

GLOBAL EDUCATION CENTER, INC.

(A Nonprofit Organization)

Financial Statements

With Independent Auditors' Report Thereon

FOR THE YEARS ENDED JUNE 30, 2013 and 2012

H A Beasley & Company, PC
Certified Public Accountants
Murfreesboro, Tennessee



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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Global Education Center, Inc.

We have audited the accompanying financial statements of Global Education Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Education Center, Inc. as of June 30, 2013 and 2012, 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.

A handwritten signature in black ink, appearing to be 'HAB', written over a horizontal line.

H A Beasley & Company PC
Murfreesboro, TN
August 29, 2013

A Positive Difference Through Professional Accounting Service

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GLOBAL EDUCATION CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS -		
Accounts receivable	\$ 620	\$ 1,803
PROPERTY AND EQUIPMENT, NET	<u>342,510</u>	<u>351,301</u>
TOTAL ASSETS	<u>\$ 343,130</u>	<u>\$ 353,104</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Checks written in excess of deposits	\$ 6,389	\$ 2,225
Accounts payable	1,887	6,921
Accrued expenses	1,838	1,981
Current maturities of note payable	<u>9,937</u>	<u>9,198</u>
Total Current Liabilities	20,051	20,325
LONG TERM LIABILITIES -		
Note payable, less current maturities	<u>166,030</u>	<u>177,079</u>
TOTAL LIABILITIES	186,081	197,404
NET ASSETS		
Unrestricted net assets	<u>157,049</u>	<u>155,700</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 343,130</u>	<u>\$ 353,104</u>

See accompanying notes to financial statements and independent auditors' report.

GLOBAL EDUCATION CENTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
UNRESTRICTED REVENUES AND SUPPORT		
Program fees	\$ 82,283	\$ 82,612
Contributions	55,178	62,572
Grants	73,464	76,916
Membership dues	<u>3,350</u>	<u>4,576</u>
TOTAL UNRESTRICTED REVENUES AND SUPPORT	214,275	226,676
EXPENSES		
Program services	197,331	192,006
Management and general	11,281	16,014
Fund-raising	<u>4,314</u>	<u>5,136</u>
TOTAL EXPENSES	<u>212,926</u>	<u>213,156</u>
INCREASE IN UNRESTRICTED NET ASSETS	1,349	13,520
Net Assets at Beginning of Year	<u>155,700</u>	<u>142,180</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 157,049</u>	 <u>\$ 155,700</u>

See accompanying notes to financial statements and independent auditors' report.

GLOBAL EDUCATION CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES :		
Increase in unrestricted net assets	\$ 1,349	\$ 13,520
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	9,587	10,678
Provision for doubtful accounts	-	350
Increase (decrease) in operating assets:		
Accounts receivable	1,183	(853)
Increase (decrease) in operating liabilities:		
Checks written in excess of deposits	4,164	(4,678)
Accounts payable	(5,034)	(1,001)
Accrued expenses	<u>(143)</u>	<u>(7,067)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,106	10,949
 CASH FLOWS USED FOR INVESTING ACTIVITIES -		
Purchases of property and equipment	(796)	(2,435)
 CASH FLOWS FROM FINANCING ACTIVITIES -		
Principal payments of note payable	<u>(10,310)</u>	<u>(8,514)</u>
NET INCREASE IN CASH AND EQUIVALENTS	-	-
 CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>
 CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>
 SUPPLEMENTAL DISCLOSURES:		
Interest paid	<u>\$ 13,060</u>	<u>\$ 15,839</u>

See accompanying notes to financial statements and independent auditors' report.

GLOBAL EDUCATION CENTER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013 AND 2012

	JUNE 30, 2013				JUNE 30, 2012			
	Supporting Services				Supporting Services			
	Program Services	Management & General	Fund- raising	Total	Program Services	Management & General	Fund- raising	Total
Compensation and related expenses	\$ 68,389	\$ 3,132	\$ 1,566	\$ 73,087	\$ 67,674	\$ 3,358	\$ 1,679	\$ 72,711
Contracted artists	65,283	-	-	65,283	53,212	-	-	53,212
Contracted labor	-	-	-	-	500	-	-	500
License and fees	-	1,745	-	1,745	-	883	-	883
Provision for doubtful accounts	-	-	-	-	350	-	-	350
Depreciation and amortization	8,149	959	479	9,587	9,076	1,068	534	10,678
Repairs and maintenance	4,024	473	237	4,734	8,447	994	497	9,938
Fringe benefits	1,634	-	-	1,634	2,349	276	139	2,764
Insurance	5,347	629	316	6,290	4,372	514	257	5,143
Interest	11,101	1,306	653	13,060	12,545	1,476	738	14,759
Venue rental	2,210	-	-	2,210	2,850	-	-	2,850
Utilities	14,789	1,740	870	17,399	14,095	1,658	830	16,583
Training	-	-	-	-	98	-	-	98
Miscellaneous	790	93	46	929	3,878	456	229	4,563
Professional services	-	-	-	-	-	4,600	-	4,600
Postage	40	5	2	47	20	2	2	24
Printing	784	92	45	923	1,502	177	88	1,767
Property and other business taxes	1,707	201	100	2,008	2,431	286	143	2,860
Supplies	1,859	906	-	2,765	2,684	266	-	2,950
Marketing	3,145	-	-	3,145	2,148	-	-	2,148
Travel	8,080	-	-	8,080	3,775	-	-	3,775
	<u>\$ 197,331</u>	<u>\$ 11,281</u>	<u>\$ 4,314</u>	<u>\$ 212,926</u>	<u>\$ 192,006</u>	<u>\$ 16,014</u>	<u>\$ 5,136</u>	<u>\$ 213,156</u>

See accompanying notes to financial statements and independent auditors' report.

GLOBAL EDUCATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Global Education Center, Inc. (referred to as the “Center”) is a not-for-profit Tennessee corporation. The Center’s mission is to use the arts of diverse cultures to increase global awareness and concern and to help build mutual understanding and respect among diverse populations and to show the commonalities of all people. School and community outreach programs are conducted which offer hands on presentations on diverse cultures as well as programs for the arts including multicultural drum, dance and cultural enrichment classes, workshops, performances, concerts, artists’ residencies and dialogue sessions. The Center works with over 100 artists from diverse cultures and provides performance and teaching opportunities, instruments, costuming, and rehearsal space and trains pre-kindergarten through 12th grade educators and community artists through workshops and artists’ residencies.

The Center’s sources of revenue consist of grants, contributions and earned income from performances, classes and workshops.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of unrestricted revenues and support and expenses during the period. Actual results could differ from those estimates.

Financial Statement Presentation

The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Center.

Temporarily restricted net assets are subject to donor-imposed stipulations that can be fulfilled by actions of the Center pursuant to those stipulations or that expire by the passage of time. No temporarily restricted net assets were held at June 30, 2013 and 2012.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Center. Generally, the donors of such assets permit the Center to use all or part of the income earned on the assets. No permanently restricted net assets were held at June 30, 2013 and 2012.

GLOBAL EDUCATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Contributions

Contributions are recognized as revenues when received or unconditionally pledged. All contributions are available for unrestricted use unless specially restricted by the donor. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and equivalents

Cash and equivalents include cash on hand and short-term investments with original maturities of three months or less.

Accounts receivable

Accounts receivable consists of program services performed and are recorded at the amount anticipated to be collected. An allowance for doubtful accounts is provided based on management's evaluation of potential uncollectible accounts receivable balances at year-end. As of June 30, 2013 and 2012, management has estimated the allowance for doubtful accounts is \$-0-.

Property and Equipment

The Center capitalizes all property and equipment expenditures with a cost of \$500 or more and having estimated useful lives of more than one year. Property and equipment are recorded at cost or for donated items, at fair value as of the date received. 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 contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method. The buildings are being depreciated over 39 years and equipment over 5 to 7 years. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense when incurred.

Functional Expenses

Presentation of operating expenses includes production costs directly incurred for program activities and supporting expense activity classifications of management and general as well as fund-raising.

Marketing Expenses

Marketing costs are expensed as incurred on the statements of activities. Marketing expense for the years ended June 30, 2013 and 2012 totaled \$3,145 and \$2,148, respectively.

GLOBAL EDUCATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Income Taxes

The Center is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, the Center has made no provision for federal income taxes in the accompanying financial statements.

The Center has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2010, 2011 and 2012. However the Center is not currently under audit nor has the Center been contacted by any jurisdiction. Based on the evaluation of the Center's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the years ended June 30, 2013 and 2012.

NOTE B—PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Building	\$ 338,629	\$ 338,629
Equipment	32,670	31,874
Land	<u>89,800</u>	<u>89,800</u>
	461,099	460,303
Less: Accumulated Depreciation	<u>(118,589)</u>	<u>(109,002)</u>
	<u>\$ 342,510</u>	<u>\$ 351,301</u>

Depreciation expense for the years ending June 30, 2013 and 2012 totaled \$9,587 and \$10,678 respectively.

NOTE C—SUPPORT

Support for the years ended June 30, 2013 and 2012 included grants from state and local governments and corporations totaling \$73,464 and \$76,916, respectively.

NOTE D—NOTE PAYABLE

The Center has a note payable with monthly principal and interest payments totaling \$1,939, interest at 7.75% through October 2014 when a balloon payment of \$164,000 is due. Management has historically been able to renew the note payable for an additional 5 years since inception; management anticipates renewing the note payable for an additional 5 years for an updated maturity date of October 2019. The note payable is collateralized by certain real estate and the personal guarantee of the executive director and a board member. As of June 30, 2013 and 2012 the note payable totaled \$175,967 and \$186,277, respectively, of which \$9,937 and \$9,198, respectively, of the principal is due within twelve months and has been disclosed as "current maturities of note payable".

GLOBAL EDUCATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE D—NOTE PAYABLE (CONTINUED)

Five years maturities of principal on the above liabilities may be summarized as follows:

	<u>June 30,</u>	
2014	\$	9,937
2015		<u>166,030</u>
	\$	<u>175,967</u>

NOTE E – FUNCTIONAL EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

For the years ended June 30, 2013 and 2012 the Center incurred expenses amounting to \$197,331 and \$192,006, respectively, related to program services and \$11,281 and \$16,014, respectively, related to management and general and \$4,314 and \$5,136, respectively, related to fund-raising.

NOTE F—CONCENTRATION OF RISK

The Center received grant support from a local and state government unit in which total grant funds exceeded 10% of total unrestricted revenues and support. During the years ended June 30, 2013 and 2012 grant support from these two government units totaled \$63,600 and \$69,950, respectively.

The Center received a donation from a local foundation totaling \$25,000 during both years ending June 30, 2013 and 2012.

NOTE G – GOING CONCERN AND MANAGEMENT PLANS

The Center's current assets totaling \$620 as of June 30, 2013 is not adequate to cover the current liabilities of the Center totaling \$20,051 as of June 30, 2013 which includes checks written in excess deposits totaling \$6,389. Management is in the process of obtaining grant and contributed funds from entities that they have received funds from in prior years as well as applying for additional grants and contributors. Subsequent to June 30, 2013, the Center has been awarded a total of approximately \$83,000 in grants.

The Center's ability to continue as a going concern is dependent upon the success of the executive director's ability to maintain the same level of grant and contribution support during the subsequent period.

NOTE H – SUBSEQUENT EVENTS REVIEW

Subsequent events have been evaluated through August 29, 2013, which is the date the financial statements were available to be issued. Through the date, management has determined that the Center did not have any material recognizable or non-recognizable subsequent events.