

SKY HIGH FOR ST. JUDE'S, INC.

FINANCIAL STATEMENTS

December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Sky High for St. Jude's Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, and 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 Sky High for St. Jude's Inc. as of December 31, 2022 and 2021, 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 Sky High for St. Jude's Inc. 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.

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 (ASU) No. 2016-02, *Leases (Topic 842)*, and all subsequently issued clarifying ASUs and ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, as of January 1, 2022. Our opinion is not modified with respect to this matter.

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 Sky High for St. Jude's Inc.'s ability to continue as a going concern within one year after the date that the financial statements are 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.

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 Sky High for St. Jude's Inc.'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 Sky High for St. Jude's Inc.'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.



Wegner CPAs, LLP
Waukesha, Wisconsin
November 13, 2023

SKY HIGH FOR ST. JUDE'S, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,508,531	\$ 1,030,088
Unconditional promises to give	43,550	32,100
Prepaid expenses	128,688	43,033
Total current assets	1,680,769	1,105,221
LEASEHOLD IMPROVEMENTS, FURNITURE, AND EQUIPMENT		
Leasehold improvements	7,572	7,572
Furniture and fixtures	2,645	2,645
Computers and equipment	58,807	61,935
Leasehold improvements, furniture, and equipment	69,024	72,152
Accumulated depreciation	(58,152)	(59,309)
Leasehold improvements, furniture, and equipment, net	10,872	12,843
OTHER ASSETS		
Trademark, net	1,350	1,800
Operating lease right-of-use asset	166,354	-
Total other assets	167,704	1,800
Total assets	\$ 1,859,345	\$ 1,119,864
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 12,184	\$ 22,122
Grant payable	647,334	-
Accrued payroll	15,699	34,214
Refundable advance	60,125	77,120
Current portion of operating lease liability	48,850	-
Total current liabilities	784,192	133,456
LONG-TERM LIABILITIES		
Operating lease liability less current portion	122,231	-
Total liabilities	906,423	133,456
NET ASSETS		
Without donor restrictions	952,922	986,408
Total liabilities and net assets	\$ 1,859,345	\$ 1,119,864

See accompanying notes.

SKY HIGH FOR ST. JUDE'S, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2022 and 2021

	2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Contributions		
Special events	\$ 6,047,994	\$ 3,836,719
Direct benefit to donors	(363,678)	(207,149)
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Special events, net	5,684,316	3,629,570
General donations	1,557,819	853,916
In-kind contributions	17,880	35,533
Paycheck Protection Program assistance	-	213,534
Apparel sales	2,125	1,756
Interest	14,767	1,151
Miscellaneous	11,790	3,046
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Total support and revenue without donor restrictions	7,288,697	4,738,506
EXPENSES AND LOSSES		
Program services		
Research	4,351,334	2,751,000
Community impact	898,683	542,669
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Total program services	5,250,017	3,293,669
Supporting activities		
Management and general	759,925	682,922
Fundraising	1,310,594	788,659
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Total expenses	7,320,536	4,765,250
Loss on disposal of equipment	1,647	-
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Total expenses and losses	7,322,183	4,765,250
Change in net assets	(33,486)	(26,744)
Net assets at beginning of year	986,408	1,013,152
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Net assets at end of year	<u>\$ 952,922</u>	<u>\$ 986,408</u>

See accompanying notes.

SKY HIGH FOR ST. JUDE'S, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services		Supporting Activities			Total Expenses
	Research	Community Impact	Management and General	Fundraising	Direct Benefits to Donors	
Grants and other assistance	\$ 4,351,334	\$ 635,667	\$ -	\$ -	\$ -	\$ 4,987,001
Personnel	-	168,574	386,558	569,826	-	1,124,958
Advertising and marketing	-	93,152	1,283	38,112	-	132,547
Apparel	-	-	206	-	4,523	4,729
Auction	-	-	-	45,104	13,058	58,162
Computer software and maintenance	-	-	33,960	16,245	-	50,205
Contract labor	-	-	-	28,055	-	28,055
Depreciation and amortization	-	-	5,011	-	-	5,011
Food and beverage	-	-	-	-	270,627	270,627
Games and raffles	-	-	-	-	63,136	63,136
Insurance	-	-	10,081	20,735	-	30,816
Bank and credit card fees	-	-	108,640	29,612	-	138,252
Office	-	720	26,843	-	-	27,563
Other event fees and supplies	-	-	-	62,579	-	62,579
Printing and photo	-	-	-	39,258	-	39,258
Professional fees	-	-	104,584	13,913	-	118,497
Rent	-	-	50,622	-	-	50,622
Event rentals	-	-	-	323,372	-	323,372
Shoots and tournaments	-	-	-	32,474	12,334	44,808
Supplies and equipment	-	570	1,040	6,057	-	7,667
Training and development	-	-	10,864	-	-	10,864
Travel	-	-	20,233	85,252	-	105,485
Total expenses	4,351,334	898,683	759,925	1,310,594	363,678	7,684,214
Less expenses included with support and revenue on the statement of activities	-	-	-	-	(363,678)	(363,678)
Total expenses included in the expense section of the statement of activities	\$ 4,351,334	\$ 898,683	\$ 759,925	\$ 1,310,594	\$ -	\$ 7,320,536

See accompanying notes.

SKY HIGH FOR ST. JUDE'S, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

	Program Services		Supporting Activities			Total Expenses
	Research	Community Impact	Management and General	Fundraising	Direct Benefits to Donors	
Grants and other assistance	\$ 2,751,000	\$ 369,148	\$ -	\$ -	\$ -	\$ 3,120,148
Personnel	-	117,384	367,387	304,956	-	789,727
Advertising and marketing	-	52,774	1,588	34,237	-	88,599
Apparel	-	-	1,005	-	4,246	5,251
Auction	-	-	-	35,751	719	36,470
Computer software and maintenance	-	-	22,612	14,255	-	36,867
Contract labor	-	-	-	42,559	-	42,559
Depreciation and amortization	-	-	3,751	-	-	3,751
Food and beverage	-	-	-	-	156,071	156,071
Games and raffles	-	-	-	-	41,187	41,187
Insurance	-	-	4,352	17,861	-	22,213
Bank and credit card fees	-	-	84,925	1,434	-	86,359
Office	-	1,501	34,850	-	-	36,351
Other event fees and supplies	-	-	-	38,494	-	38,494
Printing and photo	-	-	-	17,088	-	17,088
Professional fees	-	-	99,859	9,404	-	109,263
Rent	-	-	24,369	-	-	24,369
Event rentals	-	-	-	183,491	-	183,491
Shoots and tournaments	-	-	-	27,337	4,926	32,263
Supplies and equipment	-	1,862	312	5,513	-	7,687
Training and development	-	-	23,682	-	-	23,682
Travel	-	-	14,230	56,279	-	70,509
Total expenses	2,751,000	542,669	682,922	788,659	207,149	4,972,399
Less expenses included with support and revenue on the statement of activities	-	-	-	-	(207,149)	(207,149)
Total expenses included in the expense section of the statement of activities	\$ 2,751,000	\$ 542,669	\$ 682,922	\$ 788,659	\$ -	\$ 4,765,250

See accompanying notes.

SKY HIGH FOR ST. JUDE'S, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (33,486)	\$ (26,744)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	5,011	3,751
Amortization of operating lease right-of-use asset	48,612	-
Loss on disposal of equipment	1,647	-
(Increase) decrease in assets		
Unconditional promises to give	(11,450)	(31,500)
Prepaid expenses	(85,655)	33,303
Increase (decrease) in liabilities		
Accounts payable	(9,938)	6,018
Grant payable	647,334	-
Accrued payroll	(18,515)	28,241
Refundable advance	(16,995)	(219,783)
Operating lease liability	(43,885)	-
Paycheck Protection Program advance	-	(97,504)
Net cash flows from operating activities	<u>482,680</u>	<u>(304,218)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of computers and equipment	<u>(4,237)</u>	<u>(10,180)</u>
Change in cash	478,443	(314,398)
Cash at beginning of year	<u>1,030,088</u>	<u>1,344,486</u>
Cash at end of year	<u><u>\$ 1,508,531</u></u>	<u><u>\$ 1,030,088</u></u>

See accompanying notes.

SKY HIGH FOR ST. JUDE'S, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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. Sky High is primarily supported by contributions.

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.

Trademark

The trademark is being amortized over five years. Amortization expense for the years ended December 31, 2022 and 2021 was \$450 per year. Estimated amortization expense for the next three years is \$450 per year.

Paycheck Protection Program Advance

Sky High received a loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. The loan will be fully forgiven if the funds are used for payroll costs, rent, and utilities. Sky High expects to meet the PPP's eligibility criteria and believes the loan is, in substance, a grant that is expected to be forgiven. Sky High recognizes amounts when conditions are met and formal forgiveness has been received.

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 statements of activities as net assets released from restrictions. Contributions received in advance for events are reported as refundable advances and will be recognized when the event takes place.

SKY HIGH FOR ST. JUDE'S, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 service or supporting activity. Personnel and rent expenses are allocated on the basis of estimates of time and effort.

Leases

Sky High does not recognize short-term leases in the statement of financial position. For these leases, Sky High recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. Sky High also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, Sky High uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

Adoption of New Accounting Guidance

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. The guidance in this Update and all subsequently issued clarifying Updates supersede the guidance in FASB Accounting Standards Codification (ASC) Topic 840, *Leases*, and creates FASB ASC Topic 842, *Leases*. The main difference between previous guidance and Topic 842 is the recognition of assets and liabilities by lessees for those leases classified as operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. Also, under Topic 842, disclosures are required by lessees and lessors to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from leases.

Sky High adopted the requirements of Topic 842 as of January 1, 2022, using the optional transition method that allows Sky High to initially apply the new guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. Sky High's reporting for the year ended December 31, 2021, is in accordance with the previous guidance in Topic 840.

Sky High elected the package of practical expedients permitted under the transition guidance within Topic 842. This package allowed Sky High to account for its leases that commenced before the adoption date without reassessing whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases, and initial direct costs for any existing leases.

The adoption of Topic 842 resulted in the recognition of operating lease right-of-use assets of \$214,966 and operating lease liabilities of \$214,966 as of January 1, 2022. The adoption of Topic 842 did not have a material effect on Sky High's change in net assets or cash flows.

SKY HIGH FOR ST. JUDE'S, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On September 17, 2020, the Financial Accounting Standards Board issued Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The intent of this Update is to improve transparency in the reporting of contributed nonfinancial assets (also known as in-kind contributions) received by not-for-profit entities. The Update requires a not-for-profit entity to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The Update also requires enhanced disclosures about the valuation of contributed nonfinancial assets and their use in programs and other activities, including any donor-imposed restrictions on such use. Sky High adopted the requirements of this Update effective January 1, 2022. The changes required by this Update have been applied retrospectively to all periods presented.

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.

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).

Date of Management's Review

Management has evaluated subsequent events through November 13, 2023, the date which the financial statements were available to be issued.

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, 2022 and 2021, Sky High's uninsured cash balances total approximately \$1,296,000 and \$743,000, respectively.

NOTE 3—CONDITIONAL GRANTS

Sky High has three research grants that are conditional upon Sky High meeting specific fundraising goals at various dates through December 31, 2032. At December 31, 2022, these conditional grants totaled \$27,675,871. 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, 2022 and 2021

NOTE 4—LEASES

Sky High leases office space and storage for its event supplies and equipment. The lease has a remaining lease term through April 1, 2026.

Total lease cost for the year ended December 31, 2022 was \$50,938.

Other information related to the operating lease is as follows:

Cash payments classified as part of operating cash flows for amounts included in the measurement of lease liability	\$ 46,212
Weighted-average remaining lease term	3.33 years
Weighted-average discount rate	1.21%

The maturities of operating lease liability as of December 31, 2022, are as follows:

Year ending December 31:	
2023	\$ 50,601
2024	52,150
2025	53,699
2026	<u>18,071</u>
Total minimum lease payments	174,521
Imputed interest	<u>(3,440)</u>
Total lease liability	<u>\$ 171,081</u>

As of December 31, 2021, Sky High has a lease for office space and storage that expires on April 1, 2026. Rental expense totaled \$24,369 for the year ended December 31, 2021.

NOTE 5—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 years ended December 31, 2022 and 2021, Sky High received \$198,024 and \$55,562, respectively, 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 years ended December 31, 2022 and 2021, Sky High entered into four and five sponsorship agreements totaling \$62,500 and \$83,917, respectively, with businesses owned or operated by certain directors.

SKY HIGH FOR ST. JUDE'S, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 6—PAYCHECK PROTECTION PROGRAM

Sky High received loans totaling \$213,534 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). On April 13, 2021, the SBA preliminarily approved forgiveness of Sky High's first draw loan totaling \$97,504. On September 20, 2021, the SBA preliminarily approved forgiveness of Sky High's second draw loan totaling \$116,030.

Sky High must retain PPP documentation in its files for six years after the date the loan was forgiven and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review Sky High's good-faith certification concerning the necessity of its loan request, whether Sky High calculated the loan amount correctly, whether Sky High used loan proceeds for the allowable uses specified in the CARES Act, and whether Sky High is entitled to loan forgiveness in the amount claimed on its application. If SBA determines Sky High was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

NOTE 7—IN-KIND CONTRIBUTIONS

Sky High recognized in-kind contributions within revenue, including raffle items. Unless otherwise noted, in-kind contributions did not have donor-imposed restrictions.

Contributed raffle items were utilized for fundraising activities. In valuing raffle items, Sky High used third-party sources of comparable prices.

NOTE 8—LIQUIDITY AND AVAILABILITY

Sky High has \$1,552,081 and \$1,062,188, respectively, of financial assets consisting of cash and unconditional promises to give at December 31, 2022 and 2021. 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 statements 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.