

SWEET SLEEP, INC.
FINANCIAL STATEMENTS
September 30, 2012

SWEET SLEEP, INC.
TABLE OF CONTENTS

Independent Auditor's Report.....	2
Financial Statements:	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7 – 11



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, 2012, 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.

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, 2012, 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

February 22, 2013

SWEET SLEEP, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2012

Assets

Cash and cash equivalents	\$ 173,356
Prepaid expenses and other	18,033
Inventory	16,027
Property and equipment, net	<u>15,563</u>
 Total assets	 <u><u>\$ 222,979</u></u>

Liabilities and Net Assets

Accounts payable	\$ 18,287
Accrued payroll	<u>6,943</u>
 Total liabilities	 <u>25,230</u>
 Unrestricted net assets	 183,091
Temporarily restricted net assets	<u>14,658</u>
 Total net assets	 <u>197,749</u>
 Total liabilities and net assets	 <u><u>\$ 222,979</u></u>

See accompanying notes.

SWEET SLEEP, INC.
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support:			
Contributions	\$ 834,259	\$ 14,658	\$ 848,917
Product sales	32,779	-	32,779
Interest income	771	-	771
	<u>867,809</u>	<u>14,658</u>	<u>882,467</u>
Total revenues and support			
Expenses:			
Program services	670,075	-	670,075
Management and general	81,357	-	81,357
Fundraising	117,021	-	117,021
	<u>868,453</u>	<u>-</u>	<u>868,453</u>
Total expenses			
Change in net assets	(644)	14,658	14,014
Net assets - beginning of year	<u>183,735</u>	<u>-</u>	<u>183,735</u>
Net assets - end of year	<u>\$ 183,091</u>	<u>\$ 14,658</u>	<u>\$ 197,749</u>

See accompanying notes.

SWEET SLEEP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2012

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Direct costs of program services	\$ 380,488	\$ -	\$ -	\$ 380,488
Payroll	126,593	17,648	57,021	201,262
Professional fees	43,290	47,456	6,033	96,779
Rent	23,635	6,753	3,377	33,765
Advertising and promotion	24,392	-	4,305	28,697
Travel	18,683	-	1,040	19,723
Web services	8,850	1,234	3,986	14,070
Computer/internet	8,821	1,230	3,973	14,024
Fundraising expenses	-	-	13,532	13,532
Printing	9,654	-	2,414	12,068
Development events	980	-	8,819	9,799
Communications	5,333	798	2,501	8,632
Cost of goods sold	661	-	5,947	6,608
Depreciation	3,641	821	666	5,128
Other	3,160	1,043	673	4,876
Meals and entertainment	3,485	-	871	4,356
Postage and delivery	2,723	194	972	3,889
Office supplies	2,419	691	346	3,456
Bank fees	2,387	290	417	3,094
Dues and subscriptions	706	890	84	1,680
Licenses, permits and insurance	-	1,656	-	1,656
Meetings	174	653	44	871
	<u>174</u>	<u>653</u>	<u>44</u>	<u>871</u>
Total	<u>\$ 670,075</u>	<u>\$ 81,357</u>	<u>\$ 117,021</u>	<u>\$ 868,453</u>

See accompanying notes.

SWEET SLEEP, INC.
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2012

Cash flows from operating activities:	
Change in net assets	\$ 14,014
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	5,128
Changes in operating assets and liabilities:	
Prepaid expenses and other	7,918
Inventory	(11,481)
Accounts payable	(8,350)
Accounts payable - related party	(3,604)
Accrued payroll	3,616
	<u>7,241</u>
Net cash provided by operating activities	<u>7,241</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(899)</u>
Net cash used in investing activities	<u>(899)</u>
Net increase in cash and cash equivalents	6,342
Cash and cash equivalents - beginning of year	<u>167,014</u>
Cash and cash equivalents - end of year	<u><u>\$ 173,356</u></u>

See accompanying notes.

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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, 2012.

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.

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2012

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, 2012, all contributions receivable are expected to be received within one year and are therefore recorded at their original value in. Promises to give of \$5,105, net an allowance of \$2,554, 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. 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 received that are designated for future periods or restricted by the donor for specific purposes are

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

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, 2009 through September 30, 2012. The Organization had no uncertain tax positions at September 30, 2012.

Advertising

All advertising costs are expensed when incurred. Advertising expenses for the year ended September 30, 2012 totaled \$28,697.

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, 2012

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 \$505, for the year ended September 30, 2012. 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 February 22, 2013, 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, 2012

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2012:

Furniture and fixtures	\$	22,614
Leasehold improvements		<u>4,926</u>
		27,540
 Less accumulated depreciation		 <u>(11,977)</u>
		 <u>\$ 15,563</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 with an unrelated party and moved its corporate offices. Future minimum lease payments are as follows:

For the Year Ending <u>September 30,</u>		
2013	\$	33,095
2014		33,966
2015		35,152
2016		<u>20,918</u>
		 <u>\$ 123,131</u>

Rent expense for the year ended September 30, 2012 totaled \$33,765.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of contributions restricted for future programs. At September 30, 2012, net assets of \$14,658 were temporarily restricted to provide mosquito nets.