

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

Year Ended December 31, 2019

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, 2019

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



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Virginia Board of Accountancy
Maryland Board of Accountancy

INDEPENDENT AUDITOR'S REPORT

July 17, 2020

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

Report on the Financial Statements

We have audited the accompanying financial statements which comprise the statement of financial position of Guru Nanak Foundation of America, Inc. (the "Foundation") as of December 31, 2019, and the related statements 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

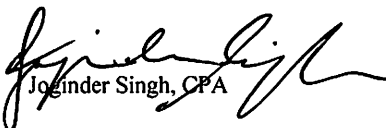
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2019, 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,


Joginder Singh, CPA

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

Guru Nanak Foundation of America, Inc.
Statement of Financial Position
As of December 31, 2019

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,696,988
Receivables	17,250
Total Current Assets	1,714,238
Non-Current Assets	
Property & equipment, net	2,828,597
Total non-current Assets	<u>4,542,835</u>
Intangibles	
Refinancing Cost, net	-
Total Intangibles	<u>-</u>
Total Assets	\$ <u>4,542,835</u>
 LIABILITIES & NET ASSETS	
Current Liabilities	
Accounts Payables and Accruals	\$ 31,500
Payroll Liabilities	1,789
Loan Payable – Current Portion	26,835
Total current liabilities	<u>60,124</u>
Non-Current Liabilities	
Loan Payable -net of current portion	499,819
Total non-current liabilities	<u>499,819</u>
Net Assets	
Unrestricted net Assets	2,365,031
Temporarily restricted net Assets	1,617,861
Total Net Assets	<u>3,982,892</u>
Total Liabilities & Net Assets	\$ <u>4,542,835</u>

Guru Nanak Foundation of America, Inc.
Statement of Activities and Changes in Net Assets
For the year ended December 31, 2019

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Asset
REVENUES			
Contributions and donations	\$ 301,929	219,464	521,393
Membership Dues	52,952		52,952
Net assets released from restrictions	372,638	(372,638)	-
Net Income	4,000		4,000
Total Revenues	\$ 731,519	(153,174)	578,345
EXPENSES:			
Program expenses			
Gurudwara Committee	229,921	-	229,921
Building Maintenance Committee	20,306	-	20,306
Langar Committee	23,057	-	23,057
Community Affairs Committee	22,888	-	22,888
Dharmik Committee	8,889	-	8,889
Newsletter Committee	366		366
Capital Projects Committee	693		693
Education Committee	3,942	-	3,942
Total Program Expenses	310,063	-	310,063
Supporting Services			
Management & General:			
Depreciation	18,894		18,894
Amortization	1,000		1,000
Interest expense	24,748		24,748
Loss on Disposal of Land	225,079		225,079
Total Management & General expense	269,721	-	269,721
Fund Raising expenses	2,187		2,187
Total supporting services	271,908	-	271,908
Total Expenses	581,971	-	581,971
Change in Net Assets	149,548	(153,174)	(3,626)
Net Assets, beginning of the year	2,074,349	1,912,169	3,986,518
Net Assets, end of the year	2,223,897	1,758,995	3,982,892

Guru Nanak Foundation of America, Inc.
Statement of Cash flows
For the year ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (3,626)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	18,894
Amortization	1,000
Changes in assets & liabilities:	
Certificates of deposits	-
Prepaid Expenses	-
Contributions receivable	-
Accounts payable and accrued expenses	3,946
Net Cash Provided by Operating activities	20,213

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from new loan	-
Principal payments under the loan payable	(25,553)
Net Cash Used in Financing activities	<u>(25,553)</u>

CASH FLOWS FROM INVESTMENT ACTIVITIES:

Change in fixed assets <i>(Net of Addition & Disposal)</i>	1,004,615
Net Cash Used in Investment activities	<u>1,004,615</u>

Net change in cash and cash equivalents	999,275
Cash and cash equivalents, beginning of year	<u>697,713</u>
Cash and cash equivalents, end of year	<u>1,696,988</u>

Supplemental disclosure of cash flow information	
Interest paid	<u>24,748</u>

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.

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.

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, 2019. There were no uncertain tax positions as of December 31, 2019.

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, 2019

3. Property and Equipment

Property and equipment consisted of the following as of December 31, 2019

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
Trailer Improvements – 2019	47,230
Land -1974	75,000
Land -1978	60,000
Land -2001	1,591,993
Equipment	<u>39,671</u>
	3,325,659
Less accumulated depreciation	<u>(497,062)</u>
Property and equipment, net	<u>\$ 2,828,597</u>

Depreciation expense for the year ended December 31, 2019 was \$18,894.

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.

The two land parcels of combined size of approximately 8.42 acres located at 18201, Indian Head Highway, Accokeek, MD 20607, which were donated to the Foundation in 2014 were sold in June, 2019. The approval to sell the said parcels of land was made at the General Body Meeting held on November 2, 2014. The said parcels of land were sold at a price of \$1,225,000.

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 Paramjit Sawhney (collectively, the "Guarantors") and borrowed \$1,000,000. On August 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).

As of December 31, 2019, the Foundation and the Guarantors were in full compliance with all debt covenants related to the above Loan. At December 31, 2019, the Foundation's minimum payments under the Loan are as follows:

Year ending December 31, 2019	\$ 551,402
Less: amount representing principal and interest	<u>(51,583)</u>
Total future payments as December 31, 2019	\$ 499,819

Loan payable- current portion	\$ 26,835
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The bank loan is secured by a 1st Deed of Trust and assignments of leases and rents on 12917 Old Columbia Pike, Silver Spring, Md 20904 and 1st lien on all business assets of the Foundation.

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, Letters of Credit 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, 2019, the Foundation had the following Letters of Credit:

- a) A \$535,265 Performance Letter of Credit secured by hold on the following:
 - i) 2nd Deed of Trust and assignment of leases and rents on 12917 Old Columbia Pike, Silver Spring, MD 20904.
 - ii) 1st Deed of Trust on 12901, 12821 and Parcel 905, Old Columbia Pike, Silver Spring, MD 20904
 - iii) \$175,750 hold on bank deposits of various individuals on behalf of the Foundation.

- b) A \$174,300 Performance Letter of Credit secured by hold on the Foundation's money market account number 161060627.
- c) A \$38,150 Performance Letter of Credit secured by hold on the Foundation's money market account number 161060627.

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.

In 2018, additional land improvement work was performed and an amount of \$530,294 was transferred from temporarily restricted to unrestricted net assets.

In 2019, additional land improvement work was performed and an amount of \$372,638 was transferred from temporarily restricted to unrestricted net assets.

As of the date the Financial Statements were available to be issued, the following commitments and contingencies are to be taken into account:

- a) A prior year amount of \$30,000 is outstanding in the books of accounts as of December 31, 2019 and shown as payable to EMC2 Inc. This matter has been resolved at the date the Audit report is available to be issued and the Foundation will pay EMC2 Inc. in three monthly installments of \$10,000 each.
- b) Peterson Real Estate Company has filed a suit for \$65,000 after December 31, 2019 alleging breach of Sale-Purchase Agreement made on 31 May, 2017 for the sale of land located at 18201, Indian Head Highway, Accokeek, MD 20607. The foundation is contesting this suit. An answer, counter claim and a motion to join a third party defendant, which is holding an escrow amount of \$25,000 received in 2017, have been filed on behalf of the Foundation.

7. Subsequent Events

In preparing these financial statements, the Foundation has evaluated all relevant events and transactions for potential recognition or disclosure through 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 December 31, 2019

Description	Program Expenses									Management & General				Total Expenses
	Building Maintenance Committee	Capital Projects Committee	Community Affairs Committee	Dharmik Committee	Education Committee	Gurdwara Committee	Langar Committee	Newsletter Committee	Total Program Expenses	Depreciation Expense	Interest Expense	Refinance Costs	Fundraising	
Amortization									-			1,000		1,000
Bank Charges						8,402			8,402					8,402
Books and Supplies				2,785	1,972				4,757					4,757
Clinic						9,085			9,085					9,085
Depreciation									-	18,894				18,894
Electrical/Mechanical	1,643								1,643					1,643
Groceries and Paper Supplies								23,057	23,057					23,057
Insurance						4,382			4,382					4,382
Janitorial	11,130								11,130					11,130
Khalsa School				2,110					2,110					2,110
Kirtan, Visiting Ragis						17,407			17,407					17,407
Landscaping	3,650								3,650					3,650
Mortgage Interest Expense									-	24,748				24,748
Office Supplies						457			457					457
Other				2,607	1,970				4,577				1,200	5,777
Permits		693							693					693
Pest Control	1,156								1,156					1,156
Printing and Reproduction								366	366					366
Professional Fees						12,311			12,311					12,311
Religious and Community Programs			22,888			8,278			31,166					31,166
Repairs and Maintenance	2,727								1,001					2,727
Salaries						92,458			92,458					92,458
Security						29,406			29,406					29,406
Targeted Fundraising - Pingalwara									-				987	987
Taxes - Payroll						7,073			7,073					7,073
Telephone						2,129			2,129					2,129
Utilities						36,921			36,921					36,921
Website						1,612			1,612					1,612
Youth Camp				1,387					1,387					1,387
	20,306	693	22,888	8,889	3,942	229,921	23,057	366	310,063	18,894	24,748	1,000	2,187	356,892