

GLOBAL EDUCATION CENTER, INC.

(A Nonprofit Organization)

Financial Statements

With Independent Auditors' Report Thereon

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017





Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Global Education Center, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, 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, 2018 and 2017, 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.



CPA, PLLC

Miller CPA, PLLC
Murfreesboro, Tennessee
September 26, 2018

GLOBAL EDUCATION CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ 12,778	\$ -
Accounts and grant receivable	<u>1,600</u>	<u>10,401</u>
Total current assets	14,378	10,401
PROPERTY AND EQUIPMENT, NET	<u>304,911</u>	<u>310,244</u>
TOTAL ASSETS	<u>\$ 319,289</u>	<u>\$ 320,645</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Checks written in excess of deposits	\$ -	\$ 1,333
Current maturities of note payable	12,033	14,082
Accounts payable	3,234	11,256
Accrued expenses	5,202	4,882
Unearned Revenue	<u>25,000</u>	<u>-</u>
Total Current Liabilities	45,469	31,553
LONG TERM LIABILITIES		
Note payable, less current maturities	<u>115,239</u>	<u>126,591</u>
TOTAL LIABILITIES	160,708	158,144
NET ASSETS		
Temporarily restricted net assets	-	1,094
Unrestricted net assets	<u>158,581</u>	<u>161,407</u>
TOTAL NET ASSETS	<u>158,581</u>	<u>162,501</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 319,289</u>	<u>\$ 320,645</u>

See accompanying notes to financial statements and independent auditor's report.

GLOBAL EDUCATION CENTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
PUBLIC SUPPORT AND REVENUE						
Public support						
Contributions	\$ 107,219	\$ -	\$ 107,219	\$ 93,809	\$ -	\$ 93,809
Fund-raising events	-	-	-	3,169	-	3,169
Grants	118,760	-	118,760	97,384	2,089	99,473
Total public support	225,979	-	225,979	194,362	2,089	196,451
Revenue						
Program fees	190,668	-	190,668	217,229	-	217,229
Membership dues	4,675	-	4,675	4,825	-	4,825
Total revenue	195,343	-	195,343	222,054	-	222,054
Released from restrictions	1,094	(1,094)	-	995	(995)	-
Total public support and revenue	422,416	(1,094)	421,322	417,411	1,094	418,505
EXPENSES						
Programs	387,493	-	387,493	369,206	-	369,206
Management and general	29,479	-	29,479	30,827	-	30,827
Fundraising	8,270	-	8,270	9,445	-	9,445
Total expenses	425,242	-	425,242	409,478	-	409,478
Increase (decrease) in net assets	(2,826)	(1,094)	(3,920)	7,933	1,094	9,027
Net assets at beginning of year	161,407	1,094	162,501	153,474	-	153,474
Net assets at end of year	\$ 158,581	\$ -	\$ 158,581	\$ 161,407	\$ 1,094	\$ 162,501

See accompanying notes to financial statements and independent auditor's report.

GLOBAL EDUCATION CENTER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017			
	Supporting Services			Totals	Supporting Services			Totals
	Program Services	Management & General	Fund-raising		Program Services	Management & General	Fund-raising	
Compensation and related expenses	\$ 188,910	\$ 14,693	\$ 6,297	\$ 209,900	\$ 165,608	\$ 12,881	\$ 5,520	\$ 184,009
Contracted artists	92,658	-	-	92,658	93,530	-	-	93,530
License and fees	-	3,409	-	3,409	-	5,646	-	5,646
Depreciation	6,970	542	232	7,744	9,581	745	319	10,645
Repairs and maintenance	7,925	616	264	8,805	23,122	1,798	771	25,691
Fringe benefits	306	-	-	306	306	-	-	306
Insurance	7,008	545	234	7,787	6,827	531	228	7,586
Interest	8,201	638	273	9,112	9,370	729	312	10,411
Venue rental	12,904	-	-	12,904	11,311	-	-	11,311
Utilities	25,431	1,978	848	28,257	25,079	1,951	836	27,866
Training	1,027	-	-	1,027	4,146	-	-	4,146
Miscellaneous	-	-	-	-	3,439	268	114	3,821
Professional services	-	4,800	-	4,800	-	4,900	-	4,900
Postage and printing	1,234	96	41	1,371	1,413	110	47	1,570
Property and other business taxes	2,443	190	81	2,714	1,287	100	43	1,430
Supplies	15,951	1,971	-	17,922	9,454	1,168	-	10,622
Marketing	3,257	-	-	3,257	2,036	-	-	2,036
Travel	13,268	-	-	13,268	2,697	-	-	2,697
Total expenses before direct benefit cost of fundraising events	387,493	29,479	8,270	425,242	369,206	30,827	8,190	408,223
Direct benefit costs of fundraising events	-	-	-	-	-	-	1,255	1,255
Total expenses	<u>\$ 387,493</u>	<u>\$ 29,479</u>	<u>\$ 8,270</u>	<u>\$ 425,242</u>	<u>\$ 369,206</u>	<u>\$ 30,827</u>	<u>\$ 9,445</u>	<u>\$ 409,478</u>

See accompanying notes to financial statements and independent auditor's report.

GLOBAL EDUCATION CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (3,920)	\$ 9,027
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	7,744	10,646
Decrease (increase) in operating assets:		
Accounts and grant receivable	8,801	699
Increase (decrease) in operating liabilities:		
Checks written in excess of deposits	(1,333)	1,333
Accounts payable	(8,022)	7,816
Accrued expenses	320	2,323
Unearned revenue	<u>25,000</u>	<u>(25,000)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	28,590	6,844
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(2,411)	(6,212)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments of note payable	<u>(13,401)</u>	<u>(12,195)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	12,778	(11,563)
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>-</u>	<u>11,563</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 12,778</u>	<u>\$ -</u>

See accompanying notes to financial statements and independent auditor's report.

GLOBAL EDUCATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

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, 2018 and 2017.

Contributions

Contributions are recognized as public support and revenue 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, 2018 and 2017

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 and Grant Receivable

Accounts and grant receivable consists of program services performed or grants earned to be received 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 and grant receivable balances at year-end based on anticipated and historical collections. As of June 30, 2018 and 2017, 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 is 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 fundraising.

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, 2018 and 2017 totaled \$3,257 and \$2,036, 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, 2018 and 2017

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 2015, 2016 and 2017. 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 has been recorded for the years ended June 30, 2018 and 2017.

NOTE B—PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of June 30, 2018 and 2017:

	2018	2017
Building	\$ 338,629	\$ 338,629
Equipment	29,504	27,093
Land	89,800	89,800
	457,933	455,522
Less: Accumulated Depreciation	(153,022)	(145,278)
Totals	<u>\$ 304,911</u>	<u>\$ 310,244</u>

Depreciation expense for the years ending June 30, 2018 and 2017 totaled \$7,744 and \$10,646 respectively.

NOTE C—SUPPORT

Support for the years ended June 30, 2018 and 2017 included grants from state and local governments and corporations totaling \$118,760 and \$99,473, respectively.

NOTE D—NOTE PAYABLE

As of June 30, 2017, the Center had a note payable with a bank bearing interest at 6.60% requiring monthly principal and interest payments totaling \$1,868 maturing in July 2018. Subsequent to June 30, 2018 the note was renewed, bearing an interest rate of 5.5% requiring monthly principal and interest payments totaling \$1,658 maturing in July 2023. 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, 2018 and 2017 the note payable totaled \$127,272 and \$140,673, respectively.

GLOBAL EDUCATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

NOTE D—NOTE PAYABLE (CONTINUED)

The future maturities of note payable are as follows:

	June 30,	
2019	\$	12,033
2020		13,836
2021		14,616
2022		15,441
2023		16,312
Thereafter		55,034
	\$	<u>127,272</u>

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

During the year ended June 30, 2017, the Organization received \$2,089 restricted for technology. During the years ended June 30, 2018 and 2017 the Organization spent \$1,094 and \$995, respectively, of the restricted funds on technology which has been reported as “released from restrictions” on the statements of activities. As of June 30, 2018 there were no temporarily restricted net assets. As of June 31, 2017 \$1,094 of these funds were reported as temporarily restricted net assets.

NOTE F – 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, 2018 and 2017 the Center incurred expenses amounting to \$387,493 and \$369,206, respectively, related to program services and \$29,479 and \$30,827, respectively, related to management and general and \$8,270 and \$9,445, respectively, related to fund-raising.

NOTE G—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, 2018 and 2017 grant support from these two government units totaled \$118,760 and \$99,473, respectively.

During the years ended June 30, 2018 and 2017 the Center received donations from two local foundations totaling \$82,330 and \$48,839, respectively.

The Center may be subject in the future to credit risk to its cash and equivalents accounts, which are placed with high credit-quality financial institutions. The Federal Deposit Insurance Corporation (“FDIC”) offers coverage up to \$250,000 for substantially all depository accounts. As of June 30, 2018 and 2017 the Center did not have any funds over the FDIC limit.

GLOBAL EDUCATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

NOTE H—CASH FLOW INFORMATION

Cash outlays for interest during the years ended June 30, 2018 and 2017 totaled \$9,112 and \$10,411, respectively. There were no cash outlays for income taxes during the years ended June 30, 2018 and 2017, respectively.

NOTE I – RELATED ENTITY

A member on the Organization's board performs at certain events during the year. During the years ended June 30, 2018 and 2017 the board member provided services totaling \$900 and \$-0-, respectively.

NOTE J – MANAGEMENT'S PLANS

The accompanying financial statements have been prepared assuming the Organization will continue as a going concern. As of June 30, 2018 and 2017 the Organization's current liabilities were greater than current assets by \$31,091 and \$21,122, respectively.

The Company anticipates continuing obtaining grants and contributions as well as continued program revenue. The revenue and a concerted effort to reduce costs will continue to reduce the decrease in net assets during future periods. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

NOTE K – SUBSEQUENT EVENTS REVIEW

Subsequent events have been evaluated through September 26, 2018, which is the date the financial statements were available to be issued. In July 2018, the note payable was renewed bearing an interest rate of 5.5% requiring monthly principal and interest payments totaling \$1,658 maturing in July 2013. There were no other subsequent events or transactions requiring the financial statements to be adjusted.