

THE TONY HAWK FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2018

**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, 2018 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, 2018, 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.

Report on Summarized Comparative Information

We have previously audited The Tony Hawk Foundation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

MM & Company, LLP

A handwritten signature in blue ink that reads "MM & Company, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
September 25, 2019

THE TONY HAWK FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

	<u>2018</u>	<u>2017</u> <u>(Summarized Information)</u>
Assets:		
Cash and cash equivalents	\$ 3,404,065	\$ 2,980,247
Investments	13,781	17,807
Contributions receivable	68,806	167,118
Conditional grants receivable	250,000	-
Inventory	11,814	8,505
Prepaid expense	22,290	1,029
Property and equipment, net of accumulated depreciation	<u>9,079</u>	<u>13,311</u>
Total Assets	<u>\$ 3,779,835</u>	<u>\$ 3,188,017</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 11,478	\$ 40,309
Accrued expenses	37,581	36,663
Program grants payable	<u>811,304</u>	<u>546,304</u>
Total liabilities	<u>860,363</u>	<u>623,276</u>
Commitment	-	-
Net Assets:		
Without donor restrictions	2,036,228	1,990,084
With donor restrictions	<u>883,244</u>	<u>574,657</u>
Total net assets	<u>2,919,472</u>	<u>2,564,741</u>
Total Liabilities and Net Assets	<u>\$ 3,779,835</u>	<u>\$ 3,188,017</u>

**THE TONY HAWK FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018			2017
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>(Summarized Information)</u>
Support and Revenues:				
Contributions	\$ 901,621	\$ 478,018	\$ 1,379,639	\$ 264,932
Special events proceeds, net of direct costs	445,903	-	445,903	185,431
Merchandise sales	11,080	-	11,080	675
Interest income	6,545	-	6,545	448
Dividend income	4,757	-	4,757	2,131
Unrealized gain (loss) on investments	(4,855)	-	(4,855)	(854)
Net assets released from restriction	<u>169,431</u>	<u>(169,431)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>1,534,482</u>	<u>308,587</u>	<u>1,843,069</u>	<u>452,763</u>
Expenses:				
Program services	1,261,390	-	1,261,390	802,804
Supporting services:				
Management and general	55,084	-	55,084	66,562
Fundraising	<u>171,864</u>	<u>-</u>	<u>171,864</u>	<u>91,527</u>
Total expenses	<u>1,488,338</u>	<u>-</u>	<u>1,488,338</u>	<u>960,893</u>
Change in net assets	<u>46,144</u>	<u>308,587</u>	<u>354,731</u>	<u>(508,130)</u>
(Decrease) Increase in Net Assets	46,144	308,587	354,731	(508,130)
Net Assets – Beginning of Year	<u>1,990,084</u>	<u>574,657</u>	<u>2,564,741</u>	<u>3,072,871</u>
Net Assets – End of Year	<u>\$ 2,036,228</u>	<u>\$ 883,244</u>	<u>\$ 2,919,472</u>	<u>\$ 2,564,741</u>

See accompanying notes.

THE TONY HAWK FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018				2017			
	Program Services			Supporting Services			(Summarized Information)	
	Program Services	Community Foundation Southeast Michigan	Community Foundation Buffalo	Total Program Expenses	Management and General	Fundraising	Total	Total Expenses
Bank Service Charge	\$ 78	\$ -	\$ -	\$ 78	\$ -	\$ 1,486	\$ 1,564	\$ 1,589
Commission	-	-	-	-	-	5,454	5,454	6,000
Contract Labor	-	-	-	-	-	-	-	500
Depreciation Expense	3,809	-	-	3,809	-	423	4,232	4,839
Grants	167,500	500,000	-	667,500	-	-	667,500	175,000
Contributions	25,000	-	-	25,000	-	-	25,000	33,000
Insurance	34,685	160	160	35,005	2,746	8,586	46,337	54,633
Internet Access	368	-	-	368	184	368	920	1,037
Miscellaneous	112,658	-	-	112,658	924	1,483	115,065	6,424
Office Expense	15,102	2,472	1,966	19,540	5,165	6,456	31,161	43,144
Payroll	251,137	33,502	33,501	318,140	26,455	91,101	435,696	451,907
Postage and Delivery	747	206	69	1,022	1,022	3,065	5,109	4,772
Printing	543	148	31	722	722	2,166	3,610	7,977
Professional Fees	17,691	2,791	2,151	22,633	7,920	13,988	44,541	52,625
Publicity	99	-	-	99	-	-	99	99
Rent	16,800	-	-	16,800	4,200	21,000	42,000	42,000
Swag Donations	-	-	-	-	-	3,464	3,464	15,509
Tax Expense	-	-	-	-	97	-	97	-
Telephone	2,065	-	-	2,065	344	1,033	3,442	4,710
Travel	3,291	8,112	9,212	20,615	2,749	4,123	27,487	17,362
Video Production	-	-	-	-	-	-	-	11,325
Website	11,836	1,750	1,750	15,336	2,556	7,668	25,560	26,441
Total Program and Supporting Services Expenses	\$ 663,409	\$ 549,141	\$ 48,840	\$ 1,261,390	\$ 55,084	\$ 171,864	\$ 1,488,338	\$ 960,893

See accompanying notes.

**THE TONY HAWK FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u> <u>(Summarized Information)</u>
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ 354,731	\$ (508,130)
Adjustment to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	4,232	4,839
Unrealized (gain) loss on investments	4,855	98
Changes in operating assets and liabilities:		
(Increases) decreases in:		
Contributions receivable	(151,688)	(134,125)
Inventory	(3,309)	2,681
Prepaid expenses	(22,090)	(1,029)
Increases (decreases) in:		
Accounts payable	(28,831)	(2,671)
Accrued expenses	918	9,737
Program grants payable	<u>265,000</u>	<u>(30,000)</u>
Total adjustments	<u>69,087</u>	<u>(150,470)</u>
Net cash provided by (used in) operating activities	<u>423,818</u>	<u>(658,600)</u>
Cash Flows from Investing Activities:		
Purchase of furniture and equipment	<u>-</u>	<u>(5,082)</u>
Net cash used in investing activities	<u>-</u>	<u>(5,082)</u>
Net Change in Cash and Cash Equivalents	423,818	(663,682)
Cash and Cash Equivalents, Beginning of Year	<u>2,980,247</u>	<u>3,643,929</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,404,065</u>	<u>\$ 2,980,247</u>

See accompanying notes.

**THE TONY HAWK FOUNDATION
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2018**

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.

Comparative Information

The accompanying financial statements include certain prior year summarized comparative information which are captions “Summarized Information” to indicate they are presented only to facilitate financial analysis. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

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).

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 STATEMENT
DECEMBER 31, 2018**

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

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.

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, 2018.

Inventory

Inventory includes items purchased or donated to be used as giveaways at events. Inventory is valued at lower of cost or net realizable value using the first-in, first-out method for cost. Donated items are valued at net realizable 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.

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 issues 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.

THE TONY HAWK FOUNDATION
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2018

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

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes there in are classified and reported as follows:

Net Assets Without Donor Restrictions – net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Support and Revenues

All contributions are considered to be available 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 with donor restrictions support that increases that net asset class. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, with donor restrictions net assets are reclassified to without donor restrictions 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 without donor restrictions support.

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.

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 STATEMENT
DECEMBER 31, 2018

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 \$3,167,835 at December 31, 2018.

Functional Expense Allocation

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefits.

Reclassifications

Certain reclassifications, which have no effect on the decrease in net assets, have been made in the prior year financial statements to conform to the current presentation.

Subsequent Events

The Foundation has evaluated subsequent events through September 25, 2019, which was the date the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at December 31, 2018:

Cash and Cash Equivalents	\$ 3,404,065
Investments	13,781
Contributions Receivable	68,806
Conditional Grants Receivable	<u>250,000</u>
Total financial assets	3,736,652
Less: Contractual or Donor Imposed Restrictions	<u>(883,244)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,853,408</u>

As part of liquidity management, the Foundation invests cash in short-term investments, typically money market funds.

**THE TONY HAWK FOUNDATION
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2018**

3. PROPERTY AND EQUIPMENT

The Foundation's property and equipment consist of the following at December 31, 2018:

Furniture and Equipment	\$ 44,923
Less: Accumulated Depreciation	<u>(35,844)</u>
Total	<u>\$ 9,079</u>

Depreciation expense was \$4,232 for the year ended December 31, 2018.

4. 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, 2018			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Cash equivalents	\$ 2,283,003	\$ 2,283,003	\$ -	\$ -
Equities	<u>13,781</u>	<u>13,781</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,296,784</u>	<u>\$ 2,296,784</u>	<u>\$ -</u>	<u>\$ -</u>

**THE TONY HAWK FOUNDATION
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2018**

4. FAIR VALUE (Continued)

Cash equivalents, which are included in cash and 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.

5. PROGRAM GRANTS PAYABLE

Of the \$811,304 grants payable at December 31, 2018, \$546,304 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 for grants payable are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2019	\$ 731,939
2020	<u>79,365</u>
Total	<u>\$ 811,304</u>

6. CONDITIONAL GRANTS

During 2018, the Foundation entered into two agreements for grant funds with The Community Foundation for Greater Buffalo, and The Community Foundation for Southeast Michigan, respectively. The total value of the two Community Foundation agreements total up to \$5,000,000 related to challenge grants, \$400,000 related to administrative fees, and \$216,000 for travel and other reimbursable expenses. These challenge grants require the grantee to match the grant through fundraising and are considered conditional in nature and are not recorded until matching funds have been obtained. The grant agreements expire on December 31, 2019. The administrative fees and reimbursable amounts, which have been received, are recognized as restricted until conditions are met. During 2018, the Foundation received \$500,000 related to challenge grants.

Net assets related to the administrative fees and reimbursable expenses comprise of the following at December 31, 2018:

	<u>Administrative Fees</u>	<u>Reimbursable Costs</u>	<u>Total</u>
Amounts Received	\$ 400,000	\$ 216,000	\$ 616,000
Amounts Spent	<u>(40,000)</u>	<u>(97,982)</u>	<u>(137,982)</u>
Net Assets with Donor Restrictions	<u>\$ 360,000</u>	<u>\$ 118,018</u>	<u>\$ 478,018</u>

THE TONY HAWK FOUNDATION
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2018

7. SPECIAL EVENTS

Total gross revenues for special events associated with the Foundation's fundraising activities for the year ended December 31, 2018:

Gross Revenues, Including Pledges	\$ 755,322
Direct Costs	<u>(309,419)</u>
Net Revenue	<u>\$ 445,903</u>

8. 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 January 1, 2018, and now expires on December 31, 2019. Total rent expense under this lease for the year ended December 31, 2018 was \$42,000.

9. 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 year ended December 31, 2018 was \$500. The agreement was automatically renewed, per the agreement, in 2019 and expires on September 4, 2020.

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, 2018 were \$56,093 for accounting, design services, video production/photography, and expense reimbursements.

10. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2018, the Foundation had \$883,244 of net assets with donor restriction. When both net assets without donor restrictions and net assets with donor restriction are available for use, it is the Organization's policy to use net assets with donor restrictions first, then net asset without donor restrictions.

11. FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries and benefits are allocated based on actual hours worked and all other costs are based on time spent or usage rates.