

JEWEL HEART CORP.

FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

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

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Jewel Heart Corp. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Jewel Heart Corp.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Jewel Heart Corp.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

Jackson, Michigan
November 15, 2022

JEWEL HEART CORP.
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

ASSETS		<u>2021</u>	<u>2020</u>
Current assets			
Cash and cash equivalents		\$ 1,026,770	\$ 952,906
Inventory		40,498	43,972
Deposits		1,509	5,135
Total current assets		<u>1,068,777</u>	<u>1,002,013</u>
Property and equipment			
Land		175,000	175,000
Buildings and improvements		1,852,211	1,852,211
Equipment		111,052	107,378
Religious articles		17,479	17,479
Furniture and fixtures		146,126	132,188
		<u>2,301,868</u>	<u>2,284,256</u>
Less: accumulated depreciation		(925,171)	(859,735)
Net property and equipment		<u>1,376,697</u>	<u>1,424,521</u>
Total assets		<u>\$ 2,445,474</u>	<u>\$ 2,426,534</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Current portion of long-term debt		\$ 43,557	\$ 41,346
Accounts payable		9,114	13,740
Customer deposits		1,129	650
Deferred revenue		2,505	2,700
Accrued liabilities		9,738	9,996
Total current liabilities		<u>66,043</u>	<u>68,432</u>
Long-term debt (net of current portion)		<u>564,811</u>	<u>611,241</u>
Net Assets			
Without donor restrictions		1,669,030	1,601,944
With donor restrictions		145,590	144,917
Total net assets		<u>1,814,620</u>	<u>1,746,861</u>
Total liabilities and net assets		<u>\$ 2,445,474</u>	<u>\$ 2,426,534</u>

See accompanying notes to financial statements.

JEWEL HEART CORP.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2021 and 2020

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating activities						
Revenue and other support						
General membership offerings	\$ 191,154	-	\$ 191,154	\$ 200,718	-	\$ 200,718
Contributions	420,282	134,000	554,282	589,208	176,763	765,971
Retreats and tuition	121,715	-	121,715	144,561	-	144,561
Merchandise	10,002	-	10,002	27,868	-	27,868
Electronic media income	25,342	-	25,342	26,072	-	26,072
Miscellaneous	3,870	-	3,870	6,776	-	6,776
Special events	-	-	-	-	-	-
Interest income	27	-	27	703	-	703
Net assets released from restrictions						
Satisfaction of restriction (Note 6)	-	-	-	270,276	(270,276)	-
Satisfaction of purpose restrictions	133,327	(133,327)	-	129,800	(129,800)	-
Total revenue and other support	905,719	673	906,392	1,395,982	(223,313)	1,172,669
Expenses						
Cost of goods sold	7,293	-	7,293	13,211	-	13,211
Program Services						
National	672,400	-	672,400	657,705	-	657,705
Retreats	10,829	-	10,829	13,102	-	13,102
Bookstore	17,258	-	17,258	18,243	-	18,243
Supporting services						
Administrative	111,621	-	111,621	105,154	-	105,154
Fundraising	19,232	-	19,232	13,782	-	13,782
Total expenses	838,633	-	838,633	821,197	-	821,197
Change in net assets	67,086	673	67,759	574,785	(223,313)	351,472
Net assets beginning of year	1,601,944	144,917	1,746,861	1,027,159	368,230	2,189,543
Net assets end of year	\$ 1,669,030	\$ 145,590	\$ 1,814,620	\$ 1,601,944	\$ 144,917	\$ 1,746,861

See accompanying notes to financial statements.

JEWEL HEART CORP.
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2021 and 2020

	2021					Total 2021
	Program Services			Support Services		
	National	Retreats	Bookstore	Management and General	Fund- raising	
Wages and related expenses:						
Wages	\$ 220,265	\$ 8,192	\$ 7,646	\$ 20,480	\$ 8,191	\$ 264,774
Payroll taxes and employee benefits	61,061	2,198	2,197	5,643	2,198	73,297
Total wages and related expenses	281,326	10,390	9,843	26,123	10,389	338,071
Other expenses:						
Cost of goods sold	-	-	7,293	-	-	7,293
Cost of retreats	-	439	-	-	-	439
Office supplies	3,143	-	264	5,694	-	9,101
Operating supplies	7,530	-	646	14,239	500	22,915
Program expenses	25,563	-	-	-	-	25,563
Archive expense	93,253	-	-	-	-	93,253
Puja	34,870	-	-	-	-	34,870
Webcast	8,167	-	300	899	-	9,366
Duplication	-	-	-	1,747	5,161	6,908
Postage and shipping	-	-	-	-	2,711	2,711
Insurance	9,720	-	-	4,165	-	13,885
Telephone	6,697	-	-	4,086	-	10,783
Utilities	7,950	-	-	3,407	-	11,357
Maintenance	6,267	-	1,510	3,333	-	11,110
Professional fees	-	-	-	18,960	-	18,960
Contracted services	91,368	-	-	-	-	91,368
Advertising	17,391	-	-	-	-	17,391
Depreciation	57,469	-	4,679	3,289	-	65,437
Travel	207	-	-	-	-	207
Interest	21,078	-	-	9,034	-	30,112
Fees	401	-	16	16,645	471	17,533
Total other expenses	\$ 391,074	\$ 439	\$ 14,708	\$ 85,498	\$ 8,843	\$ 500,562
Total expenses	\$ 672,400	\$ 10,829	\$ 24,551	\$ 111,621	\$ 19,232	\$ 838,633

2020					
Program Services			Support Services		
National	Retreats	Bookstore	Management and General	Fund-raising	Total 2020
\$ 227,654	\$ 8,192	\$ 11,206	\$ 20,480	\$ 8,192	\$ 275,724
51,402	1,952	3,253	6,506	1,951	65,064
279,056	10,144	14,459	26,986	10,143	340,788
-	-	13,211	-	-	13,211
-	2,958	-	-	-	2,958
2,120	-	52	4,198	26	6,396
1,632	-	51	5,438	265	7,386
53,159	-	-	-	-	53,159
15,686	-	-	-	-	15,686
24,608	-	-	-	-	24,608
10,239	-	260	874	-	11,373
3,625	-	-	1,961	2,362	7,948
55	-	88	612	844	1,599
10,304	-	-	4,416	-	14,720
5,823	-	7	5,708	-	11,538
7,809	-	-	3,347	-	11,156
13,235	-	183	5,672	-	19,090
-	-	-	17,590	-	17,590
134,488	-	-	-	-	134,488
20,278	-	-	-	-	20,278
51,761	-	3,143	2,162	-	57,066
789	-	-	-	-	789
23,038	-	-	9,873	-	32,911
-	-	-	16,317	142	16,459
\$ 378,649	\$ 2,958	\$ 16,995	\$ 78,168	\$ 3,639	\$ 480,409
\$ 657,705	\$ 13,102	\$ 31,454	\$ 105,154	\$ 13,782	\$ 821,197

See accompanying notes to financial statements.

JEWEL HEART CORP.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 67,759	\$ 351,472
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	65,437	57,066
Inventory	3,474	1,310
Deposits and prepaid expenses	3,626	1,250
Accounts payable	(4,626)	10,131
Accrued liabilities and deferred revenue	25	(3,512)
Net cash provided by operating activities	135,695	417,717
Cash flows from investing activities		
Purchase of fixed assets	(17,612)	(7,315)
Net cash used by investing activities	(17,612)	(7,315)
Cash flows from financing activities		
Principal payments on long-term debt	(44,219)	(38,552)
Net cash used by financing activities	(44,219)	(38,552)
Net increase in cash and cash equivalents	73,864	371,850
Cash and cash equivalents, beginning of year	952,906	581,056
Cash and cash equivalents, end of year	\$ 1,026,770	\$ 952,906

See accompanying notes to financial statements.

JEWEL HEART CORP.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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; 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, 2021 and 2020

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, 2021, additions to property and equipment included a new furnace and computer equipment. For the year ended December 31, 2020, additions included 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 met 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, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020 were \$17,391 and \$20,278, 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. Later in 2020, 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 2020 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 November 15, 2022, which is the date the financial statements were available to be issued.

2. CASH FLOWS STATEMENT

Cash paid for interest during 2021 and 2020 was \$30,112 and \$32,911, 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 \$1,285 and \$20,192 for the years ended December 31, 2021 and 2020, respectively. Of that, \$-0- and \$10,182 were paid to a private operating foundation established by a Board Member for the lease of meeting space. As of December 31, 2021 and 2020, 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, 2021 and 2020

4. NOTES PAYABLE

	<u>2021</u>	<u>2020</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%,	\$ 608,368	\$ 652,587
Less: current portion	<u>43,557</u>	<u>41,346</u>
Long-term debt net of current portion	<u>\$ 564,811</u>	<u>\$ 611,241</u>

Maturities of long-term debt at December 31, 2021, are as follows:

<u>YEARS</u>	<u>PRINCIPAL MATURITY</u>
2022	43,557
2023	45,712
2024	519,099
Thereafter	<u>-0-</u>
	<u>\$ 608,368</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, 2021 and 2020, was \$6,330 and \$6,770, respectively.

6. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Subject to expenditures for specified purpose:		
Compassionate care fund	\$ 2,204	\$ 2,204
Archive project	<u>143,386</u>	<u>142,713</u>
	<u>\$ 145,590</u>	<u>\$ 144,917</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, 2021 and 2020

7. LIQUIDITY AND AVAILABILITY OF RESOURCES

Jewel Heart Corp. has \$1,026,770 of financial assets available within one year of the statement of financial position date of December 31, 2021 to meet cash needs for general operating expenditures, consisting of \$755,314 in checking and savings and \$271,456 in an IRA. For the 2022 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 \$145,590 that are available for use within one year and into 2023 will be used for the archive project and compassionate care fund.

8. SUBSEQUENT EVENT

Recent events in regards to the COVID-19 pandemic have made the evaluation of subsequent events uncertain. The extent to which COVID-19 (or any other disease or epidemic) may impact activity will depend on future developments. These future developments are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions required to contain COVID-19 or treat its impact, among others.