

GLOBAL EDUCATION CENTER, INC.

(A Nonprofit Organization)

Financial Statements

With Independent Accountant's Report Thereon

FOR THE YEARS ENDED JUNE 30, 2007 and 2006

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, 2007 and 2006, 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, 2007 and 2006, 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.



H A Beasley & Company, PC
Murfreesboro, TN

September 18, 2007

A Positive Difference Through Professional Accounting Service

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GLOBAL EDUCATION CENTER, INC.
Statements of Financial Position
June 30, 2007 and 2006

	2007	2006
CURRENT ASSETS		
Cash	\$ 5,986	\$ 4,690
Accounts receivable	11,140	4,850
Prepaid expenses	560	553
Total Current Assets	17,686	10,093
Property and equipment	462,139	453,279
Less: Accumulated depreciation	(49,380)	(36,273)
Book value of property and equipment (see Note C)	412,759	417,006
TOTAL ASSETS	\$ 430,445	\$ 427,099
CURRENT LIABILITIES		
Accounts payable	17,753	11,280
Accrued payroll	1,095	702
Accrued interest	936	937
Amsouth loan (see Note G)	6,204	5,844
Total Current Liabilities	25,988	18,763
LONG TERM LIABILITIES		
Amsouth loan (see Note G)	212,975	218,024
Total Long Term Liabilities	212,975	218,024
TOTAL LIABILITIES	238,963	236,787
NET ASSETS		
Unrestricted	191,482	190,312
TOTAL NET ASSETS	191,482	190,312
TOTAL LIABILITIES AND NET ASSETS	\$ 430,445	\$ 427,099

See accompanying notes and independent accountant's report.

GLOBAL EDUCATION CENTER, INC.
Statements of Activities
Years ended June 30, 2007 and 2006

UNRESTRICTED NET ASSETS		
Unrestricted revenues and support	2007	2006
Program Fees	\$ 88,084	\$ 88,933
Contributions	29,779	10,933
Grants (see Note D)	99,735	61,113
Membership dues	2,675	3,700
TOTAL UNRESTRICTED REVENUES AND SUPPORT	220,273	164,679
Expenses		
Program services		
Community service	204,974	165,205
Supporting services		
Management and general	14,129	10,662
TOTAL EXPENSES	219,103	175,867
INCREASE(DECREASE) IN UNRESTRICTED NET ASSETS	1,170	(11,188)
INCREASE(DECREASE) IN NET ASSETS	1,170	(11,188)
Net Assets at Beginning of Year	190,312	201,500
NET ASSETS AT END OF YEAR	\$ 191,482	\$ 190,312

See accompanying notes and independent accountant's report.

GLOBAL EDUCATION CENTER, INC.
Statements of Cash Flows
Years ended June 30, 2007 and 2006

CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	2007 \$ 1,170	2006 \$ (11,188)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	13,107	9,398
(Increase) decrease in operating assets:		
Accounts receivable	(6,290)	(4,850)
Prepaid expenses	(7)	(553)
Pledges receivable	-	700
Increase (decrease) in operating liabilities:		
Accounts payable	6,834	7,164
Accrued payroll	392	(4,915)
Accrued interest	(1)	(9)
TOTAL ADJUSTMENTS	14,035	6,935
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	15,205	(4,253)
CASH FLOWS USED FOR INVESTING ACTIVITIES		
Purchases of property and equipment	(8,860)	(18,786)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(8,860)	(18,786)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term borrowings	-	30,475
Payments to reduce long-term borrowings	(5,049)	(2,892)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(5,049)	27,583
NET INCREASE (DECREASE) IN CASH	1,296	4,544
CASH AT THE BEGINNING OF YEAR	4,690	146
CASH AT END OF YEAR	\$ 5,986	\$ 4,690

See accompanying notes and independent accountant's report.

GLOBAL EDUCATION CENTER, INC.
Statement of Functional Expenses
Year ended June 30, 2007

	Program	Supporting Services		
	Services	Management & General	Fund- raising	Total
Compensation and related expenses				
Wages	\$ 49,381	\$ 5,124	\$ -	\$ 54,505
Payroll taxes	3,888	402	-	4,290
Total Compensation & exp	53,268	5,527	-	58,795
Contracted Artists	65,850	-	-	65,850
Accounting	2,537	263	-	2,800
License and fees	2,292	238	-	2,530
Depreciation	11,875	1,232	-	13,107
Equipment rental & maint.	1,652	171	-	1,823
Insurance	5,124	532	-	5,656
Interest	12,901	1,339	-	14,240
Venue rental	2,970	-	-	2,970
Utilities	12,069	1,252	-	13,321
Postage	93	10	-	103
Printing	1,822	189	-	2,011
Supplies - office	179	19	-	198
Supplies - events	4,039	419	-	4,458
Marketing	6,269	651	-	6,920
Telephone	4,033	418	-	4,451
Travel	16,182	1,679	-	17,861
Other	1,820	189	-	2,009
	<u>\$ 204,974</u>	<u>\$ 14,129</u>	<u>\$ -</u>	<u>\$ 219,103</u>

See accompanying notes and independent accountant's report.

GLOBAL EDUCATION CENTER, INC.
Statement of Functional Expenses
Year ended June 30, 2006

	Program Services	Supporting Services Management & General	Fund- raising	Total
Compensation and related expenses				
Wages	\$ 40,770	\$ 4,230	\$ -	\$ 45,000
Payroll taxes	3,063	317	-	3,380
Total Compensation & exp	43,832	4,548	-	48,380
Contracted Artists	60,224	-	-	60,224
Accounting	815	85	-	900
License and fees	1,647	171	-	1,818
Depreciation	8,514	884	-	9,398
Equipment rental & maint.	2,771	288	-	3,059
Insurance	4,650	483	-	5,133
Interest	12,121	1,258	-	13,379
Venue Rental	2,237	-	-	2,237
Utilities	8,701	903	-	9,604
Postage	322	33	-	355
Printing	3,041	315	-	3,356
Supplies - office	1,061	110	-	1,171
Supplies - events	1,862	193	-	2,055
Marketing	7,355	763	-	8,118
Telephone	4,641	482	-	5,123
Travel	1,411	146	-	1,557
Other	-	-	-	-
	<u>\$ 165,205</u>	<u>\$ 10,662</u>	<u>\$ -</u>	<u>\$ 175,867</u>

See accompanying notes and independent accountant's report.

Global Education Center, Inc.
Notes to Financial Statements
June 30, 2007 and 2006

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 years ended June 30, 2007 and 2006, 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, 2007 and 2006

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, 2007 and 2006.

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, 2007 and 2006

NOTE F—LIABILITIES

Long-term debt at June 30, 2007 and 2006 consists of a loan payable to Amsouth Bank which 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. An Amsouth Bank line of credit payable matures on May 15, 2009 and bears interest at 8.3%. Interest only payments are due each month.

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

	<u>2007</u>	<u>2006</u>
2006		\$ 5,844
2007	\$ 6,204	6,204
2008	6,295	6,295
2009	37,158	37,158
2010	<u>169,522</u>	<u>168,367</u>
Total	<u>\$ 219,179</u>	<u>\$ 223,868</u>

NOTE G—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, 2007 and 2006. There were two employees in the year ended June 30, 2007 and 2006. Management is not aware of any claims.