

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

JEWEL HEART CORP.

DECEMBER 31, 2023

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Jewel Heart Corp.
Ann Arbor, MI

Opinion

We have audited the accompanying financial statements of Jewel Heart Corp. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statement of activities, functional expenses, and cash flows for the year 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, 2023, and the changes in its net assets and its cash flows for the year 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.

In preparing the financial statements, management is required to evaluate whether 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 within one year after the date that the financial statements are available to be issued.

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.

Troy, Michigan
June 26, 2024

Jewel Heart Corp.

STATEMENT OF FINANCIAL POSITION

December 31, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents (note A2 and C)	\$ 1,179,412
Inventory (note A5)	35,358
Prepaid expenses and deposits	<u>1,250</u>

Total current assets \$ 1,216,020

PROPERTY AND EQUIPMENT - AT COST (note A6)

Land	175,000
Buildings and improvements	1,872,105
Equipment	117,172
Religious articles	17,479
Furniture and fixtures	<u>143,568</u>

Less accumulated depreciation (1,039,042)

Net property and equipment 1,286,282

TOTAL ASSETS \$ 2,502,302

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current portion of long-term debt (note B)	\$ 523,511
Accounts payable	8,479
Accrued liabilities	<u>21,087</u>

Total current liabilities \$ 553,077

COMMITMENTS (note E)

NET ASSETS (note A7)

Without donor restrictions	1,870,953
With donor restrictions (note D)	<u>78,272</u>

Total net assets 1,949,225

TOTAL LIABILITIES AND NET ASSETS

\$ 2,502,302

The accompanying notes are an integral part of this statement.

Jewel Heart Corp.

STATEMENT OF ACTIVITIES

Year ended December 31, 2023

	Without donor restrictions	With donor restrictions	Total
REVENUES AND SUPPORT			
General membership offerings	\$ 153,370	\$ -	\$ 153,370
Contributions	503,374	24,107	527,481
Retreats and tuition	149,123	-	149,123
Merchandise	22,774	-	22,774
Electronic media income	17,457	-	17,457
Miscellaneous	3,837	-	3,837
Interest income	38,771	2,884	41,655
Net assets released from restrictions			
Satisfaction of purpose restrictions	51,552	(51,552)	-
Total revenues and support	940,258	(24,561)	915,697
EXPENDITURES (note A9)			
Program services			
National	538,941	-	538,941
Archive	45,492	-	45,492
Retreats	18,987	-	18,987
Bookstore	31,250	-	31,250
Supporting services			
Management and general	163,597	-	163,597
Fundraising	12,490	-	12,490
Total expenditures	810,757	-	810,757
CHANGE IN NET ASSETS	129,501	(24,561)	104,940
NET ASSETS			
Beginning of year	1,741,452	102,833	1,844,285
NET ASSETS			
End of year	\$ 1,870,953	\$ 78,272	\$ 1,949,225

The accompanying notes are an integral part of this statement.

Jewel Heart Corp.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2023

	Program Services				Support Services		TOTAL
	National	Archive	Retreats	Bookstore	Management and General	Fund-raising	
Wages and related expenses							
Salaries and wages	\$ 196,479	\$ 14,918	\$ 12,966	\$ 16,915	\$ 42,980	\$ 8,850	\$ 293,108
Payroll taxes and employee benefits	29,706	-	3,103	3,103	6,720	1,774	44,406
Total wages and related expenses	226,185	14,918	16,069	20,018	49,700	10,624	337,514
Cost of sales	-	-	-	10,757	-	-	10,757
Cost of retreats	-	-	2,918	-	-	-	2,918
Consulting	88,774	26,217	-	-	8,659	-	123,650
Program activity	45,110	4,357	-	-	-	-	49,467
Chapter direct expense	2,566	-	-	-	-	-	2,566
Licensing fees	2,200	-	-	-	-	-	2,200
Travel expense	4,311	-	-	-	-	-	4,311
Supplies	2,601	-	-	475	9,469	50	12,595
Internet cloud	8,716	-	-	-	822	-	9,538
Payroll processing and fees	-	-	-	-	7,835	-	7,835
Repairs and maintenance	-	-	-	-	16,619	-	16,619
Utilities	10,109	-	-	-	4,332	-	14,441
Advertising	22,301	-	-	-	-	-	22,301
Telephone	4,673	-	-	-	2,003	-	6,676
Bank charges and fees	-	-	-	-	17,277	-	17,277
Postage	-	-	-	-	279	1,816	2,095
Puja	28,779	-	-	-	-	-	28,779
Professional fees	-	-	-	-	33,201	-	33,201
General liability insurance	10,258	-	-	-	4,396	-	14,654
Contributions	5,000	-	-	-	-	-	5,000
Depreciation	57,048	-	-	-	301	-	57,349
Mortgage interest expense	20,310	-	-	-	8,704	-	29,014
Total functional expenses	\$ 538,941	\$ 45,492	\$ 18,987	\$ 31,250	\$ 163,597	\$ 12,490	\$ 810,757

The accompanying notes are an integral part of this statement.

Jewel Heart Corp.

STATEMENT OF CASH FLOWS

Year ended December 31, 2023

Cash flows from operating activities	
Cash received from customers and donors	\$ 874,042
Cash paid to suppliers, donors and fees	(882,813)
Interest received	<u>41,655</u>
Net cash provided by operating activities	32,884
Cash flows from investing activities	
Purchase of fixed assets	<u>(2,868)</u>
Net cash used by investing activities	(2,868)
Cash flows from financing activities	
Principal payment on long-term debt	<u>(45,316)</u>
Net cash used by financing activities	<u>(45,316)</u>
Net decrease in cash and cash equivalents	(15,300)
Cash and cash equivalents, beginning of year	<u>1,194,712</u>
Cash and cash equivalents, end of year	<u>\$ 1,179,412</u>

The accompanying notes are an integral part of this statement.

Jewel Heart Corp.

STATEMENT OF CASH FLOWS - CONTINUED

Year ended December 31, 2023

Reconciliation of change in net assets to net cash provided by operating activities	
Change in net assets	\$ 104,940
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	57,349
Change in assets and liabilities:	
Decrease in assets:	
Inventory	1,897
Deposits and prepaid expenses	7,465
(Decrease) increase in liabilities:	
Accounts payable	(143,524)
Accrued liabilities	<u>4,757</u>
Total adjustments	<u>(72,056)</u>
Net cash provided by operating activities	<u>\$ 32,884</u>

The accompanying notes are an integral part of this statement.

JEWEL HEART CORP.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE A – SUMMARY OF ACCOUNTING POLICIES

A summary of the Organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Nature of Business and Revenue Recognition

Jewel Heart Corp. (the Organization) is a nonprofit religious organization whose mission is to preserve the rich tradition of Tibetan Buddhism and bring this practice within the context of contemporary life to everyone. The Organization is based out of Ann Arbor, Michigan and maintains local chapters throughout the United States and Toronto, Canada.

In accordance with current accounting standards, Jewel Heart Corp. disaggregates revenue into major revenue streams as presented on the statements of earnings. 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. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires due to time or when the specified purpose 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. The Organization's primary sources of revenue and support is donations.

2. Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less. The company places its cash investments in money market funds with high credit quality financial institutions and believes no significant concentration of credit risk exists with respect to these cash investments.

3. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

JEWEL HEART CORP.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023

NOTE A – SUMMARY OF ACCOUNTING POLICIES - CONTINUED

4. Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

5. Inventory

Inventory consists of books, statues, and items for sale in the gift shop. Inventory is stated at the lower of cost or market, as determined by the first-in, first-out method.

6. Depreciation

Depreciation is provided for in amounts sufficient to relate the cost of property and equipment to operations over their estimated service lives using the straight-line method. Depreciation expense for the period ended December 31, 2023 was \$57,349.

7. Classification of Net Assets

Net assets of the Organization are classified as without donor restrictions or with donor restrictions depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements result in net assets with donor restrictions. Earnings, gains, and losses on restricted net assets are classified as without donor restrictions unless specifically restricted by the donor or by applicable state law.

JEWEL HEART CORP.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023

NOTE A – SUMMARY OF ACCOUNTING POLICIES - CONTINUED

8. Contributions

Contributions of cash and other assets, including unconditional promises to give, are reported as revenue when received or in the case of unconditional promises, when made. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as support without donor restrictions. Other restricted gifts are reported as net assets with donor restrictions.

9. Functional Allocation of Expenses

Functional expenses are allocated among the programs and support services based on specific identification of costs to programs, as well as, various time and use analysis and estimates, made by the Organization's management.

10. Income Taxes

The Organization is a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes; therefore, no provision for income taxes has been included in this statement.

11. Right-of-Use Leases

Leased equipment, with a term more than one year, is stated at net present value as right-of-use assets and related lease liabilities as of the commencement date of the lease. Net present value is determined using a stated interest rate or incremental borrowing rate. Amortization of the assets is provided for over the life of the lease utilizing the straight-line method. For the year ended December 31, 2023, the Organization had no right of use leases.

12. Advertising

Advertising costs are charged to operations when incurred. Advertising expense for the year ended December 31, 2023 was \$22,301.

JEWEL HEART CORP.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023

NOTE B – LONG TERM DEBT

Long-term debt to a bank consists of a mortgage loan payable that arose from the purchase of property and is payable in monthly installments of \$6,194, with a final payment due October, 2024. Management has plans to refinance the mortgage note in 2024 prior to the final payment due date. The installment note bears interest at a rate of 5.22% and is secured by property with an original cost of \$1,735,500. The principal payments required under this note for the year ended December 31, 2024 is \$523,511.

NOTE C – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of donor imposed restrictions that do not lapse within one year of the financial position date.

The following computes financial assets available to meet cash needs for general expenditure within one year:

Financial assets at year-end	\$ 1,179,412
Less those unavailable for general expenditures within one year due to restricted use:	<u>(78,272)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,101,140</u>

To meet cash demands, the Organization obtains funds through donations to support general expenditures.

JEWEL HEART CORP.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023

NOTE D – NET ASSETS WITH DONOR RESTRICTIONS

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

Compassionate care fund	\$ 2,204
Archive project	<u>76,068</u>
	<u>\$ 78,272</u>

NOTE E – LEASES

The company maintains a lease for office equipment under a non-cancellable operating lease agreement which expires in 2027. Total office equipment lease expense under this agreement for the year ended December 31, 2023 was \$861. The following is a schedule, by years, of the required payments under this lease.

Years ending December 31,	
2024	\$ 996
2025	996
2026	996
2027	<u>498</u>
	<u>\$ 3,486</u>

NOTE F – RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2022, management adopted Financial Accounting Standards Board Accounting Standards Codification 842. The standard requires recognition of leases as right-of-use assets and lease liabilities for the term of the lease. The modified retrospective approach was used to assess leases, classifications, and costs for implementation of the standard. Management has adjusted the presentation in these financial statements accordingly. The standard has been applied retrospectively to all periods presented, with no cumulative effect on net assets as of the beginning of the prior year.

JEWEL HEART CORP.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023

NOTE G – RETIREMENT PLAN

The Organization maintains 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 of each eligible employee's compensation. Total expenditures under this SIMPLE Plan for the year ended December 31, 2023 was \$6,643.

NOTE H – SUBSEQUENT EVENTS

In preparing the financial statements, management has evaluated for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2023, the most recent statement of financial position presented herein, through June 26, 2024, the date the financial statements were issued. No such significant events or transactions were identified.