

SKY HIGH, INC.
(A NON-PROFIT ORGANIZATION)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017



SKY HIGH, INC.

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Sky High, Inc.
Houston, Texas

We have reviewed the accompanying financial statements of Sky High, Inc. ("Sky High") (a non-profit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Middleton Raines + Zapata, LLP

Houston, Texas
October 31, 2018

SKY HIGH, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 441,379
Contributions receivable, net	85,169
Prepaid expenses	75,533
Total Current Assets	602,081

PROPERTY AND EQUIPMENT:

Computers and equipment	18,262
Furniture and fixtures	2,124
Other equipment	36,103
	56,489
Less: accumulated depreciation	(43,348)
Net Property and Equipment	13,141

OTHER ASSETS:

Other assets	11,110
Less: accumulated amortization	(6,306)
Net Other Assets	4,804

TOTAL ASSETS

\$ 620,026

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 2,170
Deferred revenue	72,332
Total Current Liabilities	74,502

NET ASSETS:

Unrestricted net assets	545,524
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TOTAL LIABILITIES AND NET ASSETS

\$ 620,026

See accompanying notes and Independent Accountant's Review Report.

SKY HIGH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

UNRESTRICTED NET ASSETS

REVENUES AND SUPPORT:

Donations	\$ 1,196,915	27%
Sponsor registrations	1,133,900	26%
Auction	1,111,296	25%
Games and raffles	459,070	10%
Events, shoots, and tournaments	480,067	11%
Apparel sales	7,866	0%
Other supports	1,110	0%
Total Revenues and Support	<u>4,390,224</u>	<u>100%</u>

FUNCTIONAL EXPENSES:

Program services	2,795,204	67%
General supporting	608,249	14%
Fundraising	792,222	19%
Total Functional Expenses	<u>4,195,675</u>	<u>100%</u>

OTHER EXPENSES

<u>670</u>	<u>100%</u>
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INCREASE IN UNRESTRICTED NET ASSETS

193,879	4%
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UNRESTRICTED NET ASSETS, BEGINNING OF YEAR

<u>351,645</u>	<u>8%</u>
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UNRESTRICTED NET ASSETS, END OF YEAR

<u>\$ 545,524</u>	<u>12%</u>
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See accompanying notes and Independent Accountant's Review Report.

SKY HIGH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Year Ended December 31, 2017			
	Program Services	General Supporting	Fundraising	Total
Accounting services	\$ -	\$ 28,380	\$ -	\$ 28,380
Advertising and marketing	-	53,759	6,473	60,232
Amortization	-	5,136	-	5,136
Apparel	-	-	20,204	20,204
Auction expenses	-	-	70,865	70,865
Awards - events	-	-	30,323	30,323
Bad debt expense	-	22,335	-	22,335
Bank service charges	-	2,272	-	2,272
Banners	-	-	3,600	3,600
Computer software and maintenance	-	17,506	1,015	18,521
Concert expenses	969	-	80,136	81,105
Contract labor	-	85,258	-	85,258
Depreciation	-	10,173	-	10,173
Donations	2,310,526	-	-	2,310,526
Donations - in-kind - estimated cost	420,624	-	-	420,624
Fundraising - other	-	-	180,681	180,681
Games and raffles	-	-	62,826	62,826
Insurance - events	-	-	4,215	4,215
Insurance - other	28,907	-	-	28,907
Merchant fees	-	55,544	-	55,544
Office supplies and expenses	-	47,809	-	47,809
Other event expenses	32,756	-	16,518	49,274
Payroll and related expenses	-	181,701	-	181,701
Payroll taxes	-	13,758	-	13,758
Printing and photo	-	1,259	15,843	17,102
Professional services	-	2,080	-	2,080
Rent - office	-	34,055	-	34,055
Rentals - events	1,422	-	143,885	145,307
Shoots and tournaments	-	-	42,964	42,964
Supplies and equipment	-	19,785	28,493	48,278
Telephone	-	1,735	-	1,735
Travel	-	25,704	84,181	109,885
	\$ 2,795,204	\$ 608,249	\$ 792,222	\$ 4,195,675

See accompanying notes and Independent Accountant's Review Report.

SKY HIGH, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in unrestricted net assets	\$ 193,879
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:	
Depreciation expense	10,173
Amortization expense	5,136
Change in allowance for doubtful accounts	16,135
Changes in operating assets and liabilities:	
Contributions receivable	(79,304)
Prepaid expenses	(58,291)
Accounts payable and accrued liabilities	(2,488)
Deferred revenue	5,917
Net cash provided by operating activities	<u>91,157</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(8,907)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	82,250
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>359,129</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 441,379</u></u>

See accompanying notes and Independent Accountant's Review Report.

SKY HIGH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 – Summary of Significant Accounting Policies

Nature of Operations

Sky High, Inc., (the “Organization” or “Sky High”) started fundraising events in 2007 and is headquartered in Houston, Texas. The Organization’s purpose was to maintain a charity that raises money on behalf of families undergoing treatment for pediatric cancer and other life-threatening diseases at St. Jude Children’s Research Hospital, the Ronald McDonald House of Memphis, and Texas Children’s Cancer Center, amongst others. The Organization operates as a non-profit organization under the direction of the board of directors in accordance with the applicable provisions of Texas law. The Organization provides seven main fundraising events, which include sporting events, concerts, and auctions primarily held in Texas and Louisiana.

The Organization derives its primary source of contributions from individuals and businesses who predominately serve and work in the oil and gas industry.

Basis of Presentation

The Organization’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The financial statements are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958: Not for Profit Entities. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has only unrestricted net assets at December 31, 2017.

Revenues and Support

The Organization receives support primarily from hosting events such as golf tournaments, shooting tournaments, and auctions. Donors pay to attend these events. Donations received are used to fund the Organization’s charitable giving campaign.

Donor contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Supports that are not restricted by the donor are reported as an increase in unrestricted net assets. All other donor restricted supports are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions. No revenues or support received during 2017 were considered restricted.

Contributions Receivable

Sky High’s contributions receivable at December 31, 2017 consisted of unconditional promises to give that are expected to be collected within one year from the date of the statement of financial position. Management uses the allowance method to determine uncollectible promises to give. The allowance is based on Sky High’s experience with donors and management’s analysis of specific promises made.

SKY HIGH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

Contributions Receivable (Continued)

Management evaluates the adequacy of the allowance, considering the general economic environment, direct discussions with donors, and other known factors affecting collection of the donor promise. As of December 31, 2017, management determined that approximately \$26,635 in contributions receivable were uncollectible and, as such, have been reserved for on the accompanying statement of financial position.

Donated Services

The Organization receives a substantial amount of services donated by its volunteers, board of directors, and other community partners in carrying out the Organization's mission. No revenues or expenses have been reflected in the financial statements for services donated as none meet the criteria for recognition under ASC Topic 605: *Revenue Recognition*.

Donations In-Kind

From time to time, the Organization receives donated items for its events such as auction items, raffle items, and other prizes and giveaways. Sky High recognizes the value of these items in the financial statements. Values are based on the fair value amounts provided by the donor. These donated items are recognized as revenue when received and are expensed when sold, given away, raffled off, or won. Donations in-kind totaled \$420,624 for the year ended December 31, 2017.

Functional Expenses

Functional expenses are recorded as incurred and classified by function. Functional expenses which cannot be directly identified with a specific function have been allocated among the programs and general supporting services benefited.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash in banks, money market funds, and certificates of deposit with an original maturity of three months or less to be cash and cash equivalents. From time to time, the combined balances may exceed the Federal Deposit Insurance Corporation (FDIC) insurance coverage and, as a result, there is a concentration of credit risk related to amounts on deposits in excess of FDIC insurance coverage. Management believes this risk is not significant.

Property and Equipment

Property and equipment are stated at cost. Expenditures for additions, major renewals, and betterments are capitalized while expenditures for maintenance and repairs that do not increase the value or extend the useful life of the asset are expensed as incurred. When assets are retired, sold, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected as a change in net assets.

SKY HIGH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

The Organization depreciates property and equipment over their estimated useful lives using the straight-line method as follows:

Computers and equipment	5 years
Furniture and fixtures	5 years
Other equipment	5 years

Depreciation expense charged to functional expenses totaled \$10,173 for the year ended December 31, 2017.

Federal Income Tax

The Organization qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code (the “Code”) and is exempt from federal income tax under Section 501(a) of the Code on income from related activities. Donations made to the Organization are deductible by the donors under Section 170 of the Code for federal income tax purposes; other transfers are deductible for federal estate and gift tax purposes under the applicable provisions of Sections 2055, 2106, and 2522. Accordingly, no provision for income taxes has been recorded in the financial statements.

The Organization accounts for uncertain tax positions in accordance with FASB ASC Topic 740: Income Taxes. FASB ASC Topic 740 prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. The interpretation also provides guidance on recognition, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. Management does not believe its evaluation of tax positions will change within twelve months following December 31, 2017. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Organization’s tax returns are subject to examination by the taxing authorities for a period of three years after the filing date of each return.

Advertising and Marketing Costs

The Organization’s policy is to expense advertising and marketing costs as incurred. Advertising and marketing costs totaled \$60,232 for the year ended December 31, 2017. The Organization records these costs in functional expenses in the accompanying statement of activities.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP 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 amount of revenues and expenses during the reporting period.

SKY HIGH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

Use of Estimates (Continued)

Such estimates include, but are not limited to, the allowance for doubtful accounts, useful lives used in depreciation and amortization, and the valuation of donations in-kind. While management believes the estimates are reasonable and appropriate, actual results could vary from those estimates.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update 2014-09 (“ASU 2014-09”), “Revenue from Contracts with Customers (Topic 606).” ASU 2014-09 supersedes the existing accounting standards for revenue recognition and requires entities to recognize revenue when they transfer promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted. Management is currently assessing the impact adoption of ASU 2014-09 will have on the Organization’s financial statements.

In February 2016, the FASB issued Accounting Standards Update 2016-02 (“ASU 2016-02”), which created Topic 842, “Leases.” Under Topic 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases (including those currently classified as operating leases) and provides for enhanced disclosures. Leases will continue to be classified as either finance or operating. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. Early adoption is permitted. Management is currently assessing the impact adoption of ASU 2016-02 will have on the Organization’s financial statements.

In June 2016, the FASB issued Accounting Standards Update 2016-13 (“ASU 2016-13”), “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” ASU 2016-13 provides guidance for recognizing credit losses on financial instruments based on a model of estimated current expected credit losses. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2020. Early adoption is permitted. Management is currently assessing the impact adoption of ASU 2016-13 will have on the Organization’s financial statements.

In August 2016, the FASB issued Accounting Standards Update 2016-14 (“ASU 2016-14”), “Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,” which provides more relevant information about available resources (and the changes in those resources) to donors, grantors, creditors, and other users. The most significant aspects of ASU 2016-14 are as follows: (1) ASU 2016-14 replaces the current presentation of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two classes of net assets (net assets with donor restrictions and net assets without donor restrictions), (2) ASU 2016-14 expands the disclosures about the nature and amount of any donor restrictions, board designations of net assets without donor restrictions as well as any underwater endowment funds, (3) ASU 2016-14 requires specific quantitative and qualitative disclosures to improve the ability of financial statement users to assess the Organization’s available financial resources and the methods by which it manages liquidity and liquidity risk. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017 and is to be applied retrospectively. Early adoption is permitted. Management is currently assessing the impact adoption of ASU 2016-14 will have on the Organization’s financial statements.

SKY HIGH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

The Organization's financial instruments (primarily cash and cash equivalents, receivables, payables, and accrued liabilities) are carried in the accompanying balance sheet at amounts which reasonably approximate fair value.

Note 2 – Commitments and Contingencies

Sky High leases office space and storage for its event supplies and equipment under non-cancelable operating leases, which expire through February 28, 2019. In July 2018, one of the leases was amended and extended through April 2021. Rent paid under these lease agreements for the year ended December 31, 2017 totaled \$34,055.

Minimum future lease payments under these operating leases as of December 31, 2017 are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2018	\$ 20,606
2019	21,879
2020	24,320
2021	<u>8,107</u>
Total	<u>\$ 74,911</u>

Note 3 – Related Party Transactions

Sky High's board of directors is heavily involved in fulfilling the Organization's mission. The directors volunteer their time and services to the Organization throughout the year. Many of the directors and their affiliated businesses also donate to Sky High. During the year ended December 31, 2017, the Organization received \$483,666 from directors and their affiliated businesses.

From time to time, the Organization engages businesses owned or operated by some of its directors to perform services for Sky High's events. These transactions are considered arm's length. During 2017, the Organization paid approximately \$190,391 to a business owned and operated by one of its directors for the procurement of promotional goods.

From time to time, the Organization enters into sponsorship agreements with businesses owned or operated by some of its directors. These transactions are considered arm's length. During 2017, the Organization entered into a sponsorship agreement totaling \$25,000 each year for the years ending December 31, 2017 and 2018.

During 2017, the Organization entered into a sponsorship agreement with a business affiliated with a director that was elected in 2018 totaling \$10,000 and \$12,500 for the years ending December 31, 2017 and 2018, respectively.

SKY HIGH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 4 – Concentrations

At December 31, 2017, three donors accounted for 66% of the Organization's outstanding contributions receivable. During the year ended December 31, 2017, donations made to three non-profit organizations accounted for 51% of the Organization's total expenses.

Note 5 – Subsequent Events

The Organization has evaluated subsequent events through October 31, 2018, which is the date the financial statements were made available for issuance, and has concluded that no such events or transactions took place which would require disclosure herein.