

SWEET SLEEP, INC.
FINANCIAL STATEMENTS
September 30, 2013

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

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

We have compiled the accompanying statement of financial position of Sweet Sleep, Inc. (a nonprofit organization) as of September 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements, and accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Fraser, Dean & Howard PLLC

May 20, 2014

SWEET SLEEP, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2013

Assets

Cash and cash equivalents	\$ 59,892
Prepaid expenses and other	23,635
Inventory	25,780
Property and equipment, net	<u>11,479</u>
Total assets	<u><u>\$ 120,786</u></u>

Liabilities and Net Assets

Accounts payable	\$ 30,618
Accrued payroll	<u>2,527</u>
Total liabilities	<u>33,145</u>
Unrestricted net assets	52,396
Temporarily restricted net assets	<u>35,245</u>
Total net assets	<u>87,641</u>
Total liabilities and net assets	<u><u>\$ 120,786</u></u>

See accompanying notes and accountant's compilation report.

SWEET SLEEP, INC.
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support:			
Contributions	\$ 406,991	\$ 18,764	\$ 425,755
In-kind contributions	35,850	7,350	43,200
Product sales	9,858	-	9,858
Other income	59	-	59
Net assets released from restrictions	5,527	(5,527)	-
Total revenues and support	<u>458,285</u>	<u>20,587</u>	<u>478,872</u>
Expenses:			
Program services	423,641	-	423,641
Management and general	78,370	-	78,370
Fundraising	86,969	-	86,969
Total expenses	<u>588,980</u>	<u>-</u>	<u>588,980</u>
Change in net assets	(130,695)	20,587	(110,108)
Net assets - beginning of year	<u>183,091</u>	<u>14,658</u>	<u>197,749</u>
Net assets - end of year	<u>\$ 52,396</u>	<u>\$ 35,245</u>	<u>\$ 87,641</u>

See accompanying notes and accountant's compilation report.

SWEET SLEEP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll	\$ 138,640	\$ 23,795	\$ 61,943	\$ 224,378
Direct costs of program services	194,933	-	-	194,933
Professional fees	1,565	37,061	36	38,662
Rent	24,376	6,965	3,482	34,823
Travel	21,652	149	512	22,313
Web services	4,614	3,304	7,640	15,558
Printing	8,999	-	2,250	11,249
Computer/internet	6,470	1,148	2,818	10,436
Advertising and promotion	5,902	-	1,041	6,943
Communications	3,413	521	1,595	5,529
Depreciation	3,848	867	704	5,419
Postage and delivery	2,183	780	156	3,119
Meals and entertainment	2,440	-	610	3,050
Development events	250	-	2,252	2,502
Bank fees	1,751	222	244	2,217
Dues and subscriptions	750	1,080	-	1,830
Insurance	-	1,737	-	1,737
Office supplies	1,132	323	162	1,617
Cost of goods sold	161	-	1,447	1,608
Gifts and contributions	434	189	77	700
Meetings	128	84	-	212
Other	-	145	-	145
	<u>\$ 423,641</u>	<u>\$ 78,370</u>	<u>\$ 86,969</u>	<u>\$ 588,980</u>

See accompanying notes and accountant's compilation report.

SWEET SLEEP, INC.
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2013

Cash flows from operating activities:	
Change in net assets	\$ (110,108)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	5,419
Loss on disposal of property and equipment	846
Changes in operating assets and liabilities:	
Prepaid expenses and other	(5,602)
Inventory	(9,753)
Accounts payable	12,331
Accrued payroll	(4,416)
	(111,283)
Cash flows from investing activities:	
Purchase of property and equipment	(2,181)
	(2,181)
	(113,464)
Cash and cash equivalents - beginning of year	173,356
Cash and cash equivalents - end of year	\$ 59,892

See accompanying notes and accountant's compilation report.

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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.

Resources are classified as unrestricted, temporarily restricted, or permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, 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 the restriction.

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 September 30, 2013.

Use of Estimates

The preparation of financial statements in accordance 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 reporting period. Actual results could differ from those estimates.

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. An allowance for uncollectible accounts is provided based on past experience with collections and estimated collectability of current receivables. Uncollectible accounts are charged against the allowance in the period determined to be uncollectible. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using an interest rate applicable to the year in which the promise is received. Conditional promises to give are not recognized as support until such time as the conditions are substantially met.

At September 30, 2013, all contributions receivable are expected to be received within one year and are therefore recorded at their original value in. Promises to give of \$4,520, net an allowance of \$2,553, are recorded in prepaid expenses and other assets on the accompanying statement of financial position.

Inventory

Inventory consists principally of Sweet Sleep promotional clothing and supplies and jewelry made by indigenous widows in Uganda and of donated beds. The inventory items are valued at estimated cost.

Property and Equipment and Depreciation

Property and equipment purchases in excess of \$500 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

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

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 follows 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, 2010 through September 30, 2013. The Organization had no uncertain tax positions at September 30, 2013.

Advertising

All advertising costs are expensed when incurred. Advertising expenses for the year ended September 30, 2013 totaled \$6,943.

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.

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program and Supporting Services (Continued)

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 \$43,200 for the year ended September 30, 2013. 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 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 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 May 20, 2014, 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.

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2013

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2013:

Furniture and fixtures		\$	22,831
Leasehold improvements			4,926
			<u>27,757</u>
Less accumulated depreciation			<u>(16,278)</u>
		<u>\$</u>	<u>11,479</u>

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.

NOTE 5 – LEASE OBLIGATION

During the year ended September 30, 2011, the Organization entered into a five year real property lease for its corporate offices. Future minimum lease payments are as follows for the years ended September 30th:

2014		\$	33,966
2015			35,152
2016			<u>20,918</u>
		<u>\$</u>	<u>90,036</u>

Rent expense for the year ended September 30, 2013 totaled \$34,823.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of contributions restricted for future programs. At September 30, 2013, net assets were temporarily restricted for the following:

Mosquito nets		\$	27,895
Beds			<u>7,350</u>
		<u>\$</u>	<u>35,245</u>