

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

**INDEPENDENT AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED**

**OCTOBER 31, 2009 AND 2008**

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

**TABLE OF CONTENTS**

**INDEPENDENT AUDITORS' REPORT-----1**

**FINANCIAL STATEMENTS**

**STATEMENT OF FINANCIAL POSITION-----2**

**STATEMENT OF ACTIVITIES-----3&4**

**STATEMENT OF CASH FLOWS-----5**

**STATEMENT OF FUNCTIONAL EXPENSES-----6&7**

**NOTES TO FINANCIAL STATEMENTS-----8-14**

**INDEPENDENT AUDITORS' REPORT ON THE BASIC  
FINANCIAL STATEMENTS**

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

We have audited the accompanying statements of financial position of Creating an Environment of Success, Inc. (a not-for-profit organization) as of October 31, 2009 and October 31, 2008, 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 audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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, 2009 and, October 31, 2008, 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 01, 2010

**CREATING AN ENVIRONMENT OF SUCCESS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**OCTOBER 31, 2009 AND OCTOBER 31, 2008**

Assets	2009	2008
Current assets		
Cash and cash equivalents	\$ 250,239	\$ 337,707
Investments (Note- 3)	27,798	27,029
Contributions and Accounts receivable (net of allowance for doubtful accounts, of \$104, 399 and \$ 91,397 Note-4)	59,927	72,945
Inventories	318,243	497,883
Prepaid expenses	-	8,966
Total Current assets	<u>656,207</u>	<u>944,530</u>
Noncurrent assets		
Security Deposit	19,920	19,920
Property and equipment(net of Accumulated depreciation, Note-6)	675,625	738,966
Total Noncurrent assets	<u>695,545</u>	<u>758,886</u>
Total Assets	<u>\$ 1,351,752</u>	<u>\$ 1,703,416</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 143,321	\$ 189,640
Line of credit(Note-8)	214,206	191,297
Accrued payables(Note-7)	81,398	61,159
Rent deposit	9,452	8,084
Current portion of deferred compensation(Note-7)	59,000	60,000
Current portion of long term debt(Note-8)	30,703	30,703
Current portion of capital lease obligation	4,734	5,192
Total Current liabilities	<u>542,814</u>	<u>546,075</u>
Noncurrent liabilities		
Long term deferred compensation(Note-7)	-	39,000
Long term notes payable less current installments(Note-8)	854,512	872,820
Lease obligation(Note-9)	<u>12,998</u>	<u>18,187</u>
Total noncurrent liabilities	867,510	930,007
Unrestricted Net Assets	<u>(58,572)</u>	<u>227,334</u>
Total Liabilities and Net Assets	<u>\$ 1,351,752</u>	<u>\$ 1,703,416</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, 2009

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

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

CREATING AN ENVIRONMENT OF SUCCESS, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED OCTOBER 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenues:				
Public support - contributions	\$ 595,364	\$ -	\$ -	\$ 595,364
Revenues:				
Special events income	46,320	-	-	46,320
Awards banquet	86,332	-	-	86,332
Training center income	1,731,062	-	-	1,731,062
Membership dues	40	-	-	40
Interest income	6,682	-	-	6,682
In-kind revenue	38,731	-	-	38,731
Miscellaneous income	51,001	-	-	51,001
Total public support and revenues	2,555,532	-	-	2,555,532
Net assets released from restrictions	2,000	-	-	2,000
Total support and revenues	2,557,532	-	-	2,557,532
Expenses and losses:				
Program services:				
Training centers	1,963,324	-	-	1,963,324
Membership	15,607	-	-	15,607
Total program services	1,978,931	-	-	1,978,931
Supporting services:				
Management and general	330,260	-	-	330,260
Fundraising	65,233	-	-	65,233
Total supporting services	395,493	-	-	395,493
Total program and supporting expenses	2,374,424	-	-	2,374,424
Net Assets released from restriction	-	(2,000)	-	(2,000)
Increase / (decrease) in net assets	183,108	(2,000)	-	181,108
Net assets - beginning of year	44,226	2,000	-	46,226
Net assets - end of year	\$ 227,334	\$ -	\$ -	\$ 227,334

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, 2009 AND OCTOBER 31, 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
(Decrease) Increase in net assets	\$ (285,906)	\$ 181,108
Adjustments to reconcile change in net assets to net cash provided(used) by operating activities:		
Depreciation and amortization	63,341	55,963
Bad debts	-	24,267
Unrealized loss on investment	-	5,055
Decrease (Increase) in donated inventories	179,640	(145,380)
Decrease in prepaid expense	8,966	-
Decrease (Increase) in accounts receivable	13,018	(48,501)
Decrease (Increase) in accounts and accrued payables	(26,080)	115,340
(Decrease) Increase in deferred compensation	(40,000)	99,000
Increase in rent deposit	1,368	2,170
Net cash (used) provided by operating activities	<u>(85,653)</u>	<u>289,022</u>
Cash flows from investing activities:		
Purchase of fixed assets	-	(114,278)
Purchase of investments	<u>(769)</u>	<u>(2,382)</u>
Net cash used by investing activities	<u>(769)</u>	<u>(116,660)</u>
Cash flows from financing activities:		
Line of credit	22,909	54,320
Payment of long-term debt	(18,308)	(36,034)
Payments on capitalized lease obligation	<u>(5,647)</u>	<u>(13,819)</u>
Net cash (used) provided by financing activities	<u>(1,046)</u>	<u>4,467</u>
Net (Decrease) Increase in cash and cash equivalents	(87,468)	176,829
Cash and cash equivalents at beginning of year	337,707	160,878
Cash and cash equivalents at end of year	<u>\$ 250,239</u>	<u>\$ 337,707</u>
Interest paid	<u>\$ 115,760</u>	<u>\$ 126,284</u>

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

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

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

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



**CREATING AN ENVIRONMENT OF SUCCESS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED OCTOBER 31, 2008**

	Program Services			Supporting Services		Total Expenses
	Training Center	Membership	Total	Management & General	Fundraising	
Salaries	\$ 377,660	\$ -	\$ 377,660	\$ 159,552	\$ -	\$ 537,212
Security	3,196	-	3,196	-	-	3,196
Automobile	15,096	-	15,096	5,240	-	20,336
Bank interest/Finance charges	73,471	-	73,471	15,164	-	88,635
Contract labor	250,098	14,908	265,006	18,826	-	283,832
Contributions	-	-	-	3,595	-	3,595
Dues and subscriptions	40	-	40	-	-	40
Insurance	36,262	-	36,262	4,121	-	40,383
Interest and penalties	8,669	-	8,669	28,979	-	37,648
Licenses and permits	325	-	325	-	-	325
Meetings	6,742	-	6,742	394	-	7,136
Community relations meetings	-	699	699	1,500	-	2,199
Fundraising meals	-	-	-	-	8,277	8,277
Fundraising support	-	-	-	-	25,440	25,440
Fundraising supplies	-	-	-	-	24,456	24,456
Advertising and marketing	6,403	-	6,403	285	-	6,688
Miscellaneous	16,451	-	16,451	-	-	16,451
Office supplies	32,932	-	32,932	185	-	33,117
Postage and delivery	5,415	-	5,415	413	79	5,907
Printing and reproduction	7,698	-	7,698	319	793	8,810
Professional fees	3,500	-	3,500	13,290	-	16,790
Contract services	26,723	-	26,723	2,063	6,188	34,974
Rent	129,137	-	129,137	5,564	-	134,701
Repairs and maintenance	25,183	-	25,183	1,652	-	26,835
Waste disposal services	19,674	-	19,674	-	-	19,674
Telephone	21,264	-	21,264	9,101	-	30,365
Travel and entertainment	121,560	-	121,560	14,341	-	135,901
Training materials	390	-	390	531	-	921
Utilities	65,276	-	65,276	-	-	65,276
Sales tax expense	70,839	-	70,839	-	-	70,839
Property taxes	9,458	-	9,458	-	-	9,458
Personalty taxes	-	-	-	476	-	476
Bad debt expense	-	-	-	24,267	-	24,267
Payroll expense	45,705	-	45,705	20,402	-	66,107
Summer business camp	414,891	-	414,891	-	-	414,891
All things possible bargain center	13,114	-	13,114	-	-	13,114
Annual enrichment trip	1,000	-	1,000	-	-	1,000
Ski trip	3,658	-	3,658	-	-	3,658
YAB Junior executive camp	947	-	947	-	-	947
YAB Real estate company	1,002	-	1,002	-	-	1,002
YAB - Other	70,382	-	70,382	-	-	70,382
YAB Investment club	2,294	-	2,294	-	-	2,294
YAB Ownership management	8,605	-	8,605	-	-	8,605
YAB Specialty company	11,256	-	11,256	-	-	11,256
YAB Technology center	545	-	545	-	-	545
YAB Training center	500	-	500	-	-	500
Total Expenses before depreciation	1,907,361	15,607	1,922,968	330,260	65,233	2,318,461
Depreciation	55,963	-	55,963	-	-	55,963
	<u>\$ 1,963,324</u>	<u>\$ 15,607</u>	<u>\$ 1,978,931</u>	<u>\$ 330,260</u>	<u>\$ 65,233</u>	<u>\$ 2,374,424</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, 2009 AND OCTOBER 31, 2008**

---

**NOTE 1--- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

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

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

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting and in conformity with generally accepted accounting principles in the United States of America.

Support and Expenses

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

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

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

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.

**CREATING AN ENVIRONMENT OF SUCCESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2009 AND OCTOBER 31, 2008**

---

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 spaces used as shopping center.

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 Standard 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 values 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.

**CREATING AN ENVIRONMENT OF SUCCESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2009 AND OCTOBER 31, 2008**

---

Fair Values of Financial Instruments

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

**NOTE 2---FUNCTIONAL EXPENSE ALLOCATION**

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

**NOTE 3---INVESTMENTS**

Investments at October 31, 2009 and 2008, consist of the following:

	<u>October 31,</u> <u>2009</u>	<u>2008</u>
Investment in a time-share condominium In Orlando, Florida	\$10,900	\$10,900
Investment in Meriwether Capital Corporation	7,715	7,750
Investment in Ed Jones	485	485
Investment in 43 shares of Microsoft Corporation	1,192	968
Investment in 100 shares of McDonalds Corporation	5,861	5,737
Investment in 75 shares of Starbucks Corporation	1,424	956
Investment in 13 shares of Pfizer, Inc.	<u>221</u>	<u>233</u>
Total	<u>\$27,798</u>	<u>\$27,029</u>

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

Receivables at October 31, 2009 and 2008, consist of the following:

	<u>October 31,</u> <u>2009</u>	<u>2008</u>
Contributions receivable	\$ 107,800	\$ 127,580
Accounts receivable	56,527	36,762
Less: Allowance for doubtful accounts	<u>(117,651)</u>	<u>(91,397)</u>
Net Receivable	<u>\$ 46,676</u>	<u>\$ 72,945</u>

**CREATING AN ENVIRONMENT OF SUCCESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2009 AND OCTOBER 31, 2008**

---

**NOTE 5---INVENTORY**

Inventories consisting of donated items used for resale purposes in the retail store were valued based on historical sales value record. Inventory as of October 31, 2009 and October 31, 2008 is stated at \$497,883 and \$318,243 respectively. Change in inventory balances as the result of year end valuation, \$179,640, 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 is not included in the financial statements as of October 31, 2009 and October 31, 2008.

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

Depreciation expense as of October 31, 2009 and October 31, 2008 was \$63,341 and \$ 55,963 respectively. A summary of Property and equipment as of October 31, 2009 and October 31, 2008 were as follows:

	October 31,	
	<u>2009</u>	<u>2008</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>(492,877)</u>	<u>(429,536)</u>
Property and equipment, net	<u>\$ 675,625</u>	<u>\$ 738,966</u>

**NOTE 7---ACCRUED PAYABLES**

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, 2009 and October 31, 2008 the outstanding balance was \$99,000 and \$59,000 respectively.

**CREATING AN ENVIRONMENT OF SUCCESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2009 AND OCTOBER 31, 2008**

---

Accrued Payables at October 31, 2009 and October 31, 2008 consisted of the following:

	October 31,	
	<u>2009</u>	<u>2008</u>
Accrued Payroll payable	\$ 49,209	\$ 39,641
Accrued Interest Payables	25,535	15,165
Sales Tax Payable	<u>6,654</u>	<u>6,353</u>
Total	<u>\$ 81,398</u>	<u>\$ 61,159</u>

**NOTE 8---LINE OF CREDIT AND NOTES PAYABLE**

The organization established three lines of credit with Regions Bank in the amount of \$200,000 on June 27, 2008, with an interest rate of 5.0%, \$65,825 on July 2, 2008, with an interest rate of 8.10%, and \$20,000 on July 02, 2008 with interest rate of 6.25%. As of October 31, 2009 the outstanding balances on these three lines of credit were \$150,000, \$52,072, and \$12,134, respectively.

Loans and notes payable as of October 31, 2009 and October 31, 2008 include the following:

	<u>2009</u>	<u>2008</u>
Note payable to Toyota Motor Credit, payable in Monthly installments of \$369, including interest at 10.95% through maturity in May 2010. Note is secured by a vehicle.	\$11,257	\$13,548
Note payable to Sun Trust Bank payable in monthly installments of \$7,215. The interest rate is 7.125% through maturity in August 29, 2017. Note is secured by the real estate.	<u>873,958</u>	<u>889,975</u>
Total	885,215	903,523
Less: current installments	<u>(30,703)</u>	<u>(30,703)</u>
	<u>\$854,512</u>	<u>\$872,820</u>

**CREATING AN ENVIRONMENT OF SUCCESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2009 AND OCTOBER 31, 2008**

---

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

October 31, 2010	\$ 30,703
October 31, 2011	30,703
October 31, 2012	30,703
October 31, 2013	30,703
October 31, 2014	30,703
Thereafter	<u>731,700</u>
Total	<u>\$885,215</u>

**NOTE 9---CAPITAL AND OPERATING LEASE**

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, 2009 and October 31, 2008 was \$17,732 and \$23,379 respectively. The Organization also leases office space under lease arrangements classified as operating leases. Total rent expense under these leases totaled \$126,333 and \$134,701 for the year ended October 31, 2009 and October 31, 2008 respectively.

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

	Capital Lease	Operating Lease
October 31, 2010	\$ 5,192	\$ 107,587
October 31, 2011	5,192	-
October 31, 2012	5,192	-
October 31, 2013	<u>2,156</u>	<u>-</u>
Total	<u>\$17,732</u>	<u>\$107,587</u>

**NOTE 10---REAL ESTATE TRAINING CENTER INCOMES**

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

**CREATING AN ENVIRONMENT OF SUCCESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED OCTOBER 31, 2009 AND OCTOBER 31, 2008**

---

The following is a schedule of future minimum lease payments by tenants:

October 31, 2010	\$ 55,556
October 31, 2011	45,285
October 31, 2012	32,348
October 31, 2013	<u>17,910</u>
Total	<u>\$133,189</u>

**NOTE 11---CONTRIBUTED SERVICES**

The Organization recognized contribution revenue for contributed services related to the Summer Business Camp during 2008. This in-kind revenue from services was based on fair market value. In-kind revenue as of October 31, 2008 was \$38,731.

**NOTE 12---CONCENTRATION OF RISK**

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

**Note 13 --- NET ASSETS**

The organization's net assets decreased as of October 31, 2009 mainly due to the decrease in the valuation of inventory as described on Note 5.