

THE TONY HAWK FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

**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, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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, 2016 and 2015, 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.

MM & Company, LLP

MM & Company, LLP

Santa Ana, California

July 14, 2017

THE TONY HAWK FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
Assets:		
Cash and cash equivalents	\$ 3,643,929	\$ 2,478,631
Investments	17,905	14,461
Contributions receivable	32,993	200,360
Inventory	11,186	24,683
Property and equipment, net of accumulated depreciation	13,068	9,013
Total Assets	\$ 3,719,081	\$ 2,727,148

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 42,980	\$ 53,343
Accrued expenses	26,926	56,791
Program grants payable	576,304	660,304
Total liabilities	646,210	770,438
Commitment	-	-
Net Assets:		
Unrestricted	2,314,610	1,824,285
Temporarily restricted	758,261	132,425
Total net assets	3,072,871	1,956,710
Total Liabilities and Net Assets	\$ 3,719,081	\$ 2,727,148

THE TONY HAWK FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Unrestricted Net Assets:		
Support and revenues:		
Contributions	\$ 556,884	\$ 390,790
Special events proceeds, net of direct costs	579,650	289,263
In-kind donations	7,500	63,331
Merchandise sales	-	9,041
Interest income	344	309
Royalty income	-	623
Dividend income	-	188
Unrealized gain (loss) on investments	3,444	(51)
Net assets released from restriction	<u>124,164</u>	<u>-</u>
Total unrestricted support and revenues	<u>1,271,986</u>	<u>753,494</u>
Expenses:		
Program services	652,280	452,778
Supporting services:		
Management and general	57,557	51,879
Fundraising	<u>71,824</u>	<u>104,142</u>
Total expenses	<u>781,661</u>	<u>608,799</u>
Change in unrestricted net assets	<u>490,325</u>	<u>144,695</u>
Temporarily Restricted Net Assets:		
Contributions	750,000	107,428
Net assets released from restriction	<u>(124,164)</u>	<u>-</u>
Change in temporarily restricted net assets	<u>625,836</u>	<u>107,428</u>
Increase in Net Assets	1,116,161	252,123
Net Assets – Beginning of Year	<u>1,956,710</u>	<u>1,704,587</u>
Net Assets – End of Year	<u>\$ 3,072,871</u>	<u>\$ 1,956,710</u>

See accompanying notes.

THE TONY HAWK FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

2016

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Auction Online Fees	\$ 11	\$ -	\$ 43	\$ 54
Bank Service Charge	241	240	240	721
Commission	2,975	-	2,975	5,950
Contract Labor	900	-	5,100	6,000
Depreciation Expense	3,058	107	391	3,556
Grants	193,000	-	-	193,000
Contributions	9,226	-	-	9,226
Insurance	33,190	2,635	3,155	38,980
Internet Access	616	21	79	716
Miscellaneous	4,402	4,355	2,217	10,974
Office Expense	18,217	5,196	1,895	25,308
Payroll	250,583	29,024	34,986	314,593
Postage and Delivery	8,804	929	49	9,782
Printing	8,745	-	2,915	11,660
Professional Fees	28,042	7,082	6,562	41,686
Publicity	3,132	-	-	3,132
Rent	28,800	3,040	160	32,000
Swag Donations	19,881	-	-	19,881
Telephone	2,091	697	697	3,485
Travel	11,895	1,586	2,379	15,860
Video Production	6,488	-	2,163	8,651
Website Expense	<u>17,983</u>	<u>2,645</u>	<u>5,818</u>	<u>26,446</u>
Total Program and Supporting Services Expenses	<u>\$ 652,280</u>	<u>\$ 57,557</u>	<u>\$ 71,824</u>	<u>\$ 781,661</u>

See accompanying notes.

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

2015

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
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>
 Total Program and Supporting Services Expenses	 <u>\$ 452,778</u>	 <u>\$ 51,879</u>	 <u>\$ 104,142</u>	 <u>\$ 608,799</u>

See accompanying notes.

THE TONY HAWK FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities:		
Increase in net assets	\$ 1,116,161	\$ 252,123
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	3,556	2,590
Unrealized (gain) loss on investments	(3,444)	51
Stock contribution	-	(9,665)
Stock received for event tickets	-	(4,847)
Changes in operating assets and liabilities:		
(Increases) decreases in:		
Contributions receivable	167,367	(139,640)
Inventory	13,497	3,452
Increases (decreases) in:		
Accounts payable	(10,363)	37,295
Accrued expenses	(29,865)	32,730
Program grants payable	<u>(84,000)</u>	<u>(86,500)</u>
Total adjustments	<u>56,748</u>	<u>(164,534)</u>
Net cash provided by operating activities	<u>1,172,909</u>	<u>87,589</u>
Cash Flows from Investing Activities:		
Purchase of furniture and equipment	<u>(7,611)</u>	<u>(4,056)</u>
Net cash used in investing activities	<u>(7,611)</u>	<u>(4,056)</u>
Net Change in Cash and Cash Equivalents	1,165,298	83,533
Cash and Cash Equivalents, Beginning of Year	<u>2,478,631</u>	<u>2,395,098</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,643,929</u>	<u>\$ 2,478,631</u>

See accompanying notes.

THE TONY HAWK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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, 2016 and 2015, 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, 2016 AND 2015

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).

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, 2016 and 2015.

Investments

Investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

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, 2016 AND 2015

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, 2016 and 2015 are reflected in the accompanying statements of activities at their estimated market value of \$7,500 and \$18,000, respectively. As of June 1, 2016, the rent on the facilities is no longer contributed.

Contributed Goods

Contributed goods for the years ended December 31, 2016 and 2015 are reflected in the accompanying statements of activities at their estimated market value of \$0 and \$45,331, 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, 2016 AND 2015

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 \$3,395,095 and \$2,234,661 at December 31, 2016 and 2015, 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.

Subsequent Events

The Foundation has evaluated subsequent events through July 14, 2017, which was the date the financial statements were available to be issued.

2. PROPERTY AND EQUIPMENT

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

	<u>2016</u>	<u>2015</u>
Furniture and Equipment	\$ 39,841	\$ 32,230
Less: Accumulated Depreciation	<u>(26,773)</u>	<u>(23,217)</u>
Total	<u>\$ 13,068</u>	<u>\$ 9,013</u>

Depreciation expense was \$3,556 and \$2,590 for the years ended December 31, 2016 and 2015, respectively.

THE TONY HAWK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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.

	Fair Value at December 31, 2016			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents	\$ 271,511	\$ 271,511	\$ -	\$ -
Equities	17,905	17,905	-	-
	\$ 289,416	\$ 289,416	\$ -	\$ -
	Fair Value at December 31, 2015			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents	\$ 271,524	\$ 271,524	\$ -	\$ -
Equities	14,461	14,461	-	-
	\$ 285,985	\$ 285,985	\$ -	\$ -

**THE TONY HAWK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

3. FAIR VALUE (Continued)

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

4. PROGRAM GRANTS PAYABLE

Of the \$576,304 and \$660,304 grants payable at December 31, 2016 and 2015, \$576,304 and \$650,304, 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:

<u>Years Ending December 31,</u>	<u>Amount</u>
2017	\$ 386,939
2018	<u>189,365</u>
Total	<u>\$ 576,304</u>

5. SPECIAL EVENTS

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

	<u>Stand Up for Skateparks</u>	
	<u>2016</u>	<u>2015</u>
Gross Revenues, Including Pledges	\$ 1,063,248	\$ 1,135,702
Direct Costs	<u>(483,598)</u>	<u>(846,439)</u>
Net revenue	<u>\$ 579,650</u>	<u>\$ 289,263</u>

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, 2016 and 2015 was \$32,000 and \$18,000, respectively. 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 is \$42,000 and is no longer donated to the Foundation.

THE TONY HAWK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

6. COMMITMENT (Continued)

Future minimum lease payments are as follows:

<u>For the Year Ending December 31,</u>	<u>Total</u>
2017	\$ <u>42,000</u>
	\$ <u>42,000</u>

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, 2016 and 2015 was \$8,500 and \$17,462, respectively. The agreement was automatically renewed, per the agreement, in 2016 and expires on September 4, 2017.

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, 2016 and 2015 were \$130,609 and \$26,450 for accounting, design services, video production/photography, and expense reimbursements.

At December 31, 2016 and 2015, the Foundation had an outstanding balance due to HMI of \$1,000 and \$9,250, respectively.