

**JEWEL HEART CORP.**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2022 and 2021**

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

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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, 2022 and 2021, 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, 2022 and 2021, 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  
August 8, 2023

**JEWEL HEART CORP.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2022 and 2021**

ASSETS		
	<u>2022</u>	<u>2021</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,194,712	\$ 1,026,770
Inventory	37,255	40,498
Prepaid expenses and deposits	4,504	1,509
<b>Total current assets</b>	<b>1,236,471</b>	<b>1,068,777</b>
 <b>Property and equipment</b>		
Land	175,000	175,000
Buildings and improvements	1,872,105	1,852,211
Equipment	115,957	111,052
Religious articles	17,479	17,479
Furniture and fixtures	146,126	146,126
	2,326,667	2,301,868
Less: accumulated depreciation	(981,693)	(925,171)
<b>Net property and equipment</b>	<b>1,344,974</b>	<b>1,376,697</b>
 <b>Total assets</b>	 <b>\$ 2,581,445</b>	 <b>\$ 2,445,474</b>
LIABILITIES AND NET ASSETS		
<b>Current liabilities</b>		
Current portion of long-term debt	\$ 45,712	\$ 43,557
Accounts payable	150,534	9,114
Customer deposits	1,469	1,129
Deferred revenue	3,430	2,505
Accrued liabilities	12,900	9,738
<b>Total current liabilities</b>	<b>214,045</b>	<b>66,043</b>
 <b>Long-term debt (net of current portion)</b>	 <b>523,115</b>	 <b>564,811</b>
 <b>Net Assets</b>		
Without donor restrictions	1,741,452	1,669,030
With donor restrictions	102,833	145,590
<b>Total net assets</b>	<b>1,844,285</b>	<b>1,814,620</b>
 <b>Total liabilities and net assets</b>	 <b>\$ 2,581,445</b>	 <b>\$ 2,445,474</b>

See accompanying notes to financial statements.

**JEWEL HEART CORP.**  
**STATEMENTS OF ACTIVITIES**  
**Years ended December 31, 2022 and 2021**

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>Operating activities</b>						
<b>Revenue and other support</b>						
General membership offerings	\$ 166,443	-	\$ 166,443	\$ 191,154	-	\$ 191,154
Contributions	640,048	31,102	671,150	420,282	134,000	554,282
Retreats and tuition	134,580	-	134,580	121,715	-	121,715
Merchandise	20,520	-	20,520	10,002	-	10,002
Electronic media income	20,176	-	20,176	25,342	-	25,342
Miscellaneous	1,270	-	1,270	3,870	-	3,870
Interest income	3,544	-	3,544	27	-	27
Net assets released from restrictions						
Satisfaction of purpose restrictions	73,859	(73,859)	-	133,327	(133,327)	-
<b>Total revenue and other support</b>	<b>1,060,440</b>	<b>(42,757)</b>	<b>1,017,683</b>	<b>905,719</b>	<b>673</b>	<b>906,392</b>
<b>Expenses</b>						
Cost of goods sold	13,193	-	13,193	7,293	-	7,293
Program Services						
National	747,242	-	747,242	530,560	-	530,560
Archive	71,483	-	71,483	141,840	-	141,840
Retreats	12,554	-	12,554	10,829	-	10,829
Bookstore	14,845	-	14,845	17,258	-	17,258
Supporting services						
Administrative	113,078	-	113,078	111,621	-	111,621
Fundraising	15,623	-	15,623	19,232	-	19,232
<b>Total expenses</b>	<b>988,018</b>	<b>-</b>	<b>988,018</b>	<b>838,633</b>	<b>-</b>	<b>838,633</b>
<b>Change in net assets</b>	<b>72,422</b>	<b>(42,757)</b>	<b>29,665</b>	<b>67,086</b>	<b>673</b>	<b>67,759</b>
<b>Net assets beginning of year</b>	<b>1,669,030</b>	<b>145,590</b>	<b>1,814,620</b>	<b>1,601,944</b>	<b>144,917</b>	<b>1,746,861</b>
<b>Net assets end of year</b>	<b>\$ 1,741,452</b>	<b>\$ 102,833</b>	<b>\$ 1,844,285</b>	<b>\$ 1,669,030</b>	<b>\$ 145,590</b>	<b>\$ 1,814,620</b>

See accompanying notes to financial statements.

**JEWEL HEART CORP.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Years ended December 31, 2022 and 2021

	2022							Total 2022
	Program Services				Support Services			
	National	Archive	Retreats	Bookstore	Management & General	Fund- raising		
<b>Wages and related expenses:</b>								
Wages	\$ 227,489	\$ 25,208	\$ 7,920	\$ 7,575	\$ 19,505	\$ 7,802		\$ 295,499
Payroll taxes and employee benefits	35,782	-	1,388	1,535	3,236	1,755		43,696
<b>Total wages and related expenses</b>	<b>263,271</b>	<b>25,208</b>	<b>9,308</b>	<b>9,110</b>	<b>22,741</b>	<b>9,557</b>		<b>339,195</b>
<b>Other expenses:</b>								
Cost of goods sold	-	-	-	13,193	-	-		13,193
Cost of retreats	-	-	3,246	-	-	-		3,246
Office supplies	2,615	-	-	886	5,585	145		9,231
Operating supplies	6,933	-	-	-	1,984	-		8,917
Program expenses	58,590	8,054	-	-	-	-		66,644
Puja	27,004	-	-	-	-	-		27,004
Nygare Khamtsen building fund	134,231	-	-	-	-	-		134,231
Webcast	8,071	-	-	-	1,062	-		9,133
Duplication	832	-	-	-	1,570	4,549		6,951
Postage and shipping	518	-	-	-	145	1,282		1,945
Insurance	9,300	-	-	-	3,986	-		13,286
Telephone	4,030	-	-	-	3,924	-		7,954
Utilities	8,880	-	-	-	3,805	-		12,685
Maintenance	-	-	-	-	7,163	-		7,163
Professional fees	-	-	-	-	20,507	-		20,507
Contracted services	130,639	38,221	-	-	9,474	-		140,113
Advertising	17,904	-	-	-	-	-		17,904
Depreciation	50,072	-	-	4,522	1,928	-		56,522
Travel	-	-	-	-	-	-		-
Interest	24,352	-	-	-	10,437	-		34,789
Fees	-	-	-	327	18,767	90		19,184
<b>Total other expenses</b>	<b>\$ 483,971</b>	<b>\$ 46,275</b>	<b>\$ 3,246</b>	<b>\$ 18,928</b>	<b>\$ 90,337</b>	<b>\$ 6,066</b>		<b>\$ 648,823</b>
<b>Total expenses</b>	<b>\$ 747,242</b>	<b>\$ 71,483</b>	<b>\$ 12,554</b>	<b>\$ 28,038</b>	<b>\$ 113,078</b>	<b>\$ 15,623</b>		<b>\$ 988,018</b>

	2021							Total 2021
	Program Services				Support Services			
	National	Archive	Retreats	Bookstore	Management & General	Fund- raising		
<b>Wages and related expenses:</b>								
Wages	\$ 179,008	\$ 41,257	\$ 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	
<b>Total wages and related expenses</b>	<b>240,069</b>	<b>41,257</b>	<b>10,390</b>	<b>9,843</b>	<b>26,123</b>	<b>10,389</b>	<b>338,071</b>	
<b>Other expenses:</b>								
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	24,331	-	-	-	-	49,894	
Puja	34,870	-	-	-	-	-	34,870	
Nygare Khamtsen building fund	-	-	-	-	-	-	-	
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	91,369	68,921	-	-	-	-	91,369	
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	
<b>Total other expenses</b>	<b>\$ 297,822</b>	<b>\$ 93,252</b>	<b>\$ 439</b>	<b>\$ 14,708</b>	<b>\$ 85,498</b>	<b>\$ 8,843</b>	<b>\$ 500,562</b>	
<b>Total expenses</b>	<b>\$ 537,891</b>	<b>\$ 134,509</b>	<b>\$ 10,829</b>	<b>\$ 24,551</b>	<b>\$ 111,621</b>	<b>\$ 19,232</b>	<b>\$ 838,633</b>	



**JEWEL HEART CORP.**  
**STATEMENTS OF CASH FLOWS**  
**Years ended December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 29,665	\$ 67,759
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	56,522	65,437
Inventory	3,243	3,474
Deposits and prepaid expenses	(2,995)	3,626
Accounts payable	141,420	(4,626)
Accrued liabilities and deferred revenue	4,427	25
<b>Net cash provided by operating activities</b>	<b>232,282</b>	<b>135,695</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(24,799)	(17,612)
<b>Net cash used by investing activities</b>	<b>(24,799)</b>	<b>(17,612)</b>
<b>Cash flows from financing activities</b>		
Principal payments on long-term debt	(39,541)	(44,219)
<b>Net cash used by financing activities</b>	<b>(39,541)</b>	<b>(44,219)</b>
<b>Net increase in cash and cash equivalents</b>	<b>167,942</b>	<b>73,864</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,026,770</b>	<b>952,906</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,194,712</b>	<b>\$ 1,026,770</b>

See accompanying notes to financial statements.

**JEWEL HEART CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

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**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, 2022 and 2021**

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**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, 2022, additions to property and equipment included building improvements and computer equipment. For the year ended December 31, 2021, 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, 2022 and 2021**

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**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, 2022 and 2021**

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**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, 2022 and 2021 were \$17,904 and \$17,391, respectively.

**Date of Management's Review**

Subsequent events have been evaluated through August 8, 2023, which is the date the financial statements were available to be issued.

**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.

**2. CASH FLOWS STATEMENT**

Cash paid for interest during 2022 and 2021 was \$34,789 and \$30,112, respectively.

**3. OPERATING LEASES**

The Organization leases office equipment with various renewal options. The lease is recorded as an operating lease. Total rental expense under operating lease agreements is \$1,204 and \$1,285 for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the Organization did not have any operating leases with initial or remaining non-cancelable lease terms in excess of one year.

**4. NOTES PAYABLE**

	<u>2022</u>	<u>2021</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%,	\$ 568,827	\$ 608,368
Less: current portion	45,712	43,557
Long-term debt net of current portion	\$ <u>523,115</u>	\$ <u>564,811</u>

Maturities of long-term debt at December 31, 2022, are as follows:

<u>YEARS</u>	<u>PRINCIPAL MATURITY</u>
2023	45,712
2024	523,115
Thereafter	-0-
	<u>\$ 568,827</u>

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

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**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, 2022 and 2021, was \$6,449 and \$6,330, respectively.

**6. NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2022</u>	<u>2021</u>
Subject to expenditures for specified purpose:		
Compassionate care fund	\$ 2,204	\$ 2,204
Archive project	<u>100,629</u>	<u>143,386</u>
	<u>\$ 102,833</u>	<u>\$ 145,590</u>

**7. LIQUIDITY AND AVAILABILITY OF RESOURCES**

Jewel Heart Corp. has \$1,194,712 of financial assets available within one year of the statement of financial position date of December 31, 2022 to meet cash needs for general operating expenditures, consisting of \$919,712 in checking and savings and \$275,000 in an IRA. For the 2023 year, the Organization plans to use these assets for general operations.

Donor-restricted amounts of \$102,833 that are available for use within one year 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.