

DETENTION WATCH NETWORK

FINANCIAL STATEMENTS

DECEMBER 31, 2020



Certified Public Accountants

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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Detention Watch Network

We have audited the accompanying financial statements of the **Detention Watch Network** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Detention Watch Network** as of December 31, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Kositzka, Wicks and Company

Alexandria, Virginia
May 26, 2021

Detention Watch Network

Statement of Financial Position December 31, 2020

Assets

Current assets

Cash and cash equivalents	\$ 4,489,275
Contributions receivable, current	310,000
Prepaid expenses	<u>60,992</u>
	4,860,267

Non-current assets

Security deposits	14,334
Contributions receivable, net	1,151,028
Property and equipment, net	<u>16,372</u>
	1,181,734
Total assets	<u>\$ 6,042,001</u>

Liabilities and net assets

Current liabilities

Accounts payable	\$ 8,585
Payroll liabilities	20,264
Deferred member dues	<u>14,228</u>
	43,077

Long-term liabilities

Deferred rent liability	<u>8,936</u>
Total liabilities	52,013

Net assets

Without donor restrictions	2,301,610
With donor restrictions	<u>3,688,378</u>
Total net assets	5,989,988
Total liabilities and net assets	<u>\$ 6,042,001</u>

See accompanying notes and independent auditor's report.

Detention Watch Network

Statement of Activities for the year ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Contributions	\$ 1,098,550	\$ -	\$ 1,098,550
Foundation grants	1,247,967	1,545,000	2,792,967
In-kind contributions	45,024	-	45,024
Interest income	141	-	141
Membership dues	39,290	-	39,290
Program revenue	8,439	-	8,439
Net assets released from restrictions	1,882,826	(1,882,826)	-
	<u>4,322,237</u>	<u>(337,826)</u>	<u>3,984,411</u>
Expenses			
Program services			
Communications	328,086	-	328,086
Advocacy	409,235	-	409,235
Organizing	401,351	-	401,351
Member capacity building	429,341	-	429,341
	<u>1,568,012</u>	<u>-</u>	<u>1,568,012</u>
Supporting services			
Management and general	583,890	-	583,890
Fundraising	126,965	-	126,965
	<u>2,278,867</u>	<u>-</u>	<u>2,278,867</u>
Change in net assets	2,043,370	(337,826)	1,705,544
Net assets, beginning of year	258,240	4,026,204	4,284,444
Net assets, end of year	<u>\$ 2,301,610</u>	<u>\$ 3,688,378</u>	<u>\$ 5,989,988</u>

See accompanying notes and independent auditor's report.

Detention Watch Network

Statement of Functional Expenses for the year ended December 31, 2020

Expenses	Program Services				Supporting services			
	Communications	Advocacy	Organizing	Member capacity building	Total	Management and general	Fundraising	Total
Accounting and legal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,549	\$ -	\$ 21,549
Employee benefits	20,396	33,508	29,137	10,198	93,239	42,249	10,198	145,686
Depreciation	-	-	-	-	-	5,047	-	5,047
Grants	-	150	60,000	271,450	331,600	-	6,398	337,998
Insurance	1,187	1,302	1,695	593	4,777	3,105	593	8,475
Occupancy costs	13,663	22,446	19,519	6,832	62,460	28,301	6,832	97,593
Office expenses	921	5,126	-	-	6,047	30,710	3,294	40,051
Professional services	107,604	40,521	13,339	26,693	188,157	57,748	7,398	253,303
Payroll taxes and fees	14,253	23,506	20,910	6,364	65,033	28,329	6,754	100,116
Salaries	163,829	267,139	236,297	76,655	743,919	338,413	80,112	1,162,444
Travel and meetings	565	6,225	12,357	27,722	46,869	16,697	2,552	66,118
Website and technology	5,668	9,312	8,097	2,834	25,911	11,742	2,834	40,487
Total expenses by function	\$ 328,086	\$ 409,235	\$ 401,351	\$ 429,341	\$ 1,568,012	\$ 583,890	\$ 126,965	\$ 2,278,867

See accompanying notes and independent auditor's report.

Detention Watch Network

Statement of Cash Flows for the year ended December 31, 2020

Cash flows from operating activities

Change in net assets	\$ 1,705,544
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	5,047
Donation of property and equipment	(10,198)
(Increase) decrease in operating assets	
Contributions receivable	2,138,972
Prepaid expenses	(54,126)
Security deposits	(14,334)
Undeposited funds	11,850
Increase (decrease) in operating liabilities	
Accounts payable	(6,611)
Payroll liabilities	20,264
Lease agreements	8,936
Deferred revenue	14,228
Net cash provided by operating activities	<u>3,819,572</u>

Cash flows from investing activities

Purchase of property and equipment	(11,221)
Net cash used in investing activities	<u>(11,221)</u>

Net change in cash and cash equivalents

3,808,351

Cash and cash equivalents, beginning of year

680,924

Cash and cash equivalents, end of year

\$ 4,489,275

Supplemental disclosure of cash flow information

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

See accompanying notes and independent auditor's report.

Detention Watch Network

Notes to Financial Statements December 31, 2020

1. Organization

Detention Watch Network is a 501(c)(3) organization, founded in 2018, 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, 2020, Detention Watch Network's cash was held at one financial institution and the amount in excess of FDIC coverage was \$4,239,275. 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, 2020

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, 2020, 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 7 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 member dues. 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 statement of activities. The statement 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 ratably over the membership period. 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.

Grants and contributions

Grants and contributions received are recorded as revenue without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Donor-restricted revenue is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

See independent auditor's report.

Detention Watch Network

Notes to Financial Statements December 31, 2020

In-kind contributions

Detention Watch Network records all donated goods and services at fair market value at the date of donation. Donated services received are recognized if they create or enhance non-financial assets or require specialized skills. Donated goods are capitalized if the donated value is above \$1,000 and useful life is longer than one year. In 2020, Detention Watch Network received a donation of property and equipment of which \$10,198 was capitalized and \$34,826 was expensed with office expenses on the statement of functional expenses.

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, 2020.

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 2018 through 2020.

Recently adopted accounting pronouncements

The FASB has issued Accounting Standards Update (ASU) 2014-09 (as amended by ASU 2015-14), which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes current industry-specific guidance. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018. The Organization adopted the standard on January 1, 2020, with no effect on beginning net assets.

The FASB issued ASU 2018-08, which provides a new framework for determining whether a transaction should be accounted for as a contribution or an exchange. ASU 2018-08 is effective for annual reporting periods beginning after December 15, 2018. The Organization adopted the standard on January 1, 2020, with no effect on beginning net assets.

New accounting pronouncements

The FASB has issued ASU 2016-02, which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with terms greater than 12 months. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021. The Organization plans to adopt the standard on its effective date, which for the Organization is January 1, 2022. The Organization has not evaluated the impact of this statement.

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, 2020:

Cash and cash equivalents	\$ 4,489,275
Contributions receivable	1,461,028
	<u>5,950,303</u>
Less amounts restricted by donors	<u>(3,688,378)</u>
	<u>\$ 2,261,925</u>

See independent auditor's report.

Detention Watch Network

Notes to Financial Statements December 31, 2020

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 to strengthen the work of the members. For the year ended December 31, 2020, membership dues were on a fiscal basis from May 1 through April 30. 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.

The following table provides information about significant changes in deferred member dues for the year ended December 31, 2020:

	<u>2020</u>
Deferred member dues, beginning of year	\$ 31,188
Revenue recognized that was included in deferred member dues at the beginning of year	(31,188)
Increase in deferred member dues from cash received during the year	<u>14,228</u>
Deferred member dues, end of year	<u>\$ 14,228</u>

For the year ended December 31, 2020, Detention Watch Network had collected membership dues in 2020. Subsequent to the year end, membership dues were adjusted accordingly based on each individual's renewal term for financial statement purposes.

5. Property and equipment

Property and equipment for the year ended December 31, 2020 consisted of the following:

Property and equipment, cost	\$ 21,419
Accumulated depreciation	<u>(5,047)</u>
	<u>\$ 16,372</u>

Depreciation expense was \$5,047 for the year ended December 31, 2020.

6. Commitments

Washington, D.C

Detention Watch Network leases office space in Washington, D.C. The lease began in March 2019 and ends thirty-eight months later on April 30, 2022. Base rent was \$6,442 per month with an increase of three percent each year. The lease terms included a fifty percent discount for the first 4 months of the lease. Detention Watch Network records rent on a straight-line basis over the term of the lease in the amount of \$6,361 per month. As of December 31, 2020 the deferred rent liability was \$8,936 on the statement of financial position. The minimum annual rent is as follows:

2021	\$ 82,718
2022	<u>28,260</u>
	<u>\$ 110,978</u>

See independent auditor's report.

Detention Watch Network

Notes to Financial Statements December 31, 2020

Chicago, IL

Detention Watch Network leases office space in Chicago, Illinois. The lease agreement was from May 2019 through December 31, 2020. Subsequent to the year end, it was renewed on a month-to-month basis. Detention Watch Network will give at least 30 days' written notice before vacating the lease. Monthly rent is \$1,450.

Detention Watch Network paid \$93,789 in rental expense for both office spaces during the year ended December 31, 2020. Rental expenses are included in the occupancy costs on the statement of functional expenses.

7. Net assets with donor restrictions

Detention Watch Network's net assets with donor restrictions for the year ended December 31, 2020 were as follows:

	2019	Additions	Releases	2020
Time restricted	\$ 4,026,204	\$ 955,000	\$ (1,865,083)	\$ 3,116,121
Purpose restricted				
Research	-	100,000	(17,143)	82,857
Defund Hate	-	150,000	(600)	149,400
Digital communications	-	190,000	-	190,000
Directly impacted members	-	150,000	-	150,000
	<u>\$ 4,026,204</u>	<u>\$ 1,545,000</u>	<u>\$ (1,882,826)</u>	<u>\$ 3,688,378</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 5 percent match for all eligible employees. The Organization contributed \$47,641 to the retirement plan for the year ended December 31, 2020. The contribution is included with employee benefits on the statement of functional expenses.

10. Subsequent events

Detention Watch Network assessed events occurring subsequent to December 31, 2020 through May 26, 2021, the date of the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. See note 4 about the updated membership terms and note 6 about the updated lease. No other events occurred during that time period that would require adjustment to or disclosure in the financial statements.

See independent auditor's report.