

GLOBAL EDUCATION CENTER, INC.

(A Nonprofit Organization)

Financial Statements

With Independent Auditors' Report Thereon

FOR THE YEARS ENDED JUNE 30, 2016 and 2015

H A Beasley & Company, PLLC

Certified Public Accountants

Murfreesboro, Tennessee



**H A Beasley
& Company, PLLC**

Certified Public Accountants

Independent Auditors' 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, 2016 and 2015, 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.

Auditors' 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 auditors' 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, 2016 and 2015, 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.

H A Beasley & Company, PLLC

H A Beasley & Company, PLLC
October 7, 2016

A Positive Difference Through Professional Accounting Service

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GLOBAL EDUCATION CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ 11,563	\$ 16,766
Accounts receivable	11,100	-
Prepaid expenses	<u>-</u>	<u>2,000</u>
Total current assets	22,663	18,766
 PROPERTY AND EQUIPMENT, NET	 <u>314,678</u>	 <u>326,703</u>
TOTAL ASSETS	<u>\$ 337,341</u>	<u>\$ 345,469</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,440	\$ 3,375
Accrued expenses	2,559	2,164
Current maturities of note payable	12,706	11,414
Unearned Revenue	<u>25,000</u>	<u>-</u>
Total Current Liabilities	43,705	16,953
 LONG TERM LIABILITIES		
Note payable, less current maturities	<u>140,162</u>	<u>152,390</u>
 TOTAL LIABILITIES	 183,867	 169,343
 NET ASSETS		
Temporarily restricted net assets	-	494
Unrestricted net assets	<u>153,474</u>	<u>175,632</u>
TOTAL NET ASSETS	<u>153,474</u>	<u>176,126</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 337,341</u>	 <u>\$ 345,469</u>

See accompanying notes to financial statements and independent auditors' report.

GLOBAL EDUCATION CENTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016		2015	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
PUBLIC SUPPORT AND REVENUE				
Public support				
Contributions	\$ 54,531	\$ -	\$ 88,811	\$ -
Grants	81,450	-	67,753	-
Total public support	135,981	-	156,564	-
Revenue				
Program fees	237,146	-	147,724	-
Membership dues	4,450	-	4,425	-
Total revenue	241,596	-	152,149	-
Released from restrictions	494	(494)	2,401	(2,401)
Total public support and revenue	378,071	(494)	311,114	(2,401)
EXPENSES				
Programs	366,597	-	241,208	-
Management and general	25,549	-	20,281	-
Fund-raising	8,083	-	7,491	-
Total expenses	400,229	-	268,980	-
Net expenses from roof damage	-	-	(14,721)	-
Increase (decrease) in net assets	(22,158)	(494)	27,413	(2,401)
Net assets at beginning of year	175,632	494	148,219	2,895
Net assets at end of year	\$ 153,474	\$ -	\$ 175,632	\$ 494
				\$ 176,126

See accompanying notes to financial statements and independent auditors' report.

GLOBAL EDUCATION CENTER, INC.
STATEMENTS OF FUNCCATIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016				2015			
	Supporting Services		Program Services	Totals	Supporting Services		Fund-raising	Totals
	Management & General	Fund-raising			Management & General	Fund-raising		
Compensation and related expenses	\$ 119,718	\$ 9,311	\$ 3,991	\$ 133,020	\$ 75,254	\$ 2,508	\$ 83,615	\$ 83,615
Contracted artists	119,259	-	-	119,259	72,747	-	72,747	72,747
License and fees	-	2,948	-	2,948	-	-	3,503	3,503
Depreciation	10,823	842	361	12,026	1,274	42	1,415	1,415
Repairs and maintenance	24,425	1,900	814	27,139	16,162	539	17,958	17,958
Fringe benefits	1,044	-	-	1,044	1,782	-	1,782	1,782
Insurance	5,315	413	177	5,905	6,603	220	7,337	7,337
Interest	9,574	745	319	10,638	11,246	375	12,496	12,496
Venue rental	15,235	-	-	15,235	9,424	-	9,424	9,424
Utilities	25,111	1,953	837	27,901	22,258	742	24,731	24,731
Training	544	-	-	544	1,050	-	1,050	1,050
Miscellaneous	230	18	8	255	1,876	63	2,085	2,085
Professional services	-	4,900	-	4,900	-	-	4,900	4,900
Postage and printing	2,529	197	84	2,810	1,305	43	1,450	1,450
Property and other	-	-	-	-	-	-	-	-
business taxes	1,724	134	57	1,915	1,726	58	1,918	1,918
Supplies	17,707	2,188	-	19,895	9,186	-	10,353	10,353
Marketing	1,829	-	-	1,829	1,963	-	1,963	1,963
Technical assistance	-	-	1,435	1,435	-	2,901	2,901	2,901
Travel	11,531	-	-	11,531	7,352	-	7,352	7,352
Totals	\$ 366,597	\$ 25,549	\$ 8,083	\$ 400,229	\$ 241,208	\$ 7,491	\$ 268,980	\$ 268,980
					\$ 20,281			

See accompanying notes to financial statements and independent auditors' report.

GLOBAL EDUCATION CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (22,652)	\$ 25,012
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	12,025	1,415
Decrease (increase) in operating assets:		
Accounts receivable	(11,100)	931
Prepaid expenses	2,000	(2,000)
Increase (decrease) in operating liabilities:		
Checks written in excess of deposits	-	(5,477)
Accounts payable	65	667
Accrued expenses	395	(444)
Unearned revenue	<u>25,000</u>	<u>-</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 5,733	 20,104
 CASH FLOWS USED FOR FINANCING ACTIVITIES		
Principal payments of note payable	<u>(10,936)</u>	<u>(3,338)</u>
 NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	 (5,203)	 16,766
 CASH AND EQUIVALENTS AT BEGINNING OF YEAR	 <u>16,766</u>	 <u>-</u>
 CASH AND EQUIVALENTS AT END OF YEAR	 <u>\$ 11,563</u>	 <u>\$ 16,766</u>

See accompanying notes to financial statements and independent auditors' report.

GLOBAL EDUCATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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, 2016 and 2015.

Contributions

Contributions are recognized as revenues 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, 2016 AND 2015

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 Receivable

Accounts receivable consists of program services performed 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 receivable balances at year-end based on anticipated and historical collections. As of June 30, 2016 and 2015, 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 are 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 fund-raising.

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, 2016 and 2015 totaled \$1,829 and \$1,963, 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, 2016 AND 2015

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 2012, 2013 and 2014. 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, 2016 and 2015.

NOTE B—PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of June 30, 2016 and 2015:

	2016	2015
Building	\$ 338,629	\$ 338,629
Equipment	20,881	20,881
Land	89,800	89,800
	449,310	449,310
Less: Accumulated Depreciation	(134,632)	(122,607)
Totals	<u>\$ 314,678</u>	<u>\$ 326,703</u>

Depreciation expense for the years ending June 30, 2016 and 2015 totaled \$12,025 and \$1,415 respectively.

NOTE D—SUPPORT

Support for the years ended June 30, 2016 and 2015 included grants from state and local governments and corporations totaling \$81,450 and \$67,753, respectively.

NOTE E—NOTE PAYABLE

The Center had a note payable with a bank bearing interest at 7.75% with monthly principal and interest payments totaling \$1,939, which matured in October 2014. In July 2015 the Center renewed the note payable with a bank bearing an interest rate to 6.60% requiring monthly principal and interest payments of \$1,868 through July 2018.

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, 2016 and 2015 the note payable totaled \$152,868 and \$163,804, respectively.

GLOBAL EDUCATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE E—NOTE PAYABLE (CONTINUED)

The future maturities of note payable are as follows:

	June 30,	
2017	\$	12,706
2018		13,571
2019		126,591
	\$	<u>152,868</u>

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2015 the remaining temporarily restricted net assets for a grant received for technology was \$494. The equipment purchased through the technology grant did not exceed \$500 individually. Therefore, these costs are included in supplies on the statement of functional expenses. During the year ended June 30, 2016 the Center spent the remaining \$494. As of June 30, 2016 the remaining temporarily restricted net assets were \$0.

NOTE G – NET EXPENSES FROM ROOF DAMAGE

During the year ended June 30, 2015 the roof of the building was damaged in a storm. The costs of repair totaled \$51,848. Insurance proceeds received from the roof damage was \$37,127. Therefore, the net expenses from the roof damage totaled \$14,721 which has been reported on the statement of activities. This event has been considered infrequent by management. Management has followed *FASB ASC 225-20-45-16 "Extraordinary and Unusual Items"* noting infrequent events should be presented as a separate item on the statement of activities.

NOTE H – 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, 2016 and 2015 the Center incurred expenses amounting to \$366,597 and \$241,208, respectively, related to program services and \$24,549 and \$20,281, respectively, related to management and general and \$8,083 and \$7,491, respectively, related to fund-raising.

NOTE I—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, 2016 and 2015 grant support from these two government units totaled \$81,450 and \$67,753, respectively.

At June 30, 2016 and 2015 the Center received donations from two local foundations totaling \$36,850 and \$55,600, respectively.

GLOBAL EDUCATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE I—CONCENTRATION OF RISK (CONTINUED)

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, 2016 and 2015 the Center did not have any funds over the FDIC limit.

NOTE J—CASH FLOW INFORMATION

Cash outlays for interest during the years ended June 30, 2016 and 2015 totaled \$10,638 and \$12,496, respectively. There were no cash outlays for income taxes during the years ended June 30, 2016 and 2015, respectively.

NOTE K – SUBSEQUENT EVENTS REVIEW

Subsequent events have been evaluated through October 7, 2016, which is the date the financial statements were available to be issued. There were no subsequent events or transactions requiring the financial statements to be adjusted.