

CES & ASSOCIATES, INC.
(CREATING AN ENVIRONMENT OF SUCCESS, INC.)
d/b/a YOUTH ABOUT BUSINESS

FINANCIAL STATEMENTS

OCTOBER 31, 2006

(With Independent Auditor's Report Thereon)

CES & ASSOCIATES, INC.
FINANCIAL STATEMENTS
OCTOBER 31, 2006

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
CES & Associates, Inc.

We have audited the accompanying statements of financial position of CES & Associates, Inc. (Creating an Environment of Success, Inc.) d/b/a Youth About Business (a nonprofit organization) as of October 31, 2006, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 CES & Associates, Inc. as of October 31, 2006, the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Akerslout, Patterson & Associates, P.L.L.C.

April 4, 2007

CES & ASSOCIATES, INC.
STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2006

ASSETS

Current Assets:

Cash	\$ 165,936	
Investments	9,323	
Contributions receivable, net of allowance for bad debts of \$171,065	122,691	
Inventory	397,885	
Prepaid expenses	<u>8,966</u>	
Total current assets		\$ 704,801

Investments		10,900
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Property and Equipment:

Land	65,000	
Business training center	809,537	
Equipment	38,603	
Furniture and fixtures	26,110	
Computers	23,543	
Vehicles	55,734	
Leasehold improvements	<u>18,000</u>	
	1,036,527	
Less: accumulated depreciation	<u>(339,811)</u>	
		696,716

Other asset-security deposit		<u>19,920</u>
		<u><u>\$ 1,432,337</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Current installments of notes payable	\$ 1,087,108	
Current capitalized lease obligation	6,183	
Accounts payable and accrued expenses	155,278	
Rent deposits	<u>5,913</u>	
Total current liabilities		\$ 1,254,482

Notes payable, less current installments		8,538
Lease obligation, less current installments		<u>4,243</u>
		1,267,263

Net Assets:

Unrestricted		<u>165,074</u>
		<u><u>\$ 1,432,337</u></u>

CES & ASSOCIATES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenues:				
Contributions	\$ 773,495	\$ -	\$ -	\$ 773,495
Revenues:				
Summer business trips	7,089	-	-	7,089
Special events income	13,871	-	-	13,871
Awards banquet	41,540	-	-	41,540
Training center income	1,057,206	-	-	1,057,206
Restaurant income	37,121	-	-	37,121
Membership dues	750	-	-	750
Ski trip income	7,155	-	-	7,155
Interest income	1,774	-	-	1,774
Unrealized gain on investments, net	1,399	-	-	1,399
Net assets released from restrictions	101,001	(101,001)	-	-
Total revenues	<u>1,268,906</u>	<u>(101,001)</u>	<u>-</u>	<u>1,167,905</u>
Total public support and revenues	<u>2,042,401</u>	<u>(101,001)</u>	<u>-</u>	<u>1,941,400</u>
Expenses and Losses:				
Program Services:				
Training centers	1,328,079	-	-	1,328,079
Membership	9,444	-	-	9,444
Total program services	<u>1,337,523</u>	<u>-</u>	<u>-</u>	<u>1,337,523</u>
Supporting Services:				
Management and general	404,302	-	-	404,302
Fundraising	44,229	-	-	44,229
Total supporting services	<u>448,531</u>	<u>-</u>	<u>-</u>	<u>448,531</u>
Total program and supporting expenses	<u>1,786,054</u>	<u>-</u>	<u>-</u>	<u>1,786,054</u>
Increase in net assets	<u>256,347</u>	<u>(101,001)</u>	<u>-</u>	<u>155,346</u>
Net assets - beginning of year	<u>(91,273)</u>	<u>101,001</u>	<u>-</u>	<u>9,728</u>
Net assets - end of year	<u>\$ 165,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,074</u>

See accompanying notes to financial statements.

CES & ASSOCIATES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2006

	Program Services			Supporting Services		Total Expenses
	Training Center	Membership	Total	Management and General	Fundraising	
Salaries and wages	\$ 308,896	\$ -	308,896	\$ 130,481	\$ -	\$ 439,377
Executive allowances	1,300	-	1,300	750	-	2,050
Security	1,410	-	1,410	-	-	1,410
Member relations	800	868	1,668	-	-	1,668
Automobile	8,564	262	8,826	4,521	-	13,347
Bank charges	6,362	-	6,362	3,713	-	10,075
Contract labor	101,311	7,500	108,811	9,471	-	118,282
Contributions	-	-	-	1,083	-	1,083
Dues and subscriptions	1,279	-	1,279	1,218	-	2,497
Insurance	24,721	-	24,721	10,695	-	35,416
Interest	54,362	-	54,362	28,252	-	82,614
Licenses and permits	1,040	-	1,040	406	-	1,446
Meetings	7,683	486	8,169	4,122	-	12,291
Community relations meetings	-	150	150	300	-	450
Advertising and marketing	22,868	-	22,868	1,263	200	24,331
Miscellaneous	766	-	766	3,644	-	4,410
Office supplies	4,910	1	4,911	375	72	5,358
Postage and delivery	8,396	15	8,411	348	850	9,609
Professional fees	338	-	338	10,023	-	10,361
Contract services	36,450	-	36,450	4,414	6,841	47,705
Scholarship	3,525	-	3,525	-	1,250	4,775
Rent	123,224	-	123,224	5,338	662	129,224
Repairs and maintenance	13,804	-	13,804	754	-	14,558
Waste disposal	13,964	-	13,964	-	-	13,964
Unemployment taxes	480	-	480	-	-	480
Telephone	10,121	-	10,121	4,332	-	14,453
Travel and entertainment	48,903	2	48,905	5,416	354	54,675
Training materials	685	-	685	934	-	1,619
Utilities	53,303	-	53,303	-	-	53,303
Sales tax expense	50,173	-	50,173	3,435	-	53,608
Property taxes	5,841	-	5,841	139	-	5,980
Printing and production	19,552	160	19,712	418	1,531	21,661
Bad debts	-	-	-	168,405	-	168,405
Fundraising supplies	-	-	-	-	5,261	5,261
Fundraising meals	-	-	-	-	25,092	25,092
Fundraising support	-	-	-	-	1,251	1,251
Summer business camps	230,959	-	230,959	52	225	231,236
All Things Possible Bargain Center	27,904	-	27,904	-	640	28,544
Annual Enrichment Trip	12,131	-	12,131	-	-	12,131
Ski trip	19,813	-	19,813	-	-	19,813
YAB Junior Executive Camp	2,443	-	2,443	-	-	2,443
YAB Real Estate Company	705	-	705	-	-	705
YAB - Other	580	-	580	-	-	580
YAB Investment Club	125	-	125	-	-	125
YAB Restaurant	26,399	-	26,399	-	-	26,399
YAB Ownership Management Program	5,262	-	5,262	-	-	5,262
YAB Specialty Company	1,251	-	1,251	-	-	1,251
YAB Technology Center	9,822	-	9,822	-	-	9,822
YAB Training Center	5,386	-	5,386	-	-	5,386
Total expenses before depreciation	1,277,811	9,444	1,287,255	404,302	44,229	1,735,786
Depreciation	50,268	-	50,268	-	-	50,268
	\$ 1,328,079	\$ 9,444	\$ 1,337,523	\$ 404,302	\$ 44,229	\$ 1,786,054

See accompanying notes to financial statements.

CES & ASSOCIATES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2006

Cash Flows From Operating Activities:

Increase in net assets \$ 155,346

Adjustments to reconcile increase in net assets
to net cash provided by operating activities:

Depreciation	\$	50,268	
Donated property and equipment		(1,500)	
Changes in donated inventory		(181,878)	
Changes in allowance for bad debts		168,405	
Changes in:			
Contributions receivable		(141,329)	
Investments		(320)	
Accounts payable and accrued expenses		<u>(3,419)</u>	
Total adjustments			<u>(109,773)</u>
Net cash provided by operating activities			45,573

Cash Flows From Financing Activities:

Payments on long-term debt		(23,310)	
Payments on capitalized lease obligation		<u>(5,971)</u>	
Net cash used in financing activities			<u>(29,281)</u>

Net increase in cash 16,292

Cash - beginning of year 149,644

Cash - end of year \$ 165,936

CES & ASSOCIATES, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2006

NOTE 1 - Summary of Significant Accounting Policies

a. **Nature of Activities**

CES & Associates, Inc. (Creating an Environment of Success, Inc.) d/b/a Youth About Business, is a nonprofit organization, was organized for the purpose of promoting values of entrepreneurship and self-empowerment in under-served communities.

The Organization currently operates a catering service, a summer business camp, a technology center, a youth business program, and a retail store.

b. **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes.

c. **Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted cash, certificates of deposit and investment instruments purchased with original maturities of three months or less to be cash equivalents. At October 31, 2006, the Organization had no cash equivalents.

d. **Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities as unrestricted revenues or expenses, unless specified by the donor.

e. **Pledges Receivable**

Contributions 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 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.

CES & ASSOCIATES, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2006

NOTE 1 - Summary of Significant Accounting Policies (continued)

f. Equipment

Equipment is recorded at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred. It is the Organization's policy to capitalize purchases of fixed assets with a value of \$500 or more or with a useful life of over one year.

g. Inventories

Inventory, which is comprised of donated consumer goods such as clothes, furniture, books, and other household items which are resold in the retail store, is valued at each item's fair value on the date received.

h. Income Tax Status

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and the Organization is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

i. Functional Allocation of Expenses

The costs of providing program services and supporting services 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.

j. Use of 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. Actual results could differ from those estimates.

k. 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 - Investments

Investments at October 31, 2006, consist of the following:

Investment in a time-share condominium in Orlando, Florida	\$ 10,900
Investment in 8 shares of preferred stock of Meriwether Capital Corporation	7,750
Investment in 43 shares of Microsoft Corporation	1,220
Investment in 13 shares of Pfizer, Inc.	<u>353</u>
	<u>\$ 20,223</u>

CES & ASSOCIATES, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2006

NOTE 3 - Notes Payable

A summary of long-term debt at October 31, 2006, is as follows:

Note payable to a Florida limited partnership, payable in monthly installments of \$187, including interest at 17.782%, through maturity in September 2011. Note is secured by a timeshare property in Orlando, Florida.	\$ 7,327
Note payable to Pinnacle National Bank, payable on March 1, 2006, bearing interest at the Wall Street Journal Prime rate plus .0025% (8.5%, at October 31, 2006). Note is unsecured and is guaranteed by individual guarantors.	140,000
Note payable to Toyota Motor Credit, payable in monthly installments of \$284, including interest at 3.95% through maturity in June 2008. Note is secured by a vehicle.	5,479
Note payable to Bank of America, payable in monthly installments of \$1,000 plus interest at the Wall Street Journal LIBOR rate plus 2 points (7.33% at October 31, 2006). Total principal is due in July 2007. The Organization anticipates refinancing this note on a long-term basis.	<u>942,840</u>
	1,095,646
Less: current installments	<u>(1,087,108)</u>
	<u>\$ 8,538</u>

Future maturities of long-term debt are as follows:

<u>Year Ending</u> <u>October 31,</u>	
2007	\$ 1,087,108
2008	3,456
2009	1,457
2010	1,738
2011	<u>1,887</u>
	<u>\$ 1,095,646</u>

NOTE 4 - Leases

The Organization leases office space and certain office equipment under lease arrangements classified as operating leases. Total rent expense under these leases totaled \$129,224 for the year ended October 31, 2006.

The Organization also leases a vehicle under a leasing arrangement classified as a capital lease. The lease is for a period of forty-seven months with monthly lease payments of \$537 including interest at 3.502% through maturity in July 2008.

CES & ASSOCIATES, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2006

NOTE 4 - Leases (continued)

The following is a schedule of minimum lease payments under the noncancellable operating and the capital leases as of October 31, 2006 (excludes common area maintenance and administrative charges):

<u>Year Ending</u> <u>October 31,</u>	<u>Capital</u> <u>Leases</u>	<u>Operating</u> <u>Leases</u>
2007	\$ 6,444	\$ 107,587
2008	4,300	107,587
2009	<u>-</u>	<u>98,622</u>
	\$ 10,744	<u>\$ 313,796</u>
Less: amount representing interest	(318)	
Present value of net minimum lease payments	<u>\$ 10,426</u>	

A summary of the asset utilized under the capitalized lease is as follows:

Cost	\$ 25,759
Accumulated depreciation	(15,456)
Net book value	<u>\$ 10,303</u>

NOTE 5 - Real Estate Training Center Income

The Company, through its real estate training center, rents certain office space to various tenants in the shopping center under leases classified as operating leases. The following is a schedule of future minimum lease payments to be received as of October 31, 2006:

<u>Year Ending</u> <u>October 31,</u>	
2007	\$ 58,700
2008	33,000
2009	<u>16,400</u>
	<u>\$ 108,100</u>

NOTE 6 - Contingent Liability

The Organization has applied for an exemption from payment of property taxes that have been outstanding since 2002. The Organization fully expects to receive the exemption and does not expect to pay any outstanding assessment or related penalties and interest. Consequently, no accrual has been made in the accompanying financial statements for the outstanding assessment.

