CREATING AN ENVIRONMENT OF SUCCESS, INC.

INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
OCTOBER 31, 2013 AND 2012

CREATING AN ENVIRONMENT OF SUCCESS, INC.

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HOSKINS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2013 and October 31, 2012, 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, 2013 and October 31, 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hoskins & Company

Hoskins & Company
March 19, 2014

CREATING AN ENVIRONMENT OF SUCCESS, INC.
STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2013 AND OCTOBER 31, 2012

	2013	2012
Assets		
Current assets		
Cash and cash equivalents	$ 42,754	$ 14,038
Investments (Note 2)	320	4,258
Contributions and accounts receivable, net (Note 3)	101,530	21,923
Inventory (Note 4)	283,126	298,946
Total current assets	427,730	339,165
Noncurrent assets		
Property and equipment, net (Note 5)	668,576	655,482
Security deposit	10,000	10,000
Other non-current assets (Note 6)	30,899	10,900
Total noncurrent assets	709,475	676,382
Total assets	$ 1,137,205	$ 1,015,547
Liabilities and net assets		
Current liabilities		
Accounts and other payables	$ 69,977	$ 142,360
Line of credit (Note 8)	20,000	230,050
Accrued payables (Note 7)	42,551	46,005
Deferred revenue - rent deposit	3,794	3,794
Current portion of notes payable (Note 8)	52,442	60,027
Current portion of capital lease obligation (Note 9)	-	1,204
Total current liabilities	188,764	483,440
Noncurrent liabilities		
Long term notes payable less current installments (Note 8)	1,001,884	787,489
Total liabilities	1,190,648	1,270,929
Net assets		
Unrestricted net assets	(53,443)	(255,382)
Total net assets	(53,443)	(255,382)
Total liabilities and net assets	$ 1,137,205	$ 1,015,547

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, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues				
Support:				
Public support	$ 524,432	$ -	$ -	$ 524,432
Revenues:				
Special events	41,805	-	-	41,805
Training center	1,017,469	-	-	1,017,469
Other income	128,148	-	-	128,148
Interest income	62	-	-	62
Total support and revenues	1,711,916	-	-	1,711,916
Expenses				
General and Administrative	109,791			109,791
Summer Business Camp	350,479	-	-	350,479
Training Center	1,049,707	-	-	1,049,707
Total expenses	1,509,977	-	-	1,509,977
Increase in net assets	201,939	-	-	201,939
Net assets at beginning of year	(255,382)	-	-	(255,382)
Net assets at end of year	$ (53,443)	$ -	$ -	$ (53,443)

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

CREATING AN ENVIRONMENT OF SUCCESS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2012

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

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, 2013 AND OCTOBER 31, 2012

	2013	2012
Cash flows from operating activities		
Increase in net assets	$ 201,939	$ 201,684
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	57,379	50,054
(Gain) loss on investment	-	(1,322)
Prior period net assets adjustment	-	725
Decrease (increase)in inventory	15,820	(165,383)
(Increase) decrease in loan closing cost	(19,999)	-
(Increase) in contributions and accounts receivable	(79,607)	(8,276)
(Decrease) in accounts payables	(72,383)	(13,047)
(Decrease) increase in accrued payables	(3,454)	940
Increase in rent deposit	-	1,294
Net cash provided by operating activities	99,695	66,669
Cash flows from investing activities		
Proceeds from investments	3,938	13,313
Purchase of property and equipment	(70,473)	(139,486)
Net cash provided by investing activities	(66,535)	13,313
Cash flows from financing activities		
Net (payments of) proceeds from line of credit	(210,050)	9,581
Net proceeds from long-term debt	206,810	8,339
Payments of capitalized lease obligation	(1,204)	(5,708)
Net cash (used in) provided by financing activities	(4,444)	12,212
Net decrease in cash and cash equivalents	28,716	(47,292)
Cash and cash equivalents at beginning of year	14,038	61,330
Cash and cash equivalents at end of year	$ 42,754	$ 14,038
Interest paid	$ 17,072	$ 71,775

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, 2013

	GENERAL AND ADMIN	SUMMER BUSINESS CAMP	TRAINING CENTERS	TOTAL
Salaries	$ 39,175	42,999	$ 326,926	409,100
Garnishments	-	-	815	815
Employer payroll tax	2,678	3,055	25,043	30,776
Other employee benefits	-	-	214	214
Accounting fees	14,450	8,913	13,785	37,148
Fundraising fees	-	-	300	300
Legal fees	-	277	1,308	1,585
Outside contract services	1,210	811	39,773	41,794
Contract services - other	-	52,890	13,350	66,240
Depreciation	-	-	57,379	57,379
Security services	-	-	6,862	6,862
Gasoline	-	90	5,410	5,500
Building materials & supplies	-	-	1,869	1,869
Equip rental and maintenance	-	-	4,180	4,180
Repairs and maintenance	-	98	19,703	19,801
Janitorial services	-	-	1,215	1,215
Janitorial supplies	-	-	519	519
Mortgage interest	-	2,196	49,328	51,524
Property insurance	-	1,873	6,626	8,499
Real estate, personal prop tax	-	-	411	411
Rent	-	-	186,338	186,338
Utilities	-	869	63,476	64,345
Facilities and equipment - other	-	-	8,264	8,264
Business registration fees	-	-	131	131
Business expenses - other	25	-	712	737
Books, subscriptions, reference	-	2,597	-	2,597
Postage, mailing service	32	538	1,608	2,178
Printing and copying	46	3,093	4,545	7,684
Supplies	451	1,265	20,968	22,684
Telecommunications	-	8,023	6,709	14,732
Cable & internet services	-	2,436	5,605	8,041
Merchant card fees	25	4,565	15,482	20,072
Bank charges	1,116	726	1,999	3,841
Sales taxes	-	-	63,411	63,411
Advertising	-	250	3,930	4,180
Insurance - liability, D and O	4,868	3,528	7,159	15,555
Interest - general	14,665	-	2,407	17,072
Late payment penalty	-	-	607	607
Memberships and dues	-	710	45	755
Special events	-	-	2,838	2,838
Gifts to other organizations	3,500	-	-	3,500
Other expenses	25,790	-	57,167	82,957
Prog-related conferences, mtgs.	260	109,348	9,138	118,746
Program related travel costs	-	88,334	6,118	94,452
Scholarships	-	470	1,000	1,470
Stipends	-	6,850	3,000	9,850
Program related expenses - other	1,500	3,675	2,034	7,209
Total expenses	$ 109,791	$ 350,479	$ 1,049,707	$ 1,509,977

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

CREATING AN ENVIRONMENT OF SUCCESS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2012

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

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

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, 2013 and 2012, the Organization had no temporarily and permanently restricted net assets.

Support and Expenses

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

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

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.

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

Property and Equipment

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

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

Fair Values of Financial Instruments

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

Income Taxes

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

Functional Expenses

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

Concentration of Revenues

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

NOTE 2---INVESTMENTS

Investments at October 31, 2013 and 2012, consist of the following:

	2013	2012
Fidelity investments	320	4,258
Total	$ 320	$ 4,258

NOTE 3---CONTRIBUTIONS AND ACCOUNTS RECEIVABLE

Contributions and accounts receivable at October 31, 2013 and 2012, consist of the following:

	2013	2012
Contributions receivable	$ 159,047	$ 46,690
Accounts receivable	-	32,750
Less: Allowance for doubtful accounts	(57,517)	(57,517)
Net receivable	$ 101,530	$ 21,923

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, 2013 and October 31, 2012, was stated at $283,126 and $298,946 respectively. Change in inventory balances of $15,820 was recorded as "Change in year-end inventory valuation" on the statement of activities. The change in year-end inventory valuation was net of an allowance for obsolete, slow-moving, excessive and defective inventory as of October 31, 2013 and October 31, 2012.

NOTE 5---PROPERTY AND EQUIPMENT

Depreciation expense as of October 31, 2013 and October 31, 2012, was $57,379 and $ 50,054 respectively. A summary of Property and Equipment as of October 31, 2013 and October 31, 2012, were as follows:

	2013	2012
Land - Business Training Center	$ 65,000	$ 65,000
Business Training Center	809,537	809,537
Equipment - other	-	27,031
Furniture and fixtures	7,481	33,592
Computer	14,549	38,092
Vehicle	62,382	62,382
Building improvements	191,891	121,439
Leaseholds improvements	96,470	96,470
Total	1,253,543	1,253,543
Less: Accumulated depreciation	(584,967)	(598,061)
Property and equipment, net	$ 668,576	$ 655,482

NOTE 6---OTHER NON-CURRENT ASSETS

Other Non-Current Assets at October 31, 2013 and October 31, 2012 consisted of the following:

	2013	2012
Investment in timeshare	$ 10,900	$ 10,900
Loan closing costs	19,999	-
Total	$ 30,899	$ 10,900

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

NOTE 7---ACCRUED PAYABLES

Accrued Payables at October 31, 2013 and October 31, 2012 consisted of the following:

	2013	2012
Accrued payroll payable	$ 17,298	$ 19,313
Accrued interest payable	5,612	1,288
Sales tax payable	5,941	11,704
Employees benefit	13,700	13,700
Total	$ 42,551	$ 46,005

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, 2013 and October 31, 2012, the outstanding balance on these two lines of credit was $20,000 and $230,050 respectively.

Loans and notes payable as of October 31, 2013 and October 31, 2012 include the following:

	2013	2012
On October15, 2012, the Organization entered into a promissory note agreement with Christine Rayner, payable on January 15, 2013, with a 6% annual interest rate. The note with interest is unsecured.	$ 5,000	$ 25,000

On February 15, 2011, the Organization entered into a promissory note agreement with Samuel and Cynthia Kirk, payable on February 15, 2014, with a 7% annual interest rate. The note with interest is unsecured.	10,000	10,000
On February 15, 2011, the Organization entered into a promissory note agreement with, Lord's House Ministry, payable on February 15, 2014, with a 7% annual interest rate. The note with interest is unsecured.	5,000	5,000
On January 4, 2013, the Organization entered in to a non interest bearing promissory note agreement with Leon Drennan, payable on January 15, 2014. The note with interest is unsecured.	10,000	-
On April 8, 2011, the Organization entered in to a promissory note agreement with James E. Reed, payable on April 8, 2014, 7% annual interest rate. The note with interest is unsecured.	2,000	2,000
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.	12,712	14,255
Note payable to Sun Trust Bank, with monthly installments of $7,215, and an annual interest rate of 7.125% through maturity on August 29, 2017. Franklin Synergy Bank paid off outstanding loan to Sun Trust Bank in full on September 18, 2013.	-	791,261
Note payable to Franklin Synergy Bank, with monthly installment of $7,730 beginning October 18, 2014, and an annual interest rate of 5.400% through maturity on September 18, 2018. The note is secured by commercial property.	1,009,614	-
	1,054,326	847,516
Less: current maturities	(52,442)	(60,027)
Total noncurrent liabilities	$ 1,001,884	$ 787,489

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

October 31, 2014	$ 7,730
October 31, 2015	92,756
October 31, 2016	92,756
October 31, 2017	92,756
Thereafter	723,618
Total	$ 1,009,614

NOTE 9---CAPITAL AND OPERATING LEASES

In fiscal year 2008 the Organization entered into a 60-month capital lease agreement for the lease of copier equipment (Canon IPC) from IKON Financial Services. The lease ended in April, 2013. The balance on the lease at October 31, 2013 and October 31, 2012 was $0 and $1,204 respectively. Also, in fiscal year 2011, the Organization entered into a lease agreement with William Jenkins to lease property located at 3916 Clarksville Pike for an initial term of six (6) months, for monthly payments of $3,500. The Organization also leases office space under lease arrangements classified as operating leases. Total rent expense under these leases were $186,338 and $208,897 for the year ended October 31, 2013 and October 31, 2012 respectively.

NOTE 10---RELATED PARTY

The Organization entered into two promissory notes dated February 15, 2011, to pay to the order of Samuel and Cynthia Kirk, for the amount of $10,000, and to pay to the order of the Lord's House Ministry for the amount of $5,000, with interest rates of seven percent (7%) per annum for 3 years. These notes were unsecured, with principal and accrued interest payments due on April 1, 2012. The total amount of $15,000 was still outstanding on the promissory notes at October 31, 2013, which was reported as notes payable on the statement of financial position as stated on Note 8. Samuel Kirk is the President of the Organization and Cynthia Kirk is the Director of Youth Programming. Samuel Kirk is also the Pastor of the Lord's House Ministry.

NOTE 11 --- SUBSEQUENT EVENTS

On January 7, 2014, the unsecured note from Leon Drennan was repaid and the unsecured note from Samuel and Cynthia Kirk and the Lord's House Ministry were repaid on March 11, 2014. There were no other subsequent events requiring disclosure as of March 19, 2014, the date management evaluated such events. March 19, 2014, is the date the financial statements were available to be issued.