

**SWEET SLEEP, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Sweet Sleep, Inc.  
Brentwood, Tennessee

### Report on the Financial Statements

I have audited the accompanying financial statements of Sweet Sleep, Inc. (a nonprofit organization) which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sweet Sleep, Inc. as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Tim Montgomery, CPA PLLC*

Murfreesboro, Tennessee  
November 26, 2018

**SWEET SLEEP, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2018 AND 2017**

<b>ASSETS</b>	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 73,708	\$ 97,007
Prepaid expenses and other assets	7,510	4,771
Inventory	-	3,821
Property and equipment, net	<u>2,554</u>	<u>3,207</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 83,772</u></u>	 <u><u>\$ 108,806</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 16,467	\$ 20,604
Accrued payroll	<u>6,543</u>	<u>2,350</u>
 <b>Total current liabilities</b>	 <u>23,010</u>	 <u>22,954</u>
 <b>NET ASSETS</b>		
Unrestricted	<u>60,762</u>	<u>85,852</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u>\$ 83,772</u></u>	 <u><u>\$ 108,806</u></u>

See accompanying notes to financial statements.

**SWEET SLEEP, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	2018		2017	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Revenues and other support:				
Contributions	\$ 561,902	\$ -	\$ 527,387	\$ -
Product sales	3,600	-	7,558	-
In-kind contributions	-	-	6,088	-
Other income	76	-	2,809	-
Net assets released from restrictions	-	-	2,819	(2,819)
Total revenues and other support	<u>565,578</u>	<u>-</u>	<u>546,661</u>	<u>(2,819)</u>
Expenses:				
Program services	392,270	-	417,940	-
Management and general	92,009	-	74,459	-
Fundraising	106,389	-	63,308	-
Total expenses	<u>590,668</u>	<u>-</u>	<u>555,707</u>	<u>-</u>
CHANGE IN NET ASSETS	(25,090)	-	(9,046)	(2,819)
NET ASSETS, BEGINNING OF THE YEAR	85,852	-	94,898	2,819
NET ASSETS, END OF THE YEAR	<u>\$ 60,762</u>	<u>\$ -</u>	<u>\$ 85,852</u>	<u>\$ -</u>
				<u>Total</u>
				\$ 527,387
				7,558
				6,088
				2,809
				-
				543,842
				417,940
				74,459
				63,308
				555,707
				(11,865)
				97,717
				\$ 85,852
				\$ 85,852

See accompanying notes to financial statements.

**SWEET SLEEP, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEARS ENDED SEPTEMBER 31, 2018 AND 2017**

	2018			2017			
	Program Services	Management and General	Fundraising	Program Services	Management and General	Fundraising	Total
Direct costs of program services	\$ 274,111	\$ -	\$ -	\$ 268,307	\$ -	\$ -	\$ 268,307
Payroll	61,263	42,897	67,428	66,175	44,169	10,792	121,136
Rent	28,502	8,144	4,072	27,531	7,866	3,933	39,330
Postage, printing and supplies	9,761	4,454	11,274	8,528	2,549	7,597	18,674
Marketing and promotion	891	10,258	9,234	22,695	395	2,930	26,020
Professional fees	-	13,023	-	1,080	7,400	-	8,480
Telephone, computer and internet	2,850	3,999	6,163	3,422	4,950	175	8,547
Travel	10,865	234	1,266	11,836	16	4,402	16,254
Cost of goods sold	-	-	4,102	-	-	2,811	2,811
Bank fees	997	2,922	-	1,048	74	-	1,122
Meals and entertainment	509	1,672	1,534	1,741	2,307	1,302	5,350
Dues and subscriptions	825	1,350	-	906	1,900	-	2,806
Depreciation	1,492	336	273	1,569	354	287	2,210
Licenses, permits and insurance	-	2,063	-	-	1,861	-	1,861
Development events	-	-	1,018	2,811	-	28,996	31,807
Other expenses	204	657	25	291	618	83	992
	<u>\$ 392,270</u>	<u>\$ 92,009</u>	<u>\$ 106,389</u>	<u>\$ 417,940</u>	<u>\$ 74,459</u>	<u>\$ 63,308</u>	<u>\$ 555,707</u>

See accompanying notes to financial statements.

**SWEET SLEEP, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (25,090)	\$ (11,865)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	2,101	2,210
(Increase) decrease in:		
Prepaid expenses	(2,739)	125
Inventory	3,821	1,877
Increase (decrease) in:		
Accounts payable	(4,137)	18,517
Accrued payroll	4,193	(5,654)
Net cash (used in) provided by operating activities	<u>(21,851)</u>	<u>5,210</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(1,448)</u>	<u>(950)</u>
Net cash used in investing activities	<u>(1,448)</u>	<u>(950)</u>
Change in cash and cash equivalents	(23,299)	4,260
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>97,007</u>	<u>92,747</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u><u>\$ 73,708</u></u>	<u><u>\$ 97,007</u></u>

See accompanying notes to financial statements.



**SWEET SLEEP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

**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 September 30, 2018 or 2017.

**SWEET SLEEP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

**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.

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.

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)**  
**YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

**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)**  
**YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

**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 September 30, 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 each September 30 is as follows:

	<u>2018</u>	<u>2017</u>
Furniture and Fixtures	\$ 24,095	\$ 22,647
Leasehold Improvements	5,666	5,666
	<u>29,761</u>	<u>28,313</u>
Less Accumulated Depreciation	<u>(27,207)</u>	<u>(25,106)</u>
	<u>\$ 2,554</u>	<u>\$ 3,207</u>

**SWEET SLEEP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

**NOTE 5 - CONCENTRATIONS**

The Organization receives support from various churches and individual donors. Of its total revenue and support, the Organization received approximately 39% from three donors and 22% from two donors in 2018 and 2017, respectively.

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.

**NOTE 6 - OPERATING LEASE**

The Organization renewed its operating lease effective May 1, 2016 for the lease of space for its Brentwood office. Monthly lease payments are due for the term of the lease ending in April 30, 2021. The Organization has a one-time termination option at the end of the April 30, 2019 year with a sixty day notice to the landlord. Future lease commitments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 39,128
2020	39,584
2021	<u>23,093</u>
	<u>\$ 101,805</u>

Rent expense was \$40,718 and \$39,330 for September 30, 2018 and 2017, respectively.

**NOTE 7 - SUBSEQUENT EVENTS**

Events Occurring After Reporting Date

Sweet Sleep, Inc. has evaluated events and transactions that occurred between September 30, 2018 and November 26, 2018, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.