-current Assets	6,138,735
--------------------------	-----------

Intangibles

Refinancing Cost, net	-
-----------------------	---

Total Intangibles	-
-------------------	---

Total Assets	\$ 7,579,982
--------------	--------------

LIABILITIES & NET ASSETS

Current Liabilities

Accounts Payables and Accruals	\$ 7,610
Credit Cards	3,620
Payroll Liabilities	3,293
Loan Payable - EIDL	143,725
Accrued Legal Liability	34,500
Loan Payable – Current Portion	43,812

Total current liabilities	236,560
---------------------------	---------

Non-Current Liabilities

Loan Payable - net of current portion	1,157,519
---------------------------------------	-----------

Total non-current liabilities	1,157,519
-------------------------------	-----------

Net Assets

Unrestricted net Assets	3,024,436
Temporarily restricted net Assets	3,161,467
Total Net Assets	6,185,903

Total Liabilities & Net Assets	\$ 7,579,982
--------------------------------	--------------

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, 2023

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Asset
REVENUES			
Contributions and donations	\$ 379,129	449,325	828,454
Membership Dues	59,227		59,227
Food Drive - Covid	24,309		24,309
Other Income	148		148
Net assets released from restrictions	23,827	(23,827)	-
Total Revenues	\$ 486,640	425,498	912,138
EXPENSES:			
Program expenses			
Gurudwara Committee	308,787	-	308,787
Building Maintenance Committee	21,914	-	21,914
Langar Committee	29,781	-	29,781
Education Committee	16,186	-	16,186
Community Affairs Committee	15,154	-	15,154
Capital Projects Committee	78	-	78
Dharmik Committee	3,255	-	3,255
Total Program Expenses	395,155	-	395,155
Supporting Services			
Management & General:			
Depreciation	26,282	-	26,282
Interest expense	49,235	-	49,235
Total Management & general expense	75,517	-	75,715
Fund Raising Expenses	4,221	-	4,221
Total Supporting Services	79,738	-	79,738
Total Expenses	474,893	-	474,893
Change in Net Assets	11,747	425,498	437,245
Net Assets, beginning of the year	3,012,689	2,735,969	5,125,083
Net Assets, end of the year	3,024,436	3,161,467	6,185,903

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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 437,245
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	26,282
Changes in current assets & liabilities:	
Accounts Payables and Accruals	4,530
Credit Cards	3,620
Payroll Liabilities	3,293
Loan Payable EIDL	(5,520)
Legal Liability Becoming Due	34,500
Net Cash Provided by Operating activities	<u>501,671</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from new loan	
Payment of refinancing expenses	
Principal payments under the Note payable	(41,168)
Net Cash Used in Financing activities	<u>(41,168)</u>

CASH FLOWS FROM INVESTMENT ACTIVITIES:

Change in fixed assets	(510,600)
Net Cash Used in Investment activities	<u>(510,600)</u>

Net change in cash and cash equivalents (50,097)

Cash and cash equivalents, beginning of year 1,491,334

Cash and cash equivalents, end of year 1,441,247

Supplemental disclosure of cash flow information
Interest paid 49,235

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.
- e. **Capital Projects Committee** is responsible to plan, obtain permits, schedule timetables and carry out activities pertaining to capital projects as determined by the Board and to report on the budgetary requirements, developments, monitoring and completion of the projects.

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.

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

Cash and Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered as 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.

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, 2023

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 Expense

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, 2023. There were no uncertain tax positions as of December 31, 2023.

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.

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, 2023

3. Property and Equipment

Property and equipment consisted of the following at December 31, 2023

Building -1976	\$ 260,000
Building Improvements -1992	290,000
Building Improvements - 2000	16,743
New Building Land Improvements - 2017	167,446
New Building Land Improvements - 2018	456,803
New Building Land Improvements - 2019	320,772
New Building Land Improvements - 2020	642,746
New Building Land Improvements - 2021	731,289
New Building Land Improvements - 2022	1,504,699
New Building Land Improvements - 2023	487,378
Furniture & Equipment - 2023	23,222
Trailer Improvements – 2019	47,230
Trailer Improvements - 2020	17,292
Land -1974	75,000
Land -1978	60,000
Land -2001	1,591,993
Equipment	<u>44,973</u>
	6,737,586
Less accumulated depreciation	<u>(598,851)</u>
Property and equipment, net	<u>\$ 6,138,735</u>

Depreciation expense for the year ended December 31, 2023 was \$ 26,282.

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.

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, 2023

4. Prior-Period Adjustment

A prior period adjustment in the net amount of \$ 20,688 to correct entries made in payables and receivables for 2020 and 2021 have been adjusted in the current period. The amount is not considered material to warrant restating prior period accounts and the prior year's Retained Earnings.

5. Notes Payable

Year ending December 31, 2022	\$ 1,242,500
Less: net principal and interest	<u>84,981</u>
Total future payments as December 31, 2023	\$ 1,157,519
Interest paid	\$ 49,235

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.

As of December 31, 2022, the Foundation had the following Performance Bonds:

- a) A \$535,265 Performance Letter of Credit was replaced by a Performance Bond (through CapSpecialty Bond Company) to Montgomery County, Maryland for Sediment Control Permit.
- b) A \$174,300 Performance Letter of Credit was replaced by Performance Bond (through CapSpecialty Bond Company) to Montgomery County, Maryland for Right of Way Permit.
- c) A \$60,100 WSSC Performance Letter of Credit was replaced by Performance Bond (through CapSpecialty Bond Company) to WCC for new Utility Permit.

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

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 \$102,000 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 was ramped up as can be indicated by the substantial amounts of land improvements as shown in note 3 of the financial statement. This project is now in the final stage of completion.

During the financial year ended December 31, 2024, the Foundation reached a settlement in a legal dispute related to a Purchase Sale Agreement (PSA) with Peterson Real Estate Company. As per the terms of the settlement, the Foundation is required to pay a total of \$ 34,500.

In accordance with US GAAP, the Foundation has recognized a liability in its financial statements for the full amount of the settlement. The liability has been classified as a long-term obligation in the balance sheet, as the payment is due in the following financial year.

Management has assessed the Foundation's ability to meet its financial obligations, including the payment of the settlement amount, and believes that the Foundation will have sufficient liquidity and solvency to satisfy its commitments. Therefore, the foundation has concluded that the settlement does not raise substantial doubt about the Foundation's ability to continue as a going concern.

8. 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

Supplementary Schedule of Functional Expenses
For the year ended Dec 31 2023

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			
Accrued Legal Liability	34,500								34,500						34,500
Bad Debts									-						-
Bank charges	5,713								5,713						5,713
Bonus Expense	5,000								5,000						5,000
Books				2,047					2,047						2,047
Building Construction Material									-						-
Building Permit and Other									-						-
Catering Fundraising									-						-
Clearing Account									-						-
Covid-Relief									-						-
Clinic Expense	400								400						400
Depreciation									-	26,282					26,282
Design and Engineering									-						-
Electrical Work									-						-
Entertainment Fundraising									-						-
Equipment Purchase									-						-
Elevator Expense									-						-
Fees and Dues	4,104								4,104						4,104
Footings and Walls									-						-
Groceries and Food Drive	7,209		29,781						36,990						36,990
Grounds									-						-
Grounds Storm Water Pond									-						-
Grounds Parking									-						-
Health Fair								677	677						677
Insurance	6,862								6,862						6,862
Interest									-						-
Inspection									-						-
Janitorial		9,200							9,200						9,200
Khalsa School				3,228					3,228						3,228
Kitchen Expansion									-						-
Kirtan, Visiting Ragis	25,838								25,838						25,838
Landscaping		544							544						544
Letter of Credit Fees									-						-
Maintenance Expense		10,430							10,430						10,430
Memorial Day Kirtan								925	925						925
Merit Awards and Scholarship				624					624						624
Mother'sDay Celebrations				174					174						174
Mortgage Interest Expense									-			49,235			49,235
Mortgage Late Fee									-						-
Membership Dues and Subscription	75								75						75
Newsletter									-						-
Office Supplies									-						-
Other								2,330	2,330						2,330
Permits									-						-
Pest Control		1,740							1,740						1,740
Postage and Delivery									-						-
Printing and Reproduction	700						78		778						778
Prior Period Adjustment									-						-
Professional Accounting Fees									-						-
Professional Fees Legal	18,320								18,320						18,320
Punjabi Newspaper									-						-
Reconciliation Descrpancy									-						-
Religious and Community Programs	300							14,477	14,777						14,777
Repairs and Maintenance	206								206						206
Rental Facility Fundraising									-						-
Retaining Wall									-						-
Returns									-						-
Salaries	103,985								103,985						103,985
Security	25,540								25,540						25,540
Settlement Cost									-						-
Supplies	1,573			7,613					9,186						9,186
Targeted Fundraising - Pingalwara									-				4,221		4,221
Taxes- Payroll	7,955								7,955						7,955
Taxes -Real Property	736								736						736
Taxes -Real estate	6,303								6,303						6,303
Telephone	1,823								1,823						1,823
Trailers Khasla School				2,500					2,500						2,500
Travel and Meetings									-						-
Utilities	51,435								51,435						51,435
Website	210								210						210
Youth Camp									-						-
	308,787	21,914	29,781	16,186	15,154	-	78	3,255	395,155	26,282	-	49,235	4,221	474,893	