

**SPECIAL SPACES, INC.**  
**Knoxville, Tennessee**  
**FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**





**PUGH & COMPANY, P.C.**  
315 NORTH CEDAR BLUFF ROAD, SUITE 200  
KNOXVILLE, TENNESSEE 37923  
TELEPHONE 865-769-0660  
FAX 865-769-1660  
[www.pughcpas.com](http://www.pughcpas.com)

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Special Spaces, Inc.  
Knoxville, Tennessee

### Opinion

We have audited the financial statements of Special Spaces, Inc. (the Organization) which comprise the statements of financial position as of December 31, 2021 and 2020, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



An independently owned member  
**RSM US Alliance**



**TSCPA**  
Members of the Tennessee Society  
Of Certified Public Accountants

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee  
August 15, 2022

**SPECIAL SPACES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

	As of December 31,	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$	1,355,724	\$ 1,248,223
Receivables:			
Contributions		5,000	0
Pledges, Net		72,895	48,760
Prepaid Expenses		<u>32,083</u>	<u>8,262</u>
<b>Total Current Assets</b>		<u>1,465,702</u>	<u>1,305,245</u>
<b>PROPERTY AND EQUIPMENT</b>			
Furniture and Equipment		21,564	22,064
Accumulated Depreciation		<u>(19,694)</u>	<u>(18,980)</u>
<b>Total Property and Equipment, Net</b>		<u>1,870</u>	<u>3,084</u>
<b>PLEDGES RECEIVABLE, NET</b>		<u>150,000</u>	<u>-</u>
<b>TOTAL ASSETS</b>	\$	<u><u>1,617,572</u></u>	\$ <u><u>1,308,329</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accrued Expenses	\$	19,903	\$ 10,392
Deferred Revenue		<u>252,375</u>	<u>135,250</u>
<b>Total Current Liabilities</b>		<u>272,278</u>	<u>145,642</u>
<b>NET ASSETS</b>			
Net Assets Without Donor Restrictions		1,197,399	1,162,687
Net Assets With Donor Restrictions		<u>147,895</u>	<u>0</u>
<b>Total Net Assets</b>		<u>1,345,294</u>	<u>1,162,687</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$	<u><u>1,617,572</u></u>	\$ <u><u>1,308,329</u></u>

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

**SPECIAL SPACES, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions	\$ 944,706	\$ 147,895	\$ 1,092,601
Fund Raising Activities, Net	512,793	0	512,793
Miscellaneous Income	196	0	196
<b>Total Revenues and Other Support</b>	<u>1,457,695</u>	<u>147,895</u>	<u>1,605,590</u>
<b>EXPENSES</b>			
Program Services	1,181,809	0	1,181,809
Management and General	165,175	0	165,175
Fundraising	75,999	0	75,999
<b>Total Expenses</b>	<u>1,422,983</u>	<u>0</u>	<u>1,422,983</u>
<b>CHANGE IN NET ASSETS</b>	34,712	147,895	182,607
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,162,687</u>	<u>0</u>	<u>1,162,687</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 1,197,399</u></u>	<u><u>\$ 147,895</u></u>	<u><u>\$ 1,345,294</u></u>

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

**SPECIAL SPACES, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions	\$ 501,521	\$ 0	\$ 501,521
Fund Raising Activities, Net	504,330	0	504,330
Miscellaneous Income	<u>3,179</u>	<u>0</u>	<u>3,179</u>
<b>Total Revenues and Other Support</b>	<u>1,009,030</u>	<u>0</u>	<u>1,009,030</u>
<b>EXPENSES</b>			
Program Services	677,505	0	677,505
Management and General	154,487	0	154,487
Fundraising	<u>64,656</u>	<u>0</u>	<u>64,656</u>
<b>Total Expenses</b>	<u>896,648</u>	<u>0</u>	<u>896,648</u>
<b>OTHER REVENUES</b>			
Paycheck Protection Loan Forgiveness	<u>38,272</u>	<u>0</u>	<u>38,272</u>
<b>CHANGE IN NET ASSETS</b>	150,654	0	150,654
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,012,033</u>	<u>0</u>	<u>1,012,033</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,162,687</u>	<u>\$ 0</u>	<u>\$ 1,162,687</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, 2021**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Materials and Labor for Room Makeovers	\$ 888,796	\$ 0	\$ 0	\$ 888,796
Salaries and Related	181,619	74,800	48,219	304,638
Office Expenses	7,319	7,651	0	14,970
Rent	20,710	0	0	20,710
Travel	13,803	0	0	13,803
Professional Fees	21,075	74,565	0	95,640
Staff Development	2,001	0	0	2,001
Business Insurance	3,832	3,832	3,832	11,496
Volunteer Hospitality	37,859	0	0	37,859
Fundraising - Expenses Indirect	0	0	22,597	22,597
Maintenance, Utilities and Phone	592	552	552	1,696
Bank Fees	3,799	394	394	4,587
State Registrations	0	2,976	0	2,976
Depreciation	404	405	405	1,214
<b>Total</b>	<b>\$ 1,181,809</b>	<b>\$ 165,175</b>	<b>\$ 75,999</b>	<b>\$ 1,422,983</b>

**For the Year Ended December 31, 2020**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
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
<b>Total</b>	<b>\$ 677,505</b>	<b>\$ 154,487</b>	<b>\$ 64,656</b>	<b>\$ 896,648</b>

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

**SPECIAL SPACES, INC.**  
**STATEMENTS OF CASH FLOWS**

For the Years Ended December 31,	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Total Net Assets	\$ <u>182,607</u>	\$ <u>150,654</u>
Adjustments to Reconcile Increase in Net Assets to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation of Furniture and Equipment	1,214	1,871
(Increase) Decrease in Receivables	(179,135)	63,760
(Increase) Decrease in Prepaid Expenses	(23,821)	21,725
Increase (Decrease) in Liabilities	9,511	2,630
Increase (Decrease) in Deferred Revenue	117,125	28,322
Gain on Loan Forgiveness	<u>0</u>	<u>(38,272)</u>
Total Adjustments	<u>(75,106)</u>	<u>80,036</u>
<b>Net Cash Provided by Operating Activities</b>	<u>107,501</u>	<u>230,690</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Furniture and Equipment	<u>0</u>	<u>(2,973)</u>
<b>Net Cash Used in Investing Activities</b>	<u>0</u>	<u>(2,973)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program Loan	<u>0</u>	<u>38,272</u>
<b>Net Cash Provided by Financing Activities</b>	<u>0</u>	<u>38,272</u>
<b>NET INCREASE IN CASH</b>	107,501	265,989
<b>CASH AT BEGINNING OF YEAR</b>	<u>1,248,223</u>	<u>982,234</u>
<b>CASH AT END OF YEAR</b>	<u>\$ <u>1,355,724</u></u>	<u>\$ <u>1,248,223</u></u>
<b>Supplementary Disclosures of Noncash Financing Activities:</b>		
Forgiveness of Paycheck Protection Program Loan	\$ 0	\$ 38,272

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



**SPECIAL SPACES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021 and 2020**

**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** - The financial statements of the Organization have been prepared on the accrual basis and in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*.

The Organization reports information regarding its financial position and activities in the following categories:

*Without Donor Restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

*With Donor Restrictions* - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**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.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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, 2021 is \$266,000 and \$89,000 (\$54,000 and \$68,000 in 2020), 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.

**Special Events** - Revenues from fundraising activities are presented net of the direct costs associated with these activities. Program fees funded by fundraising activities totaled \$303,412 as of December 31, 2021 (\$225,290 as of December 31, 2020). The revenue is conditional on the event taking place, as this is the point in time when the performance obligation of hosting the fundraiser occurs, and the attendees can no longer request a refund. The amounts are collected at the time of purchase and are included in deferred revenue until recognized.

**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 \$1,205,000 and \$1,107,000 for the years ended December 31, 2021 and 2020, 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 did not recognize a total in advertising and marketing costs for the years ended December 31, 2021 and 2020, 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.

**Recent Accounting Pronouncements** - In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which applies to nonprofit organizations that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for examples, gifts, donation, grants gifts-in-kind, donated services, or other terms). The term nonfinancial asset includes fixed assets (such as land, buildings and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The new standard is effective for fiscal years beginning after June 15, 2021. The adoption of ASU 2020-07 is not expected to have a material impact on the Organization's financial statements.

**Evaluation of Subsequent Events** - The Organization's management has evaluated subsequent events through August 15, 2022, 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.

As of December 31, 2021, 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, 2021.

	2021	2020
Financial Assets at Year-End:		
Cash	\$ 1,355,724	\$ 1,248,223
Contributions Receivable	5,000	0
Pledges Receivable, Net	222,895	48,760
Total Financial Assets	1,583,619	1,296,983
Less Those Unavailable for General Expenditures		
Within One Year, Due to:		
Pledges Receivable due in 2022, 2023 and 2024	150,000	0
Financial Assets Available to Meet Cash Needs Within One Year	\$ 1,433,619	\$ 1,296,983

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, 2021.

### NOTE 5 - PLEDGES RECEIVABLE

Pledges Receivable due as of December 31 as follows:

	2021	2020
Due Within One Year	\$ 75,000	\$ 50,000
Due in One to Three Years	150,000	0
Gross Pledges Receivables	225,000	50,000
Less: Present Value Allowance	(2,105)	(1,240)
Pledges Receivable - Net	\$ 222,895	\$ 48,760

#### **NOTE 5 - PLEDGES RECEIVABLE (Continued)**

In 2021, the Organization received a three-year pledge for annual galas and future operations. Unconditional pledges receivable resulting from this pledge, which were expected to be received over more than one year, were recorded by the Organization at the amount expected to be received. In estimating the cash flows, the Organization has considered factors such as when the promise is expected to be collected, the donor's creditworthiness, past collection experience, and other relevant factors. The estimated realizable values of these unconditional pledges are summarized in the table above.

#### **NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2021:

**Subject to the Passage of Time:**

Pledge - Future Operations	\$	147,895
----------------------------	----	---------

#### **NOTE 7 - 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.