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NIGHTHAWK SYSTEMS INC
Form 10QSB
August 22, 2005

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2005

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-30786

NIGHTHAWK SYSTEMS, INC

(Exact name of small business issuer as specified in its charter)

Nevada

87-0627349

(State or other jurisdiction
of incorporation or organization)

(I.R.S Employer
Identification No.)

10715 Gulfdale, Suite 200
San Antonio, TX 78216

(Address of principal executive offices)

210 341-4811

(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

As of August 12, 2005 there were 40,521,194 shares of common stock, par value \$.001 per share, of the registrant issued and outstanding.

Transitional Small Business Disclosure Format (Check one): Yes No

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PART I - FINANCIAL INFORMATION

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Nighthawk Systems, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of Nighthawk Systems, Inc. and subsidiary as of June 30, 2005, the related condensed consolidated statements of operations for the three-month and six-month periods ended June 30, 2005 and 2004, the condensed consolidated statement of stockholders' deficit for the six-month period ended June 30, 2005, and the condensed consolidated statements of cash flows for the six-month periods ended June 30, 2005 and 2004. These interim condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

GHP HORWATH, P.C.

Denver, Colorado
August 17, 2005

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NIGHTHAWK SYSTEMS, INC.
 CONDENSED CONSOLIDATED BALANCE SHEET
 JUNE 30, 2005

ASSETS

Current assets:

| | |
|---|-----------|
| Cash | \$ 19,927 |
| Accounts receivable, net of allowance for doubtful accounts of \$750. | 26,920 |
| Inventories. | 88,908 |
| Prepays | 143,920 |

Total current assets 279,675

| | |
|---|--------|
| Furniture, fixtures and equipment, net. | 11,877 |
| Intangible and other assets. | 14,762 |

\$ 306,314

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:

| | |
|---------------------------|------------|
| Accounts payable. | \$ 339,701 |
| Accrued expenses. | 331,658 |
| Line of credit. | 19,792 |
| Notes payable: | |
| Related parties | 14,736 |
| Other | 1,347,582 |

Total current liabilities. 2,053,469

Long-term liabilities:

| | |
|----------------------------|--------|
| Convertible debt | 72,014 |
|----------------------------|--------|

Commitments and contingencies

Stockholders' deficit:

| | |
|--|-------------|
| Preferred stock, \$0.001 par value; 5,000,000 shares authorized; 5,000 issued and outstanding; liquidation preference. | \$12,500 |
| Common stock; \$0.001 par value; 200,000,000 shares authorized; 39,021,194 issued and outstanding | 39,022 |
| Additional paid- in capital | 5,046,227 |
| Accumulated deficit | (6,916,918) |

Total stockholders' deficit. (1,819,169)

\$ 306,314