

**SWEET SLEEP, INC.
FINANCIAL STATEMENTS
AND
ACCOUNTANT'S COMPILATION REPORT
YEARS ENDING DECEMBER 31, 2022 and 2021**

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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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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
March 6, 2023

SWEET SLEEP, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 129,105	\$ 207,115
Prepaid expenses and other assets	11,984	26,179
Property and equipment, net	<u>364</u>	<u>728</u>
TOTAL ASSETS	<u>\$ 141,453</u>	<u>\$ 234,022</u>
LIABILITIES AND NET ASSETS		
Accounts payable	<u>\$ 5,573</u>	<u>\$ 3,583</u>
TOTAL LIABILITIES	<u>5,573</u>	<u>3,583</u>
NET ASSETS		
Without donor restrictions	133,880	207,509
With donor restrictions	<u>2,000</u>	<u>22,930</u>
TOTAL NET ASSETS	<u>135,880</u>	<u>230,439</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 141,453</u>	<u>\$ 234,022</u>

See accompanying notes and accountant's compilation report.

SWEET SLEEP, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDING DECEMBER 31, 2022 AND 2021

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Revenues and other support:				
Contributions	\$ 346,853	\$ -	\$ 405,005	\$ -
Interest income	192	-	68	-
Other income	61	-	909	-
PPP forgiveness income	-	-	28,070	-
Gain on sale of fixed assets	-	-	-	-
Net assets released from restrictions	20,930	(20,930)	4,130	(4,130)
Total revenues and other support	368,036	(20,930)	438,182	(4,130)
Expenses:				
Program services:				
Bed distribution	73,341	-	88,145	-
Cooperative programs	249,292	-	157,448	-
Educational services	48,503	-	23,569	-
Management and general Fundraising	49,083	-	55,322	-
	21,446	-	41,921	-
Total expenses	441,665	-	366,405	-
CHANGE IN NET ASSETS	(73,629)	(20,930)	71,777	(4,130)
NET ASSETS, BEGINNING OF THE YEAR	207,509	22,930	135,732	27,060
NET ASSETS, END OF THE YEAR	\$ 133,880	\$ 2,000	\$ 207,509	\$ 22,930
				\$ 405,005
				68
				909
				28,070
				-
				-
				434,052
				88,145
				157,448
				23,569
				55,322
				41,921
				366,405
				67,647
				162,792
				230,439

See accompanying notes and accountant's compilation report.

SWEET SLEEP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEARS ENDING DECEMBER 31, 2022 AND 2021

	Bed Distribution	Cooperative Programs	Educational Services	Management and General	Fundraising	Total 2022	Total 2021
Direct costs of program services	\$ 57,726	\$ 182,174	\$ 6,446	\$ -	\$ -	\$ 246,346	\$ 161,911
Payroll	11,790	58,952	11,790	18,994	17,685	119,211	110,371
Marketing and program development	-	-	27,560	6,904	-	34,464	29,550
Professional fees and subscriptions	300	700	365	11,464	-	12,829	9,051
Telephone, computer and internet	1,618	5,063	482	4,121	724	12,008	8,333
Rent	434	2,172	434	652	652	4,344	3,129
Postage, printing and supplies	19	49	204	2,157	1,573	4,002	3,460
Bank fees	604	-	-	2,585	-	3,189	2,840
Travel	814	-	1,186	-	-	2,000	1,788
Licenses, permits and insurance	-	-	-	1,497	-	1,497	1,440
Development expenses	-	-	-	-	757	757	3,121
Meetings	-	-	-	654	-	654	857
Depreciation	36	182	36	55	55	364	554
Consulting	-	-	-	-	-	-	30,000
	<u>\$ 73,341</u>	<u>\$ 249,292</u>	<u>\$ 48,503</u>	<u>\$ 49,083</u>	<u>\$ 21,446</u>	<u>\$ 441,665</u>	<u>\$ 366,405</u>

See accompanying notes and accountant's compilation report.

SWEET SLEEP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDING DECEMBER 31, 2021

	Bed Distribution	Cooperative Programs	Educational Services	Management and General	Fundraising	Total
	\$	\$	\$	\$	\$	\$
Direct costs of program services	\$ 65,759	\$ 93,176	\$ 2,976	\$ -	\$ -	\$ 161,911
Payroll	16,364	60,001	-	17,642	16,364	110,371
Consulting	-	-	9,000	-	21,000	30,000
Marketing and promotion	-	-	11,200	18,350	-	29,550
Professional fees and subscriptions	-	-	-	9,051	-	9,051
Telephone, computer and internet	1,950	2,245	-	3,483	655	8,333
Postage, printing and supplies	747	-	393	2,320	-	3,460
Rent	470	1,721	-	469	469	3,129
Development expenses	-	-	-	-	3,121	3,121
Bank fees	780	-	-	2,060	-	2,840
Travel	1,788	-	-	-	-	1,788
Licenses, permits and insurance	-	-	-	1,440	-	1,440
Meetings	204	-	-	424	229	857
Depreciation	83	305	-	83	83	554
	<u>\$ 88,145</u>	<u>\$ 157,448</u>	<u>\$ 23,569</u>	<u>\$ 55,322</u>	<u>\$ 41,921</u>	<u>\$ 366,405</u>

See accompanying notes and accountant's compilation report.

SWEET SLEEP, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDING DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (94,559)	\$ 67,647
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Forgiveness of advances under Paycheck Protection Program	-	(28,070)
Depreciation	364	554
(Increase) decrease in:		
Prepaid expenses	14,195	2,630
Increase (decrease) in:		
Accounts payable	<u>1,990</u>	<u>(578)</u>
Net cash provided by (used in) operating activities	<u>(78,010)</u>	<u>42,183</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>-</u>	<u>(1,092)</u>
Net cash used in investing activities	<u>-</u>	<u>(1,092)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Funds advanced under Paycheck Protection Program	<u>-</u>	<u>28,070</u>
Net cash provided by investing activities	<u>-</u>	<u>28,070</u>
Change in cash and cash equivalents	(78,010)	69,161
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>207,115</u>	<u>137,954</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u><u>\$ 129,105</u></u>	<u><u>\$ 207,115</u></u>

See accompanying notes and accountant's compilation report.

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2022 and 2021

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, economic development, and educational programs. Throughout the year, the Organization also coordinates teams to travel to countries it serves, working with the children who are served by the Organization. The Organization provides benefits through:

- *Bed distribution* – The Organization provides beds to orphaned, abandoned, and vulnerable children internationally in Uganda and in the United States. The beds are a means of benefiting children by helping to improve health, provide security and dignity, and providing them with true rest. In August 2021 we resumed our bed distributions after travel restrictions to Uganda were lifted.
- *Cooperative programs* – The Organization builds relationships and trust to form cooperative programs with resident single mothers, widows and caretakers in Uganda. Training and start-up funds are provided for resident recipients to start businesses and generate sustainable income allowing them to provide for basic necessities for themselves and their families.
- *Educational services* – The Organization engages churches across the U.S. with programs for children and youth helping to educate them about the needs of orphaned and vulnerable children around the world.

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.

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)
YEARS ENDING DECEMBER 31, 2022 and 2021

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

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

- Net Assets Without Donor Restriction – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.
- Net Assets With Donor Restriction – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations or donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Cash and Cash Equivalents

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

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)
YEARS ENDING DECEMBER 31, 2022 and 2021

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

Contributions

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises to give are made, or ownership of other assets is transferred to the Organization. Contributed land and equipment are recorded at estimated fair value at the date of the donation. In-kind contributions are recorded based on their estimated value on the date of receipt.

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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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.

The Organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Organization's program operations and in its fund-raising efforts. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. No contributed goods or services have been recognized in these financial statements.

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.

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDING DECEMBER 31, 2022 and 2021

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

Income Taxes (continued)

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 2019 are no longer subject to examination. The Organization has not incurred penalties or interest related to federal tax reporting.

New accounting pronouncements to be adopted subsequent to December 31, 2021

In February 2016, the FASB issued ASU 2016-02 Leases which together with subsequent amendments is included in Topic 842 "Leases" ("Topic 842"). Most significantly, Topic 842 requires a lessee to recognize a liability to make lease payments and an asset with respect to its right to use the underlying asset for the lease term. Topic 842 also addresses accounting and reporting by lessors, which is not significantly different from current accounting and reporting, and further provides for qualitative and quantitative disclosures. Topic 842, as amended, becomes effect for private companies for fiscal years beginning after December 15, 2021; early adoption is permitted. Management adopted the full provisions of the standard on January 1, 2022 and determined it had no effect on its reporting.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Furniture and Fixtures	\$ 2,653	\$ 2,653
Less Accumulated Depreciation	<u>(2,289)</u>	<u>(1,925)</u>
	<u>\$ 364</u>	<u>\$ 728</u>

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDING DECEMBER 31, 2022 and 2021

NOTE 4 - OPERATING LEASE

The Organization was party to an operating lease for office space in Brentwood, Tennessee through April 30, 2022. As a result of the COVID-19 pandemic and various stay-at-home orders, the Organization negotiated and received a release from its lease in August 2021 and effective as of September 1, 2021. The Organization maintains a storage space that it rents on a month to month basis. Rent expense was \$4,344 and \$3,129 for the years ending December 31, 2022 and 2021, respectively.

NOTE 5 - FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support services are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by employees.
- Occupancy, depreciation, telephone and internet services, supplies and various other expenses that cannot be directly identified are allocated on the basis of employee costs for each program and supporting activity.

The bases on which costs are allocated are evaluated periodically when new programs are added.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

NOTE 6 - PAYCHECK PROTECTION PROGRAM

During this time, the Organization applied for and was approved for a \$28,070 loan under the PPP for 2021. Loans accrued interest at 1%, but payments were not required for six months after the funding of the loan. Loans were eligible for forgiveness of up to 100% of the loan, upon meeting certain requirements. The loans were uncollateralized and fully guaranteed by the Federal Government.

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDING DECEMBER 31, 2022 and 2021

NOTE 6 - PAYCHECK PROTECTION PROGRAM (CONTINUED)

The Organization spent all PPP funds during required time periods in 2021. Although the Organization had not yet received forgiveness at its year end December 31, 2021, it believed it had met all requirements to receive full forgiveness for the PPP loan. Accordingly, we recognized full forgiveness income during December 31, 2021. We subsequently received full forgiveness for the 2021 PPP loan on February 7, 2022.

NOTE 7 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization's financial assets as of December 31, 2022, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as board designated endowments (if applicable).

Financial assets:	
Cash and cash equivalents	\$ 129,105
Financial assets, at year end	<u>129,105</u>
Less those unavailable for general expenditure within one year, due to:	
Purpose restricted net assets	<u>(2,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 127,105</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 8 - CONCENTRATIONS

The Organization receives support from various churches and individual donors. Of its total revenue and support, the Organization received approximately 38% from two donors in 2022 and 15% from one donor in 2021.

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)
YEARS ENDING DECEMBER 31, 2022 and 2021

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

At December 31, net assets with donor restrictions were available for the following purposes:

	<u>2022</u>	<u>2021</u>
Purpose restrictions, available for spending:		
Summer program/Uganda missions	<u>\$ 2,000</u>	<u>\$ 22,930</u>

NOTE 10 - SUBSEQUENT EVENTS

Events Occurring After Reporting Date

Sweet Sleep, Inc. has evaluated events and transactions that occurred between December 31, 2022 and March 6, 2023 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.