



HawkWatch International, Inc.

**Financial Statements
As of June 30, 2025 and 2024
And for the Years Then Ended
Together with Independent Auditors' Report**

HawkWatch International, Inc.

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Independent Auditors' Report

To the Board of Directors
HawkWatch International, Inc.
Salt Lake City, Utah

Opinion

We have audited the accompanying financial statements of HawkWatch International, Inc., (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HawkWatch International, Inc. as of June 30, 2025 and 2024, and the changes in 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. 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 the 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 generally accepted auditing standards 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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

the override of internal control. Misstatements, including omissions, 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 generally accepted auditing standards, 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.

Mellor and Associates PLLC

Mellor and Associates PLLC

Draper, UT

October 31, 2025

HawkWatch International, Inc.

Statements of Financial Position

As of June 30,

<u>Assets</u>	<u>2025</u>	<u>2024</u>
Current assets:		
Cash and cash equivalents	\$ 228,777	\$ 18,065
Contracts and grants receivable, net	128,646	227,039
Short-term investments	920,430	765,200
Prepaid expenses	288	11,172
Inventory	7,796	6,223
Total current assets	<u>1,285,937</u>	<u>1,027,699</u>
Property and equipment, net	102,567	93,284
Endowment investment	<u>1,000,000</u>	<u>1,000,000</u>
Total assets	<u>\$ 2,388,504</u>	<u>\$ 2,120,983</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 21,047	\$ 49,809
Accrued expenses	77,832	96,521
Deferred revenue	14,850	11,721
Total current liabilities	<u>113,729</u>	<u>158,051</u>
Total liabilities	<u>113,729</u>	<u>158,051</u>
Net Assets:		
Without donor restrictions	1,274,775	962,932
With donor restrictions	<u>1,000,000</u>	<u>1,000,000</u>
Total net assets	<u>2,274,775</u>	<u>1,962,932</u>
Total liabilities and net assets	<u>\$ 2,388,504</u>	<u>\$ 2,120,983</u>

See accompanying notes to the financial statements

HawkWatch International, Inc.

Statement of Activities and Changes in Net Assets

For the year ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Contributed nonfinancial assets (In-Kind)	\$ 1,298,177	\$ -	\$ 1,298,177
Contributions	1,298,496	-	1,298,496
Contracts and grants	1,016,392	-	1,016,392
Net investment return	205,291	-	205,291
Merchandise sales	71,531	-	71,531
Other income	17,538	-	17,538
Special events	80,939	-	80,939
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
 Total support and revenues	 3,988,364	 -	 3,988,364
Operating expenses:			
Program services:			
Science	2,247,017	-	2,247,017
Education	430,582	-	430,582
Membership and public outreach	<u>303,315</u>	<u>-</u>	<u>303,315</u>
 Total program services	 2,980,914	 -	 2,980,914
Supporting services:			
Management and general	258,521	-	258,521
Fundraising activities	<u>437,086</u>	<u>-</u>	<u>437,086</u>
 Total expenses	 <u>695,607</u>	 <u>-</u>	 <u>695,607</u>
 Total operating expenses	 3,676,521	 -	 3,676,521
 Change in net assets	 <u>311,843</u>	 <u>-</u>	 <u>311,843</u>
 Net assets, beginning of the year	 <u>962,932</u>	 <u>1,000,000</u>	 <u>1,962,932</u>
 Net assets, end of the year	 <u>\$ 1,274,775</u>	 <u>\$ 1,000,000</u>	 <u>\$ 2,274,775</u>

See accompanying notes to the financial statements

HawkWatch International, Inc.

Statement of Activities and Changes in Net Assets

For the year ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues:			
Contributed nonfinancial assets	\$ 1,048,013	\$ -	\$ 1,048,013
Contributions	985,506	-	985,506
Contracts and grants	621,253	-	621,253
Net investment return	195,336	-	195,336
Merchandise sales	42,870	-	42,870
Other income	26,147	-	26,147
Special events	18,666	-	18,666
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
 Total support and revenues	 2,937,791	 -	 2,937,791
Operating expenses:			
Program services			
Science	1,999,690	-	1,999,690
Education	365,525	-	365,525
Membership and public outreach	<u>290,019</u>	<u>-</u>	<u>290,019</u>
 Total program services	 2,655,234	 -	 2,655,234
Supporting services:			
Management and general	265,179	-	265,179
Fundraising activities	<u>232,141</u>	<u>-</u>	<u>232,141</u>
 Total support services	 497,320	 -	 497,320
 Total operating expenses	 3,152,554	 -	 3,152,554
 Change in net assets	 (214,763)	 -	 (214,763)
 Net assets, beginning of the year	 <u>1,177,695</u>	 <u>1,000,000</u>	 <u>2,177,695</u>
 Net assets, end of the year	 <u>\$ 962,932</u>	 <u>\$ 1,000,000</u>	 <u>\$ 1,962,932</u>

See accompanying notes to the financial statements

HawkWatch International, Inc.
Statement of Functional Expenses
For the year ended June 30, 2025

	Program Services				Supporting Services			Total Services	
			Membership and Public Outreach	Total Program Services			Total Supporting Services	Total Expenses	
	Science	Education			Management and General	Fundraising			
Salaries and related expenses:									
Personnel and fringe	\$ 837,686	\$ 218,711	\$ 180,396	\$ 1,236,793	\$ 189,729	\$ 122,014	\$ 311,743	\$ 1,548,536	
Expenses:									
Specialized field services	975,219	143,571	33,487	1,152,277	14,099	131,801	145,900	1,298,177	
Professional services	85,504	15,881	55,415	156,800	19,492	68,926	88,418	245,218	
Travel	181,639	10,283	3,340	195,262	5,710	15,792	21,502	216,764	
Supplies	91,269	22,469	4,678	118,416	2,678	22,545	25,223	143,639	
Equipment	25,966	6,974	2,595	35,535	4,233	71	4,304	39,839	
Cost of goods sold	-	-	-	-	-	37,225	37,225	37,225	
Communications	7,767	2,813	1,496	12,076	1,895	18,037	19,932	32,008	
Occupancy	15,519	2,947	2,433	20,899	1,886	1,428	3,314	24,213	
Miscellaneous	26,448	6,933	19,475	52,856	18,799	19,247	38,046	90,902	
Total functional expenses	<u>\$ 2,247,017</u>	<u>\$ 430,582</u>	<u>\$ 303,315</u>	<u>\$ 2,980,914</u>	<u>\$ 258,521</u>	<u>\$ 437,086</u>	<u>\$ 695,607</u>	<u>\$ 3,676,521</u>	

See accompanying notes to the financial statements

HawkWatch International, Inc.

Statement of Functional Expenses

For the year ended June 30, 2024

	Program Services				Supporting Services			Total Services	
			Membership and Public Outreach	Total Program Services			Total Supporting Services	Total Expenses	
	Science	Education			Management and General	Fundraising			
Salaries and related expenses:									
Personnel and fringe	\$ 753,623	\$ 210,410	\$ 172,616	\$ 1,136,649	\$ 190,101	\$ 109,320	\$ 299,421	\$ 1,436,070	
Expenses:									
Specialized field services	908,073	100,379	6,840	1,015,292	2,880	4,840	7,720	1,023,012	
Professional services	52,951	6,380	62,951	122,282	28,553	27,862	56,415	178,697	
Travel	151,304	11,941	13,670	176,915	3,302	12,313	15,615	192,530	
Supplies	60,986	15,836	2,494	79,316	4,615	8,901	13,516	92,832	
Equipment	26,980	7,877	6,208	41,065	3,569	71	3,640	44,705	
Cost of goods sold	146	-	-	146	-	25,541	25,541	25,687	
Communications	9,395	2,904	3,381	15,680	2,253	20,032	22,285	37,965	
Occupancy	14,105	2,169	1,909	18,183	1,083	1,024	2,107	20,290	
Miscellaneous	22,127	7,629	19,950	49,706	28,823	22,237	51,060	100,766	
Total functional expenses	<u>\$ 1,999,690</u>	<u>\$ 365,525</u>	<u>\$ 290,019</u>	<u>\$ 2,655,234</u>	<u>\$ 265,179</u>	<u>\$ 232,141</u>	<u>\$ 497,320</u>	<u>\$ 3,152,554</u>	

See accompanying notes to the financial statements

HawkWatch International, Inc.

Statements of Cash Flows

For the years ended June 30,

	2025	2024
Cash flows from Operating Activities:		
Change in net assets	\$ 311,843	\$ (214,763)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	37,834	41,844
Unrealized gain on investments	(204,489)	(195,371)
Contribution of property and equipment	-	(25,000)
Changes in operating assets		
Contracts and grants receivable, net	98,393	38,562
Prepaid expenses	10,884	(4,479)
Inventory	(1,573)	(3,807)
Changes in operating liabilities		
Accounts payable	(28,762)	(27,885)
Accrued expenses	(18,689)	21,977
Deferred revenue	<u>3,129</u>	<u>11,721</u>
Net cash provided by (used in) operating activities	208,570	(357,201)
Cash flows from Investing Activities:		
Proceeds from sale of investments	52,918	414,762
Purchase of investments	(3,659)	(123,314)
Purchase of property and equipment	<u>(47,117)</u>	<u>-</u>
Net cash provided by investing activities	2,142	291,448
Cash flows from Financing Activities:		
Payments made on notes payable	<u>-</u>	<u>(2,912)</u>
Net cash used by financing activities	<u>-</u>	<u>(2,912)</u>
Net change in cash	210,712	(68,665)
Cash at beginning of the year	<u>18,065</u>	<u>86,730</u>
Cash at end of the year	<u><u>\$ 228,777</u></u>	<u><u>\$ 18,065</u></u>
Supplemental disclosure of non-cash investing information:		
Donated Four-Wheel Drive Vehicle	\$ -	\$ 25,000

See accompanying notes to the financial statements

HawkWatch International, Inc.

Notes to Financial Statements

For the years ended June 30, 2025 and 2024

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - 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.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

2. Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents. Cash and highly liquid financial instruments restricted to building project, permanent endowment, or other long-term purposes are excluded from this definition.

At June 30, 2025 and 2024, the Organization did not have any funds in bank accounts in excess of federally insured limits.

HawkWatch International, Inc.

Notes to Financial Statements

For the years ended June 30, 2025 and 2024

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Receivables

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. Accounts receivable balances as of June 30, 2025 and 2024 were \$128,646 and \$227,039, respectively, with allowance for doubtful accounts of \$0 in both years.

4. 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 was no allowance for inventory obsolescence as of June 30, 2025 and 2024.

5. Prepaid Expenses

From time to time and based on cash availability, the Organization pays for services in advance of the services being received. These prepayments are booked as Prepaid Expenses on the Statement of Financial Position.

6. 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

Property and equipment consisted of the following components as of June 30, 2025 and 2024:

	2025	2024
Leasehold improvements	\$ 71,964	\$ 61,101
Equipment	300,015	287,981
Vehicles	<u>161,486</u>	<u>150,892</u>
	\$ 533,465	\$ 499,974
Accumulated depreciation	<u>(430,898)</u>	<u>(406,690)</u>
	<u><u>\$ 102,567</u></u>	<u><u>\$ 93,284</u></u>

HawkWatch International, Inc.

Notes to Financial Statements

For the years ended June 30, 2025 and 2024

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Property and Equipment (continued)

Depreciation expense related to property and equipment for the years ended June 30, 2025 and 2024 totaled approximately \$37,834 and \$41,844, respectively.

7. 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, 2025 and 2024.

8. Investments and Net Investment Return

As of June 30, 2025 and 2024, 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, 2025 and 2024, the Organization recorded unrealized gains on investments totaling \$204,489 and \$195,371, 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 the year ended June 30, 2025 and 2024.

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.

9. 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.

HawkWatch International, Inc.

Notes to Financial Statements

For the years ended June 30, 2025 and 2024

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Net Assets

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

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to restrictions imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor stipulates the funds be maintained in perpetuity. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support within net assets without donor restrictions in the Statement of Activity.

Net assets with donor restrictions as of June 30, 2025 and 2024 consisted of the following:

	2025	2024
Donor Imposed Restrictions - Perpetual	\$ 1,000,000	\$ 1,000,000

11. Revenue and 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.

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 restrictions:</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.e. the donor-imposed barrier is met
<i>Unconditional gifts, with or without restrictions:</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

HawkWatch International, Inc.

Notes to Financial Statements

For the years ended June 30, 2025 and 2024

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Revenue and Revenue Recognition (continued)

Nature of the Gift	Value Recognized
<i>Unconditional gifts, with or without restrictions:</i>	
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique
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.e. the donor-imposed barrier is met

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.

12. Contributed Nonfinancial Assets and Services

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.

The Organization also 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.

HawkWatch International, Inc.

Notes to Financial Statements

For the years ended June 30, 2025 and 2024

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Contributed Nonfinancial Assets and Services (continued)

During the years ended June 30, 2025 and 2024, the Organization recorded donated in-kind service as follows:

Category	2025	2024
Services (volunteers)	\$ 977,249	\$ 968,147
Office and Housing rent	202,062	51,000
Digital Marketing	107,568	-
Equipment	-	25,000
Other	11,298	3,866
 Total contributed nonfinancial assets	 <u>\$ 1,298,177</u>	 <u>\$ 1,048,013</u>

The Organization had utilized the donated services hours, equipment 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.

13. 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 statement of functional expenses detail these amounts.

14. Income Taxes

The Organization is organized as a Utah nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifying for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990-PF) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization believes they have appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

15. Advertising

Advertising costs are expensed as they are incurred. For the years ended June 30, 2025 and 2024, the Organization incurred \$107,568 and \$0 of advertising cost, respectively.

HawkWatch International, Inc.

Notes to Financial Statements

For the years ended June 30, 2025 and 2024

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

16. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material. Key estimates made in the accompanying financial statements include, among others, functional allocation of joint costs and amounts and valuation of donated goods and services.

17. Reclassifications

Certain reclassifications have been made to the 2024 financial statements to conform to the 2025 financial statement presentation. These reclassifications had no effect on the change in net assets.

NOTE B – 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 Organization sustainability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2025 and 2024 comprise the following:

	2025	2024
Cash and cash equivalents	\$ 228,777	\$ 18,065
Contracts and grants receivable, net	128,646	227,039
Short-term investments	920,430	765,200
Less: Donor restricted cash and cash equivalents	-	-
	<u>\$ 1,277,853</u>	<u>\$ 1,010,304</u>

NOTE C – 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

HawkWatch International, Inc.

Notes to Financial Statements

For the years ended June 30, 2025 and 2024

NOTE C – DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (continued)

Level 3: Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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, 2025 and 2024:

Fair Value Measurements as of June 30, 2025				
	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds	\$ 1,920,430	\$ -	\$ -	\$ 1,920,430
Total investments	<u>\$ 1,920,430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,920,430</u>
Fair Value Measurements as of June 30, 2024				
	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds	\$ 1,765,200	\$ -	\$ -	\$ 1,765,200
Total investments	<u>\$ 1,765,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,765,200</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, 2025 and 2024.

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, 2025 and 2024.

HawkWatch International, Inc.

Notes to Financial Statements

For the years ended June 30, 2025 and 2024

NOTE D – 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.

NOTE E – 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.

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, 2025 and 2024, there were no underwater endowments.

NOTE F – 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, 2025 and 2024, the Organization contributed \$24,026 and \$20,375, respectively, to the Plan.

HawkWatch International, Inc.
Notes to Financial Statements
For the years ended June 30, 2025 and 2024

NOTE G – RELATED PARTY TRANSACTIONS

Members of the Organization's board of directors and their families collectively contributed during the years ended June 30, 2025 and 2024, \$322 and \$62,020, respectively, in monetary donations to the Organization.

NOTE H – SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure through the date the accompanying financial statements were available to be issued and determined there are no subsequent events to disclose.