




HawkWatch International, Inc.

Independent Auditor's Report and Financial Statements

June 30, 2023 and 2022



HawkWatch International, Inc.
June 30, 2023 and 2022

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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 financial statements of HawkWatch International, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022, 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 HawkWatch International, Inc. as of June 30, 2023 and 2022, 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 HawkWatch International, Inc. 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.

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.

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 HawkWatch International, Inc.'s ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Board of Trustees and Management
HawkWatch International, Inc.

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 HawkWatch International, Inc.'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 HawkWatch International, Inc.'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 13, 2023

HawkWatch International, Inc.
Statements of Financial Position
June 30, 2023 and 2022

Assets

	2023	2022
Current Assets		
Cash and cash equivalents	\$ 86,730	\$ 98,020
Investments – short-term	861,277	795,066
Contracts and grants receivable, net	265,601	273,709
Inventory	2,416	7,130
Prepaid expenses and other	6,693	22,560
Total current assets	1,222,717	1,196,485
Property and Equipment		
Leasehold improvements	61,101	61,101
Equipment	262,981	256,385
Vehicles	150,892	148,635
Accumulated depreciation	(364,846)	(327,993)
Total property and equipment	110,128	138,128
Other Long-term Assets		
Investments	1,000,000	1,128,562
Total other long-term assets	1,000,000	1,128,562
Total assets	\$ 2,332,845	\$ 2,463,175

HawkWatch International, Inc.
Statements of Financial Position (continued)
June 30, 2023 and 2022

Liabilities and Net Assets

	2023	2022
Current Liabilities		
Accounts payable	\$ 77,694	\$ 56,711
Accrued expenses	74,544	51,350
Deferred revenue	-	2,617
Current portion of long-term liabilities	2,912	3,063
Total current liabilities	155,150	113,741
Long-term Liabilities		
Notes payable	-	9,579
Total long-term liabilities	-	9,579
Total liabilities	155,150	123,320
Net Assets		
Without donor restrictions	1,177,695	1,339,855
With donor restrictions	1,000,000	1,000,000
Total net assets	2,177,695	2,339,855
Total liabilities and net assets	\$ 2,332,845	\$ 2,463,175

HawkWatch International, Inc.
Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contracts and grants	\$ 715,720	\$ -	\$ 715,720
Contributed nonfinancial assets	963,283	-	963,283
Contributions	998,685	-	998,685
Special events	800	-	800
Merchandise sales	45,025	-	45,025
Net investment return	159,432	-	159,432
Other income	11,055	-	11,055
	<u>2,894,000</u>	<u>-</u>	<u>2,894,000</u>
Total support and revenues			
Operating Expenses			
Program services			
Science	2,223,366	-	2,223,366
Education	394,458	-	394,458
	<u>2,617,824</u>	<u>-</u>	<u>2,617,824</u>
Total program services			
Supporting services			
Management and general	242,451	-	242,451
Fundraising activities	195,885	-	195,885
	<u>438,336</u>	<u>-</u>	<u>438,336</u>
Total supporting services			
Total operating expenses	<u>3,056,160</u>	<u>-</u>	<u>3,056,160</u>
Change in Net Assets	(162,160)	-	(162,160)
Net Assets, Beginning of Year	<u>1,339,855</u>	<u>1,000,000</u>	<u>2,339,855</u>
Net Assets, End of Year	<u>\$ 1,177,695</u>	<u>\$ 1,000,000</u>	<u>\$ 2,177,695</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
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	<u>128,562</u>	<u>(128,562)</u>	<u>-</u>
Total support and revenues	<u>2,794,598</u>	<u>(128,562)</u>	<u>2,666,036</u>
Operating Expenses			
Program services			
Science	2,159,608	-	2,159,608
Education	279,407	-	279,407
Membership and public outreach	<u>9,840</u>	<u>-</u>	<u>9,840</u>
Total program services	<u>2,448,855</u>	<u>-</u>	<u>2,448,855</u>
Supporting services			
Management and general	203,333	-	203,333
Fundraising activities	<u>198,078</u>	<u>-</u>	<u>198,078</u>
Total supporting services	<u>401,411</u>	<u>-</u>	<u>401,411</u>
Total operating expenses	<u>2,850,266</u>	<u>-</u>	<u>2,850,266</u>
Change in Net Assets	(55,668)	(128,562)	(184,230)
Net Assets, Beginning of Year	<u>1,395,523</u>	<u>1,128,562</u>	<u>2,524,085</u>
Net Assets, End of Year	<u>\$ 1,339,855</u>	<u>\$ 1,000,000</u>	<u>\$ 2,339,855</u>

HawkWatch International, Inc.
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services			Supporting Services			Total Expenses
	Science	Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Personnel and fringe	\$ 909,091	\$ 191,375	\$ 1,100,466	\$ 169,277	\$ 101,364	\$ 270,641	\$ 1,371,107
Specialized field services	815,045	133,655	948,700	2,880	11,703	14,583	963,283
Professional services	128,694	8,521	137,215	28,330	22,082	50,412	187,627
Communications	13,410	3,040	16,450	3,288	17,453	20,741	37,191
Occupancy	15,635	2,752	18,387	2,151	1,142	3,293	21,680
Travel	190,632	12,846	203,478	2,690	7,357	10,047	213,525
Supplies	83,484	27,324	110,808	2,864	5,504	8,368	119,176
Equipment	30,821	8,066	38,887	4,559	223	4,782	43,669
Miscellaneous	36,554	6,518	43,072	26,412	10,870	37,282	80,354
Cost of goods sold	-	-	-	-	18,187	18,187	18,187
Other expense	-	361	361	-	-	-	361
Total functional expenses	<u>\$ 2,223,366</u>	<u>\$ 394,458</u>	<u>\$ 2,617,824</u>	<u>\$ 242,451</u>	<u>\$ 195,885</u>	<u>\$ 438,336</u>	<u>\$ 3,056,160</u>

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

	Program Services				Supporting Services			Total Expenses
	Science	Education	Membership and Public Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	
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
Total functional expenses	\$ 2,159,608	\$ 279,407	\$ 9,840	\$ 2,448,855	\$ 203,333	\$ 198,078	\$ 401,411	\$ 2,850,266

HawkWatch International, Inc.
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ (162,160)	\$ (184,230)
Items not requiring (providing) cash		
Depreciation	36,853	41,569
Realized and unrealized loss (gain) on investments	(97,080)	305,134
Changes in operating assets		
Contracts and grants receivable, net	8,108	(192,853)
Inventory	4,714	5,253
Prepaid expenses and other	15,867	(6,613)
Changes in operating liabilities		
Accounts payable	20,983	37,284
Accrued expenses	23,194	(17,902)
Refundable advance	-	(164,168)
Deferred revenue	(2,617)	(25,491)
	<u>(152,138)</u>	<u>(202,017)</u>
Net cash used in operating activities		
Cash Flows from Investing Activities		
Proceeds from sales of investments	159,431	154,799
Purchases of investments	-	(5,618)
Purchases of property and equipment	(8,853)	(37,649)
	<u>150,578</u>	<u>111,532</u>
Net cash provided by investing activities		
Cash Flows from Financing Activities		
Payments made on notes payable	(9,730)	(3,211)
	<u>(9,730)</u>	<u>(3,211)</u>
Net cash used in financing activities		
Net Decrease in Cash and Cash Equivalents	(11,290)	(93,696)
Cash and Cash Equivalents, Beginning of Year	<u>98,020</u>	<u>191,716</u>
Cash and Cash Equivalents, End of Year	<u>\$ 86,730</u>	<u>\$ 98,020</u>
Noncash Investing and Financing Activities		
Cash payments for interest	<u>\$ 361</u>	<u>\$ 759</u>

HawkWatch International, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

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, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022.

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, 2023 and 2022.

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, 2023 and 2022

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, 2023 and 2022.

Investments and Net Investment Return

As of June 30, 2023 and 2022, 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, 2023 and 2022, the Organization recorded unrealized gains and (losses) on investments totaling \$160,103 and \$(304,543), 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 2023 and 2022.

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, 2023 and 2022

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:

Nature of the Gift	Value Recognized
<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, 2023 and 2022

Contributed Nonfinancial 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, 2023 and 2022, the Organization recorded donated in-kind service as follows:

Category	2023	2022
Services (volunteers)	\$ 903,449	\$ 711,106
Office rent	51,000	51,000
Equipment	1,846	-
Other	<u>6,988</u>	<u>31,383</u>
Total contributed nonfinancial assets	<u>\$ 963,283</u>	<u>\$ 793,489</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. These costs are included on the statement of functional expenses as specialized field services.

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, 2023 and 2022, the Organization recorded deferred revenue of \$0 and \$2,617, respectively.

HawkWatch International, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

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 2023, the total amount was \$1,000,000 that consisted solely of an endowment fund (see Notes 7 and 8).

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, 2023 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, 2023 and 2022, 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 2022 financial statements to conform to the 2023 financial statement presentation. These reclassifications had no effect on the change in net assets.

HawkWatch International, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

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*.

Lease Arrangements

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

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, 2023 and 2022, comprise the following:

	2023	2022
Total financial assets at year-end (*) available for use within 12 months	\$ 1,213,608	\$ 1,166,795

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

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.

HawkWatch International, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

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, 2023 and 2022:

		Fair Value Measurements as of June 30, 2023			
		Level 1	Level 2	Level 3	Total
Investments					
	Mutual funds	\$ 1,861,277	\$ -	\$ -	\$ 1,861,277
	Total investments	<u>\$ 1,861,277</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,861,277</u>
		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>

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, 2023.

HawkWatch International, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

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, 2023 and 2022.

Note 4: Allocation of Joint Costs

During the years ended June 30, 2023 and 2022, the Organization incurred joint costs of \$1,685,051 and \$1,696,318, respectively, for activities that included fundraising appeals. These joint costs were allocated as follows for the years ended June 30:

	2023	2022
Program services	\$ 1,517,359	\$ 1,516,818
Management and general	73,173	57,433
Fundraising	<u>94,519</u>	<u>122,067</u>
Total	<u>\$ 1,685,051</u>	<u>\$ 1,696,318</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, 2023 and 2022

Note 6: Notes Payable

Notes payable consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Auto loan, interest accrues at 3.49% per annum, principal and interest payments of \$289 due monthly, matures July 2026, secured by vehicle	<u>\$ 2,912</u>	<u>\$ 12,642</u>

Principal maturities are as follows:

<u>Years Ending August 31,</u>	
2024	\$ 2,912

Note 7: Net Assets with Donor Restrictions

Net assets with donor restrictions totaled \$1,000,000 as of June 30, 2023 and 2022. The amount is comprised of a \$1,000,000 donation received from a single donor.

Note 8: 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, 2023 and 2022

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, 2023, there were no underwater endowments. At June 30, 2022, the fund was underwater by approximately \$3,500.

Note 9: 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, 2023 and 2022, the Organization contributed \$17,959 and \$16,462, respectively, to the Plan.

Note 10: Subsequent Events

The Organization has evaluated subsequent events through December 13, 2023, which is the date the financial statements were available to be issued.