

GLOBAL EDUCATION CENTER, INC.

(A Nonprofit Organization)

Financial Statements

With Independent Accountant's Report Thereon

FOR THE YEARS ENDED JUNE 30, 2010 and 2009

H A Beasley & Company, PC

Certified Public Accountants

Murfreesboro, Tennessee

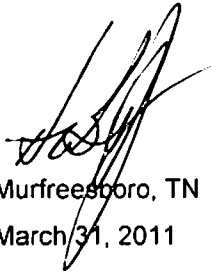
INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Global Education Center, Inc. (a nonprofit organization) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years 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 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 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 audits provide 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Murfreesboro, TN
March 31, 2011

GLOBAL EDUCATION CENTER, INC.**Statements of Financial Position****June 30, 2010 and 2009**

	2010	2009
CURRENT ASSETS		
Accounts receivable	\$ 2,159	\$ 11,076
Total Current Assets	2,159	11,076
Property and equipment	458,030	458,030
Less: Accumulated depreciation	(86,054)	(71,890)
Book value of property and equipment (see Note C)	371,976	386,140
TOTAL ASSETS	\$ 374,135	\$ 397,216
CURRENT LIABILITIES		
Bank overdraft	\$ 13,570	\$ 17,078
Accounts payable	977	1,433
Accrued payroll liabilities	53	2,491
Accrued taxes and expenses	1,364	7,146
Accrued interest	-	1,171
Current portion of long-term debt (see Note F)	7,976	7,446
Total Current Liabilities	23,940	36,765
LONG TERM LIABILITIES		
Long-term debt, less current maturities (see Note F)	193,227	198,621
Total Long Term Liabilities	193,227	198,621
TOTAL LIABILITIES	217,167	235,386
NET ASSETS		
Unrestricted	156,968	161,830
TOTAL NET ASSETS	156,968	161,830
TOTAL LIABILITIES AND NET ASSETS	\$ 374,135	\$ 397,216

See accompanying notes and independent accountant's report.

GLOBAL EDUCATION CENTER, INC.
Statements of Activities
For the Years ended June 30, 2010 and 2009

	2010	2009
UNRESTRICTED REVENUES AND SUPPORT		
Program fees	\$ 69,220	\$ 60,258
Contributions	12,571	23,307
Grants (see Note D)	107,305	114,288
Membership dues	5,300	2,300
TOTAL UNRESTRICTED REVENUES AND SUPPORT	194,396	200,153
EXPENSES		
Program services		
Community service	177,214	187,368
Supporting services		
Management and general	22,044	22,102
TOTAL EXPENSES	199,258	209,470
INCREASE(DECREASE) IN UNRESTRICTED NET ASSETS	(4,862)	(9,317)
INCREASE(DECREASE) IN NET ASSETS	(4,862)	(9,317)
Net Assets at Beginning of Year	161,830	171,147
NET ASSETS AT END OF YEAR	\$ 156,968	\$ 161,830

See accompanying notes and independent accountant's report.

GLOBAL EDUCATION CENTER, INC.
Statements of Cash Flows
For the Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ (4,862)	\$ (9,317)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	14,164	14,164
(Increase) decrease in operating assets:		
Accounts receivable	8,917	(7,944)
Increase (decrease) in operating liabilities:		
Bank overdraft	(3,508)	10,899
Accounts payable	(456)	(2,892)
Accrued payroll liabilities	(2,438)	2,491
Accrued taxes and expenses	(5,782)	(975)
Accrued interest	(1,171)	385
TOTAL ADJUSTMENTS	<u>9,726</u>	<u>16,128</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>4,864</u>	<u>6,811</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to reduce long-term borrowings	(4,864)	(6,811)
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>(4,864)</u>	<u>(6,811)</u>
NET INCREASE (DECREASE) IN CASH	<u>-</u>	<u>-</u>
CASH AT BEGINNING OF YEAR	-	-
CASH AT END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	\$ 16,434	\$ 12,467

See accompanying notes and independent accountant's report.

GLOBAL EDUCATION CENTER, INC.**Statement of Functional Expenses****For the Year ended June 30, 2010**

	Program Services	Supporting Services		Total
		Management & General	Fund- raising	
Compensation and related expenses				
Wages	\$ 52,484	\$ 9,262	\$ -	\$ 61,746
Payroll taxes	4,520	798	-	5,318
Total Compensation & exp	57,004	10,060	-	67,064
Contracted Artists	49,389	-	-	49,389
Accounting	3,910	690	-	4,600
License and fees	1,128	199	-	1,327
Depreciation	12,039	2,125	-	14,164
Equipment rental & maint.	5,386	950	-	6,336
Fringe Benefits	2,665	470	-	3,135
Insurance	3,231	570	-	3,801
Interest	13,969	2,465	-	16,434
Venue rental	2,289	-	-	2,289
Utilities	13,208	2,331	-	15,539
Postage	95	17	-	112
Printing	637	113	-	750
Property tax	101	18	-	119
Supplies - office	355	63	-	418
Supplies - events	614	-	-	614
Marketing	3,196	564	-	3,760
Telephone	4,502	794	-	5,296
Travel	3,396	599	-	3,995
Other	100	16	-	116
	<u>\$ 177,214</u>	<u>\$ 22,044</u>	<u>\$ -</u>	<u>\$ 199,258</u>

See accompanying notes and independent accountant's report.

GLOBAL EDUCATION CENTER, INC.**Statement of Functional Expenses****For the Year ended June 30, 2009**

	Program Services	Supporting Services		Total
		Management & General	Fund- raising	
Compensation and related expenses				
Wages	\$ 49,555	\$ 8,745	\$ -	\$ 58,300
Payroll taxes	4,660	822	-	5,482
Total Compensation & exp	54,215	9,567	-	63,782
Contracted artists	53,130	-	-	53,130
Contracted labor	5,000	-	-	5,000
Accounting	3,910	690	-	4,600
License and fees	994	175	-	1,169
Depreciation	12,039	2,125	-	14,164
Equipment rental & maint.	5,456	963	-	6,419
Fringe benefits	2,462	434	-	2,896
Insurance	5,029	888	-	5,917
Interest	10,597	1,870	-	12,467
Venue rental	2,996	-	-	2,996
Utilities	11,800	2,082	-	13,882
Printing	1,061	187	-	1,248
Property tax	1,644	290	-	1,934
Supplies - office	68	12	-	80
Supplies - events	993	-	-	993
Marketing	5,590	987	-	6,577
Telephone	4,905	865	-	5,770
Travel	3,669	648	-	4,317
Other	1,810	319	-	2,129
	<u>\$ 187,368</u>	<u>\$ 22,102</u>	<u>\$ -</u>	<u>\$ 209,470</u>

See accompanying notes and independent accountant's report.

Global Education Center, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

NOTE A—NATURE OF ACTIVITIES

Nature of Activities

Global Education Center, Inc. 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 Organization works with over 100 artists from diverse cultures and provides performance and teaching opportunities, instruments, costuming, and rehearsal space and trains pre-k-12 educators and community artists through workshops and artists' residencies.

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 years ended June 30, 2010 and 2009, 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

Global Education Center, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

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 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 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. No temporarily restricted net assets were held at June 30, 2010 and 2009.

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, 2010 and 2009.

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

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, 2010 and 2009

Allowance for doubtful accounts

No allowance for doubtful accounts is provided because all receivables recorded were either collected subsequent to year-end or deemed to still be collectible.

NOTE C—PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2010</u>	<u>2009</u>
Land	\$ 89,800	\$ 89,800
Buildings	338,629	338,629
Furniture, Fixtures and Equipment	<u>29,601</u>	<u>29,601</u>
	458,030	458,030
Less: Accumulated depreciation	<u>(86,054)</u>	<u>(71,890)</u>
Book value of property and equipment	<u>\$ 371,976</u>	<u>\$ 386,140</u>

Depreciation expense for the years ending June 30, 2010 and 2009 totaled \$14,164 and \$14,164 respectively.

NOTE D—SUPPORT

Support for the years ended June 30, 2010 and 2009 included grants from state and local governments and corporations of \$107,305 and \$114,288 respectively.

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—NOTES PAYABLE AND LONG TERM DEBT

Long-term debt at June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Regions Bank loan, interest rate stated at 6%, \$1,433 monthly payments for 61 months beginning on August 23, 2004 and continuing until a final balloon payment due on September 23, 2009. The land and building at 4822 Charlotte Avenue in Nashville, TN were pledged as collateral for this loan.	\$ 0	\$ 175,592
Regions Bank line of credit, interest rate stated at 8.3%. Interest only payments are due each month. This line of credit matured on May 15, 2009.	0	30,475

Global Education Center, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

Regions Bank loan, interest rate stated at 7.75%, \$1,939 monthly payments for 59 months beginning on October 19, 2009 and continuing until a final balloon payment due on October 19, 2014. The land and building at 4822 Charlotte Avenue in Nashville, TN are pledged as collateral for this loan. A Director of the Board and the Executive Director have each personally guaranteed this loan.

	\$ 201,203	\$ 0
Less current portion of long-term debt	<u>(7,976)</u>	<u>(7,446)</u>
Long-term debt, excluding current portion	<u>\$ 193,227</u>	<u>\$ 198,621</u>

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

	<u>2010</u>	<u>2009</u>
2010	\$ -	\$ 7,446
2011	7,976	7,970
2012	8,616	8,610
2013	9,308	9,302
2014	10,056	10,056
2015	<u>165,247</u>	<u>162,683</u>
Total	<u>\$ 201,203</u>	<u>\$ 206,067</u>

Both of the Regions Bank loans due at June 30, 2009 were refinanced together by Regions Bank on October 19, 2009. The Balance Sheet at June 30, 2009 reflects the amortization of this new loan.

NOTE G – SUBSEQUENT EVENTS REVIEW

Subsequent events have been evaluated through March 31, 2011, which is the financial statement issuance date.

NOTE H—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 years ended June 30, 2010 and 2009. There were three employees in the years ended June 30, 2010 and 2009. Management is not aware of any claims.