WATCH RESOURCES, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2024
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR-ENDED JUNE 30, 2023)

WATCH RESOURCES, INC.

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS:	
STATEMENTS OF FINANCIAL POSITION	5
STATEMENTS OF ACTIVITIES	6
2024 STATEMENT OF FUNCTIONAL EXPENSES	7
2023 STATEMENT OF FUNCTIONAL EXPENSES	8
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10

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Hawks & Associates CPAs , Inc

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
WATCH Resources, Inc.
Sonora, California

Opinion

We have audited the accompanying financial statements of WATCH Resources, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WATCH Resources, Inc. as of June 30, 2024, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 WATCH Resources, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 WATCH Resources, 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 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 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 WATCH Resources, 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 WATCH Resources, 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.

Report on Summarized Comparative Information

We have previously audited WATCH Resources, Inc's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

May 30, 2025
Hawks and Associates CPAs, Inc.

WATCH RESOURCES, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2024
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF JUNE 30, 2023)

	2024	2023
ASSETS		
Current Assets		
Cash	$ 954,800	$ 823,822
Short-Term Investments	242,857	242,465
Accounts Receivable	271,621	263,960
Prepaid Expenses & Deposits	31,394	10,563
Total Current Assets	1,500,672	1,340,810
Property and Equipment		
Land, Building & Improvements	1,238,853	1,236,720
Vehicles and Equipment	599,508	596,972
Accumulated Depreciation	(1,054,450)	(1,008,166)
Net Property and Equipment	783,911	825,526
Other Assets		
Reserve for Unemployment	53,002	32,664
Investments	817,215	752,717
Deposits, Facility Rentals	4,450	4,450
Total Other Assets	874,667	789,831
TOTAL ASSETS	$ 3,159,250	$ 2,956,167
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued Paid Time Off	$ 157,306	$ 147,271
Accrued Payroll Expenses	49,934	33,191
Accrued Shared Responsibility Payment	254,490	212,357
Accounts Payable	28,006	22,623
Current Portion of Long Term Debt	17,290	16,427
Total Current Liabilities	507,026	431,869
Long Term Liabilities		
Long Term Debt	319,672	336,348
Net of Current Portion	(17,290)	(16,427)
Total Long Term Liabilities	302,382	319,921
Total Liabilities	809,408	751,790
NET ASSETS		
With Donor Restrictions	77,391	10,291
Without Donor Restrictions	2,272,451	2,194,086
Total Net Assets	2,349,842	2,204,377
TOTAL LIABILITIES AND NET ASSETS	$ 3,159,250	$ 2,956,167

The accompanying notes are an integral part of these financal statements.

WATCH RESOURCES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF JUNE 30, 2023)

	2024	2023
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and Support		
Program Service Fees	$ 2,581,876	$ 2,412,330
Product Sales	379,418	345,331
Production Income (Day Program)	95,970	98,888
Contributions	116,105	67,700
Management fees	13,176	13,176
Other Income	7,961	4,040
Investment Income	66,895	305
Gain on Sale of Assets	-	220
Net Assets Released From Restrictions:		
Satisfaction of Program Restrictions	122,792	24,397
TOTAL SUPPORT AND OTHER REVENUE	3,384,193	2,966,387
Expenses		
Program Services		
Supported Employment	87,789	101,567
Day Program (Work Training Program)	1,215,417	1,038,149
Supported Living	434,732	400,323
HI-GEAR (Games, Entertainment, Arts, Recreation)	82,964	101,507
Goldstrike (Residential Living Assistance)	376,984	371,505
Transportation Services	120,105	77,288
Thrift Shop	308,508	288,275
Supportive Services		
Fundraising	-	4,829
Management and General	668,112	456,512
TOTAL EXPENSES	3,294,611	2,839,955
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	89,582	126,432
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Grants and Restricted Donations	178,670	14,224
Reallocation of Prior Year Donation	-	-
Net Assets Released From Restrictions	(122,792)	(24,397)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	55,878	(10,173)
TOTAL INCREASE (DECREASE) IN NET ASSETS	145,460	116,259
NET ASSETS AT BEGINNING OF YEAR	2,204,377	2,090,395
PRIOR PERIOD ADJUSTMENT	-	(2,277)
NET ASSETS AT END OF YEAR	$ 2,349,837	$ 2,204,377

The accompanying notes are an integral part of these financial statements.

WATCH RESOURCES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDING JUNE 30. 2024

FUNCTIONAL EXPENSES

	Program Services									
	Supported Employment	Day Program	Supported living	Hi-Gear	Goldstrike	Thrift Shop	Transportation	Total Program Services	Supportive Services	Total Functional Expenses
Personnel Expenses	$ 82,397	$ 853,136	$ 408,340	$ 79,216	$ 348,051	$ 185,456	$ 24,142	$ 1,980,738	$ 395,053	$ 2,375,791
Occupancy Expense	2,244	124,075	5,929	2,226	1,039	51,068	11,511	198,092	-	198,092
Consumer Compensation	-	95,563	-	-	-	52,448	-	148,011	22,790	170,801
Fees and Outside Services	-	34,815	-	-	-	12,660	30	47,505	44,621	92,126
Vehicle Operating	-	-	-	-	184	-	79,148	79,332	-	79,332
Supplies	-	40,947	15	204	23,489	269	53	64,977	11,556	76,533
Office	-	10,258	21	-	128	270	109	10,786	36,009	46,795
Depreciation	-	2,541	-	-	-	-	-	2,541	43,744	46,285
Shared Responsibility Costs	-	-	-	-	-	-	-	-	42,133	42,133
Other Employee Expenses	-	20,004	1,285	251	931	49	697	23,217	17,218	40,435
Insurance	867	9,430	3,258	952	1,924	3,957	4,357	24,745	11,774	36,519
Staff Travel and Training	2,281	1,105	15,568	115	745	-	-	19,814	7,386	27,200
Production Expenses	-	19,469	-	-	-	1,921	-	21,390	462	21,852
Interest Expense	-	-	-	-	-	-	-	-	20,152	20,152
Dues and Subscriptions	-	109	-	-	-	-	-	109	7,280	7,389
Fundraising Expenses	-	-	-	-	-	-	-	-	6,970	6,970
Bad debt	-	1,876	316	-	-	-	26	2,218	-	2,218
Advertising	-	835	-	-	-	410	-	1,245	954	2,199
Miscellaneous	-	1,255	-	-	493	-	-	1,748	-	1,748
Equipment Expenses	-	-	-	-	-	-	32	32	-	32
Bank Service Charge	-	-	-	-	-	-	-	-	10	10
TOTAL EXPENSES	$ 87,789	$ 1,215,417	$ 434,732	$ 82,964	$ 376,984	$ 308,508	$ 120,105	$ 2,626,499	$ 668,112	$ 3,294,611

The accompanying notes are an integral part of these financial statements.

WATCH RESOURCES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDING JUNE 30, 2023

FUNCTIONAL EXPENSES

	Program Services									
	Supported Employment	Day Program	Supported living	Hi-Gear	Goldstrike	Thrift Shop	Transportation	Total Program Services	Supportive Services	Total Functional Expenses
Personnel Expenses	$ 96,203	$ 733,446	$ 377,335	$ 94,152	$ 323,485	$ 163,613	$ 33,045	$ 1,821,279	$ 295,051	$ 2,116,330
Occupancy Expense	2,333	76,461	5,470	1,769	1,296	70,708	12,967	171,004	24,431	195,435
Consumer Compensation	73	69,403	144	73	-	37,486	641	107,820	729	108,549
Supplies	145	32,462	242	2,814	28,817	8	227	64,715	1,209	65,924
Vehicle Operating	-	20,594	944	-	14,469	35	26,936	62,978	194	63,172
Fees and Outside Services	9	4,773	18	9	-	10,880	83	15,772	35,250	51,022
Depreciation	466	38,329	925	466	-	375	924	41,485	4,087	45,572
Insurance	38	3,020	77	65	916	1,034	579	5,729	26,040	31,769
Office	-	3,445	208	24	-	133	47	3,857	25,217	29,074
Bad debt	225	23,395	1,580	1,590	-	-	850	27,640	-	27,640
Staff Travel and Training	1,661	452	12,079	104	1,795	-	140	16,231	9,847	26,078
Other Employee Expenses	148	330	734	175	403	201	64	2,055	19,840	21,895
Interest Expense	231	17,857	497	231	-	-	-	18,816	2,306	21,122
Production Expenses	-	11,335	-	-	-	3,652	-	14,987	-	14,987
Dues and Subscriptions	-	17	-	-	-	-	715	732	5,368	6,100
Fundraising Expenses	-	-	-	-	-	-	-	-	6,021	6,021
Shared Responsibility Costs	-	-	-	-	-	-	-	-	4,829	4,829
Equipment Expenses	35	2,754	70	35	-	-	70	2,964	354	3,318
Advertising	-	-	-	-	-	150	-	150	529	679
Bank Service Charge	-	-	-	-	315	-	-	315	32	347
Miscellaneous	-	76	-	-	9	-	-	85	7	92
TOTAL EXPENSES	$ 101,567	$ 1,038,149	$ 400,323	$ 101,507	$ 371,505	$ 288,275	$ 77,288	$ 2,378,614	$ 461,341	$ 2,839,955

The accompanying notes are an integral part of these financial statements.

WATCH RESOURCES, INC.
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2024
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF JUNE 30, 2023)

	2024	2023
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES:		
Increase in Net Assets	$ 145,460	$ 116,259
Adjustments to Reconcile Decrease in Net Assets to Net cash used by operating activities:		
Depreciation and Amortization	76,533	51,022
Gain or Loss on Disposal of Fixed Assets	-	(220)
Unrealized Gain or Loss on Investments	(7,627)	6,022
(Increase) Decrease in Assets:		
Accounts Receivable	(7,661)	44,627
Prepaid Expenses	(20,831)	5,482
Reserve for Unemployment	(20,338)	(13,768)
Increase (Decrease) in Liabilities:		
Accounts Payable	5,383	8,910
Accrued Expenses	68,911	24,411
Net Cash Provided (Used) by Operating Activities	239,830	242,745
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES:		
Purchase of Property & Equipment	(4,669)	(15,872)
Purchase of Securities	(57,263)	(1,001,204)
Cash Receipts from the Sale of Fixed Assets	-	220
Net Cash Used by Investing Activities	(61,932)	(1,016,856)
CASH FLOWS FROM (USED BY) FINANCING ACTIVITIES:		
Loan Payments	(16,676)	(15,211)
Net Cash Used by Financing Activities	(16,676)	(15,211)
NET DECREASE IN CASH	161,222	(789,322)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	829,272	1,618,594
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 990,493	$ 829,272
Cash Paid for Interest During the Year:	$ 2,199	$ 3,318
Cash Paid for Income Taxes During the Year:	$ -	$ -

The accompanying notes are an integral part of these financial statements.

WATCH RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2024
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023)

NOTE 1A – ORGANIZATION AND NATURE OF ACTIVITIES

Organization

WATCH Resources, Inc. (WATCH) was incorporated in 1972 as a California non-profit public benefit corporation to provide services to intellectual disabled adult participants in Tuolumne County. It began providing services to Calaveras County in subsequent years.

WATCH is tax-exempt under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code 23701d and is registered as a charitable organization with the California Attorney General's Office. The Financial Accounting Standards Board has issued guidance on accounting for uncertainty in income taxes. Management evaluated the Organization's tax position and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements. Accordingly, no provision has been made for federal or state income taxes. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for tax years before 2015.

Nature of Activities

WATCH's services aim to increase the independence and community integration of adults with intellectual disabilities (participants) by providing employment support, work training in the community (Day program and Supported Employment), daily living skills instruction and support (Supported Living), arts and recreation (HI-GEAR), residential living assistance (Goldstrike).

Revenues are received from contracts with regional centers for participant programs and activities, Day program services, HUD home management, HUD home maintenance cost reimbursements, and investment interest. Support is received from contributions, special events fundraising, and grants.

NOTE 1B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of WATCH are prepared on the accrual basis of accounting, which is in accordance with Generally Accepted Accounting Principles (GAAP). Under this method, revenues are recognized when earned and expenses are recognized in the accounting year in which the liability is incurred.

Basis of Presentation

WATCH reports financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

NOTE 1B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

Net Assets Without Donor Restrictions: unrestricted revenues, support, and assets. This is the equity that is available for operations, not subjected to donor stipulations.

Net Assets With Donor Restrictions: contributions and net assets subject to donor imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction is satisfied or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash, receivables, accounts payable, accrued expenses and current maturities of long-term obligations, approximate fair value.

Cash and Cash Equivalents

Cash is maintained in savings, money market, checking accounts (both interest and non-interest bearing), change funds, Certificates of Deposits, and petty cash funds. The Federal Deposit Insurance Company (FDIC) provides insurance coverage up to $250,000 per financial institution on all bank accounts. At June 30, 2024 and 2023, the uninsured balances were $727,795 and $564,369, respectively.

Reserve for Unemployment

The amount reported in Other Assets represents the value of a trust account maintained for WATCH to reimburse the State of California for unemployment claims. The value of the trust at June 30, 2024 and 2023, is $53,002 and $32,664 respectively.

Program Service Fees

Revenues received from contracts for providing program services and activities to participants.

NOTE 1B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Production Revenue

Amounts billed for work performed by participants in the Day program and thrift store sales.

Related-Party Transactions

WATCH receives significant support from members of the Board of Directors and related organizations. During the fiscal year June 30, 2024, WATCH received $4,560 from the current and former members of the Board of Directors and related organizations. This represents approximately .001 percent of support and revenue for the fiscal year then ended. During the fiscal year June 30, 2023, WATCH received $9,649 from the current and former members of the Board of Directors and related organizations. This represents approximately .003 percent of support and revenue for the fiscal year then ended.

Comparative Data

The amounts shown for the year ended June 30, 2023 in the accompanying financial statements are included to provide a basis for comparison with 2024 and present summarized totals only. Accordingly, the 2023 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

NOTE 1C – RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued Topic 326, which requires certain financial assets to be measured at amortized cost net of an allowance for estimated credit losses, such that the net receivable represents the present value of expected cash collection. The new rules also require that certain financial assets be measured at amortized cost reflecting an allowance for estimated credit losses that are expected to occur over the life of the assets. This estimated must be based on all relevant information, such as historical information, current conditions, and reasonable and supportable forecasts that could impact the collectability of the accounts. Entities that apply Topic 326 applies must reflect a cumulative-effect adjustment to retained earnings as the beginning of the first reporting period in which the guidance is adopted July 1, 2023, in the Organization's case. A prospective transition approach is required for debt securities for which an other-than-temporary impairment has been recognized before the effective date. Early adoption is allowed.

NOTE 2 – NOTES ON SPECIFIC ACCOUNTS

Allowance For Credit Losses

The Organization has contracts with multiple grantors; account receivables consist of amounts due for program services performed monitored by other agencies and will be paid within one year. An allowance for credit losses related to account receivable is established based upon historical collection rates by age of receivable and adjusted for reasonable expectations of future collection performance, net of estimated recoveries. Based on payment of grantors, stability of local and state agencies, the organization has determined no allowance for credit losses for accounts receivable for the years ended June 30, 2024 and 2023.

	June 30, 2024	June 30, 2023
Accounts Receivable	$ 271,621	$ 263,960
Allowance for Credit Losses	-	-
Accounts Receivable, Net	$ 271,621	$ 263,960

During the years ended June 30, 2024 and 2023, pledges of $48,901 and $36,991 were received respectively. These pledges were not recognized based on WATCH's policy to consider pledges tentative until fulfilled.

Prepaid Expenses

Prepaid expenses consist of the following:

	2024	2023
Insurance	$ 25,211	$ 4,386
Rent	4,885	4,834
Operating Expenses	1,337	1,343
Total	$ 31,433	$ 10,563

Investments

Investments as of June 30, 2024 are as follows:

	COST	Fair Market Value	Carrying Value
Without Donor Restrictions			
Cash and Cash Equivelents held as Short Term Investments	$ 243,000	$ 242,857	$ 242,857
CDs held as Long-Terrm Investments	491,000	491,268	491,268
Mutual Funds	325,947	325,947	325,947
TOTAL	$ 1,059,947	$ 1,060,072	$ 1,060,072

NOTE 2 – NOTES ON SPECIFIC ACCOUNTS(continued)

Investments as of June 30, 2023 are as follows:

	COST	Fair Market Value	Carrying Value
Without Donor Restrictions			
Cash and Cash Equivelents held as Short Term Investments	$ 246,873	$ 246,338	$ 246,338
CDs held as Long-Terrm Investments	734,000	728,513	728,513
Mutual Funds	24,204	24,204	24,204
TOTAL	$ 1,005,077	$ 999,055	$ 999,055

Investments are carried at fair value as determined by national market exchange provided by third-party broker, a level one measurement.

The following schedule summarizes the investment return and its classification in the statement of activities for the twelve months ended June 30, 2024 and 2023:

	June 30, 2024	June 30, 2023
Without Donor Restrictions		
Interst and Dividends	$ 59,268	$ 5,076
Realized Gain/(Loss), Net	-	-
Unrealized Gain/(Loss), Net	7,627	(6,022)
Investment Expense	-	-
TOTAL	66,895	(946)

Accrued Expenses

Accrued expenses consist of the following as of June 30, 2024 and 2023:

	2024	2023
Accrued Paid Time Off	$ 157,306	$ 147,271
Accrued Payroll Expenses	49,934	33,191
Accrued Shared Responsibility Payment	254,490	212,357
Total	$ 461,730	$ 392,819

Effective January 1, 2017, WATCH elected to terminate its health benefit plan in order to provide employees with more flexibility in seeking their own coverage. As a result of this decision, WATCH has accrued an estimated "Shared Responsibility Payment for Failure to Offer Minimum Essential Coverage" as shown above.

NOTE 2 – NOTES ON SPECIFIC ACCOUNTS(continued)

Property and Equipment

Vehicles and equipment with a life expectancy greater than one year and cost of greater than $1,000 are capitalized at cost or fair value if donated. Depreciation is computed using the straight-line method over the estimated useful lives of these assets. Useful lives of assets range between 5 – 30 years depending on the asset classification.

The following table summarizes the changes in the property and equipment accounts as of June 30, 2024:

	Balance 6/30/23	Additions	Deletions	Balance 6/30/24
Capital Assets not being depreciated:				
Land	$ 100,656	$ -	$ -	$ 100,656
Total Capital Assets not being depreciated	100,656	-	-	100,656
Capital Assets being depreciated:				
Buildings	1,136,064	2,133	-	1,138,197
Vehicles - Unrestricted	514,945	-	-	514,945
Equipment - Restricted	13,093	-	-	13,093
Equipment - Unrestricted	68,934	2,536	-	71,470
Total Capital Assets being depreciated	1,733,036	4,669	-	1,737,705
Less Accumulated Depreciation:				
Buildings	$ (431,302)	$ (42,283)	$ -	$ (473,584)
Vehicles - Unrestricted	(514,945)	-	-	(514,945)
Equipment - Restricted	(13,093)	-	-	(13,093)
Equipment - Unrestricted	(48,826)	(4,002)	-	(52,828)
Total Accumulated Depreciation	(1,008,166)	(46,285)	-	(1,054,450)
Net Capital Assets being depreciated	$ 724,870	$ (41,616)	$ -	$ 683,255
Total Net Capital Assets	$ 825,526	$ (41,616)	$ -	$ 783,911

NOTE 2 – NOTES ON SPECIFIC ACCOUNTS(continued)

Property and Equipment

The following table summarizes the changes in the property and equipment accounts as of June 30, 2023:

	Balance 6/30/22	Additions	Deletions	Balance 6/30/23
Capital Assets not being depreciated:				
Land	$100,656	$ -	$ -	$100,656
Total Capital Assets not being depreciated	100,656	-	-	100,656
Capital Assets being depreciated:				
Buildings	1,136,064	18,477	-	1,136,064
Vehicles - Unrestricted	527,445	-	(12,500)	514,945
Equipment - Restricted	13,093	-	(16,197)	13,093
Equipment - Unrestricted	88,839	4,648	(24,553)	68,934
Total Capital Assets being depreciated	1,763,161	23,125	(53,250)	1,733,036
Less Accumulated Depreciation:				
Buildings	$ (383,133)	$ (48,169)	$ -	$ (431,302)
Vehicles - Unrestricted	(527,445)	-	12,500	(514,945)
Equipment - Restricted	(29,290)	-	16,197	(13,093)
Equipment - Unrestricted	(68,721)	(4,040)	23,935	(48,826)
Total Accumulated Depreciation	(1,008,589)	(52,209)	52,632	(1,008,166)
Net Capital Assets being depreciated	$ 754,572	$ (29,084)	$ (618)	$ 724,870
Total Net Capital Assets	$ 855,228	$ (29,084)	$ (618)	$ 825,526

Net Assets with Donor Restrictions

Net assets with donor restrictions represent the net book value of assets purchased with grants prohibiting the sale or disposal of the assets before their depreciable life. The grants stipulate that the equipment must be returned to Caltrans in the event that WATCH wanted to retire the equipment before their useful depreciable life. As of June 30, 2024 and 2023, the remaining balance of these assets in net assets with donor restrictions totaled $0 and $0, respectively.

Net assets with donor restricted donations represent the net book value of cash and cash equivalents donated with donor-imposed restrictions limiting their use. As of June 30, 2024 and 2023, the remaining balance of these assets in net assets with donor restriction assets totaled $77,391 and $10,291, respectively.

NOTE 2 – NOTES ON SPECIFIC ACCOUNTS (continued)

Revenue Recognition

WATCH has analyzed the provisions of the FASB's ASC Topic 606, Revenue from Contracts with Customers, and have concluded that no changes are necessary to conform with the new standard. The Organization's sales contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and rewards transfer.

NOTE 3 – RELATED TRANSACTIONS - AFFILIATES

WATCH is the HUD Certified Managing Agent for two HUD home projects: Project No. 136-EH011, Calaveras Abode in San Andreas, Inc. (CASA), and Project No. 135-HD001, Kelso Court, Inc. (Kelso). WATCH has neither ownership nor voting interest in either corporation; however, as managing agent, WATCH has responsibility for operating results and significantly influences each corporation's board of directors.

For the years ended June 30, 2024 and 2023, WATCH billed a management fee to CASA for $8,928 each year. Kelso was billed $4,248 each year as well.

NOTE 4 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain transportation and management and general costs have been allocated to program services and fundraising.

NOTE 5 – LEASES

WATCH leases certain buildings and equipment. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. WATCH has determined that the following operating leases do not need to be adjusted to conform with the new accounting standard, due to the operating leases being a short term lease.

Operating Leases: Facilities

The Sonora Industrial Center bus and vehicle storage and maintenance facility is subject to an operating-type lease. WATCH as lessee is responsible for utilities and insurance. The current lease expired on June 30, 2009 and rental is now month-to-month. A non-interest-bearing security deposit of $790 is held by the landlord. For the fiscal year ending June 30, 2024 and 2023, the monthly rent was $1,063 and $985.

NOTE 5 – LEASES (continued)

Operating Leases: Facilities

Total rent expense for the years ended June 30, 2024 and 2023, was $12,460 and $12,112, respectively.

The facility used by the Good Stuff Thrift Store is subject to an operating-type lease. WATCH as lessee is responsible for utilities and insurance. The original lease expired on March 31, 2019 and now the lease terms are on a month-to-month basis. Per the agreement rental payments are $3,800 per month with a security deposit of $3,800. Total rent expense for the years ended June 30, 2024 and 2023, was $45,600 and $45,600, respectively.

NOTE 6 – LONG TERM DEBT

The organization has long term loans that derive from the acquisition of the real estate purchased for its operations. The loans consist of the following:

	Current	Long Term
Note payable to Oak Valley Community Bank, secured by real property located at 12801 Cabezut Rd., Sonora, Ca. The note is guaranteed by the United States Department of Agriculture. Interest on note is computed using the 365/360 basis which results in a higher effective interest rate than the numeric interest rate stated on the note. The current stated interest rate is 6.75% with payment of $2,578.11 per month. Interest rate is variable but will not change more often than five years. Future applicable interest rate will be based on the weekly average yield on the United States Treasury securities adjusted to a constant maturity of five years plus a margin of 3.75 percentage points, not to exceed 10% per annum. Future monthly payments may be adjusted to ensure loan will be paid off by its maturity due date of March 5, 2036.	$ 14,242	$ 233,651
Note payable to the United States Department of Agriculture Rural Development, secured by the property located at 12801 Cabezut Rd. Sonora, Ca. The term of the note is thirty years with interest rate fixed at 4.25% per year. Monthly payments are $505. Maturity due date is February 28, 2041.	3,048	68,731
Total	$ 17,290	$ 302,382

NOTE 6 – LONG TERM DEBT (continued)

The following is summary of principal maturities of long-term debts:

Years Ending June 30,		
2025	$	17,920
2026		18,731
2027		19,641
2028		19,763
2029		23,644
There after		237,263
	$	336,962

NOTE 7 – DONATED SERVICES

During the years ended June 30, 2024 and 2023, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. However, volunteers, including the Board of Directors have donated significant amounts of time in program, management, general and fundraising activities, but these services do not meet the criteria for recognition as contributed services.

NOTE 8 – CURRENT VULNERABILITY DUE TO A CONCENTRATION

During the years ended June 30, 2024 and 2023, approximately seventy-five and seventy-nine percent (75.3%) and (79.4%), respectively, of total unrestricted revenue and support was for program service fees charged to Valley Mountain Regional Center. Valley Mountain Regional Center is primarily funded by the State of California. The State of California funding is subject to the administrative directives, rules, and regulations. Changes to these administrative directives, rules, and regulations may result in a financial impact with little notice.

NOTE 9– LIQUIDITY AND AVAILABILITY OF RESOURCES

WATCH RESOURCES monitor its liquidity so that it is able to meet its operating needs. The below table reflects WATCH's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date. Financial assets are considered to be unavailable for general expenditure when they are illiquid or not convertible to cash within one-year, board designations, and assets with donor-imposed restrictions.

NOTE 9– LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

The following is a table that summarizes Watches liquidity as of June 30, 2024 and 2023:

	June 30, 2024	June 30, 2023
Financial Assets		
Cash and Cash Equivalents	$ 954,800	$ 823,822
Short-Term Investments	242,857	242,465
Contributions and Other Receivables	271,621	263,960
Total Financail Assets	1,469,278	1,330,247
Less Those Unavailable For General Expenditures Within One Year Due To:		
Donor Restrictions	77,391	10,291
Total Unavailable for General Expenditure	77,391	10,291
Financial Assets Available to Meet Cash Needs For Expenditures Within One Year	$ 1,391,887	$ 1,319,956

NOTE 10 – FAIR VALUE MEASUREMENT

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market

data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

NOTE 10 – FAIR VALUE MEASUREMENT (continued)

Level 3: Inputs that are unobservable inputs for the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured on a nonrecurring basis as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
CDs Held as Short-Term Investments	$ 242,857	$ -	$ -	$ 242,857
Mutual Funds	325,947	-	-	325,947
CDs held as Long-Term Investments	491,268	-	-	491,268
TOTAL	$1,060,072	$ -	$ -	$ 1,060,072

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured on a nonrecurring basis as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 24,204	$ -	$ -	$ 24,204
CDs Held as Short-Term Investments	242,465	-	-	242,465
CDs held as Long-Term Investments	728,513	-	-	728,513
TOTAL	$ 995,182	$ -	$ -	$ 995,182

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 30, 2025, which is the date the financial statements were available to be issued.