SPECIAL SPACES, INC.

Knoxville, Tennessee

FINANCIAL STATEMENTS

December 31, 2017 and 2016

PUGH CPAs

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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, 2017 and 2016, the related statements of activities, cash flows and functional expenses 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, 2017 and 2016, 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 11, 2018

SPECIAL SPACES, INC.

STATEMENTS OF FINANCIAL POSITION

As of December 31,	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	$ 543,024	$ 572,908
Receivables	5,000	5,000
Total Current Assets	548,024	577,908
PROPERTY AND EQUIPMENT		
Furniture and Equipment	18,660	17,214
Accumulated Depreciation	(13,640)	(10,978)
Total Furniture and Equipment, Net	5,020	6,236
TOTAL ASSETS	$ 553,044	$ 584,144
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued Expenses	$ 18,778	$ 27,791
Deferred Revenue	37,000	0
Total Current Liabilities	55,778	27,791
UNRESTRICTED NET ASSETS	497,266	556,353
TOTAL LIABILITIES AND NET ASSETS	$ 553,044	$ 584,144

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

SPECIAL SPACES, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31,	2017	2016
UNRESTRICTED SUPPORT AND REVENUES		
Contributions	$ 646,685	$ 755,125
Fund Raising Activities, Net	162,363	150,104
Miscellaneous Income	124	951
Total Unrestricted Support and Revenues	809,172	906,180
EXPENSES		
Program Services	714,571	646,626
Management and General	99,006	94,010
Fundraising	54,682	84,392
Total Expenses	868,259	825,028
INCREASE (DECREASE) IN NET ASSETS	(59,087)	81,152
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	556,353	475,201
UNRESTRICTED NET ASSETS, END OF YEAR	$ 497,266	$ 556,353

SPECIAL SPACES, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31,	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Total Net Assets	$ (59,087)	$ 81,152
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation of Furniture and Equipment	2,661	2,938
Decrease in Receivables	0	3,100
Increase in Liabilities	(9,013)	12,514
Total Adjustments	30,648	18,552
Net Cash Provided by (Used in) Operating Activities	(28,439)	99,704
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Furniture and Equipment	(1,445)	(1,218)
NET INCREASE (DECREASE) IN CASH	(29,884)	98,486
CASH AT BEGINNING OF YEAR	572,908	474,422
CASH AT END OF YEAR	$ 543,024	$ 572,908

SPECIAL SPACES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Materials and Labor for Room Makeovers	$ 575,275	$ 0	$ 0	$ 575,275
Salaries and Related	72,038	58,246	27,184	157,468
Office Expenses	6,716	9,151	0	15,867
Rent	19,157	4,589	4,589	28,335
Travel	7,463	0	0	7,463
Professional Fees	6,075	17,852	0	23,927
Staff Development	355	0	0	355
Business Insurance	2,509	2,509	2,509	7,527
Volunteer Hospitality	15,206	0	0	15,206
Fundraising - Expenses Indirect	0	0	16,682	16,682
Maintenance, Utilities and Phone	3,127	2,353	2,353	7,833
Bank Fees	4,168	379	379	4,926
State Registrations	110	3,040	0	3,150
Advertising and Promotion	1,485	0	99	1,584
Depreciation	887	887	887	2,661
Total	$ 714,571	$ 99,006	$ 54,682	$ 868,259

For the Year Ended December 31, 2016

	Program Services	Management and General	Fundraising	Total
Materials and Labor for Room Makeovers	$ 543,905	$ 0	$ 0	$ 543,905
Salaries and Related	34,959	63,401	53,689	152,049
Office Expenses	12,307	3,080	0	15,387
Rent	15,687	5,918	5,918	27,523
Travel	9,103	0	0	9,103
Professional Fees	9,753	10,480	0	20,233
Staff Development	1,188	0	0	1,188
Business Insurance	2,981	2,981	2,981	8,943
Volunteer Hospitality	3,528	0	0	3,528
Fundraising - Expenses Indirect	0	0	16,624	16,624
Maintenance, Utilities and Phone	4,836	2,640	2,640	10,116
Bank Fees	7,294	631	631	8,556
State Registrations	0	3,899	0	3,899
Advertising and Promotion	105	0	931	1,036
Depreciation	980	980	978	2,938
Total	$ 646,626	$ 94,010	$ 84,392	$ 825,028

SPECIAL SPACES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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 27 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.

Revenues from fundraising activities are presented net of the direct costs associated with these activities.

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, 2017 is $136,000 and $61,000 ($137,000 and $75,000 in 2016), respectively.

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 $543,000 and $568,000 for the years ended December 31, 2017 and 2016, 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 Marketing - The Organization expenses advertising and marketing costs as incurred. The Organization recognized a total of $1,584 and $1,036 in advertising and marketing costs for the years ended December 31, 2017 and 2016, 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 11, 2018, 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.