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NIGHTHAWK SYSTEMS INC
Form 10QSB
November 22, 2004

UNITED STATES
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 September 30, 2004

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF The Securities Exchange Act of 1934

Commission File Number 0-30786

NIGHTHAWK SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

NEVADA

87-0627349

(State or other jurisdiction of
Incorporation or Organization)

(IRS Employer
Identification No.)

10715 GULFDAL
SUITE 200
SAN ANTONIO, TX 78216

(Address of Principal Executive offices)

Registrant's telephone number, with area code: (303) 337-4811

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve 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 X No

State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date:

| Class | Outstanding at November 19, 2004 |
|--------|----------------------------------|
| ----- | ----- |
| Common | 30,622,518 |

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

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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 September 30, 2004, the related condensed consolidated statements of operations for the three-month and nine-month periods ended September 30, 2004 and 2003, the condensed consolidated statement of stockholders' deficit for the nine-month period ended September 30, 2004, and the condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2004 and 2003. 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.

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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.

GELFOND HOCHSTADT PANGBURN, P.C.

Denver, Colorado
November 17, 2004

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Nighthawk Systems, Inc.
Condensed Consolidated Balance Sheet
September 30, 2004
(unaudited)

ASSETS

Current assets :

| | |
|---|-----------|
| Cash | \$ 98,344 |
| Accounts receivable, net of allowance for doubtful accounts of \$134 | 56,148 |
| Inventories | 42,489 |
| Other | 129,794 |

Total current assets 326,775

| | |
|--|--------|
| Furniture, fixtures and equipment, net | 14,993 |
| Intangible assets, net | 9,967 |

\$ 351,735
=====

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:

| | |
|------------------|------------|
| Accounts payable | \$ 371,298 |
| Accrued expenses | 210,839 |
| Line of credit | 19,842 |
| Notes payable: | |
| Related parties | 16,214 |
| Other | 391,912 |
| Other | 35,415 |

Total current liabilities 1,045,520

Long term liabilities:

| | |
|------------------|---------|
| Convertible debt | 231,250 |
| Other | 25,000 |

Total liabilities 1,301,770

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Commitments and contingencies

Stockholders' deficit:

| | |
|---|-------------|
| Preferred stock; \$0.001 par value; 5,000,000 shares authorized; 5,000 shares issued and outstanding; liquidation preference \$12,500 | 5 |
| Common stock; \$0.001 par value; 50,000,000 shares authorized; 30,622,518 issued and outstanding | 30,622 |
| Additional paid-in capital | 3,752,124 |
| Special warrants | 188,775 |
| Accumulated deficit | (4,921,561) |
| | ----- |
| Total stockholders' deficit | (950,035) |
| | ----- |
| | \$ 351,735 |
| | ===== |