

**SWEET SLEEP, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT
YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

**SWEET SLEEP, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT
YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

TABLE OF CONTENTS

	PAGE
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statement of Functional Expenses, year ended September 30, 2009	4
Statement of Functional Expenses, year ended September 30, 2008	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 10

BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors
Sweet Sleep, Inc.

We have compiled the accompanying statements of financial position of Sweet Sleep, Inc. (a Tennessee not-for-profit corporation, the "Organization") as of September 30, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Blankenship CPA Group, PLLC

December 10, 2009

SWEET SLEEP, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2009 AND 2008

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 146,726	\$ 158,878
Accounts receivable	195	891
Due from officer	871	-
Note receivable - related party	20,943	26,756
Inventory	-	582
Property and equipment, net	<u>2,978</u>	<u>4,442</u>
Total assets	<u>\$ 171,713</u>	<u>\$ 191,549</u>
LIABILITIES AND NET ASSETS		
Accrued expenses	\$ -	\$ 3,000
Unrestricted net assets	<u>171,713</u>	<u>188,549</u>
Total liabilities and net assets	<u>\$ 171,713</u>	<u>\$ 191,549</u>

See accompanying notes and independent accountants' compilation report.

SWEET SLEEP, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	2009	2008
Revenues:		
Contributions	\$ 423,106	\$ 312,934
In-kind contributions	-	10,960
Interest income	<u>1,958</u>	<u>7,310</u>
Total revenues	<u>425,064</u>	<u>331,204</u>
Expenses:		
Program services	318,537	291,280
Supporting services:		
Management and general	66,454	59,968
Fundraising	<u>56,909</u>	<u>38,029</u>
Total expenses	<u>441,900</u>	<u>389,277</u>
Change in net assets	(16,836)	(58,073)
Net assets, beginning of year	<u>188,549</u>	<u>246,622</u>
Net assets, end of year	<u>\$ 171,713</u>	<u>\$ 188,549</u>

See accompanying notes and independent accountants' compilation report.

SWEET SLEEP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2009

	PROGRAM	MANAGEMENT	FUNDRAISING	TOTAL
	SERVICES	AND GENERAL		
Direct costs of program services	\$ 173,293	\$ -	\$ -	\$ 173,293
Payroll	117,532	35,110	35,110	187,752
Advertising and promotion	8,683	2,292	3,353	14,328
Bank fees	40	913	-	953
Board expense	-	160	-	160
Communications	51	5,089	-	5,140
Computer/Internet	59	170	-	229
Continuing education	35	120	-	155
Depreciation	1,044	233	187	1,464
Development events	4,765	-	12,438	17,203
Dues and subscriptions	-	1,302	-	1,302
Gifts and contributions	-	-	11	11
Insurance	-	1,049	-	1,049
License and permits	-	75	-	75
Meals and entertainment	338	396	1,581	2,315
Meetings	-	8	-	8
Miscellaneous	-	1,460	-	1,460
Office supplies	250	3,186	299	3,735
Postage and delivery	1,796	919	1,481	4,196
Printing	4,116	182	2,449	6,747
Professional fees	-	2,586	-	2,586
Reimbursable	-	200	-	200
Rent	-	10,842	-	10,842
Travel	4,813	49	-	4,862
Volunteer expense	-	113	-	113
Web services	1,722	-	-	1,722
	<hr/>			
Total functional expenses	\$ 318,537	\$ 66,454	\$ 56,909	\$ 441,900
	<hr/>			

See accompanying notes and independent accountants' compilation report.

SWEET SLEEP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2008

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Direct costs of program services	\$ 182,918	\$ -	\$ -	\$ 182,918
Payroll	88,162	23,819	13,387	125,368
Advertising and promotion	5,587	4,099	5,529	15,215
Bank fees	-	654	-	654
Board expense	-	343	-	343
Communications	-	5,530	-	5,530
Computer/Internet	-	418	-	418
Continuing education	-	323	-	323
Depreciation	649	130	87	866
Development events	-	-	13,874	13,874
Dues and subscriptions	-	1,081	-	1,081
Fundraising	-	-	34	34
Gift cards	-	-	200	200
Gifts and contributions	-	73	-	73
Meals and entertainment	-	-	1,794	1,794
Meetings	-	408	-	408
Miscellaneous	-	421	470	891
Office supplies	-	5,903	-	5,903
Postage and delivery	1,229	1,110	526	2,865
Printing	3,945	4,318	1,027	9,290
Professional fees	-	4,949	-	4,949
Reimbursable	-	1,507	81	1,588
Rent	7,650	1,760	1,020	10,430
Repairs and maintenance	-	346	-	346
Travel	-	951	-	951
Utilities	-	952	-	952
Volunteer expense	430	73	-	503
Web services	710	800	-	1,510
Total functional expenses	\$ 291,280	\$ 59,968	\$ 38,029	\$ 389,277

See accompanying notes and independent accountants' compilation report.

SWEET SLEEP, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	2009	2008
Cash flows from operating activities:		
Changes in net assets	<u>\$ (16,836)</u>	<u>\$ (58,073)</u>
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Donated labor and materials	-	(10,960)
Interest	(1,387)	(1,556)
Rent	7,200	7,200
Depreciation	1,464	866
Decrease (increase) in:		
Accounts receivable	696	(756)
Due from officer	(871)	-
Inventory	582	(582)
Increase (decrease) in:		
Accrued expenses	<u>(3,000)</u>	<u>3,000</u>
Total adjustments	<u>4,684</u>	<u>(2,788)</u>
Net cash used by operating activities	<u>(12,152)</u>	<u>(60,861)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>-</u>	<u>(7,205)</u>
Net cash used by investing activities	<u>-</u>	<u>(7,205)</u>
Net decrease in cash and cash equivalents	(12,152)	(68,066)
Cash and cash equivalents, beginning of year	<u>158,878</u>	<u>226,944</u>
Cash and cash equivalents, end of year	<u><u>\$ 146,726</u></u>	<u><u>\$ 158,878</u></u>

See accompanying notes and independent accountants' compilation report.

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2009 AND 2008

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

Basis of Presentation

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

Cash and Cash Equivalents

Cash and cash equivalents consist principally of checking and savings account balances with financial institutions.

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 statements of activities as net assets released in satisfaction of program restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows (unless immaterial). Conditional promises to give are not included as support until such time as the conditions are substantially met.

Temporarily Restricted Net Assets

Promises to give in the future are recognized as temporarily restricted net assets and revenues in the period promised if the promise is unconditional or the possibility that a condition will not be met is remote.

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Property and Equipment

Equipment and furniture 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 five years for equipment and furniture.

Inventory

The Organization maintained a very limited inventory of items held for sale or for giveaway at September 30, 2008. The Organization decided to inventory these items instead of immediately expensing them for reporting purposes and valued the inventory items at cost.

Advertising

All advertising costs are expensed when incurred. There were no direct response advertising costs incurred in 2009 and 2008.

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.

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 determined by management

Donated Goods and Services

Donated facilities and materials 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 the donated service requires specialized skills, was performed by a donor who possess 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.

A number of unpaid volunteers have made significant contributions of their time to assist the Organization in implementing various programs and exhibits. The value of contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported period. Actual results could differ from those estimates.

NOTE 3 - CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash on deposit with several financial institutions. 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, 2008 the Organization received a significant contribution from a church that was approximately 29% of total contributions and a significant contribution from an organization that was approximately 14% of total contributions.

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2009 AND 2008

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	2009	2008
Furniture and fixtures	\$ 5,308	\$ 5,308
Less accumulated depreciation	<u>(2,330)</u>	<u>(866)</u>
	<u>\$ 2,978</u>	<u>\$ 4,442</u>

Depreciation expense for the years ended September 30, 2009 and 2008 totaled \$1,464 and \$866, respectively.

NOTE 5 - RELATED PARTIES

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

During the year ended September 30, 2008, the Organization made improvements to the real property of the founder totaling \$32,400, which consists 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 stipulates that the Organization will be abated 65 rental payments in consideration for these improvements. Interest of 5.75% will be included in the abatement payments. The Organization recognized \$1,387 and \$1,556 of interest income and \$7,200 of rent expense for the years ended September 30, 2009 and 2008 under this agreement. The Organization also recognized \$3,500 and \$3,000 in rent expense relating to common area maintenance charges for the years ended September 30, 2009 and 2008.

The Organization inappropriately paid expenses which should have been included in the common area maintenance charges. The Organization has accrued \$871 as a due from officer related to these expenses. Management plans to use these overpayments to offset future common area maintenance charges.