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GLOBAL EDUCATION CENTER, INC.

(A Nonprofit Organization)

Financial Statements

With Independent Accountant's Report Thereon

FOR THE YEAR ENDED JUNE 30, 2005

H A Beasley & Company
Certified Public Accountants
Murfreesboro, Tennessee

Members:
American Institute of CPAs
Tennessee Society of CPAs
Institute of Management Accountants



H A BEASLEY & COMPANY
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Global Education Center, Inc. (a nonprofit organization) as of June 30, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity 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 CPAs
Murfreesboro, TN

June 30, 2006

GLOBAL EDUCATION CENTER, INC.

Statement of Financial Position

June 30, 2005

CURRENT ASSETS

Cash	\$	146
Pledges receivable		700
Total Current Assets		<u>846</u>

Property and equipment		434,493
Less: Accumulated depreciation		<u>(26,875)</u>
Book value of property and equipment (see Note C)		407,618

TOTAL ASSETS		<u><u>\$ 408,464</u></u>
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CURRENT LIABILITIES

Accounts payable	\$	4,382
Accrued payroll		5,617
Accrued interest		947
Amsouth loan (see Note G)		<u>5,577</u>
Total Current Liabilities		16,523

LONG TERM LIABILITIES

Amsouth loan (see Note G)		<u>190,441</u>
Total Long Term Liabilities		190,441

TOTAL LIABILITIES		206,964
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NET ASSETS

Unrestricted		201,500
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TOTAL NET ASSETS		<u>201,500</u>
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TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 408,464</u></u>
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See accompanying notes and independent accountant's report.

GLOBAL EDUCATION CENTER, INC.

Statement of Activities

Year ended June 30, 2005

UNRESTRICTED NET ASSETS

Unrestricted revenues and support

Program Fees	\$	91,171
Contributions		172,425
Grants (see Note D)		73,300
Net assets released from restrictions		<u>3,839</u>
TOTAL UNRESTRICTED REVENUES AND SUPPORT		340,735

Expenses

Program services		
Community service		198,480
Supporting services		
Management and general		14,185
Fund-raising		-
TOTAL EXPENSES		<u>212,665</u>

INCREASE(DECREASE) IN UNRESTRICTED NET ASSETS 128,070

TEMPORARILY RESTRICTED NET ASSETS

Capital campaign contributions	3,839
Net assets released from restrictions	<u>(3,839)</u>
INCREASE(DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	-

INCREASE(DECREASE) IN NET ASSETS 128,070

Net Assets at Beginning of Year 73,430

NET ASSETS AT END OF YEAR \$ 201,500

See accompanying notes and independent accountant's report.

GLOBAL EDUCATION CENTER, INC.**Statement of Functional Expenses****Year ended June 30, 2005**

	Program Services	Supporting Services		Total
		Management & General	Fund- raising	
Compensation and related expenses				
Wages	\$ 57,822	\$ 6,000	\$ -	\$ 63,822
Payroll taxes	4,468	463	-	4,931
Total Compensation & exp	62,290	6,463	-	68,753
Contracted Artists	66,320	-	-	66,320
License and fees	794	82	-	876
Depreciation	8,338	865	-	9,203
Equipment rental & maint.	3,486	362	-	3,848
Insurance	5,093	529	-	5,622
Interest	10,398	1,079	-	11,477
Rent	3,240	-	-	3,240
Utilities	6,604	685	-	7,289
Professional services	-	2,000	-	2,000
Postage	255	26	-	281
Printing	3,383	351	-	3,734
Supplies - office	-	660	-	660
Supplies - events	3,138	-	-	3,138
Marketing	14,715	-	-	14,715
Telephone	4,179	434	-	4,613
Travel	3,870	402	-	4,272
Other	2,377	247	-	2,624
	<u>\$ 198,480</u>	<u>\$ 14,185</u>	<u>\$ -</u>	<u>\$ 212,665</u>

See accompanying notes and independent accountant's report.

GLOBAL EDUCATION CENTER, INC.**Statement of Cash Flows****Year ended June 30, 2005****CASH FLOWS FROM OPERATING ACTIVITIES**

Increase in net assets	\$ 128,070
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	9,203
(Increase) decrease in operating assets:	
Pledges receivable	(700)
Increase (decrease) in operating liabilities:	
Accounts payable	3,004
Accrued payroll	5,617
Accrued interest	947
TOTAL ADJUSTMENTS	18,071
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	146,141

CASH FLOWS USED FOR INVESTING ACTIVITIES

Purchases of property and equipment	(2,013)
Acquisition of land and building (see Note H and I)	(340,000)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(342,013)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from long term borrowings	200,000
Payments to reduce long-term borrowings	(3,982)
NET CASH FLOWS FROM FINANCING ACTIVITIES	196,018

NET INCREASE (DECREASE) IN CASH	146
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CASH AT THE BEGINNING OF PERIOD	0
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CASH AT END OF PERIOD	\$ 146
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See accompanying notes and independent accountant's report.

Global Education Center, Inc.
Notes to Financial Statements
June 30, 2005

NOTE A—NATURE OF ACTIVITIES

Nature of Activities

Global Education Center is a not-for-profit Tennessee corporation. The Organization'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.

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

NOTE B—SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization records its transactions on the cash basis of accounting. The records are adjusted at year-end to reflect the accrual basis of accounting for financial statement purposes.

Contributed Services and Facilities

The Organization receives the free and discounted use of facilities as well as contributed services. During the year ended June 30, 2005, the value of contributed services meeting the requirements for recognition in the financial statements was not considered material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

It is the Organization's policy to capitalize property and equipment at cost. Maintenance and ordinary repairs are expensed. Donations of property and equipment are recorded as contributions at their estimated fair value. 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 Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at

Global Education Center, Inc.
Notes to Financial Statements
June 30, 2005

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.

Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization 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 are not subject to donor-imposed stipulations.

Temporarily restricted net assets are subject to donor-imposed stipulations that can be fulfilled by actions of the organization 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 organization. Generally, the donors of such assets permit the organization to use all or part of the income earned on the assets. No permanently restricted net assets were held at June 30, 2005.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassification between the applicable classes of net assets.

Contributions

The Organization has also adopted SFAS No. 116, Accounting for Contributions Received and Contributions Made. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Restricted contributions whose restrictions are met in the period the contributions are received are reported as unrestricted contributions.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents

The Organization considers highly liquid investments with a maturity date of three months or less to be cash equivalents.

Global Education Center, Inc.
Notes to Financial Statements
June 30, 2005

NOTE C—PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land	\$ 89,800
Buildings	323,100
Furniture, Fixtures and Equipment	<u>21,593</u>
	434,493
Less: Accumulated depreciation	<u>(26,875)</u>
Book value of property and equipment	<u>\$ 407,618</u>

Depreciation expense totaled \$9,203 in the year ending June 30, 2005.

NOTE D—SUPPORT

Support for the year ended June 30, 2005 included grants from state and local governments of \$65,350.

NOTE E—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.

NOTE F – PRIOR PERIOD CORRECTIONS

A prior period adjustment to reclassify \$4,000 from restricted net assets to unrestricted net assets was made as the \$4,000 was released before June 30, 2004. A prior period adjustment of \$77,100 was made to adjust the land and building donated in the year ending June 30, 2004 down from the value of \$150,000 to its market value at June 30, 2004 of \$72,900. A prior period adjustment of \$7,120 was made to adjust cash to its correct balance of -0- and accounts payable up by \$146. A prior period adjustment of \$5,906 was made to recognize the loss on fixed assets sold or disposed of in prior years. The fixed assets cost and accumulated depreciation were adjusted by these sales and dispositions.

Unrestricted net assets as previously reported	\$159,556
Adjustment for restricted assets	4,000
Adjustment for land and building	(77,100)
Adjustment for bank correction	(7,120)
Adjustment for loss on fixed assets	<u>(5,906)</u>
Balance at beginning of year, as restated	<u>\$ 73,430</u>

Net assets at June 30, 2004 have been restated to reflect these updated balances for unrestricted and restricted net assets.

Global Education Center, Inc.
Notes to Financial Statements
June 30, 2005

NOTE G - LIABILITIES

The AmSouth loan payable matures on July 23, 2009 and bears interest at 6%. Monthly payments of 1,433 began on August 23, 2004 and they will continue until a final balloon payment is due on July 23, 2009. The land and building at 4822 Charlotte Avenue in Nashville, TN is pledged as collateral for the loan.

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

June 30, 2006	\$ 5,577
June 30, 2007	5,929
June 30, 2008	6,295
June 30, 2009	6,683
June 30, 2010	<u>171,534</u>
Total	\$ 196,018

NOTE H – ACQUISITION OF PROPERTY

During the year ended June 30, 2005, land and building were acquired in a bargain purchase transaction. The property was recorded at fair market value and included in fixed assets. The loan assumed of \$179,356 results in a net contribution of \$160,644. The \$160,644 revenue appears in the statement of activities.

NOTE I – RELATED PARTY TRANSACTION

The land and building that was acquired in a bargain purchase transaction during the year ended June 30, 2005 (see Note H) was donated by the spouse of the Director of the organization.

NOTE J—CONCENTRATION OF RISK

The organization is highly dependent on grants and charitable contributions from donors. If economic conditions worsen in the service area these funding sources might decrease extensively and the organization would experience serious difficulty in continuing operations.

The organization did not have workers compensation insurance coverage for the year ended June 30, 2005. There were two employees in the year ended June 30, 2005. Management is not aware of any claims.