

**CREATING AN ENVIRONMENT OF SUCCESS, INC.**

**INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
OCTOBER 31, 2011 AND 2010**

**CREATING AN ENVIRONMENT OF SUCCESS, INC.  
INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS**

**TABLE OF CONTENTS**

---

<b>INDEPENDENT AUDITORS' REPORT-----</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF FINANCIAL POSITION-----</b>	<b>2</b>
<b>STATEMENT OF ACTIVITIES-----</b>	<b>3-4</b>
<b>STATEMENT OF CASH FLOWS-----</b>	<b>5</b>
<b>STATEMENT OF FUNCTIONAL EXPENSES-----</b>	<b>6-7</b>
<b>NOTES TO FINANCIAL STATEMENTS-----</b>	<b>8-16</b>



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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 statement of financial position of Creating an Environment of Success, Inc. (a not-for-profit organization) as of October 31, 2011 and October 31, 2010, 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 audits.

We conducted our audits 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 audits provide 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, 2011 and October 31, 2010, and changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Hoskins & Company  
April 30, 2012

**CREATING AN ENVIRONMENT OF SUCCESS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**OCTOBER 31, 2011 AND OCTOBER 31, 2010**

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 61,330	\$ 116,743
Investments (Note 3)	16,249	19,007
Contributions and accounts receivable (net of allowance for doubtful accounts, of \$37,769 and \$16,810) (Note 4)	13,647	65,921
Inventory (Note 5)	<u>133,563</u>	<u>360,514</u>
Total current assets	<u>224,789</u>	<u>573,085</u>
Noncurrent assets		
Property and equipment(net of accumulated depreciation) (Note 6)	566,050	615,551
Security deposit	10,000	10,000
Other non-current assets (Note 7)	<u>10,900</u>	<u>10,900</u>
Total noncurrent assets	<u>586,950</u>	<u>625,551</u>
<b>Total assets</b>	<u><u>\$ 811,739</u></u>	<u><u>\$ 1,198,636</u></u>
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable	\$ 155,407	\$ 220,265
Line of credit (Note 10)	220,469	234,673
Accrued payables (Note 9)	45,065	41,117
Deferred revenue - rent deposit	2,500	2,500
Deferred compensation (Note 8)	-	10,000
Current portion of notes payable (Note 10)	36,667	48,856
Current portion of capital lease obligation (Note 11)	<u>5,192</u>	<u>4,734</u>
Total current liabilities	<u>465,300</u>	<u>562,145</u>
Noncurrent liabilities		
Long term notes payable less current installments (Note 10)	802,510	823,256
Long term lease obligation less current obligation (Note 10)	<u>1,720</u>	<u>6,704</u>
Total noncurrent liabilities	804,230	829,960
Unrestricted net assets	<u>(457,791)</u>	<u>(193,469)</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 811,739</u></u>	<u><u>\$ 1,198,636</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, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Contributions and revenues</b>				
Contributions:				
Public support	\$ 311,977	\$ -	\$ -	\$ 311,977
Revenues:				
Special events income	23,683	-	-	23,683
Awards banquet	43,333	-	-	43,333
Training center income	1,438,203	-	-	1,438,203
Membership dues	60,894	-	-	60,894
Interest income	459	-	-	459
Total contributions and revenues	1,878,549	-	-	1,878,549
<b>Expenses</b>				
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 ACTIVITIES  
FOR THE YEAR ENDED OCTOBER 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Contributions and revenues:</b>				
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	-	-	2,036,733
<b>Expenses:</b>				
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)	-	-	(134,896)
Net assets at beginning of year	(58,572)	-	-	(58,572)
Net assets at 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 CASH FLOWS  
FOR THE YEARS ENDED OCTOBER 31, 2011 AND OCTOBER 31, 2010

	2011	2010
<b>Cash flows from operating activities:</b>		
Decrease in net assets	\$ (264,322)	\$ (134,897)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	49,501	57,663
Change in year-end inventory valuation	226,951	(44,202)
Unrealized loss (gain) on investment	141	(5,671)
Decrease (increase) in accounts receivable	52,274	(5,994)
Decrease in security deposit	-	9,920
(Decrease) increase in accounts payables	(64,858)	76,944
Increase (decrease) in accrued payables	3,948	(40,281)
Decrease in deferred compensation	(10,000)	(49,000)
Decrease in rent deposit	-	(6,952)
Net cash used in operating activities	<u>(6,365)</u>	<u>(142,470)</u>
<b>Cash flows from investing activities:</b>		
Change in investments	<u>2,617</u>	<u>7,904</u>
Net cash provided by investing activities	<u>2,617</u>	<u>7,904</u>
<b>Cash flows from financing activities:</b>		
Net (payments to) proceeds from line of credit	(14,204)	20,467
Payment of long-term debt	(32,935)	(13,103)
Payments of capitalized lease obligation	<u>(4,526)</u>	<u>(6,294)</u>
Net cash (used in) provided by financing activities	<u>(51,665)</u>	<u>1,070</u>
Net decrease in cash and cash equivalents	(55,413)	(133,496)
Cash and cash equivalents at beginning of year	116,743	250,239
Cash and cash equivalents at end of year	<u>\$ 61,330</u>	<u>\$ 116,743</u>
 Interest paid	 <u>\$ 69,414</u>	 <u>\$ 56,104</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, 2011**

	Program Services			Supporting Services		Total Expenses
	Training Center	Membership	Total	Management & General	Fundraising	
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 expense	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 expense	-	62,014	62,014	271	-	62,285
<b>Total functional expenses</b>	<b>770,564</b>	<b>654,628</b>	<b>1,425,192</b>	<b>351,402</b>	<b>34,324</b>	<b>1,810,918</b>
Depreciation	3	42,810	42,813	6,688	-	49,501
Change in year-end inventory valuation	-	-	-	226,952	-	226,952
Bad debts expense	-	-	-	55,359	-	55,359
Unrealized loss on investments	-	-	-	141	-	141
<b>Total expenses</b>	<b>\$ 770,567</b>	<b>\$ 697,438</b>	<b>\$ 1,468,005</b>	<b>\$ 640,542</b>	<b>\$ 34,324</b>	<b>\$ 2,142,871</b>

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, 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	-	5,050
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
Total expenses	<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.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2011 AND OCTOBER 31, 2010**

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**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 is a not-for-profit whose revenues are mainly derived from contributions and other fund-raising activities and are 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, 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, 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.

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's stipulation that require the asset be invested in perpetuity.



**CREATING AN ENVIRONMENT OF SUCCESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2011 AND OCTOBER 31, 2010**

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

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.

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.

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.

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.

**CREATING AN ENVIRONMENT OF SUCCESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2011 AND OCTOBER 31, 2010**

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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.

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 3---INVESTMENTS**

Investments at October 31, 2011 and 2010, consist of the following:

	<u>2011</u>	<u>2010</u>
Investment in Meriwether Capital Corporation	\$ -	\$ 7,715
Investment in 43 shares of Microsoft Corporation	-	1,147
Investment in 100 shares of McDonalds Corporation	9,329	7,777
Investment in 75 shares of Starbucks Corporation	-	2,142
Investment in 13 shares of Pfizer, Inc.	-	226
Fidelity investments	6,920	-
Total	<u>\$ 16,249</u>	<u>\$ 19,007</u>



**CREATING AN ENVIRONMENT OF SUCCESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2011 AND OCTOBER 31, 2010**

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**NOTE 4---CONTRIBUTIONS AND ACCOUNTS RECEIVABLE**

Receivable at October 31, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Contributions receivable	\$ 26,804	\$ 60,500
Accounts receivable	24,612	22,231
Less: Allowance for doubtful accounts	<u>(37,769)</u>	<u>(16,810)</u>
Net Receivable	<u>\$ 13,647</u>	<u>\$ 65,921</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, 2011 and October 31, 2010 was stated at \$133,563 and \$360,514 respectively. Change in inventory balances as the result of year end valuation, \$226,952, 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, 2011 and October 31, 2010.

**NOTE 6---PROPERTY AND EQUIPMENT**

Depreciation expense as of October 31, 2011 and October 31, 2010 was \$49,501 and \$ 57,663 respectively. A summary of Property and Equipment as of October 31, 2011 and October 31, 2010 were as follows:

	<u>2011</u>	<u>2010</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>(602,452)</u>	<u>(552,951)</u>
Property and equipment, net	<u>\$ 566,050</u>	<u>\$ 615,551</u>



**CREATING AN ENVIRONMENT OF SUCCESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2011 AND OCTOBER 31, 2010**

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**NOTE 7---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 8---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, 2011 and October 31, 2010, the outstanding balance was \$0 and \$10,000 respectively.

**NOTE 9---ACCRUED PAYABLES**

Accrued Payables at October 31, 2011 and October 31, 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Accrued payroll payable	\$ 37,859	\$ 37,859
Accrued interest payable	1,288	-
Sales tax payable	<u>5,918</u>	<u>6,653</u>
Total	<u>\$ 45,065</u>	<u>\$ 41,117</u>

**CREATING AN ENVIRONMENT OF SUCCESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2011 AND OCTOBER 31, 2010**

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**NOTE 10---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, 2011 and October 31, 2010, the outstanding balance on these two lines of credit was \$220,469 and \$234,673 respectively. Loans and notes payable as of October 31, 2011 and October 31, 2010 include the following:

	<u>2011</u>	<u>2010</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.	\$ 4,631	\$ 7,937
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
Note payable to Samuel and Cynthia Kirk, payable in 3 years, including interest at 7% through maturity. The note with interest is unsecured.	10,000	-
Note payable to Lord's House Ministry, payable in 3 years, including interest at 7% through maturity. The note with interest is unsecured	5,000	-
Note payable to James E. Reed, payable in 3 years, including interest at 7% through maturity. The note with interest is unsecured	2,000	-
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. This note is secured by the real estate.	<u>817,546</u>	<u>844,175</u>
Total	839,177	872,112
Less: current maturities	<u>(36,667)</u>	<u>(48,856)</u>
	<u>\$802,510</u>	<u>\$823,256</u>

**CREATING AN ENVIRONMENT OF SUCCESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2011 AND OCTOBER 31, 2010**

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

October 31, 2012	36,667
October 31, 2013	32,047
October 31, 2014	32,047
October 31, 2015	26,380
Thereafter	<u>712,036</u>
Total	<u>\$839,177</u>

**NOTE 11---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, 2011 and October 31, 2010 was \$6,912 and \$11,438 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 and for monthly payment of \$3,500. The Organization also leases office space under lease arrangements classified as operating leases. Total rent expense under these leases were \$197,335 and \$152,480 for the year ended October 31, 2011 and October 31, 2010 respectively.

The future minimum lease payments under the non-cancellable operating and capital leases are as follows:

	Capital Lease	Operating Lease
October 31, 2012	\$ 5,192	\$ 166,776
October 31, 2013	1,720	181,248
October 31, 2014	<u>-</u>	<u>192,897</u>
Total	<u>\$ 6,912</u>	<u>\$ 540,921</u>

**NOTE 12---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.



**CREATING AN ENVIRONMENT OF SUCCESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2011 AND OCTOBER 31, 2010**

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**NOTE 13---REAL ESTATE TRAINING CENTER INCOME**

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

**NOTE 14---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 15---RELATED PARTY**

The Organization entered into promissory notes with three board members during 2011 and 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 the amount of \$20,000, with an interest rate of six percent (6%) per annum. The loan was received on October 25, 2010 and was fully paid on February 15, 2011. The advance was utilized to provide interim funding support for operations until promised funds from sponsors were received.

The second promissory note signed in October 25, 2010 was to pay to the order of 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 loan was received on November 5, 2010 and was fully paid in February, 2011. The advance was utilized to provide interim funding support for operations until promised funds from sponsors were received.

The third promissory note dated February 15, 2011 was to pay to the order of Samuel and Cynthia Kirk, for the amount of \$10,000, with an interest rate of seven percent (7%) per annum for 3 years. The Organization also entered into promissory note agreement with Lord's House Ministry. The note was signed on February 15, 2011 for the amount of \$5,000, with interest rate 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, 2011, which was reported as notes payables on the statement of financial position as stated on Note 10. 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.

**CREATING AN ENVIRONMENT OF SUCCESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2011 AND OCTOBER 31, 2010**

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**NOTE 16 --- SUBSEQUENT EVENTS**

On January 17, 2012, the Organization signed into a purchase option agreement with William Jenkins, "Seller", whereby the seller grants to the Organization an option to purchase the property located at 3916 Clarksville Pike, including all improvements thereon. As of April 30, 2012, the Organization did not purchase this property. There were no other subsequent events requiring disclosures as of April 30, 2012, the date management evaluated such events. The financial statements were available to be issued on April 30, 2012.