

**SWEET SLEEP, INC.
FINANCIAL STATEMENTS
AND
ACCOUNTANT'S COMPILATION REPORT
YEARS ENDING DECEMBER 31, 2020 and 2019**

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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, 2020 and 2019, 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 2, 2021

SWEET SLEEP, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 137,954	\$ 82,857
Prepaid expenses and other assets	28,809	2,820
Property and equipment, net	<u>190</u>	<u>863</u>
 TOTAL ASSETS	 <u>\$ 166,953</u>	 <u>\$ 86,540</u>
 LIABILITIES AND NET ASSETS		
Accounts payable	<u>\$ 4,161</u>	<u>\$ 5,058</u>
 TOTAL LIABILITIES	 <u>4,161</u>	 <u>5,058</u>
 NET ASSETS		
Without donor restrictions	135,732	77,864
With donor restrictions	<u>27,060</u>	<u>2,618</u>
 TOTAL NET ASSETS	 <u>162,792</u>	 <u>80,482</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 166,953</u>	 <u>\$ 85,540</u>

See accompanying notes and accountant's compilation report.

SWEET SLEEP, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDING DECEMBER 31, 2020 AND 2019

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Revenues and other support:				
Contributions	\$ 312,688	\$ 27,060	\$ 291,284	\$ 2,618
Interest income	31	-	19	-
PPP forgiveness income	16,970	-	-	-
Gain on sale of fixed assets	2,320	-	-	-
Net assets released from restrictions	2,618	(2,618)	4,590	(4,590)
Total revenues and other support	334,627	24,442	295,893	(1,972)
Expenses:				
Program services:				
Bed distribution	-	-	119,795	-
Cooperative programs	140,487	-	47,375	-
Educational services	44,390	-	36,135	-
Management and general Fundraising	54,545	-	47,069	-
	37,337	-	38,103	-
Total expenses	276,759	-	288,477	-
CHANGE IN NET ASSETS	57,868	24,442	7,416	(1,972)
NET ASSETS, BEGINNING OF THE YEAR	77,864	2,618	70,448	4,590
NET ASSETS, END OF THE YEAR	\$ 135,732	\$ 27,060	\$ 77,864	\$ 2,618
				\$ 80,482

See accompanying notes and accountant's compilation report.

SWEET SLEEP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEARS ENDING DECEMBER 31, 2020 AND 2019

	Bed Distribution	Cooperative Programs	Educational Services	Management and General	Fundraising	Total 2020	Total 2019
Payroll	\$ -	\$ 76,540	\$ 23,998	\$ 22,413	\$ 23,240	\$ 146,191	\$ 78,596
Direct costs of program services	-	54,765	7,153	-	-	61,918	129,966
Contract labor	-	-	-	14,624	-	14,624	-
Rent	-	6,173	1,936	1,715	1,874	11,698	25,066
Professional fees and subscriptions	-	-	700	9,704	-	10,404	9,397
Travel	-	-	6,325	86	-	6,411	2,083
Postage, printing and supplies	-	-	267	1,062	4,093	5,422	14,208
Development expenses	-	-	-	-	5,379	5,379	9,054
Telephone, computer and internet	-	1,646	516	1,206	1,646	5,014	5,256
Marketing and promotion	-	-	3,300	-	10	3,310	7,210
Bank fees	-	1,008	-	2,016	-	3,024	3,068
Licenses, permits and insurance	-	-	-	1,433	-	1,433	1,581
Supplies	-	-	-	-	987	987	968
Depreciation	-	355	111	99	108	673	1,643
Meetings	-	-	84	187	-	271	381
	\$ -	\$ 140,487	\$ 44,390	\$ 54,545	\$ 37,337	\$ 276,759	\$ 288,477

See accompanying notes and accountant's compilation report.

SWEET SLEEP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDING DECEMBER 31, 2019

	Bed Distribution	Cooperative Programs	Educational Services	Management and General	Fundraising	Total
Direct costs of program services	\$ 105,780	\$ 21,672	\$ 2,514	\$ -	\$ -	\$ 129,966
Payroll	9,301	18,603	18,603	16,587	15,502	78,596
Rent	3,008	6,016	6,016	5,013	5,013	25,066
Postage, printing and supplies	-	-	790	8,603	4,815	14,208
Professional fees and subscriptions	-	-	750	8,647	-	9,397
Development expenses	-	-	-	-	9,054	9,054
Marketing and promotion	-	-	4,295	2,515	400	7,210
Telephone, computer and internet	345	690	690	1,509	2,022	5,256
Bank fees	1,016	-	-	2,052	-	3,068
Travel	-	-	2,083	-	-	2,083
Depreciation	197	394	394	329	329	1,643
Licenses, permits and insurance	-	-	-	1,581	-	1,581
Supplies	-	-	-	-	968	968
Meetings	148	-	-	233	-	381
	<u>\$ 119,795</u>	<u>\$ 47,375</u>	<u>\$ 36,135</u>	<u>\$ 47,069</u>	<u>\$ 38,103</u>	<u>\$ 288,477</u>

See accompanying notes and accountant's compilation report.

SWEET SLEEP, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDING DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 82,310	\$ 5,444
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Contributions restricted for future purposes	(27,060)	(2,618)
Forgiveness of advances under Paycheck Protection Program	(16,970)	-
Depreciation	673	1,643
Gain on sales of fixed assets	(2,320)	-
(Increase) decrease in:		
Prepaid expenses	(25,989)	847
Increase (decrease) in:		
Accounts payable	(897)	(20,476)
Accrued payroll	-	(113)
	<u>9,747</u>	<u>(15,273)</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of fixed assets	<u>2,320</u>	<u>-</u>
Net cash provided by investing activities	<u>2,320</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of contributions restricted for future purposes	27,060	2,618
Funds advanced under Paycheck Protection Program	<u>16,970</u>	<u>-</u>
Net cash provided by investing activities	<u>44,030</u>	<u>2,618</u>
Change in cash and cash equivalents	56,097	(12,655)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>81,857</u>	<u>94,512</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 137,954</u>	<u>\$ 81,857</u>

See accompanying notes and accountant's compilation report.

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2020 and 2019

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. Because of the COVID-19 pandemic, we were unable to minister through our bed distribution program. We intend to resume our bed distributions during 2021.
- *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, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019

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 2016 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, 2020

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 intends to adopt the full provisions of the standard on January 1, 2022.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Furniture and Fixtures	\$ 4,907	\$ 7,283
Less Accumulated Depreciation	<u>(4,717)</u>	<u>(6,420)</u>
	<u>\$ 190</u>	<u>\$ 863</u>

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDING DECEMBER 31, 2020 and 2019

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 2020 and effective as of September 1, 2020. Rent expense was \$11,698 and \$25,067 for the years ending December 31, 2020 and 2019, 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

In early April 2020, the U.S. Small Business Administration (SBA) created the Paycheck Protection Program (PPP) in response to the COVID-19 pandemic, as declared by the World Health Organization on March 11, 2020.

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDING DECEMBER 31, 2020 and 2019

NOTE 6 - PAYCHECK PROTECTION PROGRAM (CONTINUED)

During this time, the Organization applied for and was approved for a \$16,970 loan under the PPP. The loan accrues interest at 1%, but payments are not required for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal Government.

The Organization spent all PPP funds during required time periods in 2020. Although the Organization has not yet applied for forgiveness, it believes it has met all requirements to receive full forgiveness for the PPP loan. Because we expect full forgiveness of the loan, we have recognized this amount as a contribution during 2020.

NOTE 7 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization's financial assets as of December 31, 2020 and 2019, 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	\$ 137,954
Financial assets, at year end	<u>137,954</u>
Less those unavailable for general expenditure within one year, due to:	
Purpose restricted net assets	<u>(27,060)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 110,894</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 (CONTINUED)

The Organization receives support from various churches and individual donors. Of its total revenue and support, the Organization received approximately 42% from two donors in 2020 and 12% from one donor in 2019.

SWEET SLEEP, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDING DECEMBER 31, 2020 and 2019

NOTE 8 - CONCENTRATIONS (CONTINUED)

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 9 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Purpose restrictions, available for spending:		
Cooperative global expansion	\$ -	\$ 2,618
Summer program/Uganda missions	27,060	-
	<u>\$ 27,060</u>	<u>\$ 2,618</u>

NOTE 10 - SUBSEQUENT EVENTS

Events Occurring After Reporting Date

Sweet Sleep, Inc. has evaluated events and transactions that occurred between December 31, 2020 and 2019 and March 2, 2021 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.