

CREATING AN ENVIRONMENT OF SUCCESS, INC.

**INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
OCTOBER 31, 2010 AND 2009**

CREATING AN ENVIRONMENT OF SUCCESS, INC.

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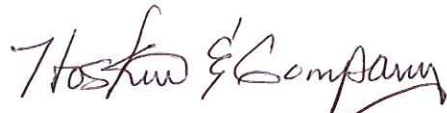
INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Creating an Environment of Success, Inc.
Nashville, Tennessee

We have audited the accompanying statement of financial position of Creating an Environment of Success, Inc. (a not-for-profit organization) as of October 31, 2010 and October 31, 2009, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Creating an Environment of Success, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 audit provides 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 Creating an Environment of Success, Inc. as of October 31, 2010 and, October 31, 2009, and changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.



Hoskins & Company
Nashville, Tennessee
April 26, 2011

CREATING AN ENVIRONMENT OF SUCCESS, INC.
STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2010 AND OCTOBER 31, 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 116,743	\$ 250,239
Investments (Note- 3)	29,907	27,798
Contributions and accounts receivable (net of allowance for doubtful accounts, of \$16,810 and \$104, 399) (Note-4)	65,921	59,927
Inventories	360,514	318,243
Total current assets	<u>573,085</u>	<u>656,207</u>
Noncurrent assets		
Security deposit	10,000	19,920
Property and equipment(net of accumulated depreciation) (Note-6)	615,551	675,625
Total noncurrent assets	<u>625,551</u>	<u>695,545</u>
Total assets	<u>\$ 1,198,636</u>	<u>\$ 1,351,752</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 220,265	\$ 143,321
Line of credit (Note-9)	234,673	214,206
Accrued payables (Note-8)	41,117	81,398
Rent deposit	2,500	9,452
Deferred compensation (Note-7)	10,000	59,000
Current portion of notes payable (Note-9)	48,856	30,703
Current portion of capital lease obligation (Note-10)	4,734	4,734
Total current liabilities	<u>562,145</u>	<u>542,814</u>
Noncurrent liabilities		
Long term notes payable less current installments (Note-9)	823,256	854,512
Long term Lease obligation less current obligation (Note-9)	6,704	12,998
Total noncurrent liabilities	829,960	867,510
Unrestricted net assets	<u>(193,469)</u>	<u>(58,572)</u>
Total liabilities and net assets	<u>\$ 1,198,636</u>	<u>\$ 1,351,752</u>

The accompanying notes are an integral part of these financial statements.

CREATING AN ENVIRONMENT OF SUCCESS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions and revenues:				
Contributions:				
Public support	\$ 602,531	\$ -	\$ -	\$ 602,531
Revenues:				
Special events income	8,400	-	-	8,400
Awards banquet	28,600	-	-	28,600
Training center income	1,167,095	-	-	1,167,095
Membership dues	179,441	-	-	179,441
Interest income	792	-	-	792
Unrealized gain on investments	5,671	-	-	5,671
Change in year-end inventory valuation	44,202	-	-	44,202
Total support and revenues	2,036,732	-	-	2,036,732
Expenses:				
Program services:				
Training centers	1,847,962	-	-	1,847,962
Total program services	1,847,962	-	-	1,847,962
Supporting services:				
Management and general	280,244	-	-	280,244
Fundraising	43,423	-	-	43,423
Total supporting services	323,667	-	-	323,667
Total program and supporting expenses	2,171,629	-	-	2,171,629
Decrease in net assets	(134,897)	-	-	(134,897)
Net assets - beginning of year	\$ (58,572)	-	-	(58,572)
Net assets - end of year	\$ (193,469)	\$ -	\$ -	\$ (193,469)

The accompanying notes are an integral part of these financial statements.

CREATING AN ENVIRONMENT OF SUCCESS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions and revenues:				
Contributions:				
Public support	\$ 421,047	\$ -	\$ -	\$ 421,047
Revenues:				
Special events income	9,580	-	-	9,580
Awards banquet	39,098	-	-	39,098
Training center income	1,485,602	-	-	1,485,602
Membership dues	85,347	-	-	85,347
Interest income	4,358	-	-	4,358
Miscellaneous income	61	-	-	61
Total support and revenues	2,045,093	-	-	2,045,093
Expenses:				
Program services:				
Training centers	1,827,094	-	-	1,827,094
Membership	15,574	-	-	15,574
Total program services	1,842,668	-	-	1,842,668
Supporting services:				
Management and general	392,530	-	-	392,530
Fundraising	95,801	-	-	95,801
Total supporting services	488,331	-	-	488,331
Total program and supporting expenses	2,330,999	-	-	2,330,999
Decrease in net assets	(285,906)	-	-	(285,906)
Net assets - beginning of year	227,334	-	-	227,334
Net assets - end of year	\$ (58,572)	\$ -	\$ -	\$ (58,572)

The accompanying notes are an integral part of these financial statements.

CREATING AN ENVIRONMENT OF SUCCESS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2010 AND OCTOBER 31, 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (134,897)	\$ (285,906)
Adjustments to reconcile change in net assets to net cash provided(used) by operating activities:		
Depreciation and amortization	57,663	63,341
Change in year-end inventory valuation	(44,202)	179,640
Unrealized gain on investment	(5,671)	-
Decrease in prepaid expense	-	8,966
Decrease (Increase) in accounts receivable	(5,994)	13,018
Decrease in security deposit	9,920	-
Increase (Decrease) in accounts and accrued payables	36,663	(26,080)
Decrease in deferred compensation	(49,000)	(40,000)
(Decrease) Increase in rent deposit	(6,952)	1,368
Net cash used by operating activities	<u>(142,470)</u>	<u>(85,653)</u>
Cash flows from investing activities:		
Change in investments	<u>7,904</u>	<u>(769)</u>
Net cash provided (used) by investing activities	<u>7,904</u>	<u>(769)</u>
Cash flows from financing activities:		
Net Proceeds from line of credit	20,467	22,909
Payment of long-term debt	(13,103)	(18,308)
Payments of capitalized lease obligation	(6,294)	(5,647)
Net cash provided (used) by financing activities	<u>1,070</u>	<u>(1,046)</u>
Net Decrease in cash and cash equivalents	(133,496)	(87,468)
Cash and cash equivalents at beginning of year	250,239	337,707
Cash and cash equivalents at end of year	<u>\$ 116,743</u>	<u>\$ 250,239</u>
Interest paid	<u>\$ 56,104</u>	<u>\$ 115,760</u>

The accompanying notes are an integral part of these financial statements.

CREATING AN ENVIRONMENT OF SUCCESS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED OCTOBER 31, 2010

	Program Services			Supporting Services		Total Expenses
	Training Center	Membership	Total	Management & General	Fundraising	
Salaries	\$ 351,661	\$ -	\$ 351,661	\$ 150,713	\$ -	\$ 502,374
Security	1,543	-	1,543	-	-	1,543
Automobile	5,510	-	5,510	2,362	-	7,872
Bank interest/finance charges	17,651	-	17,651	7,565	-	25,216
Contract labor	29,982	-	29,982	-	-	29,982
Contributions	-	-	-	4,993	-	4,993
Dues and subscriptions	1,307	-	1,307	-	-	1,307
Insurance	29,809	-	29,809	7,452	-	37,261
Interest and penalties	6,178	-	6,178	24,710	-	30,888
Licenses and permits	321	-	321	-	-	321
Meetings	850	-	850	-	-	850
Fundraising support	-	-	-	-	3,192	3,192
Fundraising supplies	-	-	-	-	19,177	19,177
Advertising and marketing	13,536	-	13,536	-	-	13,536
Miscellaneous	1,423	-	1,423	-	-	1,423
Office supplies	28,905	-	28,905	3,212	-	32,117
Postage and delivery	1,947	-	1,947	556	278	2,781
Printing and reproduction	23,286	-	23,286	1,811	776	25,873
Professional fees	137,396	-	137,396	43,078	20,000	200,474
Contract services	400	-	400	-	-	400
Rent	144,856	-	144,856	7,624	-	152,480
Repairs and maintenance	17,852	-	17,852	1,983	-	19,835
Waste disposal services	17,002	-	17,002	-	-	17,002
Telephone	8,674	-	8,674	3,718	-	12,392
Travel and entertainment	61,385	-	61,385	6,821	-	68,206
Utilities	62,305	-	62,305	-	-	62,305
Sales tax expense	71,653	-	71,653	-	-	71,653
Property taxes	21,661	-	21,661	-	-	21,661
Payroll tax	28,306	-	28,306	12,131	-	40,437
Payroll processing fee	3,535	-	3,535	1,515	-	5,049
Summer business camp	366,384	-	366,384	-	-	366,384
YAB Programming expense	313,784	-	313,784	-	-	313,784
YAB Junior executive camp	1,559	-	1,559	-	-	1,559
YAB Real estate company	3,980	-	3,980	-	-	3,980
YAB - Other	13,062	-	13,062	-	-	13,062
YAB Investment club	656	-	656	-	-	656
YAB Ownership management	1,265	-	1,265	-	-	1,265
YAB Technology center	162	-	162	-	-	162
YAB Training center	513	-	513	-	-	513
Total expenses before depreciation	1,790,299	-	1,790,299	280,244	43,423	2,113,966
Depreciation	57,663	-	57,663	-	-	57,663
	<u>\$ 1,847,962</u>	<u>\$ -</u>	<u>\$ 1,847,962</u>	<u>\$ 280,244</u>	<u>\$ 43,423</u>	<u>\$ 2,171,629</u>

The accompanying notes are an integral part of these financial statements.

CREATING AN ENVIRONMENT OF SUCCESS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2009

	Program Services			Supporting Services		Total Expenses
	Training Center	Membership	Total	Management & General	Fundraising	
Salaries	\$ 367,338	\$ -	\$ 367,338	\$ 155,191	\$ -	\$ 522,529
Security	2,054	-	2,054	-	-	2,054
Automobile	11,634	357	11,991	6,139	-	18,130
Member relations	201	218	419	-	-	419
Bank interest/finance charges	95,181	-	95,181	18,255	-	113,436
Contract labor	194,953	14,431	209,384	18,233	-	227,617
Contributions	-	-	-	3,808	-	3,808
Dues and subscriptions	501	-	501	476	-	977
Insurance	20,881	-	20,881	9,035	-	29,916
Interest and penalties	1,673	-	1,673	651	-	2,324
Licenses and permits	266	-	266	104	-	370
Meetings	3,889	246	4,135	2,086	-	6,221
Community relations meetings	-	298	298	597	-	895
Fundraising meals	-	-	-	-	28,993	28,993
Fundraising support	-	-	-	-	55,179	55,179
Fundraising supplies	-	-	-	-	4,718	4,718
Advertising and marketing	10,155	-	10,155	561	88	10,804
Miscellaneous	3,701	-	3,701	17,606	-	21,307
Office supplies	21,853	5	21,858	1,667	319	23,844
Postage and delivery	10,073	19	10,092	418	1,020	11,530
Printing and reproduction	8,427	-	8,427	156	1,342	9,925
Professional fees	608	-	608	18,028	-	18,636
Contract services	7,698	-	7,698	932	1,444	10,074
Scholarship	1,255	-	1,255	-	445	1,700
Rent	120,471	-	120,471	5,218	644	126,333
Repairs and maintenance	12,536	-	12,536	685	-	13,221
Waste disposal services	17,121	-	17,121	-	-	17,121
Equipment rental	713	-	713	-	-	713
Unemployment taxes	648	-	648	-	-	648
Telephone	20,411	-	20,411	8,735	-	29,146
Travel and entertainment	149,426	-	149,426	16,556	1,086	167,068
Training materials	74	-	74	-	-	74
Utilities	61,454	-	61,454	-	-	61,454
Sales tax expense	59,870	-	59,870	4,101	-	63,971
Property taxes	11,445	-	11,445	272	-	11,717
Bad debt expense	-	-	-	92,745	-	92,745
Payroll expense	24,182	-	24,182	10,216	-	34,398
Summer business camp	295,224	-	295,224	59	296	295,579
All things possible bargain center	9,240	-	9,240	-	227	9,467
Ski trip	4,160	-	4,160	-	-	4,160
YAB Junior executive camp	1,534	-	1,534	-	-	1,534
YAB - Other	10,948	-	10,948	-	-	10,948
YAB Ownership management	4,519	-	4,519	-	-	4,519
YAB Specialty company	11,524	-	11,524	-	-	11,524
YAB Technology center	6,272	-	6,272	-	-	6,272
Total expenses	1,584,113	15,574	1,599,687	392,530	95,801	2,088,018
Depreciation	63,341	-	63,341	-	-	63,341
Change in year-end inventory valuation	179,640	-	179,640	-	-	179,640
	<u>\$ 1,827,094</u>	<u>\$ 15,574</u>	<u>\$ 1,842,668</u>	<u>\$ 392,530</u>	<u>\$ 95,801</u>	<u>\$ 2,330,999</u>

The accompanying notes are an integral part of these financial statements.

CREATING AN ENVIRONMENT OF SUCCESS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2010 AND OCTOBER 31, 2009

NOTE 1--- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Creating an Environment of Success, Inc. (the "Organization") was established as a not-for-profit entity, for the purpose of promoting values of entrepreneurship and self-empowerment in underserved communities. The Organization is a not-for-profit corporation whose revenue is mainly derived from contributions and other fund-raising activities and is not subject to federal income taxes under Section 501 (c) (3) of the Internal Revenue Code of 1986. Therefore, no provisions for income taxes are included.

The Organization currently operates a summer business camp, a technology center, youth business program and retail store. The Organization opened the retail store in fiscal year 2004. All items sold in the store are donated by individuals.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting, and accordingly, revenue is recognized when earned, support and promises to give are recognized when received and expenses are recorded when incurred.

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board's Accounting Standard Codification (FASB ASC 958). Under FASB ASC 958, 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.

Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

CREATING AN ENVIRONMENT OF SUCCESS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2010 AND OCTOBER 31, 2009

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking accounts and money market accounts. The Organization considers all liquid investments with a maturity date of three months or less when purchased to be cash and cash equivalents. At year-end and throughout the year, the Organization's cash balances were deposited in several bank and investment accounts.

Investments

Investments in equity securities with readily determinable fair values are measured at fair value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Receivables

Contributions and pledges are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give are recorded when the promises are made. Unconditional promises to give due in the next year are reflected as current pledges/contributions receivable and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term pledges receivable and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the pledges are received to discount the amounts. The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Receivables also include unpaid rents by tenants owed from leasing office space.

Inventories

The organization receives contributions of goods and materials (inventory) and processes these contributions as merchandise available for sale in its retail stores. The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 958-605, Accounting for Contributions Received and Contributions Made requires that contributions received including goods and materials should be measured at their fair value. The organization believes the contributed goods and materials do not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine an inventory value at the time of donation. Accordingly, contributed goods and materials inventory are valued at zero prior to being offered for sale. The organization determines the value of inventory based on historical sales value records. This method is consistently applied and is not expected to be materially different from that determined using a more detailed measurement of the inventory's fair value.

CREATING AN ENVIRONMENT OF SUCCESS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2010 AND OCTOBER 31, 2009

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to the short maturities of these instruments. The fair values of the notes payable and the capitalized lease obligation approximate the carrying amounts and are estimated based on current rates offered to the Organization.

NOTE 2---FUNCTIONAL EXPENSE ALLOCATION

The cost of providing various programs and services have been allocated to reflect the specific cost in the statement of functional expenses, and are summarized in the statement of activities.

NOTE 3---INVESTMENTS

Investments at October 31, 2010 and 2009, consist of the following:

	<u>October 31,</u> <u>2010</u>	<u>2009</u>
Investment in a time-share condominium In Orlando, Florida	\$10,900	\$10,900
Investment in Meriwether Capital Corporation	7,715	7,715
Investment in Ed Jones	0	485
Investment in 43 shares of Microsoft Corporation	1,147	1,192
Investment in 100 shares of McDonalds Corporation	7,777	5,861
Investment in 75 shares of Starbucks Corporation	2,142	1,424
Investment in 13 shares of Pfizer, Inc.	<u>226</u>	<u>221</u>
Total	<u>\$29,907</u>	<u>\$27,798</u>

CREATING AN ENVIRONMENT OF SUCCESS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2010 AND OCTOBER 31, 2009

NOTE 4---CONTRIBUTIONS AND ACCOUNTS RECEIVABLE

Receivables at October 31, 2010 and 2009 consisted of the following:

	October 31,	
	<u>2010</u>	<u>2009</u>
Contributions receivable	\$ 60,500	\$ 140,160
Accounts receivable	22,231	24,166
Less: Allowance for doubtful accounts	<u>(16,810)</u>	<u>(104,399)</u>
Net Receivable	<u>\$ 65,921</u>	<u>\$ 59,927</u>

NOTE 5---INVENTORY

Inventories consisting of donated items used for resale purposes in the retail store were valued based on the historical sales value record. Inventory as of October 31, 2010 and October 31, 2009 was stated at \$360,514 and \$318,243 respectively. Change in inventory balances as the result of year end valuation, \$44,202, was recorded as "Change in year-end inventory valuation" on the statement of functional expenses. An allowance for obsolete, slow-moving, excessive and defective inventory has not been determined and was not included in the financial statements as of October 31, 2010 and October 31, 2009.

NOTE 6---PROPERTY AND EQUIPMENT

Depreciation expense as of October 31, 2010 and October 31, 2009 was \$57,663 and \$ 63,341 respectively. A summary of Property and Equipment as of October 31, 2010 and October 31, 2009 were as follows:

	October 31,	
	<u>2010</u>	<u>2009</u>
Land - Business Training Center	\$ 65,000	\$ 65,000
Business Training Center - Equipment	809,537	809,537
Equipment - Other	64,561	64,561
Furniture and Fixtures	33,592	33,592
Computer	38,092	38,092
Vehicle	61,250	61,250
Leaseholds Improvements	<u>96,470</u>	<u>96,470</u>
Total	1,168,502	1,168,502
Less: Accumulated Depreciation	<u>(552,951)</u>	<u>(492,877)</u>
Property and equipment, net	<u>\$ 615,551</u>	<u>\$ 675,625</u>

CREATING AN ENVIRONMENT OF SUCCESS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2010 AND OCTOBER 31, 2009

NOTE 7---DEFERRED COMPENSATION

The Board of Directors of the organization approved deferred compensation as a back pay of \$129,000 to the Executive Director in February 2008. The board established \$5,000 in monthly payments to this effect. As of October 31, 2010 and October 31, 2009, the outstanding balance was \$10,000 and \$59,000 respectively.

NOTE 8---ACCRUED PAYABLES

Accrued Payables at October 31, 2010 and October 31, 2009 consisted of the following:

	October 31,	
	<u>2010</u>	<u>2009</u>
Accrued Payroll Payable	\$ 34,463	\$ 49,209
Accrued Interest Payable	0	25,535
Sales Tax Payable	<u>6,654</u>	<u>6,654</u>
Total	<u>\$ 41,117</u>	<u>\$ 81,398</u>

NOTE 9---LINE OF CREDIT AND NOTES PAYABLE

The organization established two lines of credit with Regions Bank in the amounts of \$200,000 on June 27, 2008, with an interest rate of 5.0%, and \$65,825 on July 2, 2008, with an interest rate of 8.10%. As of October 31, 2010 and October 31, 2009, the outstanding balance on these two lines of credit was \$234,673 and \$214,206 respectively.

Loans and notes payable as of October 31, 2010 and October 31, 2009 include the following:

	<u>2010</u>	<u>2009</u>
Note payable to Toyota Motor Credit, payable in monthly installments of \$369, including interest at 10.95% through maturity on October 15, 2012. Note is secured by a vehicle.	\$7,937	\$11,257
Note payable to Michael Davis at 2817 West End Avenue Nashville, TN 37203, payable on December 21, 2010 with interest at the rate of six percent (6 %) per annum on the balance. The note with interest is unsecured.	\$20,000	\$0

CREATING AN ENVIRONMENT OF SUCCESS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2010 AND OCTOBER 31, 2009

Note payable to Sun Trust Bank, payable in monthly installments of \$7,215. The interest rate is 7.125% through maturity on August 29, 2017. Note is secured by the real estate.

844,175 873,958

Total 872,112 885,215

Less: current maturities (48,856) (30,703)

\$823,256 \$854,512

Summaries of the estimated maturities over the next five years are as follows:

October 31, 2011	\$ 48,856
October 31, 2012	27,943
October 31, 2013	24,432
October 31, 2014	24,432
October 31, 2015	24,432
Thereafter	<u>722,017</u>

Total \$872,112

NOTE 10---CAPITAL AND OPERATING LEASES

In fiscal year 2008 the Organization entered into a 60-month capital lease agreement for the lease of copier equipment (Canon IPC) from IKON Financial Services. The lease is scheduled to end on April, 2013. The outstanding balance on the lease at October 31, 2010 and October 31, 2009 was \$11,438 and \$17,732 respectively. The Organization also leases office space under lease arrangements classified as operating leases. Total rent expense under these leases were \$152,480 and \$126,333 for the year ended October 31, 2010 and October 31, 2009 respectively.

CREATING AN ENVIRONMENT OF SUCCESS, INC.
NOTES TO FINANCIAL STATEMENTS
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The future minimum lease payments under the non-cancellable operating and capital leases are as follows:

	Capital Lease	Operating Lease
October 31, 2011	\$ 5,192	\$ 166,776
October 31, 2012	5,192	166,776
October 31, 2013	1,054	181,248
October 31, 2014	-	191,976
Total	<u>\$ 11,438</u>	<u>\$ 706,776</u>

NOTE 11---REAL ESTATE TRAINING CENTER INCOME

The Organization, through its real estate training center, rents certain office space to various tenants in the shopping center under leases classified as operating leases.

Schedule of future minimum lease payments by tenants is as follows:

October 31, 2011	\$ 80,998
October 31, 2012	62,204
October 31, 2013	36,031
October 31, 2014	20,850
Thereafter	<u>9,113</u>
Total	<u>\$209,196</u>

NOTE 12---CONCENTRATION OF RISK

The Organization receives a considerable portion of its revenues and support from contributions and donations from individuals and corporations. A significant decrease in this support could have an adverse impact on the Organization's operations.

NOTE 13---RELATED PARTY

The organization entered into two promissory notes with two board members during 2010. One of the promissory notes, dated October 21, 2010 was to pay to the order of Michael Davis, chair of the organization's board of directors, for amount of \$20,000 with interest rate of six percent (6%) per annum. The loan was received on October 25, 2010, and the proceeds were utilized to provide interim funding support for operations until promised funds from sponsors were received.

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The note was unsecured with principal and accrued interest payments were due on December 21, 2010. No interest was paid on the note for fiscal period ended October 21, 2010, and a total of \$20,000 was outstanding on the promissory note at October 21, 2010 which was as reported as current portion of notes payable on statement of financial position as stated on **Note 9**.

The second promissory note signed in October 25, 2010 was pay to the order of Christine Rayner, relative of organization's board of director, Dwayne Rayner, for amount of \$25,000 with interest rate of six percent (6%) per annum. The loan was received on November 5, 2010. The proceeds were utilized to provide interim funding support for operations until promised funds from sponsors were received. The note was unsecured with principal and accrued interest payments were due on January 31, 2011. No interest was paid on the note for fiscal period ended October 31, 2010, and there was no outstanding balance on the promissory note at October 31, 2010 since the payment was electronically transferred to bank account on November 5, 2010, subsequent to end of fiscal period.

NOTE 14 --- SUBSEQUENT EVENTS

There were no other subsequent events requiring disclosure as of April 26, 2011, the date management evaluated such events. The financial statements were available to be issued on April 26, 2011.