

# **HawkWatch International, Inc.**

Independent Auditor's Report and Financial Statements

June 30, 2022 and 2021

**HawkWatch International, Inc.**  
**June 30, 2022 and 2021**

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## Independent Auditor's Report

Board of Trustees and Management  
HawkWatch International, Inc.  
Salt Lake City, Utah

### **Opinion**

We have audited the accompanying financial statements of HawkWatch International, Inc. (the Organization) (a nonprofit organization), which comprise the statements of financial position as of June 30, 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 June 30, 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 the Organization 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.

### **Emphasis of Matter**

As described in Note 1 to the financial statements, in 2022, HawkWatch International, Inc. adopted Accounting Standards Update No. 2020-07, *Not-for Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. 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.

Board of Trustees and Management  
HawkWatch International, Inc.

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 the Organizations's ability to continue as a going concern within one year after the date that these 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 the Organization'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 the Organization'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.

**FORVIS,LLP**

Salt Lake City, Utah  
December 16, 2022

**HawkWatch International, Inc.**  
**Statements of Financial Position**  
**June 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 98,020	\$ 191,716
Investments - short-term	795,066	1,349,361
Contracts and grants receivable, net	273,709	80,856
Inventory	7,130	12,383
Prepaid expenses and other	22,560	15,947
Total current assets	1,196,485	1,650,263
<b>Property and Equipment</b>		
Leasehold improvements	61,101	58,581
Equipment	256,385	254,585
Vehicles	148,635	115,306
Accumulated depreciation	(327,993)	(286,424)
Total property and equipment	138,128	142,048
<b>Other Long-term Assets</b>		
Investments	1,128,562	1,028,582
Total other long-term assets	1,128,562	1,028,582
Total assets	\$ 2,463,175	\$ 2,820,893

**HawkWatch International, Inc.**  
**Statements of Financial Position (continued)**  
**June 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 56,711	\$ 19,427
Accrued expenses	51,350	69,252
Deferred revenue	2,617	28,108
Refundable advance (Paycheck Protection Program (PPP) loan)	-	164,168
Current portion of long-term liabilities	3,063	2,935
Total current liabilities	113,741	283,890
<b>Long-term Liabilities</b>		
Notes payable	9,579	12,918
Total long-term liabilities	9,579	12,918
Total liabilities	123,320	296,808
<b>Net Assets</b>		
Without donor restrictions	1,339,855	1,395,523
With donor restrictions	1,000,000	1,128,562
Total net assets	2,339,855	2,524,085
Total liabilities and net assets	\$ 2,463,175	\$ 2,820,893

**HawkWatch International, Inc.**  
**Statement of Activities**  
**Year Ended June 30, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenues</b>			
Contracts and grants	\$ 1,335,540	\$ -	\$ 1,335,540
Contributed nonfinancial assets	793,489	-	793,489
Contributions	784,712	-	784,712
Special events	15,570	-	15,570
Merchandise sales	25,465	-	25,465
Net investment return	(304,543)	-	(304,543)
Other income	15,803	-	15,803
Net assets released from restrictions	128,562	(128,562)	-
	<u>2,794,598</u>	<u>(128,562)</u>	<u>2,666,036</u>
Total support and revenues			
<b>Operating Expenses</b>			
Program services			
Science	2,159,608	-	2,159,608
Education	279,407	-	279,407
Membership and public outreach	9,840	-	9,840
	<u>2,448,855</u>	<u>-</u>	<u>2,448,855</u>
Total program services			
Supporting services			
Management and general	203,333	-	203,333
Fundraising activities	198,078	-	198,078
	<u>401,411</u>	<u>-</u>	<u>401,411</u>
Total supporting services			
Total operating expenses	<u>2,850,266</u>	<u>-</u>	<u>2,850,266</u>
<b>Change in Net Assets</b>	(55,668)	(128,562)	(184,230)
<b>Net Assets, Beginning of Year</b>	<u>1,395,523</u>	<u>1,128,562</u>	<u>2,524,085</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,339,855</u>	<u>\$ 1,000,000</u>	<u>\$ 2,339,855</u>

**HawkWatch International, Inc.**  
**Statement of Activities**  
**Year Ended June 30, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenues</b>			
Contributions	\$ 696,706	\$ 100,000	\$ 796,706
Contributed nonfinancial assets	418,189	-	418,189
Contracts and grants	459,870	-	459,870
Merchandise sales	36,751	-	36,751
Net investment return	452,699	-	452,699
Other income	3,363	-	3,363
	<hr/>	<hr/>	<hr/>
Total support and revenues	2,067,578	100,000	2,167,578
	<hr/>	<hr/>	<hr/>
<b>Operating Expenses</b>			
Program services			
Science	1,112,556	-	1,112,556
Education	266,057	-	266,057
Membership and public outreach	47,261	-	47,261
	<hr/>	<hr/>	<hr/>
Total program services	1,425,874	-	1,425,874
	<hr/>	<hr/>	<hr/>
Supporting services			
Management and general	161,860	20	161,880
Fundraising activities	74,593	-	74,593
	<hr/>	<hr/>	<hr/>
Total supporting services	236,453	20	236,473
	<hr/>	<hr/>	<hr/>
Total operating expenses	1,662,327	20	1,662,347
	<hr/>	<hr/>	<hr/>
<b>Change in Net Assets</b>	405,251	99,980	505,231
<b>Net Assets, Beginning of Year</b>	990,272	1,028,582	2,018,854
	<hr/>	<hr/>	<hr/>
<b>Net Assets, End of Year</b>	<u>\$ 1,395,523</u>	<u>\$ 1,128,562</u>	<u>\$ 2,524,085</u>



**HawkWatch International, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2022**

	<b>Program Services</b>				<b>Supporting Services</b>			<b>Total Expenses</b>
	<b>Science</b>	<b>Education</b>	<b>Membership and Public Outreach</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	
Personnel and fringe	\$ 774,776	\$ 147,694	\$ 9,568	\$ 932,038	\$ 145,900	\$ 76,012	\$ 221,912	\$ 1,153,950
Specialized field services	655,887	56,665	-	712,552	5,631	17,254	22,885	735,437
Professional services	307,448	26,387	57	333,892	23,082	48,310	71,392	405,284
Communications	24,112	2,956	123	27,191	2,136	19,046	21,182	48,373
Occupancy	47,882	13,517	92	61,491	5,110	4,461	9,571	71,062
Travel	215,461	4,320	-	219,781	1,443	9,710	11,153	230,934
Supplies	58,848	14,064	-	72,912	1,449	7,263	8,712	81,624
Equipment	2,371	484	-	2,855	269	251	520	3,375
Depreciation	28,538	7,772	-	36,310	5,188	71	5,259	41,569
Miscellaneous	44,285	5,006	-	49,291	12,908	11,091	23,999	73,290
Cost of goods sold	-	-	-	-	-	4,609	4,609	4,609
Other expense	-	542	-	542	217	-	217	759
<b>Total functional expenses</b>	<b>\$ 2,159,608</b>	<b>\$ 279,407</b>	<b>\$ 9,840</b>	<b>\$ 2,448,855</b>	<b>\$ 203,333</b>	<b>\$ 198,078</b>	<b>\$ 401,411</b>	<b>\$ 2,850,266</b>

**HawkWatch International, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2021**

	<b>Program Services</b>				<b>Supporting Services</b>			<b>Total Expenses</b>
	<b>Science</b>	<b>Education</b>	<b>Membership and Public Outreach</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	
Personnel and fringe	\$ 571,742	\$ 156,919	\$ 39,534	\$ 768,195	\$ 120,829	\$ 43,072	\$ 163,901	\$ 932,096
Specialized field services	284,794	53,463	-	338,257	-	-	-	338,257
Professional services	31,009	1,224	898	33,131	14,851	4,973	19,824	52,955
Communications	35,189	3,163	413	38,765	2,507	10,956	13,463	52,228
Occupancy	43,165	17,712	716	61,593	3,599	4,692	8,291	69,884
Travel	80,164	1,572	-	81,736	329	1,268	1,597	83,333
Supplies	35,551	21,325	33	56,909	2,194	470	2,664	59,573
Equipment	3,791	423	111	4,325	419	140	559	4,884
Depreciation	13,176	4,972	5,060	23,208	3,789	-	3,789	26,997
Miscellaneous	21,635	5,284	496	27,415	11,792	4,463	16,255	43,670
Cost of goods sold	(7,660)	-	-	(7,660)	-	4,559	4,559	(3,101)
Other expense	-	-	-	-	1,571	-	1,571	1,571
<b>Total functional expenses</b>	<b><u>\$ 1,112,556</u></b>	<b><u>\$ 266,057</u></b>	<b><u>\$ 47,261</u></b>	<b><u>\$ 1,425,874</u></b>	<b><u>\$ 161,880</u></b>	<b><u>\$ 74,593</u></b>	<b><u>\$ 236,473</u></b>	<b><u>\$ 1,662,347</u></b>

**HawkWatch International, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (184,230)	\$ 505,231
Items not requiring (providing) cash		
Depreciation	41,569	26,997
Realized and unrealized loss (gain) on investments	305,134	(452,699)
Changes in operating assets		
Contracts and grants receivable, net	(192,853)	52,693
Inventory	5,253	(7,313)
Prepaid expenses and other	(6,613)	(12,133)
Changes in operating liabilities		
Accounts payable	37,284	(28,000)
Accrued expenses	(17,902)	(3,409)
Refundable advance	(164,168)	(4,932)
Deferred revenue	(25,491)	28,108
	<u>(202,017)</u>	<u>104,543</u>
<b>Net cash provided by (used in) operating activities</b>		
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales of investments	154,799	104,491
Purchases of investments	(5,618)	(2,431)
Purchases of property and equipment	(37,649)	(93,888)
	<u>111,532</u>	<u>8,172</u>
<b>Net cash provided by investing activities</b>		
<b>Cash Flows from Financing Activities</b>		
Proceeds (payments) on line of credit	-	(50,700)
Proceeds (payments) received on notes payable	(3,211)	15,853
	<u>(3,211)</u>	<u>(34,847)</u>
<b>Net cash used in financing activities</b>		
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(93,696)	77,868
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>191,716</u>	<u>113,848</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 98,020</u>	<u>\$ 191,716</u>
<b>Noncash Investing and Financing Activities</b>		
Cash payments for		
Interest	<u>\$ 759</u>	<u>\$ 1,571</u>

# HawkWatch International, Inc.

## Notes to Financial Statements

June 30, 2022 and 2021

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### ***Nature of Operations***

HawkWatch International, Inc. (the Organization or HWI) is an environmental conservation organization that conserves the environment through education, long-term monitoring, and scientific research on raptors as indicators of ecosystem health.

HWI's principal programs comprise the following:

The Science program focuses on data collection and research projects to better understand the health and status of raptors and what conservation actions are needed to protect birds of prey and their habitats. The program includes various field projects that occur year-round, where raptors are observed, and at times, trapped, banded, and released as part of the ongoing data collection/research effort. Scientists use the data to better understand how raptors and their habitats are affected by human activities. Conservation actions are undertaken to protect these birds through collaboration and partnerships with other organizations.

The Education program consists primarily of school programs and presentations, field trips, and lectures to promote education and the conservation of raptors. There are also opportunities for the public to become engaged in raptor science and education. Interpretive services are provided for visitors at many field projects.

The Membership and Public Outreach program is designed to support HWI members and provide them with information and interactive forums to learn about and participate in HWI projects and educational opportunities. Newsletters, brochures, a website, and annual reports among other communications are distributed and available to members regularly.

#### ***Basis of Accounting***

The financial statements of the Organization are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization has elected a June 30 year-end.

#### ***Use of Estimates***

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses, including functional allocations during the reporting period. Actual results could differ from those estimates. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances in making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. While actual results could differ from those estimates, management believes that the estimates are reasonable.

# HawkWatch International, Inc.

## Notes to Financial Statements

June 30, 2022 and 2021

Key estimates made in the accompanying financial statements include, among others, allowance for doubtful accounts on uncollectible receivables, functional allocation of joint costs, the economic useful lives and recovery of long-lived assets, and amounts and valuation of donated goods and services.

### **Cash and Cash Equivalents**

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements or otherwise encumbered. The carrying amount approximates the fair value because of the short maturities of those instruments.

At June 30, 2022 and 2021, the Organization did not have any funds in bank accounts in excess of federally insured limits.

### **Contracts and Grants Receivable**

Contracts and grants receivable are reported at their estimated fair value less an appropriate allowance for uncollectible amounts. Allowances are based on management's assessment of the credit history with entities having outstanding balances and the current relationship with them. An account is written off when it is determined that all collection efforts have been exhausted. Promises to give due later than one year are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using imputed interest rates applicable to the years in which promises are received. Discounts on promises to give that are measured at present value are amortized between the date the promise to give is initially recognized and the date the cash or other contributed assets are received.

As of June 30, 2022 and 2021, the Organization has recorded an allowance for bad debts of \$0 (both years) and no bad debt expense was reported for the years ended June 30, 2022 and 2021.

### **Inventory**

Inventory is comprised of fundraising educational material and is stated at the lower of cost or market determined on an average cost basis. There is no allowance for inventory obsolescence at June 30, 2022 and 2021.

### **Property and Equipment**

Property and equipment are stated at cost. Repairs and maintenance are expensed as incurred, whereas major improvements are capitalized. If donated, property and equipment are recorded at the approximate fair value on the date of donation. The Organization's capitalization policy is to capitalize property and equipment with a cost or donated fair value equal to or greater than \$1,000. Purchases of up to \$1,000 are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Leasehold improvements	3 to 15 years
Equipment	3 to 7 years
Vehicles	5 years

# HawkWatch International, Inc.

## Notes to Financial Statements

June 30, 2022 and 2021

### ***Impairment of Long-lived Assets***

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amounts of the assets against the estimated undiscounted cash flows associated with these assets. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the assets' carrying value, the assets are adjusted to their fair value (based upon discounted cash flows). No impairment losses were recognized for the years ended June 30, 2022 and 2021.

### ***Investments and Net Investment Return***

As of June 30, 2022 and 2021, investments were comprised of mutual funds stated at fair value based upon quoted market prices. Unrealized gains and losses are included in the change in net assets. For the years ended June 30, 2022 and 2021, the Organization recorded unrealized gains and (losses) on investments totaling \$(304,543) and \$452,699, respectively. Donated investments are reflected as contributions at their market values at the date of receipt.

Investment return includes dividends and interest income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and any direct internal investment expenses. Interest and dividends were insignificant during 2022 and 2021.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as net assets with donor restrictions and then released from restriction. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

### ***Revenue Recognition***

The basis of revenue recognition for each of the revenue producing sources included in grants, contributions, in-kind contributions, and performance revenue/deferred revenue is as follows:

#### ***Grants and Contracts***

Grants and contracts are recognized as revenue in the period the amounts are granted or earned. Grant and contracts expenditures in excess of grants and contracts received as of year-end are reported as grants and contracts receivable.

# HawkWatch International, Inc.

## Notes to Financial Statements

June 30, 2022 and 2021

### *Contributions*

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, 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. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

# HawkWatch International, Inc.

## Notes to Financial Statements

June 30, 2022 and 2021

### *Contributed Nonfinancial Assets*

In 2022, the Organization adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-profit Entities for Contributed Nonfinancial Assets* on retrospective basis. ASU 2020-07 requires contributed nonfinancial assets to be presented separately from contributions of cash or other financial assets in the consolidated statements of activities and disclosures within the notes to the consolidated financial statements about the valuation methodology for, use of, and donor-imposed restrictions associated with contributed nonfinancial assets. Adoption of ASU 2020-07 had no impact on previously reported total change in net assets.

The Organization recognizes contribution revenue for donated property, equipment, and supplies in the period received at the property's fair value. If donated assets have questionable or uncertain value and no alternative use that adds value to the assets, the Organization does not recognize them in the financial statements. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Also, the Organization occasionally receives donations or contributions through services performed. The fair value of the donated services are recognized in the financial statements if the services either (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated. Services that do not meet either of the preceding criteria are not recognized. The Organization estimated the fair value of donated services (volunteer hours) based on the latest Utah hourly rate. During the years ended June 30, 2022 and 2021, the Organization recorded donated in-kind service as follows:

<b>Category</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>
Services (volunteers)	\$ 711,106	\$ 338,257
Office rent	51,000	51,000
Other	<u>31,383</u>	<u>28,932</u>
Total in-kind	<u>\$ 793,489</u>	<u>\$ 418,189</u>

The Organization had utilized the donated services hours, small equipment and vehicles for its program services, and the rental building for its operations. The building is valued at the monthly rental rate and the other donated items like vehicles and small equipment are valued at the fair market value.

### *Performance Revenue/Deferred Revenue*

For performance revenue, revenue is recognized in the period when the activity leading to that revenue is performed. During the years ended June 30, 2022 and 2021, the Organization recorded deferred revenue of \$2,617 and \$28,108, respectively.



# HawkWatch International, Inc.

## Notes to Financial Statements

June 30, 2022 and 2021

### **Net Assets**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Restrictions are generally temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

The Organization's net assets with donor restrictions at June 30, 2022 totaled \$1,000,000 that consisted solely of an endowment fund. For the year 2021, the total amount was \$1,128,562 and consisted of \$1,000,000 of an endowment fund, the restricted interest income at \$28,562 and \$100,000 of restricted contributions (see Notes 9 and 10).

### **Income Taxes**

As a non-profit organization, the Organization claims exemption from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and state law. The Organization files a Form 990 tax return.

As of June 30, 2022 and for the year then ended, the Organization has not engaged in any activity which management considers to be activity that could result in a loss of their 501(c)(3) IRS designation. In addition, during the years ended June 30, 2022 and 2021, the Organization had no unrelated business income as defined by Section 512(a)(1) of the Code. If taxing authorities were to determine that any tax, interest, or penalties were due, such amounts would be reported as general and administrative expenses in the year assessed.

### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Where specific costs can be identified with a particular function, such costs are charged directly to that function. Certain costs that could not be identified with a particular program have been allocated across programs based upon an analysis of personnel time spent in each of those programs, or other relevant factors. The statements of functional expenses detail these amounts.

### **Reclassifications**

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 financial statement presentation. These reclassifications had no effect on the change in net assets.

# HawkWatch International, Inc.

## Notes to Financial Statements

June 30, 2022 and 2021

### **Allocation of Joint Costs**

The Organization allocates joint costs between fundraising and program services or management and general in accordance with ASC Subtopic 958-720, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fundraising*.

### **Future Change in Accounting Principle**

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statement of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statement of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Organization is evaluating the effect the standard will have on its financial statements.

## **Note 2: Liquidity and Availability**

The Organization manages its cash available to meet general expenditures following these guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets
- Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments that support mission fulfillment will continue to be met, ensuring the sustainability of the Organization

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2022 and 2021, comprise the following:

	<b>2022</b>	<b>2021</b>
Total financial assets at year-end (*) available for use within 12 months	\$ 1,166,795	\$ 1,621,933

(\*)Total assets, less nonfinancial (e.g., property and equipment, inventory, prepaids) and noncurrent assets

# HawkWatch International, Inc.

## Notes to Financial Statements

June 30, 2022 and 2021

The Organization receives contributions by donors and considers contributions for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general and program expenditures.

### Note 3: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

#### Recurring Measurements

The following tables summarize the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall as of June 30, 2022 and 2021:

		Fair Value Measurements as of June 30, 2022			
		Level 1	Level 2	Level 3	Total
Investments					
	Mutual funds	\$ 1,923,628	\$ -	\$ -	\$ 1,923,628
	Total investments	<u>\$ 1,923,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,923,628</u>
		Fair Value Measurements as of June 30, 2021			
		Level 1	Level 2	Level 3	Total
Investments					
	Mutual funds	\$ 2,377,943	\$ -	\$ -	\$ 2,377,943
	Total investments	<u>\$ 2,377,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,377,943</u>

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2022.

# HawkWatch International, Inc.

## Notes to Financial Statements

June 30, 2022 and 2021

### **Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market held by brokerage firms, equity securities, mutual funds, and fixed income securities. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Organization had no Level 2 or Level 3 investments as of June 30, 2022 and 2021.

### **Note 4: Allocation of Joint Costs**

During the years ended June 30, 2022 and 2021, the Organization incurred joint costs of \$1,696,318 and \$733,353, respectively, for activities that included fundraising appeals. These joint costs were allocated as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Program services	\$ 1,516,818	\$ 665,339
Management and general	57,433	41,052
Fundraising	<u>122,067</u>	<u>26,962</u>
Total	<u>\$ 1,696,318</u>	<u>\$ 733,353</u>

### **Note 5: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

### **Investments**

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

**HawkWatch International, Inc.**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**Contributions**

Approximately 15% of all contributions were received from one donor in 2022 and 2021.

**Professional Costs**

Approximately 51% of all professional costs were related to the Djibouti project in 2022.

**Note 6: Line of Credit**

During the year ended June 30, 2016, the Organization entered into a revolving line of credit with a bank that provides for available borrowings of up to \$50,000. Borrowings under the line of credit bear a variable interest rate. All borrowings are collateralized by assets of the Organization. There are no amounts outstanding on the line of credit as of June 30, 2022. The line of credit was closed by the Organization during the year 2021.

**Note 7: Notes Payable**

Notes payable consisted of the following at June 30:

	<b>2022</b>	<b>2021</b>
Auto loan, interest accrues at 3.49% per annum, principal and interest payments of \$289 due monthly, matures July 2026, secured by vehicle	<u>\$ 12,642</u>	<u>\$ 15,853</u>

Principal maturities are as follows:

<b>Years Ending August 31,</b>	
2023	\$ 3,063
2024	3,171
2025	3,284
2026	<u>3,124</u>
Total	<u>\$ 12,642</u>

# HawkWatch International, Inc.

## Notes to Financial Statements

June 30, 2022 and 2021

### Note 8: Refundable Advance

In 2021, the Organization received a second SBA Paycheck Protection Program (PPP) loan established by the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) in the amount of \$164,168 and has elected to account for the funding in accordance with ASC Topic 958-605, Revenue Recognition. Under this election, grant proceeds are deemed a refundable advance until such time as the related conditions are met. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as grant income in the financial statements for the period the debt is legally released. PPP loans are subject to the audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. The Organization anticipates using all proceeds to make eligible payments and, therefore, expects substantially all of the loan will be forgiven. This amount is recorded as a refundable advance on the statements of financial position at June 30, 2021 as all conditions have not been met.

In the year ended June 30, 2022, the Organization received full forgiveness from the SBA for its first PPP loan in the amount of \$164,168. Pursuant to ASC Topic 958-605, *Revenue Recognition*, the forgiveness is recorded as grant income for the year ended June 30, 2022.

### Note 9: Net Assets with Donor Restrictions

Net assets with donor restrictions totaled \$1,000,000 and \$1,128,562 as of June 30, 2022 and 2021, respectively. The amount is comprised primarily of a \$1,000,000 donation received from a single donor, along with other miscellaneous contributions, to support the science program. As of June 30, 2021, a restricted contribution of \$100,000 was received. In 2022, this contribution along with the interest income at \$28,562 were release. As on June 30, 2022, the total releases were at \$128,562.

### Note 10: Endowment

An endowment in the amount of \$1,000,000 was established through a combination of private donations. The Organization's Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original donation as of the donation date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as "with donor restrictions" the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in the permanent endowment is classified as "without donor restrictions" as the donor made no express or implied restriction on the use or timing of use of earnings.

# HawkWatch International, Inc.

## Notes to Financial Statements

June 30, 2022 and 2021

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purpose of the Organization and the donor-restricted endowment
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) Other resources of the Organization
- 6) The investment policy of the Organization

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a secure, predictable stream of funding to general support by the endowment fund. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in Vanguard Financial. Interest earned from these funds is available to be spent at the discretion of the Organization and is, thus, unrestricted.

The Organization has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor stipulations or laws and regulations. At June 30, 2022, the fund was underwater by approximately \$3,500. No deficiencies existed at June 30, 2021.

### **Note 11: Defined Contribution Retirement Plan**

The Organization sponsors a defined contribution plan (the Plan). All full-time employees become eligible to participate in the Plan on the first day of the month following 30 days from the employee's full-time hire date. The Organization will match 3% of the employee's gross earnings beginning on the date the employee becomes eligible. During the years ended June 30, 2022 and 2021, the Organization contributed \$16,462 and \$10,624, respectively, to the Plan.

### **Note 12: Subsequent Events**

The Organization has evaluated subsequent events through December 16, 2022, which is the date the financial statements were available to be issued.