

DETENTION WATCH NETWORK

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021



Certified Public Accountants

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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Detention Watch Network

Opinion

We have audited the accompanying financial statements of **Detention Watch Network** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 **Detention Watch Network** as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 **Detention Watch Network** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 **Detention Watch Network'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, including omissions, 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.

To the Board of Directors
Detention Watch Network

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 **Detention Watch Network'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 **Detention Watch Network'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.

Kositzka, Wicks and Company

Alexandria, Virginia
June 8, 2023

Detention Watch Network

Statements of Financial Position December 31,

2022**2021****Assets****Current assets**

Cash and cash equivalents	\$ 5,979,433	\$ 5,279,037
Contributions receivable, current	1,140,575	1,563,711
Prepaid expenses	22,178	303,015
	<u>7,142,186</u>	<u>7,145,763</u>

Non-current assets

Security deposits	5,300	12,884
Contributions receivable, net	490,196	1,350,682
Property and equipment, net	31,282	25,715
Operating lease right-of-use asset	78,636	-
	<u>526,778</u>	<u>1,389,281</u>
Total assets	<u>\$ 7,747,600</u>	<u>\$ 8,535,044</u>

Liabilities and net assets**Current liabilities**

Accounts payable and accrued expenses	\$ 75,702	\$ 17,572
Payroll liabilities	29,996	22,973
Operating lease obligations, current	55,593	-
Deferred rent liability	-	2,812
	<u>161,291</u>	<u>43,357</u>

Long-term liabilities

Operating lease obligations, net of current portion	<u>33,626</u>	<u>-</u>
Total liabilities	<u>194,917</u>	<u>43,357</u>

Net assets

Without donor restrictions	4,119,819	4,484,827
With donor restrictions	3,432,864	4,006,860
Total net assets	<u>7,552,683</u>	<u>8,491,687</u>
Total liabilities and net assets	<u>\$ 7,747,600</u>	<u>\$ 8,535,044</u>

See accompanying notes and independent auditor's report.

Detention Watch Network

Statement of Activities for the year ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Contributions	\$ 216,710	\$ -	\$ 216,710
Foundation grants	688,039	1,540,000	2,228,039
Interest income	378	-	378
Membership dues	99,428	-	99,428
Program revenue	24,755	-	24,755
Retail sales	1,653	-	1,653
Special events, net of direct benefits to donors of \$6,633	21,723	-	21,723
Net assets released from restrictions	2,113,996	(2,113,996)	-
	<u>3,166,682</u>	<u>(573,996)</u>	<u>2,592,686</u>
Expenses			
Program services			
Communications	464,445	-	464,445
Advocacy	627,831	-	627,831
Organizing	745,163	-	745,163
Member capacity building	675,728	-	675,728
	<u>2,513,167</u>	<u>-</u>	<u>2,513,167</u>
Supporting services			
Management and general	871,796	-	871,796
Fundraising	146,727	-	146,727
	<u>3,531,690</u>	<u>-</u>	<u>3,531,690</u>
Change in net assets	(365,008)	(573,996)	(939,004)
Net assets, beginning of year	4,484,827	4,006,860	8,491,687
Net assets, end of year	<u>\$ 4,119,819</u>	<u>\$ 3,432,864</u>	<u>\$ 7,552,683</u>

See accompanying notes and independent auditor's report.

Detention Watch Network

Statement of Activities for the year ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Contributions	\$ 581,492	\$ -	\$ 581,492
Foundation grants	1,074,654	3,195,000	4,269,654
Interest income	162	-	162
Membership dues	102,973	-	102,973
Program revenue	8,800	-	8,800
Net assets released from restrictions	2,876,518	(2,876,518)	-
	<u>4,644,599</u>	<u>318,482</u>	<u>4,963,081</u>
Expenses			
Program services			
Communications	343,577	-	343,577
Advocacy	574,506	-	574,506
Organizing	405,066	-	405,066
Member capacity building	384,286	-	384,286
	<u>1,707,435</u>	<u>-</u>	<u>1,707,435</u>
Supporting services			
Management and general	647,893	-	647,893
Fundraising	106,054	-	106,054
	<u>2,461,382</u>	<u>-</u>	<u>2,461,382</u>
Change in net assets	2,183,217	318,482	2,501,699
Net assets, beginning of year	2,301,610	3,688,378	5,989,988
Net assets, end of year	<u>\$ 4,484,827</u>	<u>\$ 4,006,860</u>	<u>\$ 8,491,687</u>

See accompanying notes and independent auditor's report.

Detention Watch Network

Statement of Functional Expenses for the year ended December 31, 2022

	Program Services				Supporting services			
	Communications	Advocacy	Organizing	Member capacity building	Total	Management and general	Fundraising	Total
Expenses								
Accounting and legal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,399	\$ -	\$ 79,399
Depreciation	2,096	2,832	2,541	1,049	8,518	3,220	654	12,392
Employee benefits	19,515	28,447	21,646	9,443	79,051	148,814	4,848	232,713
Grants	-	-	243,057	230,552	473,609	-	-	473,609
Insurance	-	-	30	-	30	14,628	-	14,658
Occupancy costs	10,899	10,899	-	12,317	34,115	28,338	2,943	65,396
Office expenses	6,398	16,932	4,862	5,759	33,951	16,921	11,826	62,698
Professional services	91,486	76,622	23,646	70,095	261,849	71,113	11,451	344,413
Payroll taxes and fees	25,501	33,168	30,062	11,875	100,606	29,216	8,012	137,834
Salaries	301,196	406,181	368,007	151,867	1,227,251	353,735	95,227	1,676,213
Travel and meetings	1,363	44,655	44,049	179,773	269,840	117,211	16,529	403,580
Website and technology	5,991	8,095	7,263	2,998	24,347	9,201	1,870	35,418
Total expenses by function	\$ 464,445	\$ 627,831	\$ 745,163	\$ 675,728	\$ 2,513,167	\$ 871,796	\$ 153,360	\$ 3,538,323
Less expenses included with revenues on the statement of activities								
Cost of direct benefits to donors	-	-	-	-	-	-	(6,633)	(6,633)
Total functional expenses	\$ 464,445	\$ 627,831	\$ 745,163	\$ 675,728	\$ 2,513,167	\$ 871,796	\$ 146,727	\$ 3,531,690

See accompanying notes and independent auditor's report.

Detention Watch Network

Statement of Functional Expenses for the year ended December 31, 2021

Expenses	Program Services					Supporting services		
	Communications	Advocacy	Organizing	Member capacity building	Total	Management and general	Fundraising	Total
Accounting and legal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,579	\$ -	\$ 67,579
Depreciation	1,169	2,300	1,780	658	5,907	2,101	494	8,502
Employee benefits	11,076	22,472	13,072	5,665	52,285	99,280	4,826	156,391
Grants	-	25,750	54,000	216,611	296,361	2,000	-	298,361
Insurance	-	-	-	-	-	14,650	-	14,650
Occupancy costs	11,732	23,467	-	11,147	46,346	30,507	5,280	82,133
Office expenses	1,509	10,768	2,008	2,726	17,011	17,364	986	35,361
Professional services	111,233	82,567	9,726	30,511	234,037	91,852	7,216	333,105
Payroll taxes and fees	16,067	31,584	23,665	8,368	79,684	22,761	6,539	108,984
Salaries	186,412	366,315	288,619	106,176	947,522	261,872	78,892	1,288,286
Travel and meetings	71	803	5,633	-	6,507	30,185	-	36,692
Website and technology	4,308	8,480	6,563	2,424	21,775	7,742	1,821	31,338
Total expenses by function	\$ 343,577	\$ 574,506	\$ 405,066	\$ 384,286	\$ 1,707,435	\$ 647,893	\$ 106,054	\$ 2,461,382

See accompanying notes and independent auditor's report.

Detention Watch Network

Statements of Cash Flows for the years ended December 31,

2022**2021****Cash flows from operating activities**

Change in net assets	\$ (939,004)	\$ 2,501,699
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	12,392	8,502
Change in operating lease obligations	7,771	-
(Increase) decrease in operating assets		
Contributions receivable	1,283,622	(1,453,365)
Prepaid expenses	280,837	(242,023)
Security deposits	7,584	1,450
Increase (decrease) in operating liabilities		
Accounts payable	58,130	8,987
Payroll liabilities	7,023	2,709
Deferred rent liability	-	(6,124)
Deferred member dues	-	(14,228)
Net cash provided by operating activities	<u>718,355</u>	<u>807,607</u>

Cash flows from investing activities

Purchase of property and equipment	<u>(17,959)</u>	<u>(17,845)</u>
Net cash used in investing activities	<u>(17,959)</u>	<u>(17,845)</u>

Net change in cash and cash equivalents

700,396

789,762

Cash and cash equivalents, beginning of year5,279,0374,489,275**Cash and cash equivalents, end of year**\$ 5,979,433\$ 5,279,037**Supplemental disclosure of cash flow information**

Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes and independent auditor's report.

Detention Watch Network

Notes to Financial Statements December 31, 2022 and 2021

1. Organization

Detention Watch Network (the Organization) is a 501(c)(3) organization, founded in 1997 with articles of incorporation in 2018 and 501(c)(3) recognition in 2019, and is organized for charitable and educational purposes, including: fighting for the dignity and liberation of those affected by the U.S. immigration detention system through collective advocacy, grassroots organizing, and strategic communications.

Detention Watch Network's main sources of revenue include contributions and grants from foundations and individuals.

2. Summary of significant accounting policies

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported in two categories as described below.

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those amounts.

Cash and cash equivalents

For purposes of the statement of cash flows, Detention Watch Network considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash held in federally insured institutions may, at times, exceed federally insured limits. FDIC insurance on interest-bearing accounts is \$250,000 per depositor, per insured bank. At December 31, 2022 and 2021, Detention Watch Network's cash was held at one financial institution and the amount in excess of FDIC coverage was \$5,729,253 and \$4,778,887, respectively. Detention Watch Network has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk. Management performs periodic evaluations of the relative credit standing of these institutions.

Contributions receivable

Unconditional contributions that are expected to be collected in future years are recorded at fair value based on the present value of estimated future cash flows. The discounts on those amounts are computed using risk-adjusted rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue in the accompanying statements of activities.

See independent auditor's report.

Detention Watch Network

Notes to Financial Statements December 31, 2022 and 2021

Detention Watch Network considers the need for an allowance for uncollectible contributions receivable based on a review of contributions receivable balances and historical collection experience. For the year ended December 31, 2022 and 2021, management considers all contributions receivable amounts to be collectible and accordingly, has not provided an allowance for uncollectible accounts.

Property and equipment

Equipment over \$1,000 and with an estimated useful life in excess of one year is capitalized at cost or its estimated value at the date of donation. Depreciation is computed using the straight-line method over the useful life of the asset. Computers and equipment are depreciated for 3 years, and furniture and fixtures are depreciated for 5 years.

Other financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, contributions receivable and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable, payroll liabilities, and deferred rent liability. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

Functional classification of expenses

The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses presents the natural classification detail of expenses by function. Expenses are charged to programs and supporting services based on a combination of specific identification and allocation by management. Certain categories of expenses are attributed to more than one function and have been allocated on a reasonable basis that is consistently applied. Expenses that are allocated on a time-and-effort basis include salaries, payroll taxes, and employee benefits, occupancy costs, and office expenses.

Support and revenue recognition

The Detention Watch Network recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Program revenue consists of honorariums, registrations and membership dues. Honorariums and registrations are considered exchange transactions and are recognized at the point in time the exchange takes place.

Membership dues are recognized over the membership period, based on the calendar year. In exchange for dues, members receive newsletters, educational materials, language translation, and participation in gatherings. The value of these services approximates the amount paid by each member. Members may give contributions in addition to the dues payment, but the dues are not considered contributions.

Income taxes

Detention Watch Network is exempt from federal income tax as a nonprofit organization described in Section 501(c)(3). Detention Watch Network did not have a liability for unrelated business income taxes for the year ended December 31, 2022 and 2021.

The material jurisdictions subject to potential examination by taxing authorities include the U.S. and the District of Columbia. Management does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on Detention Watch Network's results of operations. Tax years that remain subject to examination by the IRS are the period of inception in 2019 through 2022.

See independent auditor's report.

Detention Watch Network

Notes to Financial Statements December 31, 2022 and 2021

Leases

Effective January 1, 2022, the Organization determined if an arrangement is a lease at inception. The operating lease right-of-use (“ROU”) assets are included within the Organization’s non-current assets and lease liabilities are included in current or non-current liabilities on the Organization’s statement of financial position. The Organization has no leases it considers to be finance leases as of December 31, 2022. ROU assets represent the Organization’s right to use, or control the use of, a specified asset for the lease term. Lease liabilities are the Organization’s obligation to make lease payments arising from a lease and are measured on a discounted basis. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term on the commencement date.

As most of the Organization’s leases do not provide an implicit rate, and the Organization’s incremental borrowing rate was unknown, the Organization has elected to use the risk free rate on the commencement date in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and initial direct costs incurred and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for minimum lease payments continues to be recognized on a straight-line basis over the lease term.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

Recently adopted accounting pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, which requires lessees to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by leases with terms greater than 12 months. ASU 2016-02 was adopted by the Organization on its effective date on January 1, 2022. There was no impact to the Organization’s beginning net assets as a result of the adoption because of the election of the practical expedients. The Organization has elected to utilize the package of practical expedients that allows entities to not reassess (1) the classification of leases existing at the date of adoption, (2) the initial direct costs for any existing leases, and (3) whether any expired or existing contracts are or contain leases.

Impact on transition

The Organization adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. The office lease ended in May 2022, lease disclosures for the year ended December 31, 2021 and the final five months in 2022 are made under prior lease guidance in FASB Accounting Standards Codification 840.

In May 2022, the Organization entered into a new lease and lease liabilities were measured at the present values of the life of the lease, discounted using the risk interest free rate of 0.78%. In May 2022, the Organization recorded “Operating lease right-of-use asset,” “Operating lease obligations, current” and “Operating lease obligations, net of current portion” of \$111,432, \$44,972, and \$66,460, respectively on the statement of financial position. Refer to Note 6 for further information regarding lease periods and the weighted average discount rates used.

The standard had a material impact on the Organization’s statement of financial position, but did not have an impact on the Organization’s statement of activities, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

See independent auditor’s report.

Detention Watch Network

Notes to Financial Statements December 31, 2022 and 2021

Upcoming accounting pronouncements

The FASB issued ASU 2016-13 which adopts the current expected credit loss (CECL) model. The CECL model requires a financial asset or a group of financial assets (including trade receivables, contract assets, lease receivables, financial guarantees, loans and loan commitments, and held-to-maturity debt securities) measured at amortized cost basis to be presented at the net amount expected to be collected. The statement of activities will reflect the measurement of credit losses for newly recognized financial assets, as well as the increases or decreases of expected credit losses that have taken place during the period. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022 and the Company plans to adopt this standard on its effective date, January 1, 2023. Management is assessing the impact that the standard will have on the financial statements.

3. Liquidity and availability

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, include the following assets at December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,979,433	\$ 5,279,037
Contributions receivable, current	1,140,575	1,563,711
	<u>7,120,008</u>	<u>6,842,748</u>
Less amounts restricted by donors for specific purposes	(411,002)	(551,642)
Less amounts restricted by time	<u>(3,021,862)</u>	<u>(3,455,218)</u>
	<u>\$ 3,687,144</u>	<u>\$ 2,835,888</u>

4. Membership dues

Members of Detention Watch Network pay membership dues annually. Membership dues ensure a non-restricted income stream that funds campaign activities and strengthens the work of the members. Effective 2021, the membership terms were updated to a calendar year cycle. Member dues paid in advance of January 1 are considered deferred until January 1 and then recognized ratably over the year.

In 2021, deferred membership dues at the beginning of the year were \$14,228, and revenue recognized that was included in deferred membership dues at the beginning of the year were \$14,228. There was no increase in deferred membership dues from cash received during 2022. There were no deferred membership dues for the year ended December 31, 2022.

See independent auditor's report.

Detention Watch Network

Notes to Financial Statements December 31, 2022 and 2021

5. Property and equipment

Property and equipment for the years ended December 31, 2022 and 2021 consisted of the following:

	2022	2021	Useful life
Computer equipment	\$ 24,948	\$ 21,989	3 years
Computer software	22,077	7,077	3 years
Furniture, fixtures, and other equipment	10,198	10,198	5 years
Accumulated depreciation	(25,941)	(13,549)	
	<u>\$ 31,282</u>	<u>\$ 25,715</u>	

Depreciation expense was \$12,392 and \$8,502 for the years ended December 31, 2022 and 2021, respectively.

6. Commitments

Chicago, IL

Detention Watch Network leased office space in Chicago, Illinois. The lease agreement was from June 2019 through December 31, 2020 and renewed on a month-to-month basis. Monthly rent was \$1,450. The lease ended on June 30, 2021.

Washington, D.C

Detention Watch Network leased office space in Washington, D.C. The lease began in March 2019 and ended on May 14, 2022. Base rent was \$6,442 per month with an increase of three percent each year. As of December 31, 2021, the deferred rent liability was \$2,812 on the statement of financial position. The Organization paid \$30,986 in 2022 from January through May 14th and \$78,228 in the year ended December 31, 2021 for both office spaces. Rental expenses are included in the occupancy costs on the statements of functional expenses. The lease was not renewed. The Organization elected to not include this lease as a part of the transition to ASU 2016-02 because of the short-term lease exemption.

Detention Watch Network entered into a new lease for new office space in Washington, D.C. The lease began in May 2022 and ends in August 2024. Base rent is set as \$4,550 per month with an increase of four percent each year. The lease terms include rent abatement for the first seventy-five days of the lease. Detention Watch Network records rent on a straight-line basis over the life of the lease.

The components of lease expense for the year ended December 31, 2022 are as follows:

Operating lease expense	\$ 33,333
Other short-term lease costs	31,677
Total operating lease cost	<u>\$ 65,010</u>

The lease term and discount rates elected by the Organization at December 31, 2022 include:

Weighted-average remaining lease term - Operating lease	1.58
Weighted-average discount rate - Operating lease	0.78%

See independent auditor's report.

Detention Watch Network

Notes to Financial Statements December 31, 2022 and 2021

At December 31, 2022, the future minimum lease payments due under the operating lease are as follows:

2023	\$	56,056
2024		33,692
Total undiscounted cash flows		<u>89,748</u>
Less: present value discount		(529)
Total lease liabilities	\$	<u>89,219</u>

The following summarizes the supplemental cash flow information for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$	22,750
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ROU asset recognized in exchange for operating lease liability	\$	111,432
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7. Contributions receivable

Contributions receivable are collectible over a one-to-three-year period. As of December 31, 2022 and 2021, contributions receivable have been discounted at the prime rate at the time of the commitment ranging from 1.0 percent to 2.0 percent, to record the present value of contributions receivable to be received at December 31, 2022 and 2021. Following is a summary of contributions receivable as of December 31:

	<u>2022</u>	<u>2021</u>
Contributions due in		
Less than one year	\$ 1,140,575	\$ 1,563,711
One to three years	500,000	1,387,500
	<u>1,640,575</u>	<u>2,951,211</u>
Present value discount	(9,804)	(36,818)
	<u>1,630,771</u>	<u>2,914,393</u>
Less: current portion	(1,140,575)	(1,563,711)
Long-term portion	<u>\$ 490,196</u>	<u>\$ 1,350,682</u>

See independent auditor's report.

Detention Watch Network

Notes to Financial Statements December 31, 2022 and 2021

8. Net assets with donor restrictions

Detention Watch Network's net assets with donor restrictions for the years ended December 31, 2022 and 2021 were as follows:

	2021	Additions	Releases	2022
Time restricted	\$ 3,455,218	\$ 1,020,000	\$ (1,453,356)	\$ 3,021,862
Purpose restricted				
Defund Hate	150,000	150,000	(160,328)	139,672
Digital communications	121,566	-	(121,566)	-
Directly impacted members	62,477	100,000	(66,996)	95,481
Free children and families	96,989	-	(96,989)	-
We are home	120,610	250,000	(194,761)	175,849
Wellness	-	20,000	(20,000)	-
	<u>\$ 4,006,860</u>	<u>\$ 1,540,000</u>	<u>\$ (2,113,996)</u>	<u>\$ 3,432,864</u>
	2020	Additions	Releases	2021
Time restricted	\$ 3,116,121	\$ 2,635,000	\$ (2,295,903)	\$ 3,455,218
Purpose restricted				
Research	82,857	-	(82,857)	-
Defund Hate	149,400	150,000	(149,400)	150,000
Digital communications	190,000	-	(68,434)	121,566
Directly impacted members	150,000	-	(87,523)	62,477
Free children and families	-	150,000	(53,011)	96,989
We are home	-	260,000	(139,390)	120,610
	<u>\$ 3,688,378</u>	<u>\$ 3,195,000</u>	<u>\$ (2,876,518)</u>	<u>\$ 4,006,860</u>

9. Retirement benefits

Detention Watch Network sponsors a 401(K) retirement plan for eligible employees. Employees may voluntarily contribute to the Plan. The Organization provides a 6 percent match for all eligible employees. The Organization contributed \$79,114 and \$53,130 to the retirement plan for the years ended December 31, 2022 and 2021, respectively. The contribution is included with employee benefits on the statements of functional expenses.

10. Concentrations

For the years ended December 31, 2022 and 2021, five donors contributed 67 percent of total revenue and one donor contributed 85 percent of contributions receivable, and one funder contributed 41 percent of total revenue and 78 percent of contributions receivable, respectively.

11. Subsequent events

Detention Watch Network assessed events occurring subsequent to December 31, 2022 through June 8, 2023, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No other events occurred during that time period that would require adjustment to or disclosure in the financial statements.

See independent auditor's report.