

**SWEET SLEEP, INC.
FINANCIAL STATEMENTS
AND
ACCOUNTANT'S COMPILATION REPORT
PERIOD FROM OCTOBER 1, 2018 THROUGH DECEMBER 31, 2018**

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TABLE OF CONTENTS

	PAGE
ACCOUNTANT'S COMPILATION REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
NOTES TO FINANCIAL STATEMENTS	6 – 10



Board of Directors
Sweet Sleep, Inc.
Brentwood, Tennessee

Management is responsible for the accompanying financial statements of Sweet Sleep, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Tim Montgomery, CPA PLLC

Murfreesboro, Tennessee
January 23, 2020

SWEET SLEEP, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS		
Cash and cash equivalents		\$ 94,512
Prepaid expenses and other assets		3,667
Property and equipment, net		<u>2,506</u>
TOTAL ASSETS		<u><u>\$ 100,685</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable		\$ 25,534
Other accrued liabilities		<u>113</u>
TOTAL LIABILITIES		<u>25,647</u>
NET ASSETS		
Unrestricted		70,448
Temporarily restricted		<u>4,590</u>
TOTAL NET ASSETS		<u>75,038</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 100,685</u></u>

See accompanying notes and accountant's compilation report.

SWEET SLEEP, INC.
STATEMENT OF ACTIVITIES
PERIOD FROM OCTOBER 1, 2018 THROUGH DECEMBER 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support:			
Contributions	\$ 107,180	\$ 4,590	\$ 111,770
Interest income	7	-	7
	<u>107,187</u>	<u>4,590</u>	<u>111,777</u>
Total revenues and other support			
Expenses:			
Program services	43,206	-	43,206
Management and general	26,985	-	26,985
Fundraising	27,310	-	27,310
	<u>97,501</u>	<u>-</u>	<u>97,501</u>
Total expenses			
CHANGE IN NET ASSETS	9,686	4,590	14,276
NET ASSETS, BEGINNING OF THE YEAR	<u>60,762</u>	<u>-</u>	<u>60,762</u>
NET ASSETS, END OF THE YEAR	<u>\$ 70,448</u>	<u>\$ 4,590</u>	<u>\$ 75,038</u>

See accompanying notes and accountant's compilation report.

SWEET SLEEP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
PERIOD FROM OCTOBER 1, 2018 THROUGH DECEMBER 31, 2018

	Program Services	Management and General	Fundraising	Total
Payroll	\$ 21,811	\$ 7,494	\$ -	\$ 29,305
Development expenses	-	-	13,001	13,001
Postage, printing and supplies	2,440	655	8,600	11,695
Rent	7,358	2,102	1,051	10,511
Direct costs of program services	10,162	-	-	10,162
Marketing and promotion	-	7,066	2,020	9,086
Professional fees	-	7,638	-	7,638
Travel	323	-	1,819	2,142
Telephone, computer and internet	887	647	465	1,999
Bank fees	212	796	-	1,008
Meals and entertainment	6	172	354	532
Licenses, permits and insurance	-	367	-	367
Depreciation	-	48	-	48
Other expenses	7	-	-	7
	<u>\$ 43,206</u>	<u>\$ 26,985</u>	<u>\$ 27,310</u>	<u>\$ 97,501</u>

See accompanying notes and accountant's compilation report.

SWEET SLEEP, INC.
STATEMENTS OF CASH FLOWS
PERIOD FROM OCTOBER 1, 2018 THROUGH DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ 14,276
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	48
(Increase) decrease in:	
Prepaid expenses	3,843
Increase (decrease) in:	
Accounts payable	9,067
Other accrued liabilities	<u>(6,430)</u>
Net cash provided by operating activities	<u>20,804</u>
Change in cash and cash equivalents	20,804
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>73,708</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u><u>\$ 94,512</u></u>

See accompanying notes and accountant's compilation report.

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS
PERIOD FROM OCTOBER 1, 2018 THROUGH DECEMBER 31, 2018

NOTE 1 - NATURE OF ORGANIZATION

Sweet Sleep, Inc. (the "Organization"), is a not-for-profit corporation, chartered by the State of Tennessee. The Organization exists to share God's love through working with indigenous staff, churches, non-governmental agencies, and businesses to care for orphaned and vulnerable children around the world, through bed distributions and economic development. Throughout the year, the Organization also coordinates teams to travel to countries it serves, working 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 significant accounting policies utilized in the preparation of these financial statements follows.

Basis of Accounting and Presentation

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

The Organization follows accounting standards set by the Financial Accounting Standards Board (FASB). The financial statements have been prepared in accordance with standards of accounting and financial reporting under Accounting Standards Codification (ASC) 958, *Not for Profit Entities*. The Organization reports information regarding its financial position and activities according to three classes of net assets, described as follows:

Unrestricted net assets are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of restrictions.

Temporarily restricted net assets are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.

Permanently restricted net assets are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income, or specific portions thereof, be used for certain restricted or unrestricted purposes. There were no permanently restricted net assets at December 31, 2018.

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
PERIOD FROM OCTOBER 1, 2018 THROUGH DECEMBER 31, 2018

NOTE 2 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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 services are recognized if they create or enhance nonfinancial assets or if 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 estimated fair value as support and expense in the period the services were performed.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation of property and equipment is calculated by the straight-line method over estimated useful lives ranging from three to ten years.

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
PERIOD FROM OCTOBER 1, 2018 THROUGH DECEMBER 31, 2018

NOTE 2 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 vulnerable children as well as funding programs to support economic development. Additionally, program services include an allocation of identified indirect costs which facilitate the programs.

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.

Functional Allocation of 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
PERIOD FROM OCTOBER 1, 2018 THROUGH DECEMBER 31, 2018

NOTE 2 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from federal 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 accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Organization include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, the Organization has determined that such tax positions do not result in an uncertainty requiring recognition. The Organization files Federal Form 990 in the United States. Federal Forms 990 filed before 2015 are no longer subject to examination. The Organization has not incurred penalties or interest related to federal tax reporting.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31 is as follows:

Furniture and Fixtures	\$ 24,095
Leasehold Improvements	5,666
	<u>29,761</u>
Less Accumulated Depreciation	<u>(27,255)</u>
	<u>\$ 2,506</u>

NOTE 4 - CONCENTRATIONS

The Organization's credit risk relates to cash and cash equivalents. The Organization maintains 4 bank accounts at two banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization has not experienced any losses in such accounts, and management believes that the Organization is not exposed to significant risk related to cash.

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
PERIOD FROM OCTOBER 1, 2018 THROUGH DECEMBER 31, 2018

NOTE 5 - OPERATING LEASE

Subsequent to December 31, 2018, the Organization entered into a new operating lease effective April 2, 2019 for the lease of space for its Brentwood office. Monthly lease payments are due for the term of the lease ending on April 30, 2022. Future lease commitments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 21,504
2020	12,980
2021	13,368
2022	<u>9,088</u>
	<u>\$ 56,940</u>

Rent expense was \$10,511 from October 1, 2018 through December 31, 2018.

NOTE 6 - CHANGE IN ACCOUNTING YEAR END

The Organization has changed its accounting year end, its latest which was September 30, 2018, to a calendar year end effective December 31, 2018. This change to a calendar year will be more consistent with annual reporting of the Organization's programs and results. This interim compilation report is provided to report the period from October 1, 2018 through December 31, 2018. The Organization's normal programming activities had largely been accomplished during the previous fiscal year ended September 30, 2019 so this interim period reflects a short period when the Organization's activities were mostly focused on managerial aspects of the Organization and its programs.

NOTE 7 - SUBSEQUENT EVENTS

Events Occurring After Reporting Date

Sweet Sleep, Inc. has evaluated events and transactions that occurred between December 31, 2018 and January 23, 2020, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.