

**THE TONY HAWK FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

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**MENDOZA
BERGER
COMPANY, L.L.P**

Certified Public Accountants

INDEPENDENT AUDITORS' 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, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mendoza Berger & Company, LLP

Mendoza Berger & Company, LLP

Irvine, California
July 6, 2010

THE TONY HAWK FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

ASSETS	<u>2009</u>	<u>2008</u>
Assets:		
Cash and cash equivalents	\$ 1,620,360	\$ 1,360,970
Contributions receivable	160,346	60,850
Royalty receivable (Note 8)	12,500	-
Interest receivable	1,412	1,412
Investments (Note 3)	170,841	158,224
Inventory	11,526	10,452
Other current assets	-	30,985
Property and equipment, net of accumulated depreciation (Note 2)	<u>5,738</u>	<u>5,343</u>
Total assets	<u>\$ 1,982,723</u>	<u>\$ 1,628,236</u>
Liabilities:		
Accounts payable	\$ 264,847	\$ 71,690
Program grants payable	223,335	319,000
Accrued expenses	3,979	2,945
Deferred royalty revenue (Note 8)	<u>12,500</u>	<u>-</u>
Total liabilities	<u>504,661</u>	<u>393,635</u>
Commitment (Note 6)	-	-
Net assets:		
Unrestricted	1,478,062	1,229,070
Temporarily restricted	<u>-</u>	<u>5,531</u>
Total net assets	<u>1,478,062</u>	<u>1,234,601</u>
Total liabilities and net assets	<u>\$ 1,982,723</u>	<u>\$ 1,628,236</u>

THE TONY HAWK FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Unrestricted net assets:		
Support and revenues:		
Contributions	\$ 82,121	\$ 196,328
Special events proceeds, net of direct costs (Note 5)	377,102	775,874
In-kind donations	277,453	247,042
Merchandise sales	2,360	-
Interest income	16,490	24,213
Royalty income	446,615	288,038
Dividend income	116	1,594
Unrealized gain (loss) on investments	12,617	(7,080)
Net assets released from restriction	5,531	8,061
	<u>1,220,405</u>	<u>1,534,070</u>
Expenses:		
Program services	867,088	1,047,648
Supporting services:		
Management and general	47,640	105,004
Fundraising	56,685	51,053
	<u>971,413</u>	<u>1,203,705</u>
Change in unrestricted net assets	<u>248,992</u>	<u>330,365</u>
Temporarily restricted net assets:		
Net assets released from restriction	<u>(5,531)</u>	<u>(8,061)</u>
Change in temporarily restricted net assets	<u>(5,531)</u>	<u>(8,061)</u>
Increase in net assets	243,461	322,304
Net assets – beginning of year	<u>1,234,601</u>	<u>912,297</u>
Net assets – end of year	<u>\$ 1,478,062</u>	<u>\$ 1,234,601</u>

THE TONY HAWK FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

2009

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	
Auction online fees	\$ 24,215	\$ -	\$ -	\$ 24,215
Bank service charge	-	269	-	269
Commissions	44,190	-	44,190	88,380
Depreciation expense	1,680	59	214	1,953
Promotional	63	-	63	126
Grants	407,335	-	-	407,335
Contributions	11,950	-	-	11,950
Insurance	26,888	2,481	-	29,369
Interest expense	-	74	-	74
Internet access	743	26	95	864
Miscellaneous	8,456	1,177	-	9,633
Office expense	3,001	3,190	3,503	9,694
Payroll	176,449	13,891	-	190,340
Postage and delivery	9,308	982	52	10,342
Printing	28,898	3,050	161	32,109
Professional fees	47,810	18,559	-	66,369
Rent	1,620	171	9	1,800
Repairs	1,613	56	206	1,875
Telephone	3,409	360	19	3,788
Travel	6,248	-	-	6,248
Video production	32,000	-	8,000	40,000
Website expense	31,212	3,295	173	34,680
Total program and supporting services expenses	<u>\$ 867,088</u>	<u>\$ 47,640</u>	<u>\$ 56,685</u>	<u>\$ 971,413</u>

**THE TONY HAWK FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008**

2008

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	
Auction online fees	\$ 22,407	\$ -	\$ -	\$ 22,407
Bank service charge	-	164	-	164
Commissions	49,120	-	49,119	98,239
Depreciation expense	1,537	53	197	1,787
Grants	668,516	-	-	668,516
Contributions	32,720	-	-	32,720
Insurance	16,563	3,244	-	19,807
Interest expense	-	580	-	580
Internet access	272	10	35	317
Meals and entertainment	3,527	-	-	3,527
Miscellaneous	-	573	-	573
Dues and subscriptions	-	3,747	-	3,747
Office expense	1,518	4,654	1,359	7,531
Payroll	191,769	22,234	-	214,003
Postage and delivery	9,615	1,015	53	10,683
Printing	20,277	2,140	113	22,530
Professional fees	2,247	64,739	-	66,986
Rent	1,620	171	9	1,800
Repairs	630	22	81	733
Telephone	1,914	202	11	2,127
Travel	9,605	-	-	9,605
Website expense	13,791	1,456	76	15,323
Total program and supporting services expenses	<u>\$ 1,047,648</u>	<u>\$ 105,004</u>	<u>\$ 51,053</u>	<u>\$ 1,203,705</u>

The accompanying notes are an integral part of these financial statements

**THE TONY HAWK FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Increase in net assets	\$ 243,461	\$ 322,304
Adjustment to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	1,953	1,787
Unrealized (gain) loss on investments	(12,617)	7,080
Change in operating assets and liabilities:		
Contributions receivable	(99,496)	170,525
Royalty receivable	(12,500)	150,000
Inventory	(1,074)	(9,691)
Other current assets	30,985	(28,485)
Accounts payable	193,157	12,198
Program grants payable	(95,665)	64,000
Accrued expenses	1,034	(5,374)
Deferred royalty revenue	12,500	(150,000)
Net cash provided by operating activities	<u>261,738</u>	<u>534,344</u>
Cash flows from investing activities:		
Purchase of furniture and equipment	<u>(2,348)</u>	<u>-</u>
Net cash used by investing activities	<u>(2,348)</u>	<u>-</u>
Net increase in cash and cash equivalents	<u>259,390</u>	<u>534,344</u>
Cash and cash equivalents, beginning of year	<u>1,360,970</u>	<u>826,626</u>
Cash and cash equivalents, end of year	<u>\$ 1,620,360</u>	<u>\$ 1,360,970</u>

THE TONY HAWK FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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's financial statements are presented in conformity with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, "*Financial Statements of Not-For-Profit Organizations*". Under ASC 958, 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.

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.

Tax Status

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 was a private foundation within the meaning of Section 509(a) and accordingly was subject to excise taxes under Chapter 42 of the Code.

Effective January 1, 2004, the Foundation has been classified as an organization that is not a private foundation under Section 509(a)(2) for an advance ruling period of sixty months beginning January 1, 2004 and ending December 31, 2008. On March 26, 2009, the Foundation filed Form 8734 Support Schedule for Advance Ruling Period Application as a public charity under Section 509(a)(1), and has received final determination of its tax status from the Internal Revenue Service (IRS).

THE TONY HAWK FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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

Tax Status (Continued)

In its letter dated June 13, 2009, the IRS has reclassified the Foundation as a public charity described in Section 170(b)(1)(A)(vi) of the IRC. The Foundation continues to be classified as an organization exempt from federal income tax under Section 501(c)(3) of the code. The Foundation is also exempt from state income taxes under Section 23701(d) of the Revenue and Taxation Code of the State of California.

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, 2009 and 2008.

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. There are no permanently restricted assets at December 31, 2009 and 2008.

THE TONY HAWK FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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

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.

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. Contributions from donated services of \$70,000 and \$2,700 were recorded in the statements of activities during the years ended December 31, 2009 and 2008, respectively.

Contributed Facilities

Contributed use of the facilities for the year ended December 31, 2009 and 2008 are reflected in the accompanying statements of activities at their estimated market value of \$1,800, respectively.

Contributed Goods

Contributed goods for the years ended December 31, 2009 and 2008 are reflected in the accompanying statements of activities at their estimated market value of \$205,653 and \$242,542, 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 THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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. The FDIC limit was \$100,000 up to September 2008. Effective October 2008, the FDIC limit was increased to \$250,000 for various interest and non-interest bearing accounts. Effective April 2009, non-interest bearing transaction accounts have unlimited coverage at participating FDIC-insured banks. The Foundation's bank opted out of the unlimited coverage option effective July 1, 2010. The uninsured cash balance was \$0 and \$1,126,941 at December 31, 2009 and 2008 respectively.

Investments

Investments are composed of corporate bonds and are carried at fair value. Unrealized gains and losses are included in the change in net assets.

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.

THE TONY HAWK FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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

New Accounting Pronouncements

The Foundation adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 105-10, *Generally Accepted Accounting Principles – Overall* (“ASC 105-10”). ASC 105-10 establishes the *FASB Accounting Standards Codification* (the “Codification”) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP. The Codification superseded all existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification is non-authoritative. The FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates (“ASUs”). The FASB will not consider ASUs as authoritative in their own right. ASUs will serve only to update the Codification, provide background information about the guidance and provide the bases for conclusions on the change(s) in the Codification. References made to FASB guidance throughout this document have been updated for the Codification.

Effective January 1, 2009, the Foundation adopted FASB ASC 855-10, *Subsequent Events – Overall* (“ASC 855-10”). ASC 855-10 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date – that is, whether that date represents the date the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. Adoption of ASC 855-10 did not have a material impact on the Foundation’s results of operations or financial condition. The Foundation has evaluated subsequent events through July 6, 2010, which was to the date the financial statements were available to be issued.

Reclassifications

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

THE TONY HAWK FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

2. PROPERTY AND EQUIPMENT

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

	<u>2009</u>	<u>2008</u>
Furniture and equipment	\$ 16,004	\$ 13,656
Less: accumulated depreciation	<u>(10,266)</u>	<u>(8,313)</u>
	<u>\$ 5,738</u>	<u>\$ 5,343</u>

Depreciation expense is \$1,953 and \$1,787 for the years ended December 31, 2009 and 2008, respectively.

3. INVESTMENTS

Investments held by the Foundation at December 31, were:

	<u>2009</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Corporate bonds	<u>\$ 164,184</u>	<u>\$ 170,841</u>	<u>\$ 170,841</u>
Total investments	<u>\$ 164,184</u>	<u>\$ 170,841</u>	<u>\$ 170,841</u>
	<u>2008</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Corporate bonds	<u>\$ 166,863</u>	<u>\$ 158,224</u>	<u>\$ 158,224</u>
Total investments	<u>\$ 166,863</u>	<u>\$ 158,224</u>	<u>\$ 158,224</u>

All of the Foundation's investments are in debt securities with readily determinable fair values.

