

JEWEL HEART CORP.

FINANCIAL STATEMENTS

Years Ended December 31, 2007 and 2006

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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, 2007 and 2006, and the related statements of activities and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Jewel Heart Corp.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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 generally accepted accounting principles.

Dove & Hickey, P.L.C.

July 16, 2008

JEWEL HEART CORP.
STATEMENT OF FINANCIAL POSITION
December 31, 2007 and 2006

	<u>ASSETS</u>	
	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 885,227	\$ 154,112
Investment - stock	-0-	359
Investment - Schwab	12,210	-0-
Accounts receivable (net of allowance for doubtful accounts of \$6,000 for 2007 and 2006, respectively)	3,050	8,342
Note receivable - Jonas	14,933	-0-
Inventory	33,392	42,813
Prepaid expenses	5,909	-0-
Deposits	3,945	3,335
Land, building and equipment - net	1,825,728	769,761
Loan fees - net	<u>-0-</u>	<u>1,754</u>
Total assets	<u>\$2,784,394</u>	<u>\$ 980,476</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
LIABILITIES:		
Accounts payable	\$ 21,922	\$ 10,038
Customer deposits	2,810	13,068
Accrued liabilities	10,057	7,415
Deferred revenue	2,750	9,320
Notes payable	<u>1,475,000</u>	<u>535,077</u>
Total liabilities	<u>1,512,539</u>	<u>574,918</u>
NET ASSETS:		
Unrestricted	1,248,626	366,770
Temporarily restricted	<u>23,229</u>	<u>38,788</u>
Total net assets	<u>1,271,855</u>	<u>405,558</u>
Total liabilities and net assets	<u>\$2,784,394</u>	<u>\$ 980,476</u>

See accompanying notes and accountants' review report.

JEWEL HEART CORP.
STATEMENT OF ACTIVITIES
Years Ended December 31, 2007 and 2006

	2007		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUE AND OTHER SUPPORT:			
General undesignated offerings	\$ 195,766	\$ -0-	\$ 195,766
Contributions	554,189	27,483	581,672
Donated equipment	74,000	-0-	74,000
Retreats and tuition	250,787	-0-	250,787
Merchandise	188,381	-0-	188,381
Miscellaneous	11,770	-0-	11,770
Special events	<u>17,176</u>	<u>-0-</u>	<u>17,176</u>
Total revenue and other support	<u>1,292,069</u>	<u>27,483</u>	<u>1,319,552</u>
EXPENSES:			
Cost of goods sold	101,356	-0-	101,356
Program services:			
National	498,856	43,529	542,385
Retreats	104,428	-0-	104,428
Bookstore	106,043	-0-	106,043
Supporting services:			
Administrative	125,687	-0-	125,687
Fundraising	<u>23,688</u>	<u>-0-</u>	<u>23,688</u>
Total expenses	<u>960,058</u>	<u>43,529</u>	<u>1,003,587</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>332,011</u>	<u>(16,046)</u>	<u>315,965</u>
NON-OPERATING INCOME:			
Gain on sale of building	548,128	-0-	548,128
Interest and dividend income	2,237	487	2,724
(Loss) on investments - realized	<u>(520)</u>	<u>-0-</u>	<u>(520)</u>
Total non-operating income	<u>549,845</u>	<u>487</u>	<u>550,332</u>
CHANGE IN NET ASSETS	881,856	(15,559)	866,297
NET ASSETS AT BEGINNING OF YEAR	<u>366,770</u>	<u>38,788</u>	<u>405,558</u>
NET ASSETS AT END OF YEAR	<u>\$1,248,626</u>	<u>\$ 23,229</u>	<u>\$1,271,855</u>

See accompanying notes and accountants' review report.

2006

<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
\$ 197,720	\$ -0-	\$ 197,720
208,332	50,756	259,088
-0-	-0-	-0-
199,232	-0-	199,232
209,286	-0-	209,286
12,005	-0-	12,005
<u>2,036</u>	<u>-0-</u>	<u>2,036</u>
<u>828,611</u>	<u>50,756</u>	<u>879,367</u>
115,444	-0-	115,444
419,537	14,784	434,321
68,137	-0-	68,137
136,412	10,446	146,858
92,979	10,446	103,425
<u>12,003</u>	<u>-0-</u>	<u>12,003</u>
<u>844,512</u>	<u>35,676</u>	<u>880,188</u>
<u>(15,901)</u>	<u>15,080</u>	<u>(821)</u>
-0-	-0-	-0-
1,946	-0-	1,946
<u>(193)</u>	<u>-0-</u>	<u>(193)</u>
<u>1,753</u>	<u>-0-</u>	<u>1,753</u>
(14,148)	15,080	932
<u>380,918</u>	<u>23,708</u>	<u>404,626</u>
<u>\$ 366,770</u>	<u>\$ 38,788</u>	<u>\$ 405,558</u>

JEWEL HEART CORP.
STATEMENT OF CASH FLOWS
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 866,297	\$ 932
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	19,848	21,525
Noncash donation included in contributions	(70,000)	-0-
Gain on sale of building	(548,128)	-0-
Loss on investments - realized	520	193
Provision for uncollectible accounts	-0-	1,800
Changes in operating assets and liabilities:		
Accounts receivable	5,292	(2,824)
Note receivable - Jonas	(14,933)	-0-
Inventory	9,421	5,244
Prepaid expenses	(5,909)	-0-
Deposits	(610)	(435)
Accounts payable	11,884	(839)
Customer deposits	(10,258)	13,068
Accrued liabilities and deferred revenue	<u>(3,928)</u>	<u>(7,221)</u>
Net cash provided (used) by operating activities	<u>259,496</u>	<u>31,443</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(270,170)	(5,704)
Purchase of investments	(28,524)	(2,078)
Proceeds from sale of building	1,289,237	-0-
Proceeds from sale of investments	<u>16,153</u>	<u>1,844</u>
Net cash provided (used) by investing activities	<u>1,006,696</u>	<u>(5,938)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in long-term debt	<u>(535,077)</u>	<u>(15,372)</u>
Net cash provided (used) by financing activities	<u>(535,077)</u>	<u>(15,372)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	731,115	(10,133)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>154,112</u>	<u>143,979</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 885,227</u>	<u>\$ 154,112</u>

Noncash investing and financing activities in 2007 consist of financing the cost of acquiring Oak Valley property \$1,475,000 on a land contract. There were no such activities in 2006.

See accompanying notes and accountants' review report.

JEWEL HEART CORP.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Jewel Heart Corp., with its national office in Ann Arbor, Michigan, is a non-profit organization exempt from income tax under Internal Revenue Code Section 501(c)(3). It is a religious organization dedicated to support the Buddhist community and others in their spiritual development through teaching conferences, seminars and ceremonies. 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. A bookstore is operated in Ann Arbor that sells books and other religious merchandise.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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	15 - 50
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, 2007 and 2006, 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, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Investments

Jewel Heart Corp., carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Donated investments are recorded at fair market value at the date of gift.

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, 2007 and 2006, is \$8,875 and \$12,838, respectively.

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.

JEWEL HEART CORP.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amortization

Loan origination fees are being amortized using the straight-line method over the life of the loan (60 months).

Advertising Costs

Advertising costs for the years ended December 31, 2007 and 2006, were \$7,266 and \$14,680, respectively. Advertising costs are charged to operations when incurred.

2. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2007 and 2006, is summarized as follows by major classification:

	<u>2007</u>	<u>2006</u>
Land	\$ 175,000	\$ 230,000
Building and improvements	1,562,500	600,585
Equipment	49,587	65,756
Religious articles	17,479	17,479
Furniture and fixtures	<u>82,837</u>	<u>17,881</u>
	1,887,404	931,701
Less: Accumulated depreciation	<u>61,675</u>	<u>161,940</u>
Property and equipment - net	<u>\$1,825,728</u>	<u>\$ 769,761</u>
Depreciation expense	<u>\$ 18,094</u>	<u>\$ 20,234</u>

3. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Nyang Book Project	\$ 4,000	\$ 4,000
Tibet Education Project	147	317
Buddha Image	6,557	22,434
Rimpoche Annuity	<u>12,525</u>	<u>12,037</u>
	<u>\$ 23,229</u>	<u>\$ 38,788</u>

JEWEL HEART CORP.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

4. 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 \$30,870 and \$30,295 for the years ended December 31, 2007 and 2006, respectively. As of December 31, 2007, the Corporation did not have any operating leases with initial or remaining noncancelable lease terms in excess of one year.

5. INVESTMENTS

Components of investments as of December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Common stock	\$ <u>-0-</u>	\$ <u>359</u>
Treasury bill	\$ <u>12,210</u>	\$ <u>-0-</u>

6. NOTES PAYABLE

	<u>2007</u>	<u>2006</u>
Land contract for building - Oak Valley Drive. Secured by real property, monthly payments of interest only at 7%.	\$1,475,000	\$ -0-
Note payable to bank for building - East Washington Street. Secured by real property, monthly payments of \$4,670, including interest at 7.38%.	<u>-0-</u> \$1,475,000	<u>535,077</u> \$ <u>535,077</u>

The land contract on Oak Valley Drive was refinanced in early 2008 with a mortgage at United Bank & Trust.

7. 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.

JEWEL HEART CORP.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

8. CASH FLOWS STATEMENT

	<u>2007</u>	<u>2006</u>
Cash paid for:		
Interest	\$ <u>29,388</u>	\$ <u>43,034</u>

9. 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, up to the employee's salary reduction amount. Total company cost for the years ended December 31, 2007 and 2006, was \$6,965 and \$4,589, respectively.