

SPECIAL SPACES, INC.
Knoxville, Tennessee
FINANCIAL STATEMENTS
December 31, 2020 and 2019





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INDEPENDENT AUDITOR'S REPORT

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 statements of financial position as of December 31, 2020 and 2019, 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
June 22, 2021



An independently owned member
RSM US Alliance



TSCPA
Members of the Tennessee Society
Of Certified Public Accountants

SPECIAL SPACES, INC.
STATEMENTS OF FINANCIAL POSITION

	As of December 31,	<u>2020</u>	<u>2019</u>
ASSETS			
CURRENT ASSETS			
Cash	\$	1,248,223	\$ 982,234
Receivables:			
Contributions		0	15,000
Pledges, Net		48,760	48,760
Prepaid Expenses		<u>8,262</u>	<u>29,987</u>
Total Current Assets		<u>1,305,245</u>	<u>1,075,981</u>
PROPERTY AND EQUIPMENT			
Furniture and Equipment		22,064	19,091
Accumulated Depreciation		<u>(18,980)</u>	<u>(17,109)</u>
Total Property and Equipment, Net		<u>3,084</u>	<u>1,982</u>
PLEDGES RECEIVABLE, NET		<u>0</u>	<u>48,760</u>
TOTAL ASSETS	\$	<u>1,308,329</u>	\$ <u>1,126,723</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accrued Expenses	\$	10,392	\$ 7,762
Deferred Revenue		<u>135,250</u>	<u>106,928</u>
Total Current Liabilities		<u>145,642</u>	<u>114,690</u>
NET ASSETS			
Net Assets Without Donor Restrictions		<u>1,162,687</u>	<u>1,012,033</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>1,308,329</u>	\$ <u>1,126,723</u>

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

SPECIAL SPACES, INC.
STATEMENTS OF ACTIVITIES

	For the Years Ended December 31,	<u>2020</u>	<u>2019</u>
REVENUES WITHOUT DONOR RESTRICTIONS			
Contributions		\$ 501,521	\$ 1,127,022
Fund Raising Activities, Net		504,330	437,310
Miscellaneous Income		<u>3,179</u>	<u>210</u>
Total Revenues Without Donor Restrictions		<u>1,009,030</u>	<u>1,564,542</u>
EXPENSES			
Program Services		677,505	1,084,047
Management and General		154,487	71,160
Fundraising		<u>64,656</u>	<u>98,627</u>
Total Expenses		<u>896,648</u>	<u>1,253,834</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		112,382	310,708
OTHER REVENUES			
Paycheck Protection Loan Forgiveness		<u>38,272</u>	<u>0</u>
CHANGE IN NET ASSETS		150,654	310,708
NET ASSETS, BEGINNING OF YEAR		<u>1,012,033</u>	<u>701,325</u>
NET ASSETS, END OF YEAR		<u>\$ 1,162,687</u>	<u>\$ 1,012,033</u>

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

SPECIAL SPACES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Materials and Labor for Room Makeovers	\$ 434,316	\$ 0	\$ 0	\$ 434,316
Salaries and Related	125,787	64,068	29,936	219,791
Office Expenses	5,304	6,709	0	12,013
Rent	29,070	0	0	29,070
Travel	12,419	0	0	12,419
Professional Fees	29,600	73,221	0	102,821
Staff Development	1,287	0	0	1,287
Business Insurance	3,198	3,198	3,199	9,595
Volunteer Hospitality	29,620	0	0	29,620
Fundraising - Expenses Indirect	0	0	28,239	28,239
Maintenance, Utilities and Phone	2,809	2,659	2,659	8,127
Bank Fees	3,011	189	0	3,200
State Registrations	460	3,819	0	4,279
Depreciation	624	624	623	1,871
Total	\$ <u>677,505</u>	\$ <u>154,487</u>	\$ <u>64,656</u>	\$ <u>896,648</u>

For the Year Ended December 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Materials and Labor for Room Makeovers	\$ 869,592	\$ 0	\$ 0	\$ 869,592
Salaries and Related	109,635	26,348	47,170	183,153
Office Expenses	7,022	7,352	0	14,374
Rent	13,943	4,596	4,596	23,135
Travel	13,521	3,952	0	17,473
Professional Fees	24,111	18,810	16,110	59,031
Staff Development	1,720	0	0	1,720
Business Insurance	3,236	3,236	3,236	9,708
Volunteer Hospitality	33,382	0	0	33,382
Fundraising - Expenses Indirect	0	0	24,190	24,190
Maintenance, Utilities and Phone	2,883	2,524	2,524	7,931
Bank Fees	3,826	225	225	4,276
State Registrations	0	3,541	0	3,541
Advertising and Promotion	600	0	0	600
Depreciation	576	576	576	1,728
Total	\$ <u>1,084,047</u>	\$ <u>71,160</u>	\$ <u>98,627</u>	\$ <u>1,253,834</u>

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

SPECIAL SPACES, INC.
STATEMENTS OF CASH FLOWS

	2020	2019
For the Years Ended December 31,		
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Total Net Assets	\$ <u>150,654</u>	\$ <u>310,708</u>
Adjustments to Reconcile Increase in Net Assets to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation of Furniture and Equipment	1,871	1,728
(Increase) Decrease in Receivables	63,760	(57,143)
(Increase) Decrease in Prepaid Expenses	21,725	4,903
Increase (Decrease) in Liabilities	2,630	(5,406)
Increase (Decrease) in Deferred Revenue	28,322	39,254
Gain on Loan Forgiveness	<u>(38,272)</u>	<u>0</u>
Total Adjustments	<u>80,036</u>	<u>(16,664)</u>
Net Cash Provided by Operating Activities	<u>230,690</u>	<u>294,044</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Furniture and Equipment	<u>(2,973)</u>	<u>0</u>
Net Cash Used in Investing Activities	<u>(2,973)</u>	<u>0</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	<u>38,272</u>	<u>0</u>
Net Cash Provided by Financing Activities	<u>38,272</u>	<u>0</u>
NET INCREASE IN CASH	265,989	294,044
CASH AT BEGINNING OF YEAR	<u>982,234</u>	<u>688,190</u>
CASH AT END OF YEAR	<u>\$ 1,248,223</u>	<u>\$ 982,234</u>
Supplementary Disclosures of Noncash Financing Activities:		
Forgiveness of Paycheck Protection Program Loan	\$ 38,272	\$ 0

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

SPECIAL SPACES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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 20 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. Management believes that these estimates and assumptions provide reasonable basis for the fair presentation of the financial statements.

Basis of Presentation - Net assets and revenues, expenses, gains and losses are classified based on existence or absence of donor-imposed restrictions. All net assets of the Organization are considered to be without donor restrictions.

Contributions and Pledges Receivable - Contributions are recognized as revenue by the Organization when the donor makes a promise to give that is in substance, unconditional. Pledges are considered unconditional promises. These pledges are recorded at their estimated net realizable value which includes adjusting receivables for uncollectible amounts and reducing the carrying amount of long-term pledges to their present value. The carrying amount of long-term pledges includes a discount to present value. The present value adjustment is determined using a discount rate approximately equivalent to treasury yields of similar maturity compounded monthly over the donor stipulated pledge payment.

Receivables are written off when they are determined to be uncollectible. The Organization has evaluated the accounts and considers contributions and pledges receivable to be fully collectible; accordingly, no allowance for uncollectible receivables is required.

Donated Goods and Services - Donated property and equipment are recorded as contributions at their fair market value at their date of donation. The Organization reports such donations in the net assets without donor restrictions category, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported in the net assets with donor restrictions category. 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. The value of donated goods and services included in the financial statements for the year ended December 31, 2020 is \$52,000 and \$54,000 (\$151,000 and \$148,000 in 2019), respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Revenues from fundraising activities are presented net of the direct costs associated with these activities. Program fees funded by fundraising activities totaled \$225,290 as of December 31, 2020 (\$200,500 as of December 31, 2019).

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 \$1,107,000 and \$782,000 for the years ended December 31, 2020 and 2019, respectively, 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.

Advertising and Promotion - The Organization expenses advertising and marketing costs as incurred. The Organization recognized a total of \$0 and \$600 in advertising and marketing costs for the years ended December 31, 2020 and 2019, respectively.

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 June 22, 2021, 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.

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.

NOTE 4 - AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors the availability of resources required to meet its recurring operating needs. The Organizations operating expenses average approximately \$1,000,000 annually depending on the number of rooms completed. For purposes of analyzing resources available to meet expenditures over a 12-month period, the Organization considers all cash expenditures related to its ongoing activities.

NOTE 4 - AVAILABLE RESOURCES AND LIQUIDITY (Continued)

As of December 31, 2020, the following financial assets could readily be made available within one year of the statement of financial position date to meet cash expenditures. Amounts not available to meet cash expenditures within one year also would include net assets with restrictions or financial assets with internal designations. There were no restrictions or designations at December 31, 2020.

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,248,223	\$ 982,234
Contributions Receivable	0	15,000
Pledges Receivable, Net	<u>48,760</u>	<u>48,760</u>
Financial Assets Available to Meet Cash Needs Within One Year	<u>\$ 1,296,983</u>	<u>\$ 1,030,994</u>

In addition to financial assets available to meet cash expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover cash expenditures. Refer to the statement of cash flows which identifies the sources and uses of the Organization’s cash and shows positive cash generated by operations for the year ended December 31, 2020.

NOTE 5 - PLEDGES RECEIVABLE

Pledges Receivable due as of December 31 as follows:

	<u>2020</u>	<u>2019</u>
Due Within One Year	\$ 50,000	\$ 50,000
Due in One to Five Years	<u>0</u>	<u>50,000</u>
Gross Pledges Receivables	50,000	100,000
Less: Present Value Allowance	<u>(1,240)</u>	<u>(2,480)</u>
Pledges Receivable - Net	<u>\$ 48,760</u>	<u>\$ 97,520</u>

As of the December 31, 2020 the amounts noted above did not have any donor imposed restrictions.

NOTE 6 – PAYCHECK PROTECTION PROGRAM

In May 2020, the Organization applied for and received a Paycheck Protection Program (“Program”) loan in the amount of \$38,272 from its bank under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The CARES Act was legislation which was enacted in March 2020 by the U.S. Congress. The Program was created to assist small businesses and non-profits in paying their employees and certain other expenses during the COVID-19 pandemic. The Organization applied for debt forgiveness under the terms of the CARES Act and was approved for full forgiveness in December of 2020. As such, the Organization recognized \$38,272 as other income for the loan forgiveness.