

SKY HIGH FOR ST. JUDE'S, INC.

FINANCIAL STATEMENTS

December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sky High for St. Jude's, Inc.
Houston, Texas

We have audited the accompanying financial statements of Sky High for St. Jude's, Inc., which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows 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 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

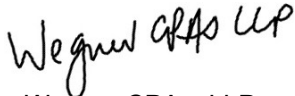
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sky High for St. Jude's, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As described in Note 7 to the financial statements, certain errors in previously issued financial statements were discovered by management during the current year. Accordingly, an adjustment has been made to net assets as of the beginning of the year to correct the errors. Our opinion is not modified with respect to this matter.

Adoption of New Accounting Guidance

As discussed in Note 1 to the financial statements, Sky High for St. Jude's, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of January 1, 2019. Our opinion is not modified with respect to this matter.



Wegner CPAs, LLP
Waukesha, Wisconsin
April 21, 2020

SKY HIGH FOR ST. JUDE'S, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2019

ASSETS

CURRENT ASSETS

Cash	\$ 1,573,390
Unconditional promises to give	27,690
Prepaid expenses	66,895
	1,667,975

LEASEHOLD IMPROVEMENTS, FURNITURE, AND EQUIPMENT

Leasehold improvements	5,572
Furniture and fixtures	2,124
Computers and equipment	54,276
	61,972
Leasehold improvements, furniture, and equipment	61,972
Accumulated depreciation	(50,617)
	11,355

Total assets \$ 1,679,330

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 55,831
Accrued payroll	53,688
Refundable advance	133,669
	243,188

NET ASSETS

Without donor restrictions	1,436,142
	1,436,142

Total liabilities and net assets \$ 1,679,330

See accompanying notes.

SKY HIGH FOR ST. JUDE'S, INC.
STATEMENTS OF ACTIVITIES
Year Ended December 31, 2019

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

SUPPORT AND REVENUE

Contributions	
Special events	\$ 6,069,030
Direct benefit to donors	<u>(541,157)</u>
Special events, net	5,527,873
General donations	769,102
In-kind contributions	81,663
Apparel sales	8,900
Interest	1,146
Miscellaneous	<u>230</u>
Total support and revenue without donor restrictions	6,388,914

EXPENSES

Program services	
Research	2,871,795
Community impact	<u>1,477,520</u>
Total program services	4,349,315
Supporting activities	
Management and general	573,798
Fundraising	<u>1,127,886</u>
Total expenses	<u>6,050,999</u>

Change in net assets 337,915

Net assets at beginning of year 1,098,227

Net assets at end of year \$ 1,436,142

See accompanying notes.

SKY HIGH FOR ST. JUDE'S, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	Program Services		Supporting Activities			Total Expenses
	Research	Community Impact	Management and General	Fundraising	Direct Benefits to Donors	
Grants and other assistance	\$ 2,871,795	\$ 1,150,089	\$ -	\$ -	\$ -	\$ 4,021,884
Personnel	-	190,783	114,170	337,016	-	641,969
Advertising and marketing	-	16,828	52,322	4,250	58,279	131,679
Apparel	-	-	-	-	4,863	4,863
Auction	-	-	-	83,988	78,756	162,744
Computer software and maintenance	-	-	25,230	19,403	-	44,633
Contract labor	-	-	-	93,761	-	93,761
Depreciation	-	-	8,884	-	-	8,884
Food and beverage	-	-	-	-	203,427	203,427
Games and raffles	-	-	-	-	97,127	97,127
Insurance	-	-	18,730	20,142	-	38,872
Bank and credit card fees	-	-	136,997	-	-	136,997
Office	-	3,462	34,896	-	-	38,358
Other event fees and supplies	-	56,398	-	30,578	23,952	110,928
Printing and photo	-	-	4,226	34,589	17,050	55,865
Professional fees	-	-	110,685	33,393	-	144,078
Rent	-	4,926	25,389	-	-	30,315
Event rentals	-	-	-	353,058	28,289	381,347
Shoots and tournaments	-	-	-	66,059	29,414	95,473
Supplies and equipment	-	2,478	-	5,663	-	8,141
Training and development	-	-	34,543	-	-	34,543
Travel	-	52,556	7,726	45,986	-	106,268
Total expenses	2,871,795	1,477,520	573,798	1,127,886	541,157	6,592,156
Less expenses included with support and revenue on the statement of activities	-	-	-	-	(541,157)	(541,157)
Total expenses included in the expense section of the statement of activities	\$ 2,871,795	\$ 1,477,520	\$ 573,798	\$ 1,127,886	\$ -	\$ 6,050,999

See accompanying notes.

SKY HIGH FOR ST. JUDE'S, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 337,915
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	8,884
Decrease in assets	
Unconditional promises to give	16,393
Prepaid expenses	93,303
Security deposit	1,308
Increase in liabilities	
Accounts payable	30,914
Accrued payroll	36,587
Refundable advance	20,859

Net cash flows from operating activities 546,163

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of computers and equipment (3,176)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on office equipment lease (207)

Change in cash 542,780

Cash at beginning of year 1,030,610

Cash at end of year \$ 1,573,390

See accompanying notes.

SKY HIGH FOR ST. JUDE'S, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Sky High for St. Jude's, Inc. (Sky High) brings communities together to provide comfort, fund research and save lives of those fighting pediatric cancer and other life-threatening conditions. Its efforts benefit leading hospitals and research centers by closing the gap in childhood cancer rates globally. The Sky High team is saving kids through advanced medical studies and healing families who are battling cancer now through its comfort programs.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Leasehold Improvements, Furniture, and Equipment

Leasehold improvements, furniture, and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. All expenses other than personnel and rent expenses can generally be directly identified with a specific program services or supporting activity. Personnel and rent expenses are allocated on the basis of estimates of time and effort.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SKY HIGH FOR ST. JUDE'S, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Guidance

On June 21, 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as an exchange transaction or contributions. The ASU also assists entities in determining whether a contribution is conditional. Sky High adopted the requirements of the ASU as of January 1, 2019. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of January 1, 2019, or entered into after that date.

Income Tax Status

Sky High is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, Sky High qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

NOTE 2—CONCENTRATIONS OF CREDIT RISK

Sky High maintains cash balances at two financial institutions located in Houston, Texas. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2019, Sky High's uninsured cash balances total approximately \$1,400,000.

NOTE 3—OPERATING LEASE

Sky High leases office space and storage for its event supplies and equipment under non-cancelable operating leases that expire at various dates through April 2021.

Future minimum lease payments for the years ending December 31, 2020 and 2021 are \$38,800 and \$12,933, respectively.

NOTE 4—CONDITIONAL PROMISES TO GIVE

At December 31, 2019, Sky High has promises to give totaling \$125,000 that are conditioned upon the occurrence of future scheduled events. These promises will be recognized as revenue when the events are held.

NOTE 5—CONDITIONAL GRANTS

Sky High has four research grants that are conditional upon Sky High meeting specific fundraising goals at various dates through December 31, 2032. At December 31, 2019, these conditional grants totaled \$36,133,205. These grants will be recognized as expense when the respective conditions are met in future years.

SKY HIGH FOR ST. JUDE'S, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 6—RELATED PARTY TRANSACTIONS

Sky High's board of directors is heavily involved in fulfilling Sky High's mission. The directors volunteer their time and services to Sky High throughout the year. Many of the directors and their affiliated businesses also donate to Sky High. During the year ended December 31, 2019, Sky High received \$628,900 from directors and their affiliated businesses.

From time to time, Sky High engages businesses owned or operated by certain directors to perform services for Sky High's events. Sky High also occasionally enters into sponsorship agreements with these businesses. During the year ended December 31, 2019, Sky High entered into five sponsorship agreements totaling \$210,500 with businesses owned or operated by certain directors.

NOTE 7—RESTATEMENT OF NET ASSETS

Certain amounts as of the beginning of the year have been restated to correct errors in previously issued financial statements that were discovered during the current year. Accordingly, adjustments were made during the current year to decrease net assets without donor restrictions by \$26,312, as of the beginning of the year.

The following table summarizes the change to the financial statements for the year ended December 31, 2018:

	<u>As Previously Stated</u>	<u>Adjustments</u>	<u>As Restated</u>
Statement of financial position			
Cash	1,032,051	(1,441)	1,030,610
Accounts receivable	49,583	(5,500)	44,083
Accumulated depreciation	45,581	(3,848)	41,733
Accounts payable	10,418	14,500	24,918
Accrued payroll	-	17,101	17,101
Net assets without donor restrictions	1,130,039	(31,812)	1,098,227
Statement of activities:			
Total expenses	6,279,219	31,812	6,311,031
Change in net assets	569,549	(31,812)	537,737
Net assets at end of year	1,130,039	(31,812)	1,098,227

The effect of the restatement on the change in net assets for the year ended December 31, 2018 decreased by \$31,812.

SKY HIGH FOR ST. JUDE'S, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 8—COMMITMENTS

Sky High has entered into numerous contracts with various hotels and facilities for future planned events. Some of these contracts contain penalty clauses for cancellation, which could be material depending upon the particular contract and the date of cancellation. The penalties are based upon rooms reserved; anticipated hotel and facility charges, food, and beverage revenues; and other damages. The potential liability for such damages, if all the contracts were cancelled, is \$60,000.

NOTE 9—LIQUIDITY AND AVAILABILITY

Sky High has \$1,601,080 of financial assets consisting of cash and unconditional promises to give at December 31, 2019. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. As part of Sky High's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10—SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 21, 2020, the date which the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen that could impact contributions and operating results. The related financial impact and duration cannot be reasonably estimated at this time.