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NIGHTHAWK SYSTEMS INC  
Form 10QSB  
August 14, 2006

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, 2006

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  
-----

(State or other jurisdiction  
of incorporation or organization)

87-0627349  
-----

(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 14, 2006 there were 74,420,053 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

#### NIGHTHAWK SYSTEMS, INC. CONDENSED CONSOLIDATED BALANCE SHEET JUNE 30, 2006

|  |              |
|--|--------------|
| ASSETS   |              |
| Current assets:  |              |
| Cash   | \$ 18,713    |
| Accounts receivable, net of allowance for doubtful accounts of \$456 | 156,311      |
| Inventories  | 137,842      |
| Prepaids   | 690,115      |
| Total current assets   | 1,002,981    |
| Furniture, fixtures and equipment, net                               | 19,918       |
| Intangible and other assets  | 19,548       |
|  | \$ 1,042,447 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT                                |              |
| Current liabilities:   |              |
| Accounts payable   | \$ 249,429   |
| Accrued expenses   | 306,479      |

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|   |              |
|---|--------------|
| Line of credit  | 19,792       |
| Notes payable:  |              |
| Related parties   | 13,471       |
| Other   | 340,439      |
|   | -----        |
| Total current liabilities   | 929,610      |
|   | -----        |
| Long-term liabilities:  |              |
| Convertible debt  | 2,539,983    |
|   | -----        |
| Commitments and contingencies   |              |
| Stockholders' deficit:  |              |
| Preferred stock, \$0.001 par value; 5,000,000 shares authorized; 5,000 issued and outstanding; liquidation preference | \$ -         |
| Common stock; \$0.001 par value; 200,000,000 shares authorized; 71,452,553 issued and outstanding                     | 71,453       |
| Additional paid- in capital   | 7,500,641    |
| Accumulated deficit   | (9,999,240)  |
|   | -----        |
| Total stockholders' deficit   | (2,427,146)  |
|   | -----        |
|   | \$ 1,042,447 |
|   | =====        |