

JEWEL HEART CORP.

FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Jewel Heart Corp.

We have reviewed the accompanying statement of financial position of Jewel Heart Corp. (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Dove & Hickey, P.L.C.

April 18, 2012

JEWEL HEART CORP.
STATEMENT OF FINANCIAL POSITION
December 31, 2011 and 2010

	<u>ASSETS</u>	
	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 166,200	\$ 136,020
Accounts receivable (net of allowance for doubtful accounts of \$-0-)	-0-	300
Inventory	50,156	53,073
Prepaid expenses	-0-	213
Deposits	3,500	3,500
Land, building and equipment - net	<u>1,828,609</u>	<u>1,891,687</u>
Total assets	<u>\$2,048,465</u>	<u>\$2,084,793</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
LIABILITIES:		
Accounts payable	\$ 36,965	\$ 28,841
Customer deposits	2,519	5,483
Accrued liabilities	10,650	9,507
Deferred revenue	2,000	2,380
Note payable	909,703	928,449
Capital lease	<u>4,072</u>	<u>7,424</u>
Total liabilities	<u>965,909</u>	<u>982,084</u>
NET ASSETS:		
Unrestricted	1,001,223	1,078,049
Temporarily restricted	<u>81,333</u>	<u>24,660</u>
Total net assets	<u>1,082,556</u>	<u>1,102,709</u>
Total liabilities and net assets	<u>\$2,048,465</u>	<u>\$2,084,793</u>

See accompanying notes and accountants' review report.

JEWEL HEART CORP.
STATEMENT OF ACTIVITIES
Years Ended December 31, 2011 and 2010

	2011		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUE AND OTHER SUPPORT:			
General undesignated offerings	\$ 255,460	\$ -0-	\$ 255,460
Contributions	523,815	73,768	597,583
Retreats and tuition	191,751	-0-	191,751
Merchandise	81,004	-0-	81,004
Electronic media income	22,678	-0-	22,678
Miscellaneous	6,155	-0-	6,155
Special events	5,005	-0-	5,005
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>17,095</u>	<u>(17,095)</u>	<u>-0-</u>
Total revenue and other support	<u>1,102,963</u>	<u>56,673</u>	<u>1,159,636</u>
EXPENSES:			
Cost of goods sold	51,916	-0-	51,916
Program services:			
National	862,527	-0-	862,527
Retreats	80,174	-0-	80,174
Bookstore	15,573	-0-	15,573
Supporting services:			
Administrative	154,511	-0-	154,511
Fundraising	<u>15,088</u>	<u>-0-</u>	<u>15,088</u>
Total expenses	<u>1,179,789</u>	<u>-0-</u>	<u>1,179,789</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(76,826)</u>	<u>56,673</u>	<u>(20,153)</u>
NON-OPERATING INCOME:			
Interest and dividend income	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total non-operating income	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
CHANGE IN NET ASSETS	(76,826)	56,673	(20,153)
NET ASSETS AT BEGINNING OF YEAR	<u>1,078,049</u>	<u>24,660</u>	<u>1,102,709</u>
NET ASSETS AT END OF YEAR	<u>\$1,001,223</u>	<u>\$ 81,333</u>	<u>\$1,082,556</u>

See accompanying notes and accountants' review report.

2010

<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
\$ 241,691	\$ -0-	\$ 241,691
358,737	20,385	379,122
214,819	-0-	214,819
111,572	-0-	111,572
-0-	-0-	-0-
760	-0-	760
31,721	-0-	31,721
<u>2,544</u>	<u>(2,544)</u>	<u>-0-</u>
<u>961,844</u>	<u>17,841</u>	<u>979,685</u>
63,264	-0-	63,264
706,529	-0-	706,529
100,742	-0-	100,742
15,616	-0-	15,616
118,554	-0-	118,554
<u>18,644</u>	<u>-0-</u>	<u>18,644</u>
<u>1,023,349</u>	<u>-0-</u>	<u>1,023,349</u>
<u>(61,505)</u>	<u>17,841</u>	<u>(43,664)</u>
<u>325</u>	<u>-0-</u>	<u>325</u>
<u>325</u>	<u>-0-</u>	<u>325</u>
(61,180)	17,841	(43,339)
<u>1,139,229</u>	<u>6,819</u>	<u>1,146,048</u>
<u>\$1,078,049</u>	<u>\$ 24,660</u>	<u>\$1,102,709</u>

JEWEL HEART CORP.
STATEMENT OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	(\$ 20,153)	(\$ 43,339)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	67,992	67,373
Provision for uncollectable accounts	-0-	(810)
Changes in operating assets and liabilities:		
Accounts receivable	300	1,895
Note receivable - Jonas	-0-	5,221
Inventory	2,917	(1,185)
Prepaid expenses	213	(213)
Deposits	-0-	395
Accounts payable	8,124	18,876
Customer deposits	(2,964)	1,921
Accrued liabilities and deferred revenue	<u>763</u>	<u>2,698</u>
Net cash provided by operating activities	<u>57,192</u>	<u>52,832</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(4,914)</u>	<u>(14,812)</u>
Net cash (used) by investing activities	<u>(4,914)</u>	<u>(14,812)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital leases	(3,352)	(3,004)
Principal payments on long-term debt	<u>(18,746)</u>	<u>(17,480)</u>
Net cash (used) by financing activities	<u>(22,098)</u>	<u>(20,484)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	30,180	17,536
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>136,020</u>	<u>118,484</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 166,200</u>	<u>\$ 136,020</u>

See accompanying notes and accountants' review report.

JEWEL HEART CORP.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Jewel Heart Corp. is a non-profit organization exempt from income tax under Internal Revenue Code Section 501(c)(3). The national office is located in Ann Arbor, Michigan. It is a religious organization dedicated to support the Buddhist community and others in their spiritual development through teaching conferences, seminars and ceremonies, and through the sale of religious books and merchandise. Jewel Heart Corp. maintains local chapters in Cleveland, Ohio; New York, New York; Chicago, Illinois; and Lincoln, Nebraska. Jewel Heart Corp. is supported primarily through contributions from its members.

Use of Estimates

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

Property and Equipment

Property and equipment are carried at cost. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation of property and equipment is provided using the straight-line method at rates based on the following estimated useful lives:

	<u>YEARS</u>
Building and improvements	7 - 39
Equipment	3 - 15

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted support.

Donated Services and Facilities

Jewel Heart Corp. receives a substantial amount of services donated by its members in carrying out its teachings. No amount has been recognized for the years ended December 31, 2011 and 2010, in the accompanying statement of activities because the criteria for recognition of such volunteer effort under SFAS No. 116 has not been satisfied.

JEWEL HEART CORP.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support 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 Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, Jewel Heart Corp., is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Jewel Heart Corp. does not have any permanently restricted net assets.

Cash and Cash Equivalents

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

Date of Management's Review

Subsequent events have been evaluated through April 18, 2012, which is the date the financial statements were available to be issued.

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. Accounts receivable balances over 90 days outstanding at December 31, 2011 and 2010, is \$0- and \$300, respectively.

JEWEL HEART CORP.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory consists of books, statues and other items for sale in the bookstore. Inventory is stated at the lower of cost or market, determined on a first-in, first-out basis.

Advertising Costs

Advertising costs for the years ended December 31, 2011 and 2010, were \$1,560 and \$1,595, respectively. Advertising costs are charged to operations when incurred.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Deferred Revenue

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

2. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2011 and 2010, is summarized as follows by major classification:

	<u>2011</u>	<u>2010</u>
Land	\$ 175,000	\$ 175,000
Building and improvements	1,766,090	1,766,090
Equipment	80,641	77,531
Religious articles	17,479	17,479
Furniture and fixtures	<u>112,634</u>	<u>110,830</u>
	2,151,844	2,146,930
Less: Accumulated depreciation	<u>(323,235)</u>	<u>(255,243)</u>
Property and equipment - net	<u>\$1,828,609</u>	<u>\$1,891,687</u>
Depreciation expense	<u>\$ 67,992</u>	<u>\$ 67,373</u>

JEWEL HEART CORP.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

3. LEASES

Operating Leases

The Corporation 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 \$63,934 and \$61,850 for the years ended December 31, 2011 and 2010, respectively. As of December 31, 2011, the Corporation did not have any operating leases with initial or remaining noncancelable lease terms in excess of one year.

4. CAPITAL LEASE

The Corporation leases telephone equipment under a noncancelable lease that is classified as a capital lease that expires in 2012.

The cost of the equipment under capital lease was \$15,339 and is recorded in the Corporation's property and equipment.

Future minimum lease payments under capital leases are as follows:

<u>YEARS</u>	
2012	\$ <u>4,339</u>
Total minimum lease payments	4,339
Less amount representing interest	<u>267</u>
Present value of minimum lease payments	\$ <u><u>4,072</u></u>

Amortization of assets under capital leases is included with depreciation expense.

5. NOTES PAYABLE

	<u>2011</u>	<u>2010</u>
Note payable for building - United Bank & Trust. Secured by real property, monthly payments of \$6,941, including interest at 6.92%.	\$ <u>909,703</u>	\$ <u>928,449</u>
	\$ <u><u>909,703</u></u>	\$ <u><u>928,449</u></u>

JEWEL HEART CORP.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

5. NOTES PAYABLE (Continued)

Maturities of long-term debt of each of the years succeeding December 31, 2011, are as follows:

<u>YEARS</u>	<u>PRINCIPAL MATURITY</u>
2012	\$ 20,029
2013	<u>889,674</u>
	<u>\$ 909,703</u>

6. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Capital Improvements - Kitchen and Bathroom	\$ 3,437	\$ 4,330
Tibet Education Project	-0-	147
H.H. Dalai Lama	4,128	4,128
Rimpoche salary	-0-	15,000
Computers	-0-	1,055
Transcript project	951	-0-
Dharma distribution project	50,085	-0-
Pilgrimage	22,192	-0-
Concert	<u>540</u>	<u>-0-</u>
	<u>\$ 81,333</u>	<u>\$ 24,660</u>

7. CASH FLOWS STATEMENT

	<u>2011</u>	<u>2010</u>
Cash paid during the year for:		
Interest	<u>\$ 65,722</u>	<u>\$ 66,978</u>

8. RETIREMENT PLAN

Effective in April, 2006, the organization implemented a SIMPLE Plan under Section 408 of the Internal Revenue Service Code for eligible employees. The company provides an employer matching contribution of up to three percent (3%) of the employee's salary. Total company cost for the years ended December 31, 2011 and 2010, was \$8,289 and \$7,335, respectively.

JEWEL HEART CORP.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

9. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Cash and cash equivalents - Fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

Investments - The fair value of investments is determined upon quoted prices in active markets for identical assets (Level 1).

Bank loan payable - Fair value approximates carrying value since stated rates are similar to rates currently available to the Corporation for debt with similar terms and remaining maturities.

The fair value of the Corporation's financial instruments at December 31, 2011, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 166,200	\$ 166,200
Financial liabilities:		
Bank loan payable	909,703	909,703