

SPECIAL SPACES, INC.

Knoxville, Tennessee

FINANCIAL STATEMENTS

December 31, 2013



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Special Spaces, Inc.
Knoxville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Special Spaces, Inc. which comprise the statement of financial position as of December 31, 2013, the related statements of activities, cash flows and functional expenses for the year 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

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 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 the 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Spaces, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
May 19, 2014



SPECIAL SPACES, INC.
STATEMENT OF FINANCIAL POSITION
As of December 31, 2013

ASSETS	
CURRENT ASSETS	
Cash	\$ 381,236
Receivables	<u>44,781</u>
Total Current Assets	<u>426,017</u>
PROPERTY AND EQUIPMENT	
Furniture and Equipment	10,450
Accumulated Depreciation	<u>(3,408)</u>
Total Furniture and Equipment, Net	<u>7,042</u>
TOTAL ASSETS	<u>\$ 433,059</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accrued Expenses	\$ <u>21,902</u>
Total Current Liabilities	<u>21,902</u>
UNRESTRICTED NET ASSETS	<u>411,157</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 433,059</u>

The accompanying notes are an integral part of these financial statements.

SPECIAL SPACES, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

SUPPORT AND REVENUES	
Contributions	\$ 638,156
Fund Raising Activities, Net	157,626
Miscellaneous Income	<u>115</u>
Total Support and Revenues	<u>795,897</u>
EXPENSES	
Program Services	549,748
Management and General	50,382
Fundraising	<u>42,736</u>
Total Expenses	<u>642,866</u>
INCREASE (DECREASE) IN NET ASSETS	153,031
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>258,126</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 411,157</u>

The accompanying notes are an integral part of these financial statements.

SPECIAL SPACES, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Total Net Assets	\$ <u>153,031</u>
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities	
Depreciation of Furniture and Equipment	2,078
(Increase) Decrease in Receivables	(44,780)
Increase (Decrease) in Accrued Expenses	<u>15,488</u>
Total Adjustments	<u>(27,214)</u>
Net Cash Provided by (Used in) Operating Activities	<u>125,817</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Furniture and Equipment	<u>(5,851)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(5,851)</u>

NET INCREASE (DECREASE) IN CASH 119,966

CASH AT BEGINNING OF YEAR 261,270

CASH AT END OF YEAR \$ 381,236

SPECIAL SPACES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Material and Labor for Room Makeovers	\$ 437,229	\$ 0	\$ 0	\$ 437,229
Salaries	39,313	23,303	24,222	86,838
Travel	21,549	0	3,396	24,945
Rent and Storage	12,327	4,000	4,000	20,327
Office	8,116	2,006	3,349	13,471
Insurance	2,999	7,529	1,977	12,505
Volunteer Hospitality	9,634	0	0	9,634
Staff Development	9,054	550	0	9,604
Supplies	4,549	1,688	0	6,237
Software and Website Design	1,353	2,859	1,702	5,914
Utilities	30	4,925	0	4,955
Legal and Consulting	0	34	3,050	3,084
Licenses and Taxes	0	2,780	0	2,780
Bank Fees	2,304	15	348	2,667
Depreciation	693	693	692	2,078
Advertising and Promotion	598	0	0	598
	<u>\$ 549,748</u>	<u>\$ 50,382</u>	<u>\$ 42,736</u>	<u>\$ 642,866</u>

The accompanying notes are an integral part of these financial statements.

SPECIAL SPACES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 1 - NATURE OF OPERATIONS

Special Spaces, Inc. is a not-for-profit organization whose principal purpose is to develop and construct customized rooms for children with critical illnesses. Special Spaces, Inc. ("the Organization") was organized in 2004 and currently has 35 chapter locations across the United States. The Organization is supported by local businesses, corporations and other groups. These supporters generally provide a team of volunteers to help with the decorating and completion of each child's room. The Organization is governed by a volunteer board of directors. All chapters also have volunteer chapter directors who oversee the activities within their chapters. The Organization's national office operates in Knoxville, Tennessee.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by the Organization:

Basis of Accounting - The financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP).

Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could vary from those estimates.

Basis of Presentation - The Organization is required to report information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor imposed restrictions:

Unrestricted Net Assets - not subject to donor-imposed stipulations or the donor imposed restrictions have expired. All contributions are considered unrestricted unless specifically restricted by the donor.

Temporarily Restricted Net Assets - includes resources whose use is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled by actions of the board of directors pursuant to those stipulations. When a donor-imposed restriction is fulfilled or when a time restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as restrictions satisfied.

Permanently Restricted Net Assets - includes resources whose use is limited by donor imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the board of directors.

Support and Revenue - Contributions are recorded as support when cash or other assets are received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Restricted grants and contributions whose restrictions are met in the same reporting period as they are received are reported as unrestricted. The Organization does not solicit donor pledges; therefore all contributions are recorded to revenue when the donor remits payment.

Contributions of property and equipment with explicit restrictions that specify how the assets are to be used, including cash contributed to acquire such assets, are recorded as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the expiration of donor restrictions is reported when the donated or acquired assets are placed in service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services - Donated goods and services are recorded as contributions at their estimated fair values at the date of donation. Voluntary donations of services are recorded when those services (a) create or enhance non-financial assets or (b) require specialized skills that would be typically purchased if not provided by donation. The value of donated goods and services included in the financial statements for the year ended December 31, 2013 is \$185,000.

Additionally, a substantial number of unpaid volunteers have made significant contributions of their personal time. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

Receivables - Receivables are stated at the amount management expects to collect from outstanding balances. Receivables are written off when they are determined to be uncollectible. The Organization has evaluated the accounts and considers accounts receivable to be fully collectible; accordingly, no allowance for uncollectible receivables is required.

Property and Equipment - Property and equipment are stated at cost, net of accumulated depreciation. Gifts of property and equipment are recorded at their fair market value when received. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Cash - The chapters have raised funds totaling approximately \$347,000 that is included in cash for the future development and construction of rooms.

Income Tax Status - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization files annual returns of organizations exempt from income taxes with the IRS. The Organization is no longer subject to examinations by federal tax authorities for years before 2010.

Advertising and Marketing - The Organization expenses advertising and marketing costs as incurred. The Organization recognized a total of approximately \$1,000 in advertising and marketing costs for the year ended December 31, 2013.

Functional Expenses Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are charged to program services, management and general, and fund raising functions based on direct expenses incurred. Indirect expenses are allocated among the program and supporting services benefited.

Evaluation of Subsequent Events - The Organization's management has evaluated subsequent events through May 19, 2014, which is the date the financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure.

NOTE 3 - CONCENTRATIONS OF RISK

The Organization maintains its cash in two financial institutions. The cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) at each institution up to \$250,000 per legal ownership. From time to time, the Organization may hold deposits in excess of the insured limits. There were no cash balances on deposit in excess of FDIC coverage at December 31, 2013.

The Organization receives a significant portion of its revenue in the form of contributions and donations from individuals, corporations and other entities. Large fluctuations in these types of support and revenue could have a negative impact upon the level and types of activities and programs offered by the Organization.

