SPECIAL SPACES, INC.

Knoxville, Tennessee

FINANCIAL STATEMENTS

December 31, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, 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
August 31, 2020

SPECIAL SPACES, INC.

STATEMENTS OF FINANCIAL POSITION

As of December 31,		2019		2018
ASSETS				
CURRENT ASSETS				
Cash	$	982,234	$	688,190
Receivables:				
Contributions		15,000		55,377
Pledges, Net		48,760		0
Prepaid Expenses		29,987		34,890
Total Current Assets		1,075,981		778,457
PROPERTY AND EQUIPMENT				
Furniture and Equipment		19,091		19,091
Accumulated Depreciation		(17,109)		(15,381)
Total Furniture and Equipment, Net		1,982		3,710
PLEDGES RECEIVABLE, NET		48,760		0
TOTAL ASSETS	$	1,126,723	$	782,167
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accrued Expenses	$	7,762	$	13,168
Deferred Revenue		106,928		67,674
Total Current Liabilities		114,690		80,842
NET ASSETS				
Net Assets Without Donor Restrictions		1,012,033		701,325
TOTAL LIABILITIES AND NET ASSETS	$	1,126,723	$	782,167

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

SPECIAL SPACES, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31,	2019	2018
REVENUES WITHOUT DONOR RESTRICTIONS		
Contributions	$ 1,127,022	$ 854,267
Fund Raising Activities, Net	437,310	355,613
Miscellaneous Income	210	176
Total Revenues Without Donor Restrictions	1,564,542	1,210,056
EXPENSES		
Program Services	1,084,047	844,600
Management and General	71,160	107,544
Fundraising	98,627	53,853
Total Expenses	1,253,834	1,005,997
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	310,708	204,059
NET ASSETS, BEGINNING OF YEAR	701,325	497,266
NET ASSETS, END OF YEAR	$ 1,012,033	$ 701,325

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

SPECIAL SPACES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	Program Services	Management and General	Fundraising	Total
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	$ 1,084,047	$ 71,160	$ 98,627	$ 1,253,834

For the Year Ended December 31, 2018

	Program Services	Management and General	Fundraising	Total
Materials and Labor for Room Makeovers	$ 672,434	$ 0	$ 0	$ 672,434
Salaries and Related	95,992	47,570	23,998	167,560
Office Expenses	5,063	4,386	0	9,449
Rent	19,394	4,596	4,596	28,586
Travel	8,913	0	0	8,913
Professional Fees	7,800	41,492	0	49,292
Staff Development	875	0	0	875
Business Insurance	3,330	3,329	3,329	9,988
Volunteer Hospitality	21,822	0	0	21,822
Fundraising - Expenses Indirect	0	0	18,589	18,589
Maintenance, Utilities and Phone	5,093	2,627	2,627	10,347
Bank Fees	2,987	134	134	3,255
State Registrations	30	2,830	0	2,860
Advertising and Promotion	286	0	0	286
Depreciation	581	580	580	1,741
Total	$ 844,600	$ 107,544	$ 53,853	$ 1,005,997

SPECIAL SPACES, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31,		2019		2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Total Net Assets	$	310,708	$	204,059
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by (Used in) Operating Activities:				
Depreciation of Furniture and Equipment		1,728		1,741
(Increase) Decrease in Receivables		(57,143)		(50,377)
(Increase) Decrease in Prepaid Expenses		4,903		(34,890)
Increase (Decrease) in Liabilities		(5,406)		(5,610)
Increase (Decrease) in Deferred Revenue		39,254		30,674
Total Adjustments		(16,664)		(58,462)
Net Cash Provided by (Used in) Operating Activities		294,044		145,597
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Furniture and Equipment		0		(431)
NET INCREASE IN CASH		294,044		145,166
CASH AT BEGINNING OF YEAR		688,190		543,024
CASH AT END OF YEAR	$	982,234	$	688,190

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

SPECIAL SPACES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

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 22 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.

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.

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 $782,000 and $608,000 for the years ended December 31, 2019 and 2018, 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 $600 and $286 in advertising and marketing costs for the years ended December 31, 2019 and 2018, 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 August 31, 2020, which is the date the financial statements were available to be issued. See Note 6 for further information.

Recently Adopted Accounting Pronouncements - ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* In May 2014, the FASB issued a new accounting standard that requires recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. The standard did not have an impact on the Organization's financial statements, due to the nature of the revenues not being considered "exchange transactions" as defined in the standard.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The standard did not have an impact on the Organization's financial statements, due to the nature of their revenues being contributions and not considered "exchange transactions" as defined in the standard.

Recent Accounting Pronouncements - In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2020. The adoption of this guidance is not expected to result in a material change to lessee expense recognition. Management will continue to evaluate the impact of this guidance on the financial statements.

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.

As of December 31, 2019, 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, 2019.

		2019		2018
Cash	$	982,234	$	688,190
Contributions Receivable		15,000		55,377
Pledges Receivable, Net		48,760		0
Financial Assets Available to Meet Cash Needs Within One Year	$	1,030,994	$	743,567

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, 2019.

NOTE 5 - PLEDGES RECEIVABLE

Pledges Receivable due as of December 31 as follows:

		2019		2018
Due Within One Year	$	50,000	$	0
Due in One to Five Years		50,000		0
Gross Pledges Receivables		100,000		0
Less: Present Value Allowance		(2,480)		0
Pledges Receivable - Net	$	97,520	$	0

As of the December 31, 2019 the amounts noted above did not have any donor imposed restrictions.

NOTE 6 - SUBSEQUENT EVENT

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared the outbreak to a pandemic. Actions taken around the world to help mitigate the spread of coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. As of August 31, 2020, the date of the financial statements, the effect of this event is yet unknown on the financial statements of the Organization.

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which established the Paycheck Protection Program (the “Program”). The Program was created to assist small businesses and certain non-profits in paying their employees and certain other expenses during the COVID-19 crisis. On May 5, 2020, the Organization received a loan from its bank under this Program in the amount of $38,272. The Organization applied for the loan in good faith and in accordance with its understanding of the Program. The loan is forgivable if the Company meets certain criteria as established under the Program. The Organization will apply for loan forgiveness in 2020 subject to anticipated guidance from the Small Business Administration (SBA), the U.S. Department of the Treasury, the bank, and other regulators. Any amounts unforgiven under the Program will be due May 1, 2022 at a rate of 1%. The loan is unsecured and does not require personal guarantees.