

WATCH RESOURCES, INC.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR-ENDED JUNE 30, 2024)

WATCH RESOURCES, INC.

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Hawks & Associates CPAs , Inc

• *think BOLDLY* • *plan CAREFULLY* • *execute PRECISELY* •

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, 2025, 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, 2025, 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 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 30, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.



January 27, 2026
Hawks and Associates CPAs, Inc.

WATCH RESOURCES, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF JUNE 30, 2024)

	2025	2024
ASSETS		
Current Assets		
Cash	\$ 865,512	\$ 954,800
Short-Term Investments	491,000	242,857
Accounts Receivable	242,511	271,621
Prepaid Expenses & Deposits	9,860	31,394
Total Current Assets	1,608,883	1,500,672
Property and Equipment		
Land, Building & Improvements	1,262,558	1,238,853
Vehicles and Equipment	741,358	599,508
Accumulated Depreciation	(1,109,449)	(1,054,450)
Net Property and Equipment	894,467	783,911
Other Assets		
Reserve for Unemployment	59,518	53,002
Investments	317,416	817,215
Deposits, Facility Rentals	4,450	4,450
Total Other Assets	381,384	874,667
TOTAL ASSETS	\$ 2,884,734	\$ 3,159,250
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued Paid Time Off	\$ 247,780	\$ 157,306
Accrued Payroll Expenses	56,786	49,934
Accrued Shared Responsibility Payment	325,838	254,490
Accounts Payable	14,836	28,006
Current Portion of Long Term Debt	-	17,290
Total Current Liabilities	645,240	507,026
Long Term Liabilities		
Long Term Debt	-	319,672
Net of Current Portion	-	(17,290)
Total Long Term Liabilities	-	302,382
Total Liabilities	645,240	809,408
NET ASSETS		
With Donor Restrictions	12,406	77,391
Without Donor Restrictions	2,227,088	2,272,451
Total Net Assets	2,239,494	2,349,842
TOTAL LIABILITIES AND NET ASSETS	\$ 2,884,734	\$ 3,159,250

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

WATCH RESOURCES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF JUNE 30, 2024)

	2025	2024
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and Support		
Program Service Fees	\$ 2,649,319	\$ 2,581,881
Product Sales	367,165	379,418
Production Income (Day Program)	93,036	95,970
Contributions	80,536	116,105
Management fees	10,287	13,176
Other Income	6,301	7,961
Investment Income, Net	65,686	66,895
Net Assets Released From Restrictions:		
Satisfaction of Program Restrictions	158,359	122,792
TOTAL SUPPORT AND OTHER REVENUE	3,430,689	3,384,198
Expenses		
Program Services		
Supported Employment	84,591	87,789
Day Program (Work Training Program)	1,267,774	1,215,417
Supported Living	411,474	434,732
HI-GEAR (Games, Entertainment, Arts, Recreation)	113,172	82,964
Goldstrike (Residential Living Assistance)	352,651	376,984
Transportation Services	146,166	120,105
Thrift Shop	346,507	308,508
Supportive Services		
Fundraising	10,052	-
Management and General	687,787	668,112
TOTAL EXPENSES	3,420,174	3,294,611
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	10,515	89,587
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Grants and Restricted Donations	37,496	178,670
Reallocation of Prior Year Donation	-	-
Net Assets Released From Restrictions	(158,359)	(122,792)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	(120,863)	55,878
TOTAL INCREASE (DECREASE) IN NET ASSETS	(110,348)	145,465
NET ASSETS AT BEGINNING OF YEAR	2,349,842	2,204,377
PRIOR PERIOD ADJUSTMENT	-	-
NET ASSETS AT END OF YEAR	\$ 2,239,494	\$ 2,349,842

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

WATCH RESOURCES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDING JUNE 30, 2025

FUNCTIONAL EXPENSES

	<i>Program Services</i>							Total Program Services	Supportive Services	Total Functional Expenses
	Supported Employment	Day Program	Supported living	Hi-Gear	Goldstrike	Thrift Shop	Transportation			
Personnel Expenses	\$ 78,455	\$ 943,460	\$ 379,916	\$ 100,252	\$ 318,915	\$ 211,015	\$ 33,178	\$ 2,065,191	\$ 346,048	\$ 2,411,239
Occupancy Expense	2,818	96,582	7,938	4,268	1,086	66,434	16,546	195,672	-	195,672
Consumer Compensation	-	135,644	-	-	-	47,145	-	182,789	31,049	213,838
Fees and Outside Services	650	3,218	-	-	-	12,578	25	16,471	39,646	56,117
Vehicle Operating	-	10	-	-	5	-	82,243	82,258	-	82,258
Supplies	135	28,201	365	1,812	26,718	1,048	-	58,279	14,415	72,694
Office	123	6,921	-	-	711	120	-	7,875	21,293	29,168
Depreciation	-	2,655	-	-	-	-	8,791	11,446	43,554	55,000
Shared Responsibility Costs	-	-	-	-	-	-	-	-	71,348	71,348
Other Employee Expenses	24	22,218	-	1,795	1,144	2	202	25,385	66,214	91,599
Insurance	1,062	11,738	3,952	1,170	2,407	5,092	4,991	30,412	13,668	44,080
Staff Travel and Training	1,324	811	19,303	20	1,665	41	5	23,169	6,415	29,584
Production Expenses	-	14,931	-	-	-	3,032	-	17,963	217	18,180
Interest Expense	-	-	-	-	-	-	-	-	17,712	17,712
Dues and Subscriptions	-	1,160	-	-	-	-	-	1,160	16,208	17,368
Fundraising Expenses	-	147	-	-	-	-	-	147	10,052	10,199
Bad debt	-	-	-	3,837	-	-	-	3,837	-	3,837
Advertising	-	55	-	-	-	-	-	55	-	55
Miscellaneous	-	-	-	18	-	-	-	18	-	18
Equipment Expenses	-	23	-	-	-	-	185	208	-	208
Bank Service Charge	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	\$ 84,591	\$ 1,267,774	\$ 411,474	\$ 113,172	\$ 352,651	\$ 346,507	\$ 146,166	\$ 2,722,335	\$ 697,839	\$ 3,420,174

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

	<i>Program Services</i>							Total Program Services	Supportive Services	Total Functional Expenses
	Supported Employment	Day Program	Supported living	Hi-Gear	Goldstrike	Thrift Shop	Transportation			
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
Supplies	-	40,947	15	204	22,489	269	53	63,977	11,558	75,535
Vehicle Operating	-	-	-	-	184	-	79,148	79,332	-	79,332
Fees and Outside Services	-	34,815	-	-	-	12,660	30	47,505	44,621	92,126
Depreciation	-	2,541	-	-	-	-	-	2,541	43,744	46,285
Insurance	867	9,430	3,258	952	1,924	3,957	4,357	24,745	11,774	36,519
Office	2,281	10,258	21	-	128	270	109	13,067	36,009	49,076
Bad debt	-	1,876	316	-	-	-	26	2,218	-	2,218
Staff Travel and Training	-	1,105	15,568	115	745	-	-	17,533	7,386	24,919
Other Employee Expenses	-	20,004	1,285	251	931	49	697	23,217	17,218	40,435
Interest Expense	-	-	-	-	-	-	-	-	20,152	20,152
Production Expenses	-	19,469	-	-	-	1,921	-	21,390	462	21,852
Dues and Subscriptions	-	109	-	-	-	-	-	109	7,280	7,389
Fundraising Expenses	-	-	-	-	-	-	-	-	6,970	6,970
Shared Responsibility Costs	-	-	-	-	-	-	-	-	42,133	42,133
Equipment Expenses	-	-	-	-	-	-	32	32	-	32
Advertising	-	835	-	-	-	410	-	1,245	954	2,199
Bank Service Charge	-	-	-	-	-	-	-	-	10	10
Miscellaneous	-	1,255	-	-	493	-	-	1,748	-	1,748
TOTAL EXPENSES	\$ 87,789	\$ 1,215,417	\$ 434,732	\$ 82,964	\$ 375,984	\$ 308,508	\$ 120,105	\$ 2,625,499	\$ 668,112	\$ 3,293,611

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

WATCH RESOURCES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF JUNE 30, 2024)

	2025	2024
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES:		
Increase in Net Assets	\$ (110,348)	\$ 145,465
Adjustments to Reconcile Decrease in Net Assets to Net cash used by operating activities:		
Depreciation and Amortization	55,000	46,285
Gain or Loss on Disposal of Fixed Assets	-	-
Unrealized Gain or Loss on Investments	-	(7,627)
(Increase) Decrease in Assets:		
Accounts Receivable	29,110	(7,661)
Prepaid Expenses	21,534	(20,831)
Reserve for Unemployment	(6,516)	(20,338)
Increase (Decrease) in Liabilities:		
Accounts Payable	(13,170)	5,383
Accrued Expenses	168,674	68,911
	144,284	209,587
Net Cash Provided (Used) by Operating Activities		
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES:		
Purchase of Property & Equipment	(165,555)	(4,669)
Purchase of Securities	251,656	(57,263)
Cash Receipts from the Sale of Fixed Assets	-	-
	86,101	(61,932)
Net Cash Used by Investing Activities		
CASH FLOWS FROM (USED BY) FINANCING ACTIVITIES:		
Loan Payments	(319,673)	(16,676)
	(319,673)	(16,676)
Net Cash Used by Financing Activities		
NET DECREASE IN CASH	(89,288)	130,978
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	954,800	823,822
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 865,512	\$ 954,800
Cash Paid for Interest During the Year:	\$ 17,712	\$ 2,199
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, 2025
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024)**

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:

WATCH RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024)

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, 2025 and 2024, the uninsured balances were \$636,998 and \$727,795, 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, 2025 and 2024, is \$59,518 and \$53,002 respectively.

Program Service Fees

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

WATCH RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024)

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, 2025, WATCH received \$11,000 from the current and former members of the Board of Directors and related organizations. This represents approximately .005 percent of support and revenue for the fiscal year then ended. 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 .003 percent of support and revenue for the fiscal year then ended.

Comparative Data

The amounts shown for the fiscal year ended June 30, 2024 in the accompanying financial statements are included to provide a basis for comparison with the fiscal year ended June 30, 2025 and present summarized totals only. Accordingly, the June 30, 2024 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, 2024, from which the summarized information was derived.

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, 2025 and 2024.

	June 30, 2025	June 30, 2024
Accounts Receivable	\$ 304,860	\$ 271,621
Allowance for Credit Losses	-	-
Accounts Receivable, Net	\$ 304,860	\$ 271,621

WATCH RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024)

NOTE 2 – NOTES ON SPECIFIC ACCOUNTS (continued)

Allowance For Credit Losses (continued)

During the years ended June 30, 2024 and 2023, pledges of \$44,013 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:

	<u>2025</u>	<u>2024</u>
Insurance	\$ 4,567	\$ 25,211
Rent	4,940	4,834
Operating Expenses	<u>352</u>	<u>1,343</u>
Total	<u>\$ 9,860</u>	<u>\$ 10,563</u>

Investments

Investments as of June 30, 2025 are as follows:

	<u>COST</u>	<u>Fair Market Value</u>	<u>Carrying Value</u>
Without Donor Restrictions			
Cash and Cash Equivalents held as Short			
Term Investments	\$ 491,000	\$ 493,224	\$ 493,224
Mutual Funds	<u>325,947</u>	<u>315,192</u>	<u>315,192</u>
TOTAL	<u>\$ 816,947</u>	<u>\$ 808,416</u>	<u>\$ 808,416</u>

Investments as of June 30, 2024 are as follows:

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

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

**WATCH RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024)**

NOTE 2 – NOTES ON SPECIFIC ACCOUNTS (continued)

Investments

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:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Without Donor Restrictions		
Interest and Dividends	\$ 65,811	\$ 59,268
Realized Gain/(Loss), Net	-	-
Unrealized Gain/(Loss), Net	(125)	7,627
Investment Expense	-	-
TOTAL	<u>65,686</u>	<u>66,895</u>

Accrued Expenses

Accrued expenses consist of the following as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Accrued Paid Time Off	\$ 247,780	\$ 157,306
Accrued Payroll Expenses	56,786	49,934
Accrued Shared Responsibility Payment	<u>325,838</u>	<u>254,490</u>
Total	<u>\$ 630,404</u>	<u>\$ 461,730</u>

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.

WATCH RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024)

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, 2025:

	Balance 6/30/24	Additions	Deletions	Balance 6/30/25
Capital Assets not being depreciated:				
Land	\$100,656	\$ -	\$ -	\$100,656
Total Capital Assets not being depreciated	<u>100,656</u>	<u>-</u>	<u>-</u>	<u>100,656</u>
Capital Assets being depreciated:				
Buildings	1,138,197	23,705	-	1,161,902
Vehicles - Unrestricted	514,945	133,494	-	648,439
Equipment - Restricted	13,093	-	-	13,093
Equipment - Unrestricted	71,470	8,356	-	79,826
Total Capital Assets being depreciated	<u>1,737,705</u>	<u>165,555</u>	<u>-</u>	<u>1,903,260</u>
Less Accumulated Depreciation:				
Buildings	\$ (473,584)	\$ (42,357)	\$ -	\$ (515,941)
Vehicles - Unrestricted	(514,945)	(8,791)	-	(523,736)
Equipment - Restricted	(13,093)	-	-	(13,093)
Equipment - Unrestricted	(52,828)	(3,851)	-	(56,679)
Total Accumulated Depreciation	<u>(1,008,166)</u>	<u>(54,999)</u>	<u>-</u>	<u>(1,110,450)</u>
Net Capital Assets being depreciated	<u>\$ 683,255</u>	<u>\$ 110,556</u>	<u>\$ -</u>	<u>\$ 793,811</u>
Total Net Capital Assets	<u>\$ 783,911</u>	<u>\$ 100,556</u>	<u>\$ -</u>	<u>\$ 894,467</u>

WATCH RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
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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, 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	<u>100,656</u>	<u>-</u>	<u>-</u>	<u>100,656</u>
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	<u>1,733,036</u>	<u>4,669</u>	<u>-</u>	<u>1,737,705</u>
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	<u>(1,008,166)</u>	<u>(46,285)</u>	<u>-</u>	<u>(1,054,450)</u>
Net Capital Assets being depreciated	<u>\$ 724,870</u>	<u>\$ (41,616)</u>	<u>\$ -</u>	<u>\$ 683,255</u>
Total Net Capital Assets	<u>\$ 825,526</u>	<u>\$ (41,616)</u>	<u>\$ -</u>	<u>\$ 783,911</u>

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, 2025 and 2024, 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, 2025 and 2024, the remaining balance of these assets in net assets with donor restriction assets totaled \$12,406 and \$77,391, respectively.

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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, 2025 and 2024, WATCH billed a management fee to CASA for \$6,025 for the year ended June 30, 2025 and \$8,928 for the year ended June 30, 2024, respectively. Kelso was billed \$4,248 for each year, respectively.

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, 2025 and 2024, the monthly rent was \$1,117 and \$1,063.

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NOTE 5 – LEASES (continued)

Operating Leases: Facilities

Total rent expense for the years ended June 30, 2025 and 2024, was \$13,083 and \$12,460, 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, 2025 and 2024, was \$41,800 and \$45,600, respectively.

NOTE 6 – DONATED SERVICES

During the years ended June 30, 2025 and 2024, 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 7 – CURRENT VULNERABILITY DUE TO A CONCENTRATION

During the years ended June 30, 2025 and 2024, approximately eighty and seventy-five percent (80.3%) and (75.3%), 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 8 – 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.

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NOTE 8 – LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

The following is a table that summarizes Watches liquidity as of June 30, 2025 and 2024:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Financial Assets		
Cash and Cash Equivalents	\$ 865,512	\$ 954,800
Short-Term Investments	491,000	242,857
Contributions and Other Receivables	<u>242,511</u>	<u>271,621</u>
Total Financial Assets	1,599,023	1,469,278
Less Those Unavailable For General Expenditures		
Within One Year Due To:		
Donor Restrictions	<u>12,406</u>	<u>77,391</u>
Total Unavailable for General Expenditure	12,406	77,391
Financial Assets Available to Meet Cash Needs		
For Expenditures Within One Year	<u>\$ 1,586,617</u>	<u>\$ 1,391,887</u>

NOTE 9 – 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.

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NOTE 9 – 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, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
CDs Held as Short-Term Investments	\$ 491,000	\$ -	\$ -	\$ 242,857
Mutual Funds	<u>325,947</u>	<u>-</u>	<u>-</u>	<u>325,947</u>
TOTAL	<u>\$1,060,072</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,060,072</u>

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:

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

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 27, 2026, which is the date the financial statements were available to be issued.