

GLOBAL EDUCATION CENTER, INC.

(A Nonprofit Organization)

Financial Statements

With Independent Auditors' Report Thereon

FOR THE YEARS ENDED JUNE 30, 2014 and 2013

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, 2014 and 2013, 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.

Auditors' Responsibility

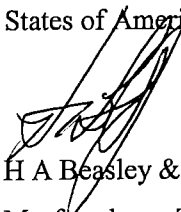
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 auditors' 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, 2014 and 2013, 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.



H A Beasley & Company PC
Murfreesboro, TN
November 19, 2014

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GLOBAL EDUCATION CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Accounts receivable	\$ 930	\$ 620
PROPERTY AND EQUIPMENT, NET	<u>328,119</u>	<u>342,510</u>
TOTAL ASSETS	<u>\$ 329,049</u>	<u>\$ 343,130</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Checks written in excess of deposits	\$ 5,477	\$ 6,389
Accounts payable	2,708	1,887
Accrued expenses	2,608	1,838
Current maturities of note payable	<u>11,025</u>	<u>9,937</u>
Total Current Liabilities	21,818	20,051
LONG TERM LIABILITIES		
Note payable, less current maturities	<u>156,117</u>	<u>166,030</u>
TOTAL LIABILITIES	177,935	186,081
NET ASSETS		
Temporarily restricted net assets	2,895	-
Unrestricted net assets	<u>148,219</u>	<u>157,049</u>
TOTAL NET ASSETS	<u>151,114</u>	<u>157,049</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 329,049</u>	<u>\$ 343,130</u>

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

GLOBAL EDUCATION CENTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014		2013	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
PUBLIC SUPPORT AND REVENUE				
Public support				
Contributions	\$ 71,039	\$ 2,895	\$ 55,178	\$ -
Grants	<u>57,880</u>	<u>-</u>	<u>73,464</u>	<u>-</u>
Total public support	128,919	2,895	128,642	-
Revenue				
Program fees	99,538	-	82,283	-
Membership dues	<u>2,899</u>	<u>-</u>	<u>3,350</u>	<u>-</u>
Total revenue	<u>102,437</u>	<u>-</u>	<u>85,633</u>	<u>-</u>
Total public support and revenue	231,356	2,895	214,275	-
EXPENSES				
Programs	212,363	-	197,331	-
Management and general	<u>19,530</u>	<u>-</u>	<u>11,281</u>	<u>-</u>
Fund-raising	<u>8,293</u>	<u>-</u>	<u>4,314</u>	<u>-</u>
Total expenses	<u>240,186</u>	<u>-</u>	<u>212,926</u>	<u>-</u>
Increase (decrease) in net assets	(8,830)	2,895	1,349	-
Net assets at beginning of year	<u>157,049</u>	<u>-</u>	<u>155,700</u>	<u>-</u>
Net assets at end of year	<u>\$ 148,219</u>	<u>\$ 2,895</u>	<u>\$ 157,049</u>	<u>\$ -</u>

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

GLOBAL EDUCATION CENTER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	JUNE 30, 2014			JUNE 30, 2013		
	Supporting Services		Program Services	Supporting Services		Total
	Management & General	Fund-raising		Management & General	Fund-raising	
Compensation and related expenses	73,670	4,333	\$ 86,670	\$ 68,389	\$ 3,132	\$ 73,087
Contracted artists	46,388	-	46,388	65,283	-	65,283
License and fees	-	-	2,449	-	1,745	1,745
Depreciation	12,685	746	14,923	8,149	479	9,587
Repairs and maintenance	3,263	192	3,839	4,024	237	4,734
Fringe benefits	1,782	-	1,782	1,634	-	1,634
Insurance	4,723	277	5,556	5,347	316	6,292
Interest	12,280	722	14,447	11,101	653	13,060
Venue rental	13,623	-	13,623	2,210	-	2,210
Utilities	21,126	1,243	24,854	14,789	870	17,399
Training	15	-	15	-	-	-
Miscellaneous	3,094	182	3,640	790	46	929
Professional services	7,480	440	8,800	-	-	-
Postage and printing	887	52	1,043	824	47	968
Property and other business taxes	1,795	106	2,112	1,707	100	2,008
Supplies	4,129	-	4,622	1,859	-	2,765
Marketing	2,010	-	2,010	3,145	-	3,145
Travel	3,413	-	3,413	8,080	-	8,080
\$ 212,363	\$ 19,530	\$ 8,293	\$ 240,186	\$ 197,331	\$ 4,314	\$ 212,926

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

GLOBAL EDUCATION CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES :		
Increase (decrease) in net assets	\$ (5,935)	\$ 1,349
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	14,923	9,587
Decrease (increase) in operating assets:		
Accounts receivable	(310)	1,183
Increase (decrease) in operating liabilities:		
Checks written in excess of deposits	(912)	4,164
Accounts payable	821	(5,034)
Accrued expenses	<u>770</u>	<u>(143)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	9,357	11,106
 CASH FLOWS USED FOR INVESTING ACTIVITIES -		
Purchases of property and equipment	(532)	(796)
 CASH FLOWS USED FOR FINANCING ACTIVITIES -		
Principal payments of note payable	<u>(8,825)</u>	<u>(10,310)</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>\$ 14,447</u>	<u>\$ 13,030</u>

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

GLOBAL EDUCATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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, help build mutual understanding and respect among diverse populations and to show the commonalities of all people throughout Middle Tennessee. 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.

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, 2014 and 2013.

Contributions

Contributions are recognized as revenues when received or unconditionally pledged. All contributions are available for unrestricted use unless specifically 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.

GLOBAL EDUCATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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

Contributions (continued)

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 based on anticipated and historical collections. As of June 30, 2014 and 2013, management has estimated the allowance for doubtful accounts is \$-0-.

Property and Equipment, Net

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 include costs to promote a specific program or concert and are expensed as incurred on the statements of activities. Marketing expense for the years ended June 30, 2014 and 2013 totaled \$2,010 and \$3,145, respectively.

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.

GLOBAL EDUCATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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

Income Taxes (continued)

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 2011, 2012 and 2013. Based on the evaluation of the Center's tax positions, management believes all tax positions taken would be upheld under an examination by the tax authorities. Therefore, no provision for the effects of uncertain tax positions have been recorded for the years ended June 30, 2014 and 2013.

NOTE B –MANAGEMENT PLANS

The Center's current assets totaling \$930 as of June 30, 2014 is not adequate to cover the current liabilities of the Center totaling \$21,818 as of June 30, 2014 which includes checks written in excess deposits totaling \$5,477. Management is soliciting grants and contributed funds from entities that they have received funds from in prior years as well as applying for additional grants and contributions. Subsequent to June 30, 2014, the Center has been awarded a total of approximately \$90,900 in grants.

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

NOTE C—PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following as of June 30, 2014 and 2013:

	2014	2013
Building	\$ 338,629	\$ 338,629
Equipment	20,881	32,670
Land	89,800	89,800
	449,310	461,099
Less: Accumulated Depreciation	(121,191)	(118,589)
	<u>\$ 328,119</u>	<u>\$ 342,510</u>

Depreciation expense for the years ending June 30, 2014 and 2013 totaled \$14,923 and \$9,587 respectively.

NOTE D—SUPPORT

Support for the years ended June 30, 2014 and 2013 included grants from state and local governments and corporations totaling \$57,880 and \$73,464, respectively.

NOTE E—NOTE PAYABLE

The Center had a note payable with a bank bearing interest at 7.75% with monthly principal and interest payments totaling \$1,939, which matured in October 2014. In November 2014 the Center renewed the note payable with a bank bearing an interest rate to 7.10% requiring monthly principal and interest payments of \$1,910 through October 2024.

GLOBAL EDUCATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE E—NOTE PAYABLE (CONTINUED)

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, 2014 and 2013 the note payable totaled \$167,142 and \$175,967, respectively.

As the Center subsequently renewed the note payable the current maturities of the note payable is determined based on the renewed terms.

The future maturities of note payable are as follows:

	June 30,	
2015	\$	11,025
2016		12,233
2017		13,130
2018		14,094
2019		15,127
Thereafter		101,533
	\$	<u>167,142</u>

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2014 the Center had temporarily restricted net assets for a technology grant totaling \$2,895 which is restricted for the specific equipment purchases. As of June 30, 2013 there were no temporarily restricted net assets.

NOTE G – FUNCTIONAL EXPENSES

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

For the years ended June 30, 2014 and 2013 the Center incurred expenses amounting to \$212,363 and \$197,331, respectively, related to program services and \$19,530 and \$11,281, respectively, related to management and general and \$8,293 and \$4,314, respectively, related to fund-raising.

NOTE H—CONCENTRATION OF RISK

The Center received grant support from a local and state government unit which exceeded 10% of total unrestricted revenues and support. During the years ended June 30, 2014 and 2013 grant support from these two government units totaled \$57,880 and \$63,600, respectively.

At June 30, 2014 and 2013 the Center received a donation from a local foundation totaling \$27,000 and \$25,000, respectively.

GLOBAL EDUCATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE I – SUBSEQUENT EVENTS REVIEW

Subsequent events have been evaluated through November 19, 2014, which is the date the financial statements were available to be issued. In November 2014 the Center renewed the note payable with an interest rate of 7.10% requiring monthly principal and interest payments of \$1,910 through October 2014. There have been no other subsequent events or transactions requiring the financial statements to be adjusted.