

JEWEL HEART CORP.

FINANCIAL STATEMENTS

Years Ended December 31, 2009 and 2008

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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, 2009 and 2008, 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.

May 24, 2010

JEWEL HEART CORP.
STATEMENT OF FINANCIAL POSITION
December 31, 2009 and 2008

	<u>ASSETS</u>	
	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 118,484	\$ 208,223
Investment - Schwab	-0-	12,943
Accounts receivable (net of allowance for doubtful accounts of \$810 for 2009 and 2008)	1,385	1,585
Note receivable - Jonas	5,221	10,195
Inventory	51,888	59,913
Prepaid expenses	-0-	3,227
Deposits	3,895	3,895
Land, building and equipment - net	<u>1,944,248</u>	<u>2,008,202</u>
Total assets	<u>\$2,125,121</u>	<u>\$2,308,183</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
LIABILITIES:		
Accounts payable	\$ 9,965	\$ 25,842
Customer deposits	3,562	-0-
Accrued liabilities	8,164	9,355
Deferred revenue	1,025	30,760
Note payable	945,929	962,313
Capital lease	<u>10,428</u>	<u>13,119</u>
Total liabilities	<u>979,073</u>	<u>1,041,389</u>
NET ASSETS:		
Unrestricted	1,139,229	1,219,447
Temporarily restricted	<u>6,819</u>	<u>47,347</u>
Total net assets	<u>1,146,048</u>	<u>1,266,794</u>
Total liabilities and net assets	<u>\$2,125,121</u>	<u>\$2,308,183</u>

See accompanying notes and accountants' review report.

JEWEL HEART CORP.
STATEMENT OF ACTIVITIES
Years Ended December 31, 2009 and 2008

	2009		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUE AND OTHER SUPPORT:			
General undesignated offerings	\$ 205,804	\$ -0-	\$ 205,804
Contributions	352,008	5,000	357,008
Donated equipment	-0-	-0-	-0-
Retreats and tuition	197,517	-0-	197,517
Merchandise	98,448	-0-	98,448
Miscellaneous	8,860	-0-	8,860
Special events	25,977	-0-	25,977
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>45,779</u>	<u>(45,779)</u>	<u>-0-</u>
Total revenue and other support	<u>934,393</u>	<u>(40,779)</u>	<u>893,614</u>
EXPENSES:			
Cost of goods sold	61,028	-0-	61,028
Program services:			
National	711,562	-0-	711,562
Retreats	84,853	-0-	84,853
Bookstore	18,198	-0-	18,198
Supporting services:			
Administrative	110,854	-0-	110,854
Fundraising	<u>28,663</u>	<u>-0-</u>	<u>28,663</u>
Total expenses	<u>1,015,158</u>	<u>-0-</u>	<u>1,015,158</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(80,765)</u>	<u>(40,779)</u>	<u>(121,544)</u>
NON-OPERATING INCOME:			
Interest and dividend income	601	293	894
Gain (loss) on investments - realized	-0-	(42)	(42)
(Loss) on sale of fixed assets	<u>(54)</u>	<u>-0-</u>	<u>(54)</u>
Total non-operating income	<u>547</u>	<u>251</u>	<u>798</u>
CHANGE IN NET ASSETS	(80,218)	(40,528)	(120,746)
NET ASSETS AT BEGINNING OF YEAR	<u>1,219,447</u>	<u>47,347</u>	<u>1,266,794</u>
NET ASSETS AT END OF YEAR	<u>\$1,139,229</u>	<u>\$ 6,819</u>	<u>\$1,146,048</u>

See accompanying notes and accountants' review report.

2008

<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
\$ 182,639	\$ -0-	\$ 182,639
416,808	-0-	416,808
31,477	-0-	31,477
180,218	-0-	180,218
150,762	-0-	150,762
3,475	-0-	3,475
16,972	415,017	431,989
<u>391,317</u>	<u>(391,317)</u>	<u>-0-</u>
<u>1,373,668</u>	<u>23,700</u>	<u>1,397,368</u>
76,456	-0-	76,456
1,110,537	-0-	1,110,537
80,171	-0-	80,171
24,281	-0-	24,281
94,583	-0-	94,583
<u>18,525</u>	<u>-0-</u>	<u>18,525</u>
<u>1,404,553</u>	<u>-0-</u>	<u>1,404,553</u>
<u>(30,885)</u>	<u>23,700</u>	<u>(7,185)</u>
1,706	418	2,124
-0-	-0-	-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>1,706</u>	<u>418</u>	<u>2,124</u>
(29,179)	24,118	(5,061)
<u>1,248,626</u>	<u>23,229</u>	<u>1,271,855</u>
<u>\$1,219,447</u>	<u>\$ 47,347</u>	<u>\$1,266,794</u>

JEWEL HEART CORP.
STATEMENT OF CASH FLOWS
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	(\$ 120,746)	(\$ 5,061)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	67,102	65,459
Noncash donation included in contributions	-0-	(31,477)
Loss on sale fixed assets	54	-0-
Loss on investments - realized	42	-0-
Provision for uncollectable accounts	-0-	(5,190)
Changes in operating assets and liabilities:		
Accounts receivable	200	6,655
Note receivable - Jonas	4,974	4,738
Inventory	8,025	(26,521)
Prepaid expenses	3,227	2,682
Deposits	-0-	50
Accounts payable	(15,877)	3,920
Customer deposits	3,562	(2,810)
Accrued liabilities and deferred revenue	<u>(30,926)</u>	<u>27,308</u>
Net cash provided (used) by operating activities	<u>(80,363)</u>	<u>39,753</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(3,578)	(216,456)
Purchase of investments	-0-	(733)
Proceeds from sale of fixed assets	375	-0-
Proceeds from sale of investments	<u>12,902</u>	<u>-0-</u>
Net cash provided (used) by investing activities	<u>9,699</u>	<u>(217,189)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in capital leases	(2,691)	13,119
Net increase (decrease) in long-term debt	<u>(16,384)</u>	<u>(512,687)</u>
Net cash provided (used) by financing activities	<u>(19,075)</u>	<u>(499,568)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(89,739)	(677,004)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>208,223</u>	<u>885,227</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 118,484</u>	<u>\$ 208,223</u>

See accompanying notes and accountants' review report.

JEWEL HEART CORP.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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 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.

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	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, 2009 and 2008, 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, 2009

1. SUMMARY OF 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.

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.

Date of Management's Review

Subsequent events have been evaluated through May 24, 2010, which is the date the financial statements were available to be issued.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

JEWEL HEART CORP.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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. Accounts receivable balances over 90 days outstanding at December 31, 2009 and 2008, is \$2,195 and \$2,345, 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.

Advertising Costs

Advertising costs for the years ended December 31, 2009 and 2008, were \$3,054 and \$4,621, respectively. Advertising costs are charged to operations when incurred.

2. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2009 and 2008, is summarized as follows by major classification:

	<u>2009</u>	<u>2008</u>
Land	\$ 175,000	\$ 175,000
Building and improvements	1,755,222	1,755,222
Equipment	73,587	71,192
Religious articles	17,479	17,479
Furniture and fixtures	<u>110,830</u>	<u>110,153</u>
	2,132,118	2,129,046
Less: Accumulated depreciation	<u>(187,870)</u>	<u>(120,844)</u>
Property and equipment - net	<u>\$1,944,248</u>	<u>\$2,008,202</u>
Depreciation expense	<u>\$ 67,102</u>	<u>\$ 65,459</u>

JEWEL HEART CORP.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

3. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Capital Improvements - Kitchen and Bathroom	\$ 2,544	\$ -0-
Tibet Education Project	147	147
Rimpoche Annuity	-0-	12,943
H.H. Dalai Lama	<u>4,128</u>	<u>34,257</u>
	<u>\$ 6,819</u>	<u>\$ 47,347</u>

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 \$62,981 and \$61,678 for the years ended December 31, 2009 and 2008, respectively. As of December 31, 2009, the Corporation did not have any operating leases with initial or remaining noncancelable lease terms in excess of one year.

5. 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>	
2010	\$ 4,005
2011	4,005
2012	<u>4,005</u>
Total minimum lease payments	12,015
Less amount representing interest	<u>1,587</u>
Present value of minimum lease payments	<u>\$ 10,428</u>

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

JEWEL HEART CORP.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

6. INVESTMENTS

Components of investments as of December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Treasury bill	\$ <u>-0-</u>	\$ <u>12,943</u>

7. NOTES PAYABLE

	<u>2009</u>	<u>2008</u>
Note payable for building - United Bank & Trust. Secured by real property, monthly payments of \$6,941, including interest at 6.92%.	\$ <u>945,929</u>	\$ <u>962,313</u>
	\$ <u>945,929</u>	\$ <u>962,313</u>

Maturities of long-term debt of each of the years succeeding December 31, 2009, are as follows:

<u>YEARS</u>	<u>PRINCIPAL MATURITY</u>
2010	\$ 17,412
2011	18,675
2012	20,029
2013	<u>889,813</u>
	\$ <u>945,929</u>

8. 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, 2009

9. CASH FLOWS STATEMENT

	<u>2009</u>	<u>2008</u>
Cash paid during the year for:		
Interest	\$ <u>68,359</u>	\$ <u>65,670</u>

Supplemental Disclosures of Noncash Financing Activities

In 2008 \$975,000 of the land contract was refinanced with a mortgage.

10. 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, 2009 and 2008, was \$7,381 and \$7,167, respectively.

11. 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, 2009, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 118,484	\$ 118,484
Financial liabilities:		
Bank loan payable	945,929	945,929