

GLOBAL EDUCATION CENTER, INC.

(A Nonprofit Organization)

Financial Statements

With Independent Accountant's Report Thereon

FOR THE YEARS ENDED JUNE 30, 2011 and 2010

H A Beasley & Company, PC
Certified Public Accountants
Murfreesboro, Tennessee



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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, 2011 and 2010, 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, 2011 and 2010, 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.

A handwritten signature in black ink, appearing to be 'HAB', written over a horizontal line.

Murfreesboro, TN
January 16, 2012

A Positive Difference Through Professional Accounting Service

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GLOBAL EDUCATION CENTER, INC.**Statements of Financial Position****June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Accounts receivable	\$ 1,300	\$ 2,159
Total Current Assets	<u>1,300</u>	<u>2,159</u>
 PROPERTY AND EQUIPMENT	 457,868	 458,030
Less: Accumulated depreciation	<u>(98,324)</u>	<u>(86,054)</u>
Book value of property and equipment (see Notes B & C)	359,544	371,976
 TOTAL ASSETS	 <u>\$ 360,844</u>	 <u>\$ 374,135</u>
 CURRENT LIABILITIES		
Bank overdraft	\$ 6,903	\$ 13,570
Accounts payable	7,922	977
Accrued payroll liabilities	1,306	53
Accrued taxes and expenses	7,742	1,364
Current portion of long-term debt (see Note F)	<u>8,515</u>	<u>7,976</u>
Total Current Liabilities	32,388	23,940
 LONG TERM LIABILITIES		
Long-term debt, less current maturities (see Note F)	<u>186,276</u>	<u>193,227</u>
Total Long Term Liabilities	186,276	193,227
 TOTAL LIABILITIES	 <u>218,664</u>	 <u>217,167</u>
 NET ASSETS		
Unrestricted	142,180	156,968
 TOTAL NET ASSETS	 <u>142,180</u>	 <u>156,968</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 360,844</u>	 <u>\$ 374,135</u>

See accompanying notes and independent accountant's report.

GLOBAL EDUCATION CENTER, INC.
Statements of Activities
For the Years Ended June 30, 2011 and 2010

	2011	2010
UNRESTRICTED REVENUES AND SUPPORT		
Program fees	\$ 77,206	\$ 69,220
Contributions	14,935	12,571
Grants (see Note D)	106,649	107,305
Membership dues	5,125	5,300
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TOTAL UNRESTRICTED REVENUES AND SUPPORT	203,915	194,396
 EXPENSES		
Program services		
Community service	194,255	177,214
Supporting services		
Management and general	24,448	22,044
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TOTAL EXPENSES	218,703	199,258
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INCREASE(DECREASE) IN UNRESTRICTED NET ASSETS	(14,788)	(4,862)
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INCREASE(DECREASE) IN NET ASSETS	(14,788)	(4,862)
Net Assets at Beginning of Year	156,968	161,830
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NET ASSETS AT END OF YEAR	<u>\$ 142,180</u>	<u>\$ 156,968</u>

See accompanying notes and independent accountant's report.

GLOBAL EDUCATION CENTER, INC.
Statements of Cash Flows
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ (14,788)	\$ (4,862)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	14,270	14,164
(Gain) Loss on disposal of fixed assets		
(Increase) decrease in operating assets:		
Accounts receivable	859	8,917
Prepaid expenses		
Increase (decrease) in operating liabilities:		
Bank overdraft	(6,667)	(3,508)
Accounts payable	6,945	(456)
Accrued payroll liabilities	1,253	(2,438)
Accrued taxes and expenses	6,378	(5,782)
Accrued interest	-	(1,171)
TOTAL ADJUSTMENTS	<u>23,038</u>	<u>9,726</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>8,250</u>	<u>4,864</u>
CASH FLOWS USED FOR INVESTING ACTIVITIES		
Purchases of property and equipment	(1,838)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(1,838)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term borrowings		
Payments to reduce long-term borrowings	(6,412)	(4,864)
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>(6,412)</u>	<u>(4,864)</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	\$ 18,992	\$ 16,434

See accompanying notes and independent accountant's report.

GLOBAL EDUCATION CENTER, INC.**Statement of Functional Expenses****For the Year Ended June 30, 2011**

	Program Services	Supporting Services		Total
		Management & General	Fund- raising	
Compensation and related expenses				
Wages	\$ 62,815	\$ 11,085	\$ -	\$ 73,900
Payroll taxes	5,297	935	-	6,232
Total Compensation & exp	68,112	12,020	-	80,132
Contracted artists	50,357	-	-	50,357
Accounting	3,910	690	-	4,600
License and fees	255	45	-	300
Depreciation	12,130	2,140	-	14,270
Equipment rental & maint.	5,506	972	-	6,478
Fringe benefits	2,805	495	-	3,300
Insurance	4,361	769	-	5,130
Interest	16,143	2,849	-	18,992
Venue rental	3,023	-	-	3,023
Utilities	14,131	2,494	-	16,625
Printing	719	127	-	846
Property tax	1,518	268	-	1,786
Supplies - office	491	87	-	578
Supplies - events	2,337	-	-	2,337
Marketing	2,255	398	-	2,653
Telephone	4,442	784	-	5,226
Travel	1,123	198	-	1,321
Other	637	112	-	749
	<u>\$ 194,255</u>	<u>\$ 24,448</u>	<u>\$ -</u>	<u>\$ 218,703</u>

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.
Notes to Financial Statements
June 30, 2011 and 2010

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, 2011 and 2010, 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, 2011 and 2010

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, 2011 and 2010.

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, 2011 and 2010.

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, 2011 and 2010

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>2011</u>	<u>2010</u>
Land	\$ 89,800	\$ 89,800
Buildings	338,629	338,629
Furniture, Fixtures and Equipment	<u>29,439</u>	<u>29,601</u>
	457,868	458,030
Less: Accumulated depreciation	<u>(98,324)</u>	<u>(86,054)</u>
Book value of property and equipment	<u>\$ 359,544</u>	<u>\$ 371,976</u>

Depreciation expense for the years ending June 30, 2011 and 2010 totaled \$14,270 and \$14,164 respectively.

NOTE D—SUPPORT

Support for the years ended June 30, 2011 and 2010 included grants from state and local governments and corporations of \$106,649 and \$107,305 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, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
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.	\$ 194,791	\$ 201,203

GLOBAL EDUCATION CENTER, INC.
Notes to Financial Statements
June 30, 2011 and 2010

Less current portion of long-term debt	<u>(8,515)</u>	<u>(7,976)</u>
Long-term debt, excluding current portion	<u>\$ 186,276</u>	<u>\$ 193,227</u>

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

	<u>2011</u>	<u>2010</u>
2011	\$ 0	\$ 7,976
2012	8,515	8,616
2013	9,198	9,308
2014	9,937	10,056
2015	<u>167,141</u>	<u>165,247</u>
Total	<u>\$ 194,791</u>	<u>\$ 201,203</u>

NOTE G – SUBSEQUENT EVENTS REVIEW

Subsequent events have been evaluated through January 16, 2012, 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, 2011 and 2010. There were four employees in the year ended June 30, 2011 and three employees in the year ended June 30, 2010. Management is not aware of any claims.