

JEWEL HEART CORP.

FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

C O N T E N T S

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Jewel Heart Corp.
Ann Arbor, Michigan

We have audited the accompanying financial statements of Jewel Heart Corp. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 the assessment of the risks of material misstatement of the financial statements, whether 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewel Heart Corp. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Boswell, Schultz, Sonnenberg & Arnett, P.L.C.

Jackson, Michigan
September 14, 2021

JEWEL HEART CORP.
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

ASSETS		
	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 952,906	\$ 581,056
Inventory	43,972	45,282
Deposits	5,135	6,385
Total current assets	1,002,013	632,723
 Property and equipment		
Land	175,000	175,000
Buildings and improvements	1,852,211	1,852,211
Equipment	107,378	100,063
Religious articles	17,479	17,479
Furniture and fixtures	132,188	132,188
	2,284,256	2,276,941
Less: accumulated depreciation	(859,735)	(805,536)
Net property and equipment	1,424,521	1,471,405
 Total assets	 \$ 2,426,534	 \$ 2,104,128
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term debt	\$ 41,346	\$ 39,248
Accounts payable	13,740	3,609
Customer deposits	650	991
Deferred revenue	2,700	6,225
Accrued liabilities	9,996	6,775
Total current liabilities	68,432	56,848
 Long-term debt (net of current portion)	 611,241	 651,891
 Net Assets		
Without donor restrictions	1,601,944	1,027,159
With donor restrictions	144,917	368,230
Total net assets	1,746,861	1,395,389
 Total liabilities and net assets	 \$ 2,426,534	 \$ 2,104,128

See accompanying notes to financial statements.

JEWEL HEART CORP.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2020 and 2019

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating activities						
Revenue and other support						
General membership offerings	\$ 200,718	-	\$ 200,718	\$ 191,377	-	\$ 191,377
Contributions	589,208	176,763	765,971	486,087	89,900	575,987
Retreats and tuition	144,561	-	144,561	145,209	-	145,209
Merchandise	27,868	-	27,868	21,358	-	21,358
Electronic media income	26,072	-	26,072	24,530	-	24,530
Miscellaneous	6,776	-	6,776	4,332	-	4,332
Special events	-	-	-	-	-	-
Interest income	703	-	703	-	4,903	4,903
Net assets released from restrictions						
Satisfaction of restriction (Note 6)	270,276	(270,276)	-	-	-	-
Satisfaction of purpose restrictions	129,800	(129,800)	-	5,135	(5,135)	-
Total revenue and other support	1,395,982	(223,313)	1,172,669	878,028	89,668	967,696
Expenses						
Cost of goods sold	13,211	-	13,211	14,253	-	14,253
Program Services						
National	657,705	-	657,705	766,382	-	766,382
Retreats	13,102	-	13,102	12,984	-	12,984
Bookstore	18,243	-	18,243	18,599	-	18,599
Supporting services						
Administrative	105,154	-	105,154	101,016	-	101,016
Fundraising	13,782	-	13,782	17,513	-	17,513
Total expenses	821,197	-	821,197	930,747	-	930,747
Change in net assets	574,785	(223,313)	351,472	(52,719)	89,668	36,949
Net assets beginning of year	1,027,159	368,230	1,395,389	1,079,878	278,562	1,358,440
Net assets end of year	\$1,601,944	\$ 144,917	\$1,746,861	\$ 1,027,159	\$ 368,230	\$ 1,395,389

See accompanying notes to financial statements.

JEWEL HEART CORP.
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2020 and 2019

	2020					Total 2020
	Program Services			Support Services		
	National	Retreats	Bookstore	Management and General	Fund- raising	
Wages and related expenses:						
Wages	\$ 227,654	\$ 8,192	\$ 11,206	\$ 20,480	\$ 8,192	\$ 275,724
Payroll taxes and employee benefits	51,402	1,952	3,253	6,506	1,951	65,064
Total wages and related expenses	279,056	10,144	14,459	26,986	10,143	340,788
Other expenses:						
Cost of goods sold	-	-	13,211	-	-	13,211
Cost of retreats	-	2,958	-	-	-	2,958
Office supplies	2,120	-	52	4,198	26	6,396
Operating supplies	1,632	-	51	5,438	265	7,386
Program expenses	53,159	-	-	-	-	53,159
Archive expense	15,686	-	-	-	-	15,686
Pilgrimage	-	-	-	-	-	-
Puja	24,608	-	-	-	-	24,608
Webcast	10,239	-	260	874	-	11,373
Duplication	3,625	-	-	1,961	2,362	7,948
Postage and shipping	55	-	88	612	844	1,599
Insurance	10,304	-	-	4,416	-	14,720
Telephone	5,823	-	7	5,708	-	11,538
Utilities	7,809	-	-	3,347	-	11,156
Maintenance	13,235	-	183	5,672	-	19,090
Professional fees	-	-	-	17,590	-	17,590
Contracted services	134,488	-	-	-	-	134,488
Advertising	20,278	-	-	-	-	20,278
Depreciation	51,761	-	3,143	2,162	-	57,066
Travel	789	-	-	-	-	789
Interest	23,038	-	-	9,873	-	32,911
Fees	-	-	-	16,317	142	16,459
Total other expenses	\$ 378,649	\$ 2,958	\$ 16,995	\$ 78,168	\$ 3,639	\$ 480,409
Total expenses	\$ 657,705	\$ 13,102	\$ 31,454	\$ 105,154	\$ 13,782	\$ 821,197

See accompanying notes to financial statements.

2019

	Program Services		Support Services			Total 2019
	National	Retreats	Bookstore	Management and General	Fund- raising	
Wages and related expenses:						
Wages	\$ 197,624	\$ 7,952	\$ 10,596	\$ 19,604	\$ 7,842	\$ 243,618
Payroll taxes and employee benefits	69,863	3,406	4,258	4,261	3,406	85,194
Total wages and related expenses	267,487	11,358	14,854	23,865	11,248	328,812
Other expenses:						
Cost of goods sold	-	-	14,253	-	-	14,253
Cost of retreats	-	1,626	-	-	-	1,626
Office supplies	1,175	-	95	3,005	-	4,275
Operating supplies	1,788	-	75	1,214	1,044	4,121
Program expenses	117,395	-	-	-	-	117,395
Archive expense	5,606	-	-	-	-	5,606
Pilgrimage	25,098	-	-	-	-	25,098
Puja	29,165	-	-	-	-	29,165
Webcast	10,177	-	260	878	-	11,315
Duplication	1,895	-	-	551	4,270	6,716
Postage and shipping	253	-	135	740	951	2,079
Insurance	10,641	-	-	4,561	-	15,202
Telephone	7,390	-	-	3,167	-	10,557
Utilities	9,965	-	-	4,271	-	14,236
Maintenance	12,691	-	-	5,439	-	18,130
Professional fees	-	-	-	23,935	-	23,935
Contracted services	163,350	-	-	-	-	163,350
Advertising	23,367	-	-	-	-	23,367
Depreciation	48,641	-	3,143	1,742	-	53,526
Travel	3,223	-	-	-	-	3,223
Interest	26,706	-	-	11,445	-	38,151
Fees	369	-	37	16,203	-	16,609
Total other expenses	\$ 498,895	\$ 1,626	\$ 17,998	\$ 77,151	\$ 6,265	\$ 601,935
Total expenses	\$ 766,382	\$ 12,984	\$ 32,852	\$ 101,016	\$ 17,513	\$ 930,747

JEWEL HEART CORP.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 351,472	\$ 36,949
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	57,066	53,526
Inventory	1,310	72
Deposits and prepaid expenses	1,250	-
Accounts payable	10,131	(10,667)
Accrued liabilities and deferred revenue	(3,512)	5,298
Net cash provided by operating activities	417,717	85,178
Cash flows from investing activities		
Purchase of fixed assets	(7,315)	(14,338)
Net cash used by investing activities	(7,315)	(14,338)
Cash flows from financing activities		
Principal payments on long-term debt	(38,552)	(39,046)
Net cash used by financing activities	(38,552)	(39,046)
Net increase in cash and cash equivalents	371,850	31,794
Cash and cash equivalents, beginning of year	581,056	549,262
Cash and cash equivalents, end of year	\$ 952,906	\$ 581,056

See accompanying notes to financial statements.

JEWEL HEART CORP.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Jewel Heart Corp. is a religious organization presenting authentic Tibetan Buddhist teachings, supporting the Buddhist community and others in their spiritual development through teaching conferences, seminars and ceremonies, and through the sale of religious books and merchandise. The national office is located in Ann Arbor, Michigan and local chapters are maintained in Cleveland, Ohio; New York, New York; Chicago, Illinois; and Lincoln, Nebraska. Jewel Heart Corp. is supported primarily through contributions from its members.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization is required to report information regarding their financial position and activities according to two classes of net assets: unrestricted net assets and donor restricted net assets.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Organization maintains cash balances at certain financial institutions in excess of the insurance limits provided by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts and monitors the financial stability of financial institutions regularly. Management does not believe there is significant credit risk associated with deposits in excess of federally insured amounts.

JEWEL HEART CORP.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Property and Equipment

The Organization capitalizes property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service. Depreciation of property and equipment is provided using the straight-line method over estimated useful lives ranging from three to thirty-nine years. For the year ended December 31, 2020, additions to property and equipment included computer equipment. For the year ended December 31, 2019, additions included a furnace and computer equipment.

Inventory

Inventory consists of books, statues and items for sale in the bookstore. Inventory is stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the statement of activities in the period in which it occurs.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be net by the passage of time or other events specified by the donor. Others are perpetual in nature.

JEWEL HEART CORP.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions are reported as revenue when cash, securities, or other assets are received. Conditional promises to give are not recognized until conditions on which they depend have been substantially met. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization in carrying out its teachings, but these services do not meet the criteria for recognition as contributed services.

Deferred Revenue

Income from retreat tuition is deferred and recognized over the periods to which it relates.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Professional standards require an analysis of uncertain tax positions for the purpose of determining whether benefits associated with those positions may be recognized for financial statement purposes. Based on this analysis, the Organization has determined it has no material uncertain tax positions for which the associated benefits may not be recognized nor for which disclosure is required.

Fair Value of Financial Instruments

The Organization's financial instruments are cash, accounts receivable, accounts payable, and loans payable. The recorded value of cash, accounts receivable, accounts payable, and loans payable approximate fair values based on their short-term nature.

Cost Allocation

The costs of providing the programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Compensation and benefits are allocated on the basis of estimates of time and effort. Other shared expenses, such as occupancy costs and depreciation are allocated on a square footage basis.

JEWEL HEART CORP.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

The Organization uses advertising to promote its programs. The production costs of advertising are expensed as incurred. Advertising costs for the years ended December 31, 2020 and 2019 were \$20,278 and \$23,367, respectively.

COVID-19 Response

During 2020, the Organization applied for and was granted a loan from Old National Bank in the amount of \$56,000, pursuant to the Payroll Protection Program (PPP) under the CARES Act, which was enacted March 27, 2020. Funds from the loan may only be used for payroll costs, benefits, and other qualifying expenses. Subsequently, the Organization applied for and received full forgiveness of the loan in the amount of \$56,000. This income is recorded as contribution income in the Statement of Activities, in accordance with the Financial Accounting Standards Board conditional contribution method for recording the loan forgiveness.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Date of Management's Review

Subsequent events have been evaluated through September 14, 2021, which is the date the financial statements were available to be issued.

2. CASH FLOWS STATEMENT

Cash paid for interest during 2020 and 2019 was \$32,911 and \$38,151, respectively.

3. OPERATING LEASES

The Organization leases office space, meeting space and office equipment. Most leases include renewal options for varying periods. The leases are recorded as operating leases. Total rental expense under operating lease agreements is \$20,192 and \$47,226 for the years ended December 31, 2020 and 2019, respectively. Of that, \$10,182 and \$30,396 were paid to a private operating foundation established by a Board Member for the lease of meeting space. As of December 31, 2020 and 2019, the Organization did not have any operating leases with initial or remaining non-cancelable lease terms in excess of one year.

JEWEL HEART CORP.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

4. NOTES PAYABLE

	<u>2020</u>	<u>2019</u>
Note payable for building – Old National Bank Secured by real property, renewed October 2017 with Monthly payments of \$6,194, including interest at 5.22%,	\$ 652,587	\$ 691,139
Less: current portion	<u>41,346</u>	<u>39,248</u>
Long-term debt net of current portion	<u>\$ 611,241</u>	<u>\$ 651,891</u>

Maturities of long-term debt at December 31, 2020, are as follows:

<u>YEARS</u>	<u>PRINCIPAL MATURITY</u>
2021	41,346
2022	43,557
2023	45,712
2024	521,972
Thereafter	<u>-0-</u>
	<u>\$ 652,587</u>

5. RETIREMENT PLAN

The Organization has a SIMPLE Plan under Section 408 of the Internal Revenue Service Code for eligible employees. The Organization provides an employer contribution of up to three percent (3%) of full-time employees' salary. Total cost for the years ended December 31, 2020 and 2019, was \$6,770 and \$6,179, respectively.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to expenditures for specified purpose:		
Compassionate care fund	\$ 2,204	\$ 2,204
Archive project	142,713	95,300
New York operations	<u>-0-</u>	<u>270,726</u>
	<u>\$ 144,917</u>	<u>\$ 368,230</u>

The 2019 balance in New York operations was transferred to net assets without donor restrictions during 2020 in light of the COVID-19 closings. Because the New York center is legally the same entity as Jewel Heart Corp., this meets the purpose restrictions. The view was always that these funds could be used for operating purposes.

JEWEL HEART CORP.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

7. LIQUIDITY AND AVAILABILITY OF RESOURCES

Jewel Heart Corp. has \$807,989 of financial assets available within one year of the statement of financial position date of December 31, 2020 to meet cash needs for general operating expenditures, consisting of cash in checking and savings. For the 2021 year, the Organization plans to use these assets for operations and to continue to pay down the mortgage on the building.

Donor-restricted amounts of \$144,917 that are available for use within one year and into 2022 will be used for the archive project and compassionate care fund.

8. NEW ACCOUNTING PRONOUNCEMENT

Effective January 1, 2019, Jewel Heart Corp. adopted ASU 2014-09, as incorporated into Accounting Standards Codification (ASC) 606, Revenues from Contracts with Customers. The new revenue recognition guidance requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which Jewel Heart Corp. expects to be entitled in exchange for those goods and services. The guidance requires a five-step approach consisting of the following: 1) Identify the contract, 2) Identify the performance obligations, 3) Determine the price of the transaction, 4) Allocate the price to each performance obligation, and 5) Recognize revenue as performance obligations are satisfied. This guidance applies mainly to the store operation of the Organization, and because performance obligations are generally completed within days or weeks of the reporting period, the new guidance does not have a substantial effect on the Organization.

9. SUBSEQUENT EVENT

In 2020, the COVID-19 outbreak caused mandated and voluntary closings of many businesses and organizations. Possible areas that may be affected include, but are not limited to, disruption to the Organization's membership and revenue, labor workforce, and the decline in the value of assets held by the organization. As of September 14, 2021, restrictions were being lifted as progress had been made in the fight against COVID-19. The Organization has not had to adjust staffing levels and has been able to provide many free programs for the community. Membership levels have remained stable.