

**GLOBAL EDUCATIONAL EXCHANGE OPPORTUNITIES, INC.**  
**Financial Statements**  
**December 31, 2016**  
**(With Independent Auditors' Report Thereon)**

**GLOBAL EDUCATIONAL EXCHANGE OPPORTUNITIES, INC.**  
**Financial Statements**

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# Marieli Vargas González

## Certified Public Accountant

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### INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Global Educational Exchange Opportunities, Inc.  
Manatí, Puerto Rico

We have audited the accompanying financial statements of Global Educational Exchange Opportunities, Inc. (a PR corporation), which comprise the balance sheet as of December 31, 2016, and the related statements of income, retained earnings, and cash flows for the year 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 audit. We conducted our audit 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 Educational Exchange Opportunities, Inc. as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Toa Baja, Puerto Rico  
April 11, 2017



CPA Marieli Vargas González  
License # 5922  
Expires on December 1, 2018

**GLOBAL EDUCATION EXCHANGE OPPORTUNITIES, INC.**Balance Sheet  
December 31, 2016**Assets****Current Assets:**

Cash and cash equivalents (Note 1 & 3)	\$ 569,704
Certificates of Deposits (Note 3)	151,746
Account Receivables (Note 1)	847,982
Account Receivables Other (Note 4)	258,054
Prepaid expenses	<u>206,407</u>

Total current assets 2,033,893

Property and equipment, net of accumulated depreciation (Note 5) 722,640

**Total Assets \$2,756,533**

**Liabilities and Shareholders' Equity****Current Liabilities:**

Accounts Payables and Accrued expenses (Note 6)	169,775
Payroll and Other Taxes Liability	10,549
Income Tax Payable (Note 1 & 11)	113,484
Current portion of deferred tax liability (Note 1 & 11)	28,660
Current maturities of notes payable (Note 7 & 10)	32,498
Current portion of lease obligations payable (Note 9)	<u>5,530</u>

Total current liabilities 360,496

**Long Term Liabilities:**

Notes payable, less current maturities (Note 7 & 10)	460,834
Deferred Tax Liability, less current portion (Note 1 & 11)	28,660
Lease obligations payable, less current portion (Note 9)	<u>7,824</u>

Total long term liabilities 497,318

Total liabilities 857,814

**Shareholder's equity:**

Common stock—No par value shares, 200 authorized, 80 issued and outstanding	2,000
Retained earnings	<u>1,896,719</u>

Total shareholders' equity 1,898,719

**Total liabilities and shareholders' equity \$2,756,533**

**GLOBAL EDUCATION EXCHANGE OPPORTUNITIES, INC.**

## Statement of Income and Retained Earnings

For the year ended December 31, 2016

**Revenues:**

Service Revenues	\$2,149,827
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**Operating Expenses:**

Professional Fees	\$1,300,976
Office and schools expenses	99,483
Payroll and payroll related expenses	229,586
Stipends	5,374
Travel and transportation expenses	13,477
Meals for seminars	58,843
Advertising and promotion	32,061
Automobile expense	15,371
Insurance expenses	17,136
Utilities	12,826
Rent Expenses	12,000
Repairs and maintenance	30,870
Depreciation expense	26,643
Other tax expense	50,080
Property tax	5,800
Penalties	280
Charitable Contributions	3,256
Other operating expenses	<u>5,987</u>

Total operating expenses	1,920,049
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**Other Income/(Expenses):**

Other Income	4,085
Loss on property disposal	(10,074)
Interest expense	<u>(24,906)</u>

Total other expense	<u>(30,895)</u>
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Income before taxes	198,883
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Income tax expense	84,653
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<b>Net income</b>	<b><u>\$ 114,230</u></b>
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<b>Retained earnings, beginning of year</b>	<b><u>1,782,489</u></b>
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<b>Retained earnings, end of year</b>	<b><u>\$1,896,719</u></b>
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**GLOBAL EDUCATION EXCHANGE OPPORTUNITIES, INC.**

## Statement of Cash Flow

For the year ended December 31, 2016

**Cash flows from operating activities:****Net income** **\$ 114,230**Adjustments to reconcile net income to net cash  
Provided (used) by operating activities:

Depreciation	26,643	
Decrease in account receivables	136,586	
Decrease in prepaid expenses	91,487	
Increase in account payable	124,747	
Decrease in payroll and other taxes liability	(1,549)	
Decrease in income and deferred tax payable	<u>(4,556)</u>	
		373,358

Net cash used by operating activities 487,588**Cash flows from investing activities:**

Acquisition of Certificate of Deposit	(1,746)	
Disposal of property and equipment	8,624	
Acquisition of property and equipment	<u>(653,812)</u>	

Net cash used in investing activities (646,934)**Cash flows from financing activities:**

Acquisition of note payable	281,585	
Notes payable payments	(10,886)	
Credit line borrowings	195,007	
Credit line payments	(199,936)	
Capital lease payments	<u>(4,847)</u>	

Net cash provided in financing activities 260,923**Net increase (decrease) in cash and cash equivalents** **101,577****Cash and cash equivalents at beginning of year** **468,127****Cash and cash equivalents at end of year** **\$ 569,704****Supplemental disclosure of cash flow information:**Interest expenses paid \$ 24,906

# GLOBAL EDUCATION EXCHANGE OPPORTUNITIES, INC.

Notes to Financial Statements

December 31, 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Nature of Organization**

Global Education Exchange Opportunities, Inc. was organized on November 26, 2008 under the laws of the Commonwealth of Puerto Rico and it provides professional and consulting services in education. The accounting policies followed by the company conform to predominant industry practice and are based on generally accepted accounting principles.

### **Accounts Receivable**

The Company reports all receivables at gross amounts due from customers. All company's receivables are to be collected and no provision for doubtful account was necessary.

### **Property and Equipment**

Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets.

Maintenance and repairs are charged to expense when incurred and the cost of additions, replacements, and improvements is capitalized.

### **Advertising**

Advertising costs are expensed as incurred. Advertising expense was \$32,061 for the year ended December 31, 2016.

### **Income Taxes**

The Company accounts for income taxes using assets-liabilities approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequence of events that have been recognized in the Company's financial statements or tax returns. Deferred tax assets and liabilities are attributable primarily to temporary differences resulting from items of revenues and expenses, which are reported for tax purposes in a different year than for financial statement purposes.

### **Cash and Cash Equivalents**

The statement of cash flows is designed to show the change in cash and cash equivalent during the year. The Company considers as cash equivalent all highly liquid debt instruments purchased with an original maturity of three months or less. As of December 31, 2016 the company did not hold any cash equivalents.

### **Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## GLOBAL EDUCATION EXCHANGE OPPORTUNITIES, INC.

Notes to Financial Statements

December 31, 2016

### 2. CONCENTRATION OF CREDIT RISK

The Company believes that credit risk does not represent a material risk of loss with respect to its financial position as of December 31, 2016.

The Company maintains its cash in bank deposit accounts with banks in Puerto Rico, at times, may exceed federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Company has not experienced any losses in such accounts.

The Company has a customer whose revenue individually represent 99% of the Company's total revenue for the year ended December 31, 2016, or whose accounts receivable balances individually represent 99% of the Company's total accounts receivable as of December 31, 2016.

### 3. DEPOSITS AND CERTIFICATES OF DEPOSITS

The Company maintains its deposits of cash and a certificate of deposit in various commercial banks located in Puerto Rico.

The carrying amount (book balance) and the bank balance of deposits and certificates of deposits with commercial banks at December 31, 2016 consist of the following:

	<u>Carrying Amounts</u>	<u>Bank Balances</u>
Deposit in commercial banks	\$569,704	\$ 640,038
Certificate of deposit	<u>151,746</u>	<u>152,171</u>
Total	<u>\$ 721,450</u>	<u>\$ 792,209</u>

The \$151,746 certificates of deposit (CD) are FDIC insured instruments and comprised of the following:

\$101,094	CD with maturity date of one year, which is intended to be held to maturity and is pledged as collateral for the line of credit referenced in Note 8.
50,652	CD with maturity date of one year, which is intended to be held to maturity and is pledged as collateral for the line of credit referenced in Note 8.

### 4. ACCOUNT RECEIVABLES OTHER

The Company has account receivables others as describe:

A. Account Receivable from Stockholder	\$ 10,640
B. Receivables from money lend to a non-profit entity with due date December 2021, without interest and no minimum payments.	246,624
C. Account Receivables employee	<u>790</u>
	<u>\$ 258,054</u>

**GLOBAL EDUCATION EXCHANGE OPPORTUNITIES, INC.**

Notes to Financial Statements

December 31, 2016

**5. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>Useful Life</u>	
<b>Construction in progress</b>		\$ 374,794
<b>Depreciable Property:</b>		
Building and building improvement	20 years	240,183
Furniture and Fixture	3-7 years	66,491
Leasehold Improvement	10 years	45,166
Office Equipment	3-5 years	<u>49,493</u>
Total depreciable property		401,333
Total construction in progress and depreciable property		776,127
<b>Accumulated Depreciation</b>		<u>(53,487)</u>
<b>Book Value</b>		<u>\$722,640</u>

Depreciation expense for the year ended December 31, 2016 was \$26,643.

**6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable include amounts due to purchase of goods, professional service contractors and other services, totaling \$169,775 at December 31, 2016.

**7. TRANSACTIONS WITH RELATED PARTY**

The Company has various note payables with the stockholder and other related party for a total of \$222,670.

A. Notes Payable bearing annual interest of 9%, repayable on demand due in December 2021.	\$109,000
B. Notes Payable with balances do not bear interest and have no definite due date.	43,177
C. Notes Payable bearing annual interest of 5%, with monthly payment of \$1,061 due in July 2023.	<u>70,493</u>
	\$222,670
Less: Current maturities	<u>9,421</u>
	<u>\$213,249</u>

As of December 31, 2016, maturities of Notes Payable are as follow:

<u>December 31,</u>	<u>Amount</u>
2017	\$ 9,421
2018	9,903
2019	10,410
2020	10,935
2021 and thereafter	<u>182,001</u>
	<u>\$222,670</u>

Also the stockholder owes to the Company the amount of \$10,640 that represent advances from the company.(Note 4.A)

## GLOBAL EDUCATION EXCHANGE OPPORTUNITIES, INC.

Notes to Financial Statements

December 31, 2016

### 8. FINANCING ACTIVITIES

#### Line of Credit

The Company has two line of credit agreements with financial institution:

- \$50,000- line available as of December 31, 2016, and bears interest at the 1.5% over prime rate. The line is reviewed annually and is due on demand. Under terms of the line of credit, the certificate of deposit of \$50,000 referenced in Note 3 is pledged as collateral the financial instrument.
- \$90,000- line available as December 31, 2016, and bears interest at the rate 3.25%. The line is reviewed annually and is due on demand. Under terms of the line of credit, the certificate of deposit of \$100,000 referenced in Note 3 is pledged as collateral the financial instrument.

### 9. LEASE OBLIGATIONS PAYABLE

The Company equipment under leases are classified as capital leases. The leased equipment is amortized on a straight line basis for 5 years. Total accumulated amortization related to the leased equipment is \$14,154 at December 31, 2016.

The lease agreements are describe as following:

- Lease obligation with a minimum lease payment of \$245 at interest rate of 14.5%; mature date is January 2018.
- Lease obligation with a minimum lease payment of \$333 at interest rate of 12%; mature date is December 2020.

The following is a schedule showing the future minimum lease payments under capital leases by years and the present value of the minimum lease payments as of December 31, 2016.

Year ending December 31	
2017	\$6,934
2018	4,238
2019	3,993
2020	<u>664</u>
Total minimum lease payments	15,829
Less: Amount representing interest	<u>2,475</u>
Present value of minimum lease payments	<u>\$ 13,354</u>

At December 31, 2016, the present value of minimum lease payments due within one year is \$6,934.

**GLOBAL EDUCATION EXCHANGE OPPORTUNITIES, INC.**

Notes to Financial Statements

December 31, 2016

**10. COMMERCIAL LOAN**

Commercial loan with mortgage collateral over buildings referenced in Note 5, through non-revolving commitment up to \$450,000; for a term of 20 years expiring May 2036, and bearing interest annual of 2.25% over prime rate. Loan monthly payments includes \$1,923 of principal plus interest and escrow amounts. As of December 31, 2016, the principal balance due is \$270,662, and loan available balances will be disbursed thru advances against certifications of building improvement done.

As of December 31, 2016, maturities of commercial loan are as follow:

<u>December 31,</u>	<u>Amount</u>
2017	\$ 23,077
2018	23,077
2019	23,077
2020	23,077
2021 and thereafter	<u>178,354</u>
	<u>\$270,662</u>

The stockholder provides personal guarantee for this commercial loan.

**11. INCOME TAX LIABILITY**

The Company is subject to income tax under PR Internal Revenue Code as a Corporation.

The Company used other accounting method than accrual for tax purpose in prior years to 2013. They decided to adopt the Section 1040.02 from the Law 1 of January 31, 2011, as amended, *Change of accounting method*. The section establish that once the Company decided to make the change in the accounting method for tax purpose the difference in net income between tax return and books in prior years will be defer by 20% yearly for the next 5 year, including one part of the deferred amount in the year of the adoption(2014).

The deferred tax liability for the future years are described as following:

Net Income differences between income tax return and books	\$716,502
	<u>x 20%</u>
Deferred Net Income, per year	143,300
Income Tax Liability at the estimated Normal tax rate of 20%, per year	28,660

The Deferred Tax Liability are as follow:

2017	28,660
2018	<u>28,660</u>
	\$ 57,320
Less: Current Portion	<u>(28,660)</u>
Long Term Portion	<u>\$ 28,660</u>

The amount of current income tax expense is \$84,653. The net income subject to tax includes the portion of the 20% of net income to defer (\$143,300) according to law.

**GLOBAL EDUCATION EXCHANGE OPPORTUNITIES, INC.**

Notes to Financial Statements

December 31, 2016

**11. CONTINGENCIES**

The Company is contingently liable to a surety company under a general indemnity agreement. The Company agrees to indemnify the surety for any payments made on contracts of surety ship, guaranty, or indemnity. The Company believes that all contingent liabilities will be satisfied by their performance on the specific contracts.

**12. SUBSEQUENT EVENT**

From January 1, 2016 to the date of April 11, 2017, which represents the date the financial statements were available to be issued, management has evaluated that there are no other events that required recording or disclosure in the financial statement for the year ended in December 31, 2016.