

**THE TONY HAWK FOUNDATION**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**WITH INDEPENDENT AUDITOR'S  
REPORT THEREON**

**THE TONY HAWK FOUNDATION**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The Tony Hawk Foundation  
Vista, California

We have audited the accompanying statements of financial position of The Tony Hawk Foundation (the Foundation) (a California nonprofit public benefit corporation) as of December 31, 2015, 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 The Tony Hawk Foundation as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Prior Period Financial Statements**

The financial statements of The Tony Hawk Foundation as of December 31, 2014 were audited by other auditors whose report dated August 11, 2015 expressed an unmodified opinion on those statements.

**MM & Company, LLP**

*MM & Company, LLP*

Santa Ana, California

August 9, 2016

**THE TONY HAWK FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**

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**ASSETS**

	<b>2015</b>	<b>2014</b>
Assets:		
Cash and cash equivalents	\$ 2,478,631	\$ 2,395,098
Investments	14,461	-
Contributions receivable	200,360	60,720
Inventory	24,683	28,135
Property and equipment, net of accumulated depreciation	9,013	7,547
Total Assets	\$ 2,727,148	\$ 2,491,500

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable	\$ 53,343	\$ 16,048
Accrued expenses	56,791	24,061
Program grants payable	660,304	746,804
Total liabilities	770,438	786,913
Commitment	-	-
Net Assets:		
Unrestricted	1,824,285	1,679,590
Temporarily restricted	132,425	24,997
Total net assets	1,956,710	1,704,587
Total Liabilities and Net Assets	\$ 2,727,148	\$ 2,491,500

**THE TONY HAWK FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>Unrestricted Net Assets:</b>		
Support and revenues:		
Contributions	\$ 390,790	\$ 359,737
Special events proceeds, net of direct costs	289,263	341,446
In-kind donations	63,331	49,334
Merchandise sales	9,041	23,704
Interest income	309	314
Royalty income	623	2,156
Dividend income	188	27
Unrealized gain on investments	(51)	-
Net assets released from restriction	<u>-</u>	<u>374,764</u>
Total unrestricted support and revenues	<u>753,494</u>	<u>1,151,482</u>
Expenses:		
Program services	452,778	668,669
Supporting services:		
Management and general	51,879	62,056
Fundraising	<u>104,142</u>	<u>137,570</u>
Total expenses	<u>608,799</u>	<u>868,295</u>
Change in unrestricted net assets	<u>144,695</u>	<u>283,187</u>
<b>Temporarily Restricted Net Assets:</b>		
Contributions	107,428	-
Net assets released from restriction	<u>-</u>	<u>(374,764)</u>
Change in temporarily restricted net assets	<u>107,428</u>	<u>(374,764)</u>
Increase (Decrease) in Net Assets	252,123	(91,577)
Net Assets – Beginning of Year	<u>1,704,587</u>	<u>1,796,164</u>
Net Assets – End of Year	<u>\$ 1,956,710</u>	<u>\$ 1,704,587</u>

See accompanying notes.

**THE TONY HAWK FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>2015</b>			
	<b>Supporting Services</b>			
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Auction Online Fees	\$ 35	\$ -	\$ 227	\$ 262
Bank Service Charge	370	369	369	1,108
Commission	1,580	-	1,580	3,160
Contract Labor	1,350	-	7,650	9,000
Depreciation Expense	2,227	78	285	2,590
Grants	113,000	-	-	113,000
Insurance	22,735	2,742	5,025	30,502
Interest Expense	-	4	-	4
Internet Access	1,125	39	144	1,308
Licenses and Permits	-	50	-	50
Miscellaneous	2,297	2,657	1,249	6,203
Office Expense	7,243	2,054	1,020	10,317
Payroll	196,115	30,993	66,306	293,414
Postage and Delivery	6,053	638	34	6,725
Printing	6,375	-	2,126	8,501
Professional Fees	45,292	6,959	8,696	60,947
Promotional	971	-	972	1,943
Rent	16,200	1,710	90	18,000
Swag Donations	2,702	-	-	2,702
Telephone	1,489	497	496	2,482
Travel	3,702	494	740	4,936
Video Production	4,259	-	1,419	5,678
Website Expense	<u>17,658</u>	<u>2,595</u>	<u>5,714</u>	<u>25,967</u>
<b>Total Program and Supporting Services Expenses</b>	<b><u>\$ 452,778</u></b>	<b><u>\$ 51,879</u></b>	<b><u>\$ 104,142</u></b>	<b><u>\$ 608,799</u></b>

**THE TONY HAWK FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**2014**

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	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Auction Online Fees	\$ 1,591	\$ -	\$ 6,393	\$ 7,984
Bank Service Charge	1,591	1,587	1,587	4,765
Commission	10,071	-	10,070	20,141
Contributions	5,509	-	-	5,509
Demo Expense	7,420	-	7,420	14,840
Depreciation Expense	2,421	84	310	2,815
Grants	348,415	-	-	348,415
Insurance	24,076	4,587	5,975	34,638
Interest Expense	-	131	-	131
Internet Access	224	8	29	261
Licenses and Permits	-	25	-	25
Miscellaneous	5,501	5,194	13,087	23,782
Office Expense	924	246	62	1,232
Payroll	147,520	29,871	52,389	229,780
Postage and Delivery	3,868	408	22	4,298
Printing	8,356	1,194	2,388	11,938
Professional Fees	54,204	9,347	22,455	86,006
Promotional	1,273	-	1,273	2,546
Rent	16,200	1,710	90	18,000
Swag Donations	8,662	-	-	8,662
Telephone	950	475	475	1,900
Travel	7,456	2,982	4,473	14,911
Video Production	1,920	-	2,762	4,682
Website Expense	<u>10,517</u>	<u>4,207</u>	<u>6,310</u>	<u>21,034</u>
<b>Total Program and Supporting Services Expenses</b>	<b><u>\$ 668,669</u></b>	<b><u>\$ 62,056</u></b>	<b><u>\$ 137,570</u></b>	<b><u>\$ 868,295</u></b>

See accompanying notes.



**THE TONY HAWK FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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	<u>2015</u>	<u>2014</u>
<b>Cash Flows from Operating Activities:</b>		
Increase (Decrease) in net assets	\$ 252,123	\$ (91,577)
Adjustment to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	2,590	2,815
Unrealized gain on investments	51	-
Stock contribution	(9,665)	-
Stock received for event tickets	(4,847)	-
Changes in operating assets and liabilities:		
(Increases) decreases in:		
Contributions receivable	(139,640)	379,371
Inventory	3,452	5,935
Increases (decreases) in:		
Accounts payable	37,295	(34,821)
Accrued expenses	32,730	(2,664)
Program grants payable	<u>(86,500)</u>	<u>(264,110)</u>
Total adjustments	<u>(164,534)</u>	<u>86,526</u>
Net cash provided by (used in) operating activities	<u>87,589</u>	<u>(5,051)</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of furniture and equipment	<u>(4,056)</u>	<u>(3,161)</u>
Net cash used in investing activities	<u>(4,056)</u>	<u>(3,161)</u>
Net Change in Cash and Cash Equivalents	83,533	(8,212)
Cash and Cash Equivalents, Beginning of Year	<u>2,395,098</u>	<u>2,403,310</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,478,631</u>	<u>\$ 2,395,098</u>

See accompanying notes.

**THE TONY HAWK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Activities**

The Tony Hawk Foundation (the Foundation) is a California nonprofit public benefit corporation which seeks to foster lasting improvements in society, with an emphasis on helping children. Through grants and other charitable donations, the Foundation supports programs focusing on the creation of public skateboard parks and other causes. The Foundation favors programs that clearly demonstrate that funds will produce tangible, ongoing, positive results.

**Basis of Accounting**

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Financial Statement Presentation**

The Foundation 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.

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets generally result from unrestricted contributions and interest and dividends, less expenses, incurred in providing fundraising activities and other administrative expenses.

*Temporarily Restricted Net Assets* – Net assets that are subject to donor-imposed restrictions that require the passage of time or the occurrence of a specific event to become available for unrestricted use.

*Permanently Restricted Net Assets* – Net assets are subject to donor-imposed restrictions that may be maintained permanently while permitting the Foundation to use or expense part or all of the income derived from the donated assets. At December 31, 2015 and 2014, there were no permanently restricted net assets.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less at date of purchase to be cash and cash equivalents.

**THE TONY HAWK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Income Tax**

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and donations qualify for charitable contribution deductions under Section 170(b)(1)(A).

The Foundation follows the accounting for uncertainty in income taxes recognized in a nonpublic entity's financial statements. It details how entities should recognize, measure, present, and disclose uncertain tax positions that have been or are expected to be taken. As such, financial statements will reflect expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the position and all relevant facts. There was no impact to the Foundation's financial statements as a result of these provisions.

**Unconditional Promises to Give**

Unconditional promises to give are recognized as contributions in the period when a donor makes a promise to give and are recorded as assets, decreases of liabilities, or expenses depending on the form of the benefit received. Promises to give are recorded at net realizable value if they are expected to be collected within one year and at net present value if they are expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The majority of the promises to give are received from a broad base of contributors. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end. No allowance for uncollectible promises were recorded by management at December 31, 2015 and 2014.

**Support and Revenues**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor 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 reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Royalty revenues are earned on sales of licensed products with certain companies and are recognized based on net sales, as defined in the agreements, of all licensed products sold.

**THE TONY HAWK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Program Grants Payable and Program Grants Committed**

The Foundation approves grants for programs focusing on the creation of public skateboard parks and other causes. Most of the grants are paid within 12 months from the date of Board approval. All grants payable are recorded upon approval by the Board of Directors. On occasion, issues arise in the planning of certain skateboard parks, which in turn, delay the Foundation from issuing payment on these approved grants for more than a year.

Additionally, challenge grants are issued which require the grantee to match the grant through fundraising. These challenge grants are considered conditional in nature and are not recorded until the condition is met.

**Donated Services**

The Foundation receives donated services from unpaid volunteers who assist in administration, fundraising and program activities. The value of contributed time is not reflected in the accompanying financial statements since the services do not require specialized skills.

**In-Kind Donations**

*Contributed Facilities*

Contributed use of the facilities for the years ended December 31, 2015 and 2014 are reflected in the accompanying statements of activities at their estimated market value of \$18,000, respectively.

*Contributed Goods*

Contributed goods for the years ended December 31, 2015 and 2014 are reflected in the accompanying statements of activities at their estimated market value of \$45,331 and \$31,334, respectively.

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the reported period. Accordingly, actual results could differ from those estimates.

**THE TONY HAWK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Concentration of Credit Risk**

The Foundation places its temporary cash investments with high-credit quality Federal Deposit Insurance Corporation (FDIC) insured financial institutions. These temporary cash investments are insured up to \$250,000 per depositor at participating FDIC insured banks. The uninsured cash balance was \$2,234,661 and \$2,151,706 at December 31, 2015 and 2014, respectively.

**Inventory**

Inventory includes items purchased or donated to be used as give-aways at events. Inventory is valued at lower of cost or market using the first-in, first-out method for cost. Donated items are valued at fair value at the date of donation.

**Property and Equipment**

Property and equipment are capitalized at cost. Property and equipment are being depreciated over their estimated useful life of five years using the straight-line method.

**Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

**Reclassifications**

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 presentation. Such reclassifications had no effect on previously reported changes in net assets.

**Subsequent Events**

The Foundation has evaluated subsequent events through August 9, 2016, which was the date the financial statements were available to be issued.

**THE TONY HAWK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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**2. PROPERTY AND EQUIPMENT**

The Foundation's property and equipment consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Furniture and Equipment	\$ 32,230	\$ 28,174
Less: Accumulated Depreciation	<u>(23,217)</u>	<u>(20,627)</u>
Total	<u>\$ 9,013</u>	<u>\$ 7,547</u>

Depreciation expense was \$2,590 and \$2,815 for the years ended December 31, 2015 and 2014, respectively.

**3. FAIR VALUE**

The Foundation adopted FASB ASC 820-10, *Fair Value Measurements and Disclosures – Overall*, (ASC 820-10) with respect to its financial and non-financial assets and liabilities. ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under ASC 820-10 are described below:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following table sets forth the Foundation's financial assets and liabilities measured at fair value by level within the fair value hierarchy. As required by ASC 820-10, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

**THE TONY HAWK FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**3. FAIR VALUE (Continued)**

<b>Fair Value at December 31, 2015</b>				
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Assets:				
Cash equivalents	\$ 271,524	\$ 271,524	\$ -	\$ -
Equities	14,461	14,461	-	-
	\$ 285,985	\$ 285,985	\$ -	\$ -
<b>Fair Value at December 31, 2014</b>				
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Assets:				
Cash equivalents	\$ 271,387	\$ 271,387	\$ -	\$ -
	\$ 271,387	\$ 271,387	\$ -	\$ -

*Cash Equivalents* are comprised of money market accounts and are classified within Level 1 of the fair value hierarchy since it is valued using quoted market prices.

**4. PROGRAM GRANTS PAYABLE AND PROGRAM GRANTS COMMITTED**

**Program Grants Payable**

Of the \$660,304 and \$746,804 grants payable at December 31, 2015 and 2014, \$650,304 and \$578,804, respectively, have been outstanding over 12 months. Management is confident that all issues will be resolved and the grant payments will be made to the recipients.

Minimum future payments grants payable are as follows:

<b>Years Ending December 31,</b>	<b>Amount</b>
2016	\$ 420,939
2017	239,365
Total	\$ 660,304

**Program Grants Committed**

Two challenge grants totaling \$15,000 were outstanding as of December 31, 2015.

**THE TONY HAWK FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

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**5. SPECIAL EVENTS**

Total gross revenues for special events associated with the Foundation's fundraising activities for the years ended December 31:

	<b>Stand Up for Skateparks</b>	
	<b>2015</b>	<b>2014</b>
Gross Revenues, Including Pledges	\$ 1,135,702	\$ 1,008,548
Direct Costs	(846,439)	(667,102)
Net revenue	\$ 289,263	\$ 341,446

**6. COMMITMENT**

The Foundation leases its premises from an entity which is owned by the President of the Board of Directors under an operating lease which was amended effective May 31, 2016 and now expires on December 31, 2017. Total rent expense under this lease for the years ended December 31, 2015 and 2014 was \$18,000. The rent has been donated and reflected in the statement of activities through May 31, 2016 as in-kind donations. As of June 1, 2016, the annual rent will be \$42,000 and will no longer be donated to the Foundation.

Future minimum lease payments are as follows:

<b>For the Year Ending December 31,</b>	<b>Total</b>
2016	\$ 32,000
2017	42,000
	\$ 74,000

**7. RELATED PARTY TRANSACTIONS**

A principal of Hawk Management Inc. (HMI) serves on the Board of Directors of the Foundation and helps secure sponsorship for the Foundation's fundraising events. The Foundation pays HMI a 10% commission for securing sponsorships. Total commission expense paid to HMI for the years ended December 31, 2015 and 2014 was \$17,462 and \$20,891, respectively. The agreement expires on September 4, 2016.



**THE TONY HAWK FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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7. **RELATED PARTY TRANSACTIONS** (Continued)

During the year ended December 31, 2010, agreements were entered into with various related entities for providing services to the Foundation, which were formerly recorded as in-kind donations in earlier years. The payments to these related parties during the year ended December 31, 2015 and 2014 were \$26,450 and \$53,622 for accounting, design services, video production/photography, and expense reimbursements and \$18,000 for donated space, respectively.

At December 31, 2015 and 2014, the Foundation had an outstanding balance due to HMI of \$9,250 and \$6,375, respectively. In addition, the Foundation had a balance due to Tony Hawk, Inc., a related party, in the amount of \$1,276 at December 31, 2015.