SWEET SLEEP, INC.

FINANCIAL STATEMENTS

September 30, 2011

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FRASIERDEAN
HOWARDCPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Sweet Sleep, Inc.
Brentwood, Tennessee

We have audited the accompanying statement of financial position of Sweet Sleep, Inc. (a not-for-profit organization) as of September 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 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 provides a reasonable basis for our opinion.

As disclosed in Note 7 to the financial statements, the Organization has adopted a policy of preparing its financial statements in conformity with accounting principles generally accepted in the United States of America, whereas it previously used the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, net assets at October 1, 2010 have been restated to reflect the effects of this change.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sweet Sleep, Inc. as of September 30, 2011, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

March 9, 2012

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SWEET SLEEP, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2011

Assets

Cash and cash equivalents	$	167,014
Prepaid expenses and other		30,497
Property and equipment, net		19,792
Total assets	$	217,303

Liabilities and Net Assets

Accounts payable	$	26,637
Accounts payable - related party		3,604
Accrued payroll		3,327
Total liabilities		33,568
Unrestricted net assets		183,735
Total liabilities and net assets	$	217,303

See accompanying notes.

SWEET SLEEP, INC.
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2011

Revenues and support:		
Contributions, including in-kind contributions of $12,602	$	820,097
Interest income		514
Total revenues and gains		820,611
Expenses:		
Program services		687,836
Management and general		99,349
Fundraising		95,921
Total expenses		883,106
Change in net assets		(62,495)
Net assets at October 1, 2010 (as restated)		246,230
Net assets at September 30, 2011	$	183,735

See accompanying notes.

SWEET SLEEP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2011

	Program Services	Management and General	Fundraising	Total
Direct costs of program services	$ 386,308	$ -	$ -	$ 386,308
Payroll	165,328	41,946	45,212	252,486
Advertising and promotion	40,490	-	7,145	47,635
Professional fees	-	36,788	-	36,788
Rent	25,156	7,187	3,594	35,937
Travel	19,335	-	3,156	22,491
Printing	12,926	-	3,232	16,158
Fundraising expenses	-	-	16,112	16,112
In-kind expense	11,602	-	-	11,602
Office supplies	6,043	1,720	867	8,630
Postage and delivery	5,040	591	2,500	8,131
Computer/internet	5,464	705	1,410	7,579
Communications	3,532	707	2,826	7,065
Web services	2,574	-	3,860	6,434
Meals and entertainment	1,313	925	1,753	3,991
Depreciation	2,165	488	396	3,049
Bank fees	60	2,640	-	2,700
Other	-	2,084	387	2,471
Cost of goods sold	-	-	1,796	1,796
Dues and subscriptions	500	1,278	-	1,778
Development events	-	-	1,675	1,675
Licenses, permits and insurance	-	1,314	-	1,314
Meetings	-	976	-	976
Total	$ 687,836	$ 99,349	$ 95,921	$ 883,106

See accompanying notes.

SWEET SLEEP, INC.
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2011

Cash flows from operating activities:		
Change in net assets	$	(62,495)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation		3,049
Donated property and equipment		(1,000)
Changes in operating assets and liabilities:		
Receivables		12,720
Inventory		96
Prepaid expenses		(11,612)
Other assets		(2,437)
Accounts payable		24,265
Accounts payable - related party		3,604
Accrued payroll		132
Net cash used in operating activities		(33,678)
Cash flows from investing activities:		
Purchase of property and equipment		(19,908)
Net cash used in investing activities		(19,908)
Net decrease in cash and cash equivalents		(53,586)
Cash and cash equivalents - beginning of year		220,600
Cash and cash equivalents - end of year	$	167,014
Supplemental schedule of non-cash investing and financing activities:		
Donated property and equipment	$	1,000

See accompanying notes.

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Sweet Sleep, Inc. (the "Organization") is a not-for-profit corporation established under the laws of the state of Tennessee. The Organization exists to share God's love through working with indigenous staff, churches, and businesses to provide beds and bedding to orphaned and abandoned children all around the world. Throughout the year, the Organization also coordinates teams to travel to orphanages to build beds and work with the children who are served by the Organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements present the financial position and results of operations of the Organization in conformity with accounting principles generally accepted in the United States of America. A summary of the significant accounting policies utilized in the preparation of these financial statements follows.

Basis of Presentation

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

Use of Estimates

The preparation of financial statements in accordance 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.

Cash and Cash Equivalents

Cash and cash equivalents consist principally of checking and savings account balances with financial institutions. For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables

At September 30, 2011, all trip receivables are believed to be fully collectible. Accordingly, no provision is made for uncollectible amounts. These receivables are expected to be received within one year and are therefore recorded at their original value in prepaid expenses and other assets on the accompanying statement of financial position.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

The Organization maintained a limited inventory of items held for sale or for giveaway at September 30, 2011. The inventory items are valued at estimated cost and included in prepaid expenses and other assets on the accompanying statement of financial position.

Property and Equipment and Depreciation

Property and equipment purchases in excess of $100 are capitalized and stated at acquisition cost or at estimated fair value at the time of the gift, if donated. Depreciation of property and equipment is calculated by the straight-line method over estimated useful lives ranging from three to ten years.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

The Organization has adopted guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended September 30, 2008 through September 30, 2011. The Organization had no uncertain tax positions at September 30, 2011.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

All advertising costs are expensed when incurred. Advertising expenses for the year ended September 30, 2011 totaled $47,635.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program services – includes the direct costs of providing beds and bedding to orphaned and abandoned children. Additionally, program services includes an allocation of identified indirect costs which facilitate the providing of beds and bedding.

Management and general – includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Applicable costs include those associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting, and related purposes.

Fundraising – includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods as determined by management.

Donated Goods and Services

Donated goods and services are recorded as contributions in the period received at their estimated fair value, if there is an objective and measurable basis for determining such value. Donated items were valued at $12,602, for the year ended September 30, 2011. One donated item, which was valued at $1,000, was capitalized. Donated services are recognized if they create or enhance nonfinancial assets or the donated service requires specialized skills, was performed by a donor possessing such skills, and would have been purchased by the Organization, if not donated. Such services are recognized at fair value as support and expense in the period the services were performed.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services (Continued)

A number of unpaid volunteers have made significant contributions of their time to assist the Organization in implementing various programs and functions. The value of contributed time is not reflected in these financial statements since it does not meet the criteria for recognition under generally accepted accounting principles.

Subsequent Events

Management has evaluated subsequent events through March 9, 2012, the date which the financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2011:

Furniture and fixtures	$ 21,715
Leasehold improvements	4,926
	26,641
Less accumulated depreciation	(6,849)
	$ 19,792

NOTE 4 – CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash on deposit with a financial institution. Deposits may, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes that the Organization is not exposed to significant credit risk related to cash.

For the year ended September 30, 2011, the Organization received contributions from an organization that totaled approximately 20% of total revenues.

NOTE 5 – RELATED PARTIES

In October 2007, the Organization entered into a real property lease for its primary office space in Nashville, Tennessee. This lease was with the founder and president of the Organization. The lease term was for five years at $600 per month plus a common area maintenance charge. The lease was cancelable by either party with 30 days notice.

NOTE 5 – RELATED PARTIES (Continued)

During the year ended September 30, 2009, the Organization made improvements to the real property of the founder totaling $32,400, which consisted of actual costs for improvements to the real property of $13,045 and donated materials and services for improvements of $19,355. The lease agreement stipulated that the Organization would be abated 65 rental payments in consideration for these improvements.

The Organization recognized $496 of interest income and $3,704 of rent expense for the year ended September 30, 2011 under this agreement. The Organization also recognized $3,604 in rent expense relating to common area maintenance charges for the year ended September 30, 2011. The common area maintenance charges were unpaid at year end, resulting in a related payable of $3,604 at September 30, 2011.

During the year ended September 30, 2011, the related party lease was canceled and the Organization moved its corporate offices to a new location (See Note 7). Upon cancellation of the related party lease, management expensed $11,600 in connection with the lease agreement.

NOTE 6 – LEASE OBLIGATION

During the year ended September 30, 2011, the Organization entered into a five year real property lease with an unrelated party and moved its corporate offices. Future minimum lease payments are as follows:

For the Year Ending September 30,	
2012	$ 32,442
2013	33,095
2014	33,966
2015	35,152
2016	20,918
	$ 155,573

Rent expense for the year ended September 30, 2011 totaled $35,937.

NOTE 7 – RESTATEMENT

In previous years, the Organization prepared its financial statements using the modified cash basis of accounting. For the year ended September 30, 2011, the Organization adopted the accrual basis of accounting. Management believes the new method will better present the assets and obligations of the Organization. Net assets at October 1, 2010 have been restated in order to conform to the new basis of accounting. Under accounting principles generally accepted in the United States of America, net assets at October 1, 2010 have been increased by $3,340.