

CREATING AN ENVIRONMENT OF SUCCESS, INC.

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
OCTOBER 31, 2015 AND 2014**

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.
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, 2015 and October 31, 2014, 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

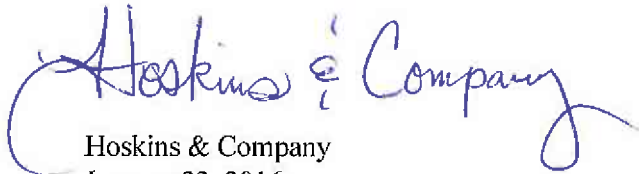
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2015 and October 31, 2014, 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.

A handwritten signature in blue ink that reads "Hoskins & Company". The signature is stylized, with a large, looping "H" and a cursive "Company".

Hoskins & Company
January 22, 2016

CREATING AN ENVIRONMENT OF SUCCESS, INC.
STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2015 AND OCTOBER 31, 2014

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 2,029	\$ 32,872
Investments (Note 2)	11,481	2,723
Contributions and accounts receivable, net (Note 3)	86,985	145,267
Inventory (Note 4)	212,501	212,501
Total current assets	<u>312,996</u>	<u>393,363</u>
Noncurrent assets		
Property and equipment, net (Note 5)	898,441	951,300
Security deposit	7,643	30,500
Decrease (increase) in contributions and accounts receivable	26,001	30,899
Total noncurrent assets	<u>932,085</u>	<u>1,012,699</u>
Decrease in accrued payables		
Total assets	<u><u>\$ 1,245,081</u></u>	<u><u>\$ 1,406,062</u></u>
Liabilities and net assets		
Current liabilities		
Accounts and other payables	\$ 133,629	\$ 75,844
Increase in proceeds from investments	70,000	20,000
Decrease (increase) in security deposit	31,892	34,014
Deferred revenue - rent deposit	3,794	3,794
Current portion of notes payable (Note 8)	41,185	10,263
Total current liabilities	<u>280,500</u>	<u>143,915</u>
Noncurrent liabilities		
Long term notes payable less current installments (Note 8)	1,398,866	1,500,000
Total noncurrent liabilities	<u>1,398,866</u>	<u>1,500,000</u>
Total liabilities	<u>1,679,366</u>	<u>1,643,915</u>
Net assets		
Unrestricted net assets	(434,285)	(237,853)
Total net assets	<u>(434,285)</u>	<u>(237,853)</u>
Total liabilities and net assets	<u><u>\$ 1,245,081</u></u>	<u><u>\$ 1,406,062</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, 2015

	Unrestricted	Temporarily Restricted	Permanently 298617	Total
Support and revenues				
Support:				
Public support	\$ 660,617	\$ -	\$ -	\$ 660,617
Revenues:				
Special events	9,740	-	-	9,740
Program Income	661,722	-	-	661,722
Other income	2,937	-	-	2,937
Total support and revenues	1,335,016	-	-	1,335,016
Expenses				
General and Administrative	64,823			64,823
Summer Business Camp	523,566	-	-	523,566
Training Center	943,059	-	-	943,059
Total expenses	1,531,448	-	-	1,531,448
Increase in net assets	(196,432)	-	-	(196,432)
Net assets at beginning of year	(237,853)	-	-	(237,853)
Net assets at end of year	<u>\$ (434,285)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (434,285)</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, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently 298617</u>	<u>Total</u>
Support and revenues				
Support:				
Public support	\$ 446,368	\$ -	\$ -	\$ 446,368
Revenues:				
Special events	10,975	-	-	10,975
Program Income	1,017,259	-	-	1,017,259
Other income	<u>11,088</u>	<u>-</u>	<u>-</u>	<u>11,088</u>
Total support and revenues	1,485,690	-	-	1,485,690
Expenses				
General and Administrative	55,685			55,685
Summer Business Camp	488,399	-	-	488,399
Training Center	<u>1,086,744</u>	<u>-</u>	<u>-</u>	<u>1,086,744</u>
Total expenses	1,630,828	-	-	1,630,828
Increase in net assets	<u>(145,138)</u>	<u>-</u>	<u>-</u>	<u>(145,138)</u>
Net assets at beginning of year	<u>(92,715)</u>	<u>-</u>	<u>-</u>	<u>(92,715)</u>
Net assets at end of year	<u><u>\$ (237,853)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (237,853)</u></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, 2015 AND OCTOBER 31, 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Increase in net assets	\$ (196,432)	\$ (145,138)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	53,658	49,956
Amortization of closing costs	4,898	-
Decrease in inventory	-	70,625
Decrease (increase) in contributions and accounts receivable	58,282	(83,010)
Increase in accounts payables	57,785	5,868
Decrease in accrued payables	(2,122)	(8,537)
Net cash provided by operating activities	<u>(23,931)</u>	<u>(110,236)</u>
Cash flows from investing activities		
Increase in proceeds from investments	(8,758)	(2,403)
Decrease (increase) in security deposit	22,857	(20,500)
Purchase of property and equipment	<u>(799)</u>	<u>(332,679)</u>
Net cash provided by investing activities	<u>13,300</u>	<u>(355,582)</u>
Cash flows from financing activities		
Net proceeds from line of credit	50,000	-
Net proceeds from long-term debt	-	455,937
Net payments of long-term debt	<u>(70,212)</u>	<u>-</u>
Net cash (used in) provided by financing activities	<u>(20,212)</u>	<u>455,937</u>
Net decrease in cash and cash equivalents	(30,843)	(9,881)
Cash and cash equivalents at beginning of year	32,872	42,753
Cash and cash equivalents at end of year	<u><u>\$ 2,029</u></u>	<u><u>\$ 32,872</u></u>
Interest paid	\$ 57,819	\$ 60,593

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, 2015

	GENERAL AND ADMIN	SUMMER BUSINESS CAMP	TRAINING CENTERS	TOTAL
Salaries	\$ 32,338	\$ 97,013	\$ 274,870	\$ 404,221
Employer payroll tax	6,426	5,135	19,149	30,710
Employee Health Insurance	-	720	-	720
Other employee benefits	-	574	831	1,405
Accounting fees	-	19,505	8,395	27,900
Legal fees	-	-	140	140
Outside contract services	2,642	2,605	38,910	44,157
Contract services - other	2,121	5,250	12,829	20,200
Depreciation	-	-	53,658	53,658
Security services	-	-	5,424	5,424
Gasoline	-	588	2,877	3,465
Bad debt	-	64,938	-	64,938
Building materials & supplies	-	51	15,163	15,214
Equip rental and maintenance	-	59	13,666	13,725
Repairs and maintenance	500	1,531	20,681	22,712
Janitorial services	-	-	637	637
Janitorial supplies	-	-	6,702	6,702
Mortgage interest	-	-	19,609	19,609
Property insurance	-	-	12,450	12,450
Real estate, personal prop tax	-	-	23,967	23,967
Rent	-	-	125,998	125,998
Utilities	-	-	87,379	87,379
Facilities and equipment - other	165	-	1,332	1,497
Loan Settlement Charges	5,250	-	-	5,250
Business registration fees	472	35	368	875
Business expenses - other	75	3,500	1,053	4,628
Books, subscriptions, reference	-	93	1,506	1,599
Postage, mailing service	-	222	1,668	1,890
Printing and copying	616	5,886	3,322	9,824
Supplies	-	2,622	6,282	8,904
Telecommunications	-	7,506	7,304	14,810
Cable & internet services	-	240	4,314	4,554
Merchant card fees	-	5,568	11,038	16,606
Bank charges	580	-	828	1,408
Sales taxes	-	-	32,611	32,611
Advertising	-	447	2,317	2,764
Insurance - liability, D and O	8,980	-	17,205	26,185
Interest - general	1,386	-	56,433	57,819
Late payment penalty	2,477	-	1,913	4,390
Memberships and dues	-	100	90	190
Other Costs	645	169	102	916
Gifts to other organizations	-	-	20,755	20,755
Gifts to Individuals	-	-	116	116
Other expenses	-	-	500	500
Prog-related conferences, mtgs.	-	162,343	16,170	178,513
Gas Allowance	-	-	559	559
Program related travel costs	-	125,167	7,063	132,230
Scholarships	-	400	800	1,200
Operations Education & Training	-	-	50	50
Stipends	100	7,680	1,930	9,710
Program related expenses - other	50	3,619	2,095	5,764
Total expenses	<u>\$ 64,823</u>	<u>\$ 523,566</u>	<u>\$ 943,059</u>	<u>\$ 1,531,448</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, 2014

	GENERAL AND ADMIN	SUMMER BUSINESS CAMP	TRAINING CENTERS	TOTAL
Salaries	\$ 33,500	\$ 105,293	\$ 298,616	\$ 437,409
Change in Inventory Value	495	-	70,862	71,357
Employer payroll tax	268	7,749	24,323	32,340
Employee Health Insurance	-	600	-	600
Other employee benefits	236	22	7,104	7,362
Accounting fees	-	20,426	8,755	29,181
Outside contract services	209	12,832	22,600	35,641
Contract services - other	-	33,750	9,745	43,495
Depreciation	-	-	49,956	49,956
Security services	-	-	5,415	5,415
Gasoline	-	84	5,971	6,055
Building materials & supplies	-	14	10,999	11,013
Equip rental and maintenance	-	-	3,897	3,897
Repairs and maintenance	-	136	13,813	13,949
Janitorial services	-	-	367	367
Janitorial supplies	-	-	2,357	2,357
Mortgage interest	-	-	14,527	14,527
Property insurance	-	-	21,575	21,575
Real estate, personal prop tax	6,701	-	304	7,005
Rent	-	-	217,543	217,543
Utilities	-	-	76,860	76,860
Facilities and equipment - other	-	-	8,579	8,579
Loan Settlement Charges	-	-	2,120	2,120
Business registration fees	-	551	319	870
Business expenses - other	30	45	1,081	1,156
Books, subscriptions, reference	-	112	45	157
Postage, mailing service	-	318	1,017	1,335
Printing and copying	-	4,657	5,590	10,247
Supplies	133	3,758	16,520	20,411
Telecommunications	-	8,008	5,539	13,547
Cable & internet services	-	613	7,038	7,651
Merchant card fees	-	4,989	15,118	20,107
Bank charges	120	307	1,243	1,670
Sales taxes	-	-	54,821	54,821
Advertising	-	-	4,062	4,062
Insurance - liability, D and O	7,316	-	3,088	10,404
Interest - general	5,983	-	54,609	60,592
Late payment penalty	-	-	382	382
Memberships and dues	-	100	493	593
Other Costs	407	-	1,557	1,964
Special events	-	-	3,746	3,746
Gifts to other organizations	287	67	300	654
Gifts to Individuals	-	-	200	200
Other expenses	-	20	50	70
Prog-related conferences, mtgs.	-	200,594	16,599	217,193
Gas Allowance	-	-	1,100	1,100
Program related travel costs	-	68,736	6,125	74,861
Scholarships	-	379	1,500	1,879
Stipends	-	6,600	4,980	11,580
Program related expenses - other	-	7,639	3,334	10,973
Total expenses	<u>\$ 55,685</u>	<u>\$ 488,399</u>	<u>\$ 1,086,744</u>	<u>\$ 1,630,828</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, 2015 AND OCTOBER 31, 2014

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 youth business program and a retail training center. The Organization opened the retail training center 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, 2015 and 2014, the Organization had no temporarily or 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, 2015 AND OCTOBER 31, 2014

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, 2015 AND OCTOBER 31, 2014

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 \$1,000 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	5
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, 2015 and October 31, 2014, consist of the following:

	2015	2014
Edward Jones	\$ 5,743	\$ 2,405
Fidelity Investments	5,738	318
Total	<u>\$11,481</u>	<u>\$ 2,723</u>

CREATING AN ENVIRONMENT OF SUCCESS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2015 AND OCTOBER 31, 2014

NOTE 3---CONTRIBUTIONS AND ACCOUNTS RECEIVABLE

Contributions and accounts receivable at October 31, 2015 and October 31, 2014, consist of the following:

	<u>2015</u>	<u>2014</u>
Contributions and accounts receivable	\$ 89,978	\$ 202,784
Less: Allowance for doubtful accounts	<u>(2,993)</u>	<u>(57,517)</u>
Net receivable	<u>\$ 86,985</u>	<u>\$ 145,267</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, 2015 and October 31, 2014, was stated at \$212,501 and \$212,501 respectively.

NOTE 5---PROPERTY AND EQUIPMENT

Depreciation expense as of October 31, 2015 and October 31, 2014, was \$53,658 and \$ 49,956 respectively. A summary of Property and Equipment as of October 31, 2015 and October 31, 2014, were as follows:

	<u>2015</u>	<u>2014</u>
Land - Business Training Center	\$ 87,750	\$ 87,750
Business Training Center	1,119,466	1,119,466
Furniture and fixtures	7,481	7,481
Computer	15,349	14,549
Vehicle	60,882	60,882
Building improvements	191,891	191,891
Leaseholds improvements	<u>96,470</u>	<u>96,470</u>
Total	1,579,289	1,578,489
Less: Accumulated depreciation	<u>(680,848)</u>	<u>(627,189)</u>
Property and equipment, net	<u>\$ 898,441</u>	<u>\$ 951,300</u>

CREATING AN ENVIRONMENT OF SUCCESS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2015 AND OCTOBER 31, 2014

NOTE 6---OTHER NON-CURRENT ASSETS

Other Non-Current Assets at October 31, 2015 and October 31, 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Investment in timeshare	\$ 10,900	\$ 10,900
Loan closing costs	15,101	19,999
Total	<u>\$ 26,001</u>	<u>\$ 30,899</u>

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 at the end of summer programming to review outcomes and plan for upcoming year. This is normally held between August and September of every year.

NOTE 7---ACCRUED PAYABLES

Accrued Payables at October 31, 2015 and October 31, 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Accrued payroll payable	\$ 13,593	\$ 13,593
Accrued interest payable	1,288	1,288
Sales tax payable	2,263	5,432
Employees benefit	13,700	13,700
Total	<u>\$ 30,844</u>	<u>\$ 34,013</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, 2015 and October 31, 2014, the outstanding balance on these two lines of credit was \$20,000 and \$20,000 respectively. On July 9, 2014, the organization established a \$50,000 line of credit with Franklin Synergy Bank. The interest rate carried with that line of credit is 5.25%, secured by all business assets. As of October 31, 2015 and October 31, 2014, the outstanding balance of the line of credit was \$50,000 and \$0 respectively.

CREATING AN ENVIRONMENT OF SUCCESS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2015 AND OCTOBER 31, 2014

NOTE 8---LINE OF CREDIT AND NOTES PAYABLE (Continued)

Loans and notes payable as of October 31, 2015 and October 31, 2014 include the following:

	<u>2015</u>	<u>2014</u>
On August 20, 2015, the Organization entered into a promissory note agreement with Christine Rayner, payable on November 30, 2015, with a 5% annual interest rate. The note with interest is unsecured.	\$ 25,000	\$ -
On March 9, 2015, the Organization entered into an unsecured non-interest bearing loan agreement with Samuel and Cynthia Kirk.	3,000	-
During the fiscal year, the Organization entered into an unsecured non-interest bearing loan agreement with Lord's House Ministries.	5,697	-
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.	7,488	10,263
Note payable to Franklin Synergy Bank, with monthly installment of \$9,193 beginning November 9, 2014, and an annual interest rate of 5.4% through maturity on October 9, 2018. Interest paid on this loan began in August, and a final balloon payment for the remaining balance of loan will be due at maturity date. The note is secured by commercial property.	1,398,866	1,500,000
	1,440,051	1,510,263
Less: current maturities	(41,185)	(10,263)
Total noncurrent liabilities	<u>\$ 1,398,866</u>	<u>\$ 1,500,000</u>

CREATING AN ENVIRONMENT OF SUCCESS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2015 AND OCTOBER 31, 2014

NOTE 8---LINE OF CREDIT AND NOTES PAYABLE (Continued)

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

2016	364,371
2017	384,542
2018	649,953
Total	<u>\$ 1,398,866</u>

NOTE 9---CAPITAL AND OPERATING LEASES

In fiscal year 2014, the Organization entered into a lease agreement with Delhaize America, Inc., and Food Lion, LLC, to sublease property located at 2061 Lascassas Pike for an initial term of three (3) years, for monthly payments of \$10,500 at commencement date, which ended on June 30, 2015, and monthly payments of \$11,750 after base rate expired. The Organization also leases office space under lease arrangements classified as operating leases. Total rent expense under these leases were \$125,998 and \$217,543 for the year ended October 31, 2015 and October 31, 2014 respectively.

NOTE 10 --- SUBSEQUENT EVENTS

On November 5, 2015, CES had a settlement agreement with Shelby County Board of Education for outstanding accounts receivables. The settlement was for the amount of \$80,000. There were no other subsequent events requiring disclosure as of January 22, 2016, the date management evaluated such events. January 22, 2016, is the date the financial statements were available to be issued.