

Creating an Environment of Success, Inc.

**Independent Auditors' Report and Financial
Statements for the years ended October 31, 2021,
and October 31, 2020 (Restated)**



Memphis Consulting Group, LLC

8218 Clinton Way Cove
Cordova, TN 38018

Phone: 901.791.4643

Fax: 901.779.4905

www.memphisconsultinggroup.com

Audit | Advisory | Risk Management

CREATING AN ENVIRONMENT OF SUCCESS, INC.

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT ----- 1-2

FINANCIAL STATEMENTS

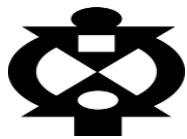
STATEMENT OF FINANCIAL POSITION ----- 3

STATEMENT OF ACTIVITIES ----- 4

STATEMENT OF FUNCTIONAL EXPENSES ----- 5-6

STATEMENT OF CASH FLOWS ----- 7

NOTES TO THE FINANCIAL STATEMENTS ----- 8-16



Memphis Consulting Group, LLC



8218 Clinton Way Cove, Cordova, TN 38018

T: 901 791 4643

nyaku@memphisconsultinggroup.com

Independent Auditor's 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 Tennessee nonprofit organization), which comprise the statements of financial position as of October 31, 2021, and October 31, 2020, and the related statements of activities, statements of cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

The financial statements of Creating an Environment of Success, Inc. as of October 31, 2020, were audited by other auditors whose report dated May 21, 2021, expressed an unqualified opinion on those statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 judgement, 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.

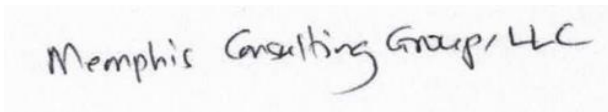
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As part of our audit of the 2021 financial statements, we also audited the adjustments described in Note 13 that were applied to restate the 2020 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2020 financial statements of Creating an Environment of Success, Inc. other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements as a whole.

A handwritten signature in black ink that reads "Memphis Consulting Group, LLC". The signature is written in a cursive, slightly slanted style.

Memphis, TN
June 6, 2022

CREATING AN ENVIRONMENT OF SUCCESS, INC.
STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2021 AND OCTOBER 31, 2020 (RESTATED)

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 283,599	\$ 19,181
Investments (Note 3)	47,811	35,718
Notes and accounts receivable, net (Note 4)	216,946	34,516
Inventory (Note 8)	<u>38,069</u>	<u>33,145</u>
Total current assets	586,426	122,560
Noncurrent assets		
Property and equipment, net (Note 5)	763,608	809,546
Security deposit	10,000	17,643
Other non-current assets (Note 6)	<u>18,926</u>	<u>13,411</u>
Total noncurrent assets	792,534	840,600
Total assets	<u>\$ 1,378,960</u>	<u>\$ 963,160</u>
Liabilities and net assets		
Current liabilities		
Accounts and other payables	\$ 61,552	\$ 160,525
Deferred revenue - rent deposit	2,400	3,694
Lines of credit	122,236	156,515
Paycheck protection program loan (Note 12)	98,732	87,248
Accrued payables	56,205	129,130
Current portion of notes payable (Note 9)	<u>24,842</u>	<u>24,842</u>
Total current liabilities	365,966	561,954
Noncurrent liabilities		
Promissory notes (Note 7)	9,099	59,099
Long term notes payable less current installments (Note 9)	1,284,865	1,258,458
Less unamortized debt issuance costs (Note 9)	<u>(19,353)</u>	<u>(6,225)</u>
Long term note less unamortized debt issuance costs	1,265,512	1,252,233
Total noncurrent liabilities	1,274,611	1,311,332
Total liabilities	<u>1,640,577</u>	<u>1,873,286</u>
Deficiency in net assets		
Deficiency in net assets without donor restrictions	<u>(261,617)</u>	<u>(910,125)</u>
Total deficiency in net assets	<u>(261,617)</u>	<u>(910,125)</u>
Total liabilities and net assets	<u>\$ 1,378,960</u>	<u>\$ 963,160</u>

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

CREATING AN ENVIRONMENT OF SUCCESS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED OCTOBER 31, 2021 and OCTOBER 31, 2020 (Restated)

	<u>2021</u>	<u>2020</u>
Support and revenues		
Public support	\$ 1,134,044	\$ 455,270
Special events	44,122	37,102
Program Income	806,291	747,207
Other income	<u>105,168</u>	<u>57,886</u>
Total support and revenues	2,089,625	1,297,465
 Gross support and revenue	 \$ 2,089,625	 \$ 1,297,465
 Expenses		
Corporate development & Fundraising	21,696	117,173
Management and General	123,361	135,496
Program Services- Summer Business Camp	784,539	560,019
Program Services- Training Center	<u>511,520</u>	<u>457,117</u>
Total expenses	1,441,117	1,269,805
 Increase in net assets without donor restrictions	 <u>\$ 648,508</u>	 <u>\$ 27,660</u>
Net assets, beginning	(910,125)	(937,785)
Net assets, ending	(261,617)	(910,125)

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, 2021

	CORPORATE DEVELOPMENT & FUNDRAISING	MANAGE- MENT AND GENERAL	PROGRAM SERVICES- TRAINING CENTERS	PROGRAM SERVICES- SUMMER BUSINESS CAMP	TOTAL
Accounting fees		\$ 24,751			\$ 24,751
Advertising			98	1,434	1,532
Conferences, conventions, and meetings			2,905	35,793	38,697
Contract labor		3,782	1,050	27,260	32,091
Depreciation			56,597	15,927	72,524
Dues and subscriptions		240		45	285
Facilities and equipment other		880	35,920	138,945	175,745
Insurance			706	16,232	16,938
Interest and amortization of debt issuance costs			98,599		98,599
Occupancy			96,901	1,202	98,103
Office expenses		135	15,694	128,448	144,277
Employee benefits			0	6,786	6,786
Other expenses		710	5,150	21,585	27,446
Salaries and wages	20,154	83,417	183,210	336,260	623,041
Payroll taxes	1,542	9,446	13,443	22,329	46,761
Special events				0	0
Travel		0	1,246	32,295	33,541
Total expenses	<u>\$ 21,696</u>	<u>\$123,361</u>	<u>\$ 511,520</u>	<u>\$ 784,539</u>	<u>\$1,441,117</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, 2020

	CORPORATE DEVELOPMENT & FUND RAISING	MANAGE- MENT AND GENERAL	PROGRAM SERVICES- TRAINING CENTERS	PROGRAM SERVICES- SUMMER BUSINESS CAMP/ YOUTH ABOUT BUSINESS	TOTAL
Accounting fees	\$	\$ 29,512			29,512
Advertising			45	2,924	2,969
Conferences, conventions, and meetings			2,342	38,537	40,879
Contract labor		4,373	12,343	40,841	57,557
Depreciation		-	54,352	5,125	59,477
Dues and subscriptions		820	60	749	1,629
Facilities and equipment other		350	21,976	23,044	45,370
Insurance					
Interest and amortization of debt issuance costs			750	11,464	12,214
Costs			71,631	3,643	75,274
Occupancy			90,918	51,124	142,042
Office expenses		91	13,258	69,511	82,860
Other employee benefits				5,711	5,711
Other expenses		8,523	8,854	19,501	36,878
Other salaries and wages	30,230	110,843	161,226	201,533	503,832
Payroll taxes	2,347	8,996	12,126	15,646	39,115
Special events	84,596		1,132	-	85,728
Travel			4,544	44,214	48,758
Total expenses	\$ 117,173	\$ 163,508	\$ 455,557	\$533,567	\$ 1,269,805

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, 2021 AND OCTOBER 31, 2020 (RESTATED)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Increase in net assets	\$ 648,508	\$ 27,660
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	72,524	59,477
Bad debts allowance	0	23,155
Amortization expense	(13,128)	2,075
Increase in inventory	(4,924)	0
Increase in other assets	2,128	(1,236)
Increase in accounts receivable	(2,006)	(391,654)
Increase in accounts payables	(98,973)	91,373
Increase in accrued payables	(72,925)	45,558
Decrease in deferred revenue	<u>(1,294)</u>	<u>(250)</u>
Net cash (used in) provided by operating activities	(118,598)	(143,842)
Cash flows from investing activities		
(Purchase) Sale of investments	(12,093)	(10,417)
Increase in notes receivable	(180,425)	0
Purchase of property and equipment	<u>(26,585)</u>	<u>(175,734)</u>
Net cash used in investing activities	(219,103)	(186,151)
Cash flows from financing activities		
Proceeds from line of credit	0	86,515
Repayment of line of credit	(34,279)	0
Net proceeds from long-term debt	37,891	87,248
Repayment of Promissory Note	(50,000)	0
Repayment of long-term debt	<u>0</u>	<u>(16,760)</u>
Net cash provided by financing activities	(46,388)	157,003
(Decrease) Increase in cash and cash equivalents	264,418	(172,990)
Cash and cash equivalents at beginning of year	19,181	196,380
Restatements	<u>-</u>	<u>(4,209)</u>
Restated	<u>-</u>	<u>192,171</u>
Cash and cash equivalents at end of year	<u>\$ 283,599</u>	<u>\$ 19,181</u>

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

CREATING AN ENVIRONMENT OF SUCCESS, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED OCTOBER 31, 2021, AND OCTOBER 31, 2020 (RESTATED)

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Financial position and activities are classified based on the existence or absence of donor restrictions as follows:

Net Assets without donor restrictions – Net assets that are not restricted by explicit donor stipulations or by law.

Net assets with donor restrictions – Net assets accepted by board actions, subject to donor stipulations that require the asset be invested in perpetuity.

As of October 31, 2021, and October 31, 2020, the Organization had no net assets with donor restrictions.

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), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets without restrictions support.

The Organization reports gifts of goods and equipment as without donor restrictions support unless explicit donor stipulations specify how the donated assets must be used.

CREATING AN ENVIRONMENT OF SUCCESS, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2021, AND OCTOBER 31, 2020 (RESTATED)

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. Rents are incorporated into program service revenue.

Debt-issuance costs

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. ASC 835-30-45 Interest Imputation of interest simplifies the Presentation of Debt Issuance Costs. This standard requires that debt issuance costs related to debt, be presented in the Statement of Financial Position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Amortization of the debt issuance costs is included with the interest expense as imputed interest.

Advertising Costs

The organization incurred and recorded advertising expense during the fiscal year 2021 to announce program activities available and to make the public aware of its program. None of the expense is considered direct-response advertising costs. Advertising expense was \$1,532.

CREATING AN ENVIRONMENT OF SUCCESS, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2021, AND OCTOBER 31, 2020 (RESTATED)

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 value of the notes payable 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 among its various functional areas according to the purpose or function for which they are incurred. Expenses that are identifiable with a specific program are assigned directly to the specific program by natural expenditure classification. Other expenses that are common to several programs and supporting activities are allocated based on objective, reasonable, rational, and systematic established methodology. Those expenses include occupancy, facilities and equipment- other, and insurance. Occupancy is allocated based on a square footage basis, facilities and equipment- other are allocated based on independent departmental users, and insurance is allocated based on salaries.

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.

Compensated Absences

Employees of the Organization are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. No accrual was made as employees use up all their accrued hours by the end of the year.

CREATING AN ENVIRONMENT OF SUCCESS, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED OCTOBER 31, 2021, AND OCTOBER 31, 2020 (RESTATED)

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	October 31, 2021	October 31, 2020
Cash and Cash Equivalents	\$283,599	\$19,181
Accounts Receivable	\$216,946	\$34,516
Investments	\$47,811	\$35,516
Total Financial Assets	\$548,356	\$89,213
Less Assets Unavailable for General Expenditures Within One Year:		
Investments (Non-Marketable)	\$26,130	\$26,130
Total Assets Unavailable for General Expenditures Within One Year	\$26,130	\$26,130
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$522,226	\$63,083

The \$522,226 of financial assets is available to be used for the operating expenditures for FY 2021.

NOTE 3 – INVESTMENTS

Investments at October 31, 2021 and October 31, 2020, consist of the following:

	2021	2020
Money Market	\$33,174	\$35,718
Mutual Funds	\$14,637	-
Total	\$47,811	\$35,718

Investments are stated at market value.

Fair Market Measurements

Creating an Environment of Success, Inc. has provided fair value disclosure information for relevant assets and liabilities in these financial statements. For applicable assets (liabilities) subject to pronouncement, Creating an Environment of Success will value such assets (liabilities) using quoted market prices in active markets for identical assets to the extent possible (Level 1). To the extent that such market are not available, Creating an Environment of Success will next attempt to value such assets (liabilities) using observable measurement criteria, including quoted market prices of similar assets (liabilities) in active and inactive markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, Creating an Environment of Success, Inc. will develop measurement criteria based on the best information available (Level 3).

CREATING AN ENVIRONMENT OF SUCCESS, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2021, AND OCTOBER 31, 2020 (RESTATED)

Accordingly, the degree of judgement exercised by Creating an Environment of Success, Inc. in determining fair value is greatest for measurements categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement. Creating an Environment of Success, Inc.'s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement and considers factors specific to the financial instrument.

There has been no change in the valuation methodologies used for the years presented and there have been no transfers between levels. The following table summarizes assets (liabilities) which have been accounted for at fair value on a recurring basis as of October 31, along with the basis for the determination of fair value:

2021				
	Total	Level 1	Level 2	Level 3
Mutual Funds	\$14,637	\$14,637	-	-
Investments	\$33,174	\$33,174	-	-
measured at net				
asset value	\$47,811	\$47,811	-	-
2020				
	Total	Level 1	Level 2	Level 3
Mutual Funds	-	-	-	-
Investments	\$35,718	\$35,718	-	-
measured at				
new asset value	\$35,718	\$35,718	-	-

CREATING AN ENVIRONMENT OF SUCCESS, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED OCTOBER 31, 2021, AND OCTOBER 31, 2020 (RESTATED)

NOTE 4 – NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable at October 31, 2021 and October 31, 2020, consist of the following:

	2021	2020
Notes and Accounts Receivable	\$291,914	\$115,188
Less: Allowance for Doubtful Accounts	(\$74,968)	(\$80,672)
Net Receivable	\$216,946	\$34,516

NOTE 5 – PROPERTY AND EQUIPMENT

Depreciation expense as of October 31, 2021, and October 31, 2020, was \$72,524 and \$59,477 respectively. A summary of Property and Equipment as of October 31, 2021, and October 31, 2020 were as follows:

	2021	2020
Land- Business Training Center	\$80,113	\$80,113
Business Training Center	\$1,119,466	\$1,119,466
Furniture and Fixtures	\$9,106	\$9,106
Computer	\$15,349	\$15,349
Vehicle	\$86,382	\$84,881
Building Improvements	\$394,735	\$303,641
Leasehold Improvements	\$83,677	\$83,677
Construction in Progress	-	\$68,083
Total	\$1,788,828	\$1,764,316
Less: Accumulated Depreciation	(\$1,025,220)	(\$954,770)
Property and Equipment, Net	\$763,608	\$809,546

NOTE 6 – OTHER NON-CURRENT ASSETS

Other Non-Current Assets at October 31, 2021 and October 31, 2020, consist of the following:

	2021	2020
Investment in Timeshare	\$10,900	\$10,900
Due from Employee	-	\$711
Due from Elpizo Fund	\$1,800	\$1,800
Loan Closing Costs	\$6,226	-
Total	\$18,926	\$13,411

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 an annual maintenance fee of \$199. The Organization uses this property for senior staff meetings held at the end of summer programming to review outcomes and plan for the upcoming year. This is normally held between August and September of every year.

CREATING AN ENVIRONMENT OF SUCCESS, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED OCTOBER 31, 2021, AND OCTOBER 31, 2020(RESTATED)

NOTE 7 – LINES OF CREDIT AND PROMISSORY NOTES

	2021	2020
On October 13, 2020, the Organization entered into an unsecured loan agreement with Dwayne Raynor (R & C Capital), due payable on December 13, 2020, after which interest will be 10%	\$0	\$15,000
The Organization entered into an unsecured noninterest-bearing loan agreement with Lord's House Ministries (Note 11)	\$9,099	\$9,099
The Organization entered into multiple unsecured noninterest-bearing loan agreements with Sam Kirk on February 1, 2021, and March 1, 2021. A balloon payment was due on December 1, 2021 (Note 11)	\$0	\$35,000
On July 9, 2014, the Organization established a \$50,000 line of credit with Franklin Synergy Bank with an interest rate of 5.25%, secured by all business assets. This was increased to \$150,000 on March 6, 2020, with a rate of 7.75% secured by all business assets. This agreement matures on March 10, 2024.	\$102,236	\$136,515
The Organization established a line of credit with Regions Bank in the amount of \$20,000 on October 31, 2014, with an interest rate of 6.5%, secured by all business assets	\$20,000	\$20,000
Total Promissory Notes	\$131,335	\$195,614

Summaries of the estimated amortization as of October 31, 2021, are as follows:

2022	\$38,713
2023	\$41,820
2024	\$22,251
2025	\$207
2026	\$223
There After	\$28,121
Total	\$131,335

NOTE 8 – INVENTORY AND DONATED GOODS

Inventory consists of donated goods ready for sale and is valued at estimated fair value using the methodology provided by Creating an Environment of Success, Inc. The methodology follows the retail method of accounting for inventory whereby ending inventory represents the present value of future cash flows, or the future selling price, reduced to a cost basis using the average margin on sales of goods. Prior to reaching the point of sale, donated inventory is valued at zero. Contributions of donated merchandise were valued at \$38,069 and \$33,145 for the years ended October 31, 2021, and October 31, 2020, respectively.

CREATING AN ENVIRONMENT OF SUCCESS, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED OCTOBER 31, 2021, AND OCTOBER 31, 2020 (RESTATED)

NOTE 9 – NOTE PAYABLE

Note payable to Franklin Synergy Bank, with monthly installments of \$9,193 began on November 9, 2014, and an annual interest rate 5.4% through initial maturity of October 9, 2018. The loan was refinanced on November 27, 2018, at a fixed rate of 6.45%. Monthly installments of \$8,942 began on December 23, 2018. The new maturity date is November 23, 2028. Interest paid on this loan began in December 2018, and a final balloon payment for the remaining balance of loan will be due at maturity date. The note is secured by commercial property.

Summaries of the estimated maturities over the next year are as follows:

2022	\$24,842
2023	\$26,838
2024	\$28,621
2025	\$30,522
2026	\$32,550
There After	\$1,166,334
Total	\$1,309,707

The Organization had a total non-current debt of \$1,284,865 as of October 31, 2021. The total interest expense is \$98,599. The unamortized debt issuance cost is \$19,353 as of October 31st, 2021.

NOTE 10 – OPERATING LEASES

In fiscal year 2019, the Organization entered into a lease agreement with Swanson Developments, LP, to lease property located at 1647 Middle Tennessee Boulevard for an initial term of five (5) years, for monthly payments of \$5,000 at commencement date of March 1, 2019, which ended on June 30, 2019, and monthly payments of \$7,200 after the base rate expired through October 31, 2021. Payments from November 1, 2021, through October 31, 2023, will be \$8,000. The Organization also leases office space under lease agreements classified as operating leases. The lease matures in October of 2023.

NOTE 11 – RELATED PARTY TRANSACTIONS

As of October 31, 2021, and October 31, 2020, the Organization had investments of \$26,130 and \$26,130 in a related party, Bordeaux Community Investment Group (BCIG)(See Note 2). The executive director of the Organization held an ownership position in the entities the Organization invested in. The Organization also owed \$9,099 and \$44,099 to related parties in promissory notes as of October 31, 2021, and October 31, 2020, respectively (See Note 7).

CREATING AN ENVIRONMENT OF SUCCESS, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2021, AND OCTOBER 31, 2020 (RESTATED)

NOTE 12 – PAYCHECK PROTECTION PROGRAM LOAN

The Organization applied for and received \$87,248 in loan proceeds pursuant to the Paycheck Protection Program (“PPP”), under the Coronavirus Aid Relief and Economic Security (CARES) Act. The PPP Loan is evidenced by a loan application and payment agreement by and between the Organization and the Lender.

Funding was received in April 2020. The full amount was forgiven in 2021. In addition, the organization also applied for and received \$98,732 pursuant to the PPP. The term of the loan is 60 months and matures on the fifth-year anniversary from the date of funding. It bears interest at an annual rate of 1%. Upon meeting certain criteria as specified in the PPP program, the loan and accrued interest are eligible for partial or total forgiveness. The Organization is accounting for the loan as debt, and if forgiveness is granted, the Organization will recognize the forgiven amount as income.

NOTE 13 – RESTATEMENT

There was a restatement of \$399,460 to the Organization’s net assets. This comprised of adjustments to correct duplicate cash transactions, deposits in transit that never cleared, reclassifications, and prior year adjustments.

Beginning Net Assets	(\$510,665)
Restatements	(\$399,460)
Restated Net Assets	(\$910,125)

NOTE 14 – SUBSEQUENT EVENTS

As of June 6, 2022, the date management evaluated such events, there were no subsequent events requiring disclosures. June 6, 2022 is the date the financial statements were available to be issued.