

CREATING AN ENVIRONMENT OF SUCCESS, INC.

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
OCTOBER 31, 2012 AND 2011**

CREATING AN ENVIRONMENT OF SUCCESS, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Creating an Environment of Success, Inc.
3518 West Hamilton Ave.
Nashville, Tennessee 37218

We have audited the accompanying financial statements of Creating an Environment of Success, Inc. (a not-for-profit organization), which comprise the statements of financial position as of October 31, 2012 and October 31, 2011, and the related statements of activities, cash flows, and functional expenses 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

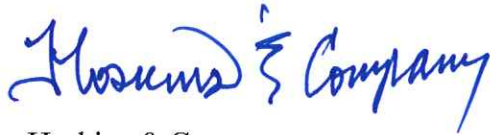
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 Creating an Environment of Success, Inc. as of October 31, 2012 and October 31, 2011, 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.



Hoskins & Company
May 9, 2013

CREATING AN ENVIRONMENT OF SUCCESS, INC.
STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2012 AND OCTOBER 31, 2011

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	\$ 14,038	\$ 61,330
Investments (Note 2)	4,258	16,249
Contributions and accounts receivable, net (Note 3)	21,923	13,647
Inventory (Note 4)	298,946	133,563
Total current assets	<u>339,165</u>	<u>224,789</u>
Noncurrent assets		
Property and equipment, net (Note 5)	655,482	566,050
Security deposit	10,000	10,000
Other non-current assets (Note 6)	10,900	10,900
Total noncurrent assets	<u>676,382</u>	<u>586,950</u>
Total assets	<u><u>\$ 1,015,547</u></u>	<u><u>\$ 811,739</u></u>
Liabilities and net assets		
Current liabilities		
Accounts and other payables	\$ 142,360	\$ 155,407
Line of credit (Note 8)	230,050	220,469
Accrued payables (Note 7)	46,005	45,065
Deferred revenue - rent deposit	3,794	2,500
Current portion of notes payable (Note 8)	60,027	36,667
Current portion of capital lease obligation (Note 9)	1,204	5,192
Total current liabilities	<u>483,440</u>	<u>465,300</u>
Noncurrent liabilities		
Long term notes payable less current installments (Note 8)	787,489	802,510
Long term lease obligation less current obligation (Note 9)	<u>-</u>	<u>1,720</u>
Total noncurrent liabilities	787,489	804,230
Net assets		
Unrestricted net assets	<u>(255,382)</u>	<u>(457,791)</u>
Total net assets	<u>(255,382)</u>	<u>(457,791)</u>
Total liabilities and net assets	<u><u>\$ 1,015,547</u></u>	<u><u>\$ 811,739</u></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, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenues				
Support:				
Public support	\$ 613,121	\$ -	\$ -	\$ 613,121
Program service fees	305,937	-	-	305,937
Revenues:				
Special events	22,154	-	-	22,154
Training center	861,237	-	-	861,237
Unrealized gain on investments	1,322	-	-	1,322
Change in year-end inventory valuation	165,383	-	-	165,383
Total support and revenues	1,969,154	-	-	1,969,154
Expenses				
General and administrative	117,995	-	-	117,995
Summer Business Camp	585,168	-	-	585,168
Training center	1,064,307	-	-	1,064,307
Total expenses	1,767,470	-	-	1,767,470
Increase in net assets	201,684	-	-	201,684
Prior period net assets adjustment	725	-	-	725
Net assets at beginning of year	(457,791)	-	-	(457,791)
Net assets at end of year	<u>\$ (255,382)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (255,382)</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, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues				
Support:				
Public support	\$ 311,977	\$ -	\$ -	\$ 311,977
Revenues:				
Special events	23,683	-	-	23,683
Awards banquet	43,333	-	-	43,333
Training center	1,438,203	-	-	1,438,203
Membership dues	60,894	-	-	60,894
Interest income	459	-	-	459
Total support and revenues	1,878,549	-	-	1,878,549
Expenses				
Program services:				
Membership	697,438			697,438
Training centers	770,567	-	-	770,567
Total program services	1,468,005	-	-	1,468,005
Supporting services:				
Management and general	640,542	-	-	640,542
Fundraising	34,324	-	-	34,324
Total supporting services	674,866	-	-	674,866
Total program and supporting expenses	2,142,871	-	-	2,142,871
Decrease in net assets	(264,322)	-	-	(264,322)
Net assets at beginning of year	(193,469)	-	-	(193,469)
Net assets at end of year	<u>\$ (457,791)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (457,791)</u>

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, 2012 AND OCTOBER 31, 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 201,684	\$ (264,322)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	50,054	49,501
(Gain) loss on investment	(1,322)	141
Prior period net assets adjustment	725	-
(Increase) decrease in inventory	(165,383)	226,951
(Increase) decrease in contributions and accounts receivable	(8,276)	52,274
(Decrease) increase in accounts payables	(13,047)	(64,858)
Increase in accrued payables	940	3,948
Decrease in deferred compensation	-	(10,000)
Increase in rent deposit	1,294	-
Net cash provided by (used in) operating activities	<u>66,669</u>	<u>(6,365)</u>
Cash flows from investing activities		
Proceeds from investments	13,313	2,617
Purchase of property and equipment	(139,486)	-
Net cash provided by investing activities	<u>(126,173)</u>	<u>2,617</u>
Cash flows from financing activities		
Net proceeds from (payments of) line of credit	9,581	(14,204)
Net proceeds from (payments of) long-term debt	8,339	(32,935)
Payments of capitalized lease obligation	(5,708)	(4,526)
Net cash provided by (used in) financing activities	<u>12,212</u>	<u>(51,665)</u>
Net decrease in cash and cash equivalents	(47,292)	(55,413)
Cash and cash equivalents at beginning of year	61,330	116,743
Cash and cash equivalents at end of year	<u><u>\$ 14,038</u></u>	<u><u>\$ 61,330</u></u>
 Interest paid	 <u><u>\$ 71,775</u></u>	 <u><u>\$ 56,104</u></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, 2012

	GENERAL & ADMINISTRATIVE	SUMMER BUSINESS CAMP	TRAINING CENTER	TOTAL
Salaries	\$ 36,054	\$ 89,320	\$ 332,703	\$ 458,077
Payroll tax	3,569	6,921	25,313	35,803
Other employee benefits	192	-	-	192
Contract services - other	1,560	78,698	18,457	98,715
Accounting fees	-	5,395	21,580	26,975
Legal fees	1,010	-	-	1,010
Outside contract services	4,513	550	31,045	36,108
Facilities and equipment - other	-	-	2,102	2,102
Depreciation	-	-	50,054	50,054
Security services	-	42	2,313	2,355
Gasoline	-	70	3,160	3,230
Building materials & supplies	-	-	7,058	7,058
Equip rental and maintenance	-	-	4,562	4,562
Repairs and maintenance	-	1,412	18,512	19,924
Janitorial services	-	-	221	221
Janitorial supplies	-	-	1,727	1,727
Mortgage interest	-	-	50,448	50,448
Property insurance	-	1,235	13,726	14,961
Real estate, personal prop tax	-	-	15,850	15,850
Business expenses	4,065	447	246	4,758
Rent	-	-	208,897	208,897
Utilities	-	-	66,381	66,381
Miscellaneous	61	-	-	61
Books, subscriptions, reference	-	2,865	-	2,865
Postage, mailing service	606	2,821	2,851	6,278
Printing and copying	2,645	6,863	5,410	14,918
Supplies	1,240	1,536	13,367	16,143
Telecommunications	1,123	9,209	10,945	21,277
Cable & internet services	203	1,461	5,129	6,793
Merchant card fees	65	3,742	15,996	19,803
Bank charges	3,422	25	561	4,008
Sales taxes	-	-	73,351	73,351
Advertising	106	1,048	2,784	3,938
Insurance - liability, D and O	11,988	604	2,219	14,811
Interest - general	15,225	-	11,541	26,766
Memberships and dues	440	1,246	35	1,721
Other costs	8,264	42	1,395	9,701
Special events	1,224	-	29,620	30,844
Program related expenses - other	-	10,426	4,292	14,718
Program related conferences, mtgs.	-	201,478	3,541	205,019
Program related travel costs	-	155,466	4,845	160,311
Scholarships	-	1,000	1,490	2,490
Non-program related expenses - other	-	-	200	200
Non-program conferences, mtgs	554	-	380	934
Non-program related travel	6	1,246	-	1,252
Bad debt	19,860	-	-	19,860
Total expenses	\$ 117,995	\$ 585,168	\$ 1,064,307	\$ 1,767,470

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, 2011

	Program Services			Supporting Services		
	Training Center	Membership	Total	Management & General	Fundraising	Total Expenses
Salaries	\$ 69,728	\$ 259,816	\$ 329,544	\$ 120,901	\$ -	450,445
Security	320	643	963	580	-	1,543
Automobile	15,811	3,109	18,920	980	-	19,900
Bank interest/finance charges	9,528	15,458	24,986	14,012	-	38,998
Contract labor	65,663	10,114	75,777	11,239	454	87,470
Contributions	3,478	475	3,953	1,150	(84)	5,019
Dues and subscriptions	1,325	-	1,325	233	-	1,558
Insurance	5,555	8,190	13,745	15,669	-	29,414
Interest and penalties	5	12,446	12,451	65,238	-	77,689
Licenses and permits	190	50	240	182	-	422
Meetings	52	-	52	200	-	252
Fundraising support	28,353	-	28,353	1,600	30,750	60,703
YAB programming	137,807	2,762	140,569	16,411	292	157,272
Advertising and marketing	815	5,905	6,720	1,565	-	8,285
Miscellaneous	130	1,500	1,630	11,304	-	12,934
Office supplies	6,951	11,116	18,067	3,177	-	21,244
Postage and delivery	10,630	204	10,834	739	-	11,573
Printing and reproduction	4,566	912	5,478	36	-	5,514
Professional fees	104,751	325	105,076	18,736	-	123,812
Contract services	589	-	589	383	1,942	2,914
Rent	175	194,660	194,835	2,500	-	197,335
Repairs and maintenance	4,132	7,966	12,098	160	-	12,258
Waste disposal services	-	8,211	8,211	2,831	-	11,042
Payroll tax	-	-	-	35,092	-	35,092
Telephone	12,518	3,407	15,925	6,119	-	22,044
Travel and entertainment	284,339	219	284,558	-	970	285,528
Utilities	3,153	45,126	48,279	20,094	-	68,373
Sales tax	-	62,014	62,014	271	-	62,285
Depreciation	3	42,810	42,813	6,688	-	49,501
Change in year-end inventory valuation	-	-	-	226,952	-	226,952
Bad debts	-	-	-	55,359	-	55,359
Unrealized loss on investments	-	-	-	141	-	141
Total expenses	<u>\$ 770,567</u>	<u>\$ 697,438</u>	<u>\$ 1,468,005</u>	<u>\$ 640,542</u>	<u>\$ 34,324</u>	<u>\$ 2,142,871</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, 2012 AND OCTOBER 31, 2011

NOTE 1---NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Creating an Environment of Success, Inc. (the "Organization") was established as a not-for-profit corporation for the purpose of promoting the values of entrepreneurship and self-empowerment in underserved communities. The Organization operates a summer business camp, a technology center, and 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 of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities. The financial statement presentation follows the recommendations of the Financial Accounting Standard Board's Accounting Standard Codification (FASB ASC 958), financial statements of not-for-profit Organizations. Under FASB ASC 958, the Organization is reporting 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. Financial position and activities are classified based on the existence or absence of donor restrictions as follows:

Unrestricted Net Assets — Net assets that are not temporarily or permanently restricted by explicit donor stipulations or by law.

Temporarily Restricted Net Assets — Net assets of gifts of cash and other assets, accepted by board actions, that are received with donor stipulations that limit the use of the donated assets, or designated as support for future periods.

Permanently Restricted Net Assets — Net assets, accepted by board actions, subject to donor stipulations that require the asset be invested in perpetuity.

At October 31, 2012 and 2011, the Organization had no temporarily 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.

CREATING AN ENVIRONMENT OF SUCCESS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2012 AND OCTOBER 31, 2011

NOTE 1---NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The financial statements are prepared in conformity with generally accepted accounting principles. Management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts. The carrying amount reported in the statement of financial position for cash and cash equivalents approximates its fair value. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

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, 2012 AND OCTOBER 31, 2011

NOTE 1---NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Fixed assets are recorded at cost at the date of purchase or fair value at the date of donation. Capital purchases and donations over \$500 with an extended useful life are included as fixed assets. Depreciation is taken on a straight-line basis over the estimated useful life of the assets. The estimated useful lives are as follows:

Building	30
Leasehold improvements	15
Furniture and fixtures	7
Equipment	5
Vehicles	5
Office Machines	3

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.

Income Taxes

The Organization is operated as a tax-exempt entity as described under Section 501(c)(3) of the Internal Revenue Code and is therefore exempt from Federal and State income taxes. Accordingly, no provisions for income taxes have been recorded.

Functional Expenses

Management allocates expenses on a functional basis among its various programs and support services. Expenses and support services that can be identified with a specific program are allocated directly to their natural expenditure classification. Other expenses that are common to several programs are allocated based on various relationships.

Concentration of Revenues

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 2---INVESTMENTS

Investments at October 31, 2012 and 2011, consist of the following:

	<u>2012</u>	<u>2011</u>
Investment in 100 shares of McDonalds Corporation	\$ -	\$ 9,329
Fidelity investments	4,258	6,920
Total	<u>\$ 4,258</u>	<u>\$ 16,249</u>

CREATING AN ENVIRONMENT OF SUCCESS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2012 AND OCTOBER 31, 2011

NOTE 3---CONTRIBUTIONS AND ACCOUNTS RECEIVABLE

Contributions and accounts receivable at October 31, 2012 and 2011, consist of the following:

	<u>2012</u>	<u>2011</u>
Contributions receivable	\$ 46,690	\$ 26,804
Accounts receivable	32,750	24,612
Less: Allowance for doubtful accounts	(57,517)	(37,769)
Net receivable	<u>\$ 21,923</u>	<u>\$ 13,647</u>

NOTE 4---INVENTORY

Inventories consisting of donated items used for resale purposes in the retail stores were valued based on the historical sales value record. Inventory as of October 31, 2012 and October 31, 2011, was stated at \$298,946 and \$133,563 respectively. Change in inventory balances of \$165,383 was recorded as "Change in year-end inventory valuation" on the statement of activities. The change in year-end inventory valuation was net of an allowance for obsolete, slow-moving, excessive and defective inventory as of October 31, 2012 and October 31, 2011.

NOTE 5---PROPERTY AND EQUIPMENT

Depreciation expense as of October 31, 2012 and October 31, 2011, was \$50,054 and \$ 49,501 respectively. A summary of Property and Equipment as of October 31, 2012 and October 31, 2011, were as follows:

	<u>2012</u>	<u>2011</u>
Land - Business Training Center	\$ 65,000	\$ 65,000
Business Training Center	809,537	809,537
Equipment - other	27,031	64,561
Furniture and fixtures	33,592	33,592
Computer	38,092	38,092
Vehicle	62,382	61,250
Building improvements	121,439	-
Leaseholds improvements	96,470	96,470
Total	1,253,543	1,168,502
Less: Accumulated depreciation	(598,061)	(602,452)
Property and equipment, net	<u>\$ 655,482</u>	<u>\$ 566,050</u>

CREATING AN ENVIRONMENT OF SUCCESS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2012 AND OCTOBER 31, 2011

NOTE 6---OTHER NON-CURRENT ASSETS

Other non-current assets consist of ownership in timeshare. In 2002, the Organization purchased a timeshare in Orlando Florida at Westgate Resorts for \$10,900. The outstanding mortgage payable including interest was paid off in total in 2010. There is annual maintenance fee of \$199. The Organization uses this property for senior staff meeting held in first week of July of every year.

NOTE 7---ACCRUED PAYABLES

Accrued Payables at October 31, 2012 and October 31, 2011 consisted of the following:

	2012	2011
Accrued payroll payable	\$ 19,313	\$ 24,159
Accrued interest payable	1,288	1,288
Sales tax payable	11,704	5,918
Employees benefit	13,700	13,700
Total	<u>\$ 46,005</u>	<u>\$ 45,065</u>

NOTE 8---LINE OF CREDIT AND NOTES PAYABLE

The Organization established two lines of credit with Regions Bank in the amounts of \$200,000 on July 5, 2011, with an interest rate of 6.85%, secured by all business assets, and \$65,825 on July 2, 2008, with an interest rate of 6.35%, unsecured. As of October 31, 2012 and October 31, 2011, the outstanding balances on these two lines of credit were \$230,050 and \$220,469 respectively.

Loans and notes payable as of October 31, 2012 and October 31, 2011 include the following:

	2012	2011
On October 15, 2012, the Organization entered into a promissory note agreement with Christine Rayner, payable on January 15, 2013, with a 6% annual interest rate. The note with interest is unsecured.	\$ 25,000	\$ -
On February 15, 2011, the Organization entered into a promissory note agreement with Samuel and Cynthia Kirk, payable on February 15, 2014, with a 7% annual interest rate. The note with interest is unsecured.	10,000	10,000
On February 15, 2011, the Organization entered into a promissory note agreement with, Lord's House Ministry, payable on February 15, 2014, with a 7% annual interest rate. The note with interest is unsecured.	5,000	5,000

CREATING AN ENVIRONMENT OF SUCCESS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2012 AND OCTOBER 31, 2011

On April 8, 2011, the Organization entered in to a promissory note agreement with James E. Reed, payable on April 8, 2014, 7% annual interest rate. The note with interest is unsecured.

2,000	2,000
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On July 20, 2012, the Organization traded in the old 2002 Toyota Camry for a 2011 model, and entered in to a loan agreement with Toyota Motor Credit. The note is payable in monthly installments of \$248.32, with an interest rate of 4.6% through maturity on August 14, 2018. The note is secured by a vehicle.

14,255	4,631
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Note payable to Sun Trust Bank, with monthly installments of \$7,215, and an annual interest rate of 7.125% through maturity on August 29, 2017. This note is secured by real estate.

Less: current maturities

Total noncurrent liabilities

791,261	817,546
847,516	839,177
(60,027)	(36,667)
\$ 787,489	\$ 802,510

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

October 31, 2013	60,027
October 31, 2014	52,027
October 31, 2015	33,486
October 31, 2016	33,486
Thereafter	668,490
Total	\$ 847,516

NOTE 9---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 in April, 2013. The outstanding balance on the lease at October 31, 2012 and October 31, 2011 was \$1,204 and \$6,912 respectively. Also, in fiscal year 2011, the Organization entered into a lease agreement with William Jenkins to lease property located at 3916 Clarksville Pike for an initial term of six (6) months, for monthly payments of \$3,500. The Organization also leases office space under lease arrangements classified as operating leases. Total rent expense under these leases were \$208,897 and \$197,335 for the year ended October 31, 2012 and October 31, 2011 respectively.

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NOTE 10---RELATED PARTY

The Organization entered into a promissory note with Christine Rayner, relative of the Organization's board of directors' member, Dwayne Rayner, for the amount of \$25,000, with an interest rate of six percent (6%) per annum. The advance was utilized to provide interim funding support for operations until promised funds from sponsors were received. This was reported as notes payable on the statement of financial position as stated on Note 8.

The Organization entered into two promissory notes dated February 15, 2011, to pay to the order of Samuel and Cynthia Kirk, for the amount of \$10,000, and to pay to the order of the Lord's House Ministry for the amount of \$5,000, with interest rates of seven percent (7%) per annum for 3 years. These notes were unsecured, with principal and accrued interest payments due on April 1, 2012. The total amount of \$15,000 was outstanding on the promissory notes at October 31, 2012, which was reported as notes payable on the statement of financial position as stated on Note 8. Samuel Kirk is the President of the Organization and Cynthia Kirk is the Director of Youth Programming. Samuel Kirk is also the Pastor of the Lord's House Ministry.

NOTE 11 --- PRIOR PERIOD NET ASSETS ADJUSTEMENT

Prior period net assets were adjusted mainly to correct error. The net cumulative increase on prior period net assets was \$725 at December 31, 2012.

NOTE 12 --- SUBSEQUENT EVENTS

There were no subsequent events requiring disclosure as of May 9, 2013, the date management evaluated such events. May 9, 2013 is the date the financial statements were available to be issued.