

DETENTION WATCH NETWORK

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020



Certified Public Accountants

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Independent Auditor's Report

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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, 2021 and 2020, 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, 2021 and 2020, 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.

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
July 12, 2022

Detention Watch Network

Statements of Financial Position December 31,

2021**2020****Assets****Current assets**

Cash and cash equivalents	\$ 5,279,037	4,489,275
Contributions receivable, current	1,563,711	310,000
Prepaid expenses	303,015	60,992
	<u>7,145,763</u>	<u>4,860,267</u>

Non-current assets

Security deposits	12,884	14,334
Contributions receivable, net	1,350,682	1,151,028
Property and equipment, net	25,715	16,372
	<u>1,389,281</u>	<u>1,181,734</u>
Total assets	<u>\$ 8,535,044</u>	<u>6,042,001</u>

Liabilities and net assets**Current liabilities**

Accounts payable	\$ 17,572	8,585
Payroll liabilities	22,973	20,264
Deferred member dues	-	14,228
Deferred rent liability	2,812	-
	<u>43,357</u>	<u>43,077</u>

Long-term liabilities

Deferred rent liability, net of short-term	-	8,936
Total liabilities	<u>43,357</u>	<u>52,013</u>

Net assets

Without donor restrictions	4,484,827	2,301,610
With donor restrictions	4,006,860	3,688,378
Total net assets	<u>8,491,687</u>	<u>5,989,988</u>
Total liabilities and net assets	<u>\$ 8,535,044</u>	<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, 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 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, 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
Employee benefits	11,076	22,472	13,072	5,665	52,285	99,280	4,826	156,391
Depreciation	1,169	2,300	1,780	658	5,907	2,101	494	8,502
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

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

Statements of Cash Flows for the years ended December 31,

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 2,501,699	\$ 1,705,544
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	8,502	5,047
Donation of property and equipment	-	(10,198)
(Increase) decrease in operating assets		
Contributions receivable	(1,453,365)	2,138,972
Prepaid expenses	(242,023)	(54,126)
Security deposits	1,450	(14,334)
Undeposited funds	-	11,850
Increase (decrease) in operating liabilities		
Accounts payable	8,987	(6,611)
Payroll liabilities	2,709	(20,264)
Deferred rent liability	(6,124)	8,936
Deferred member dues	(14,228)	14,228
Net cash provided by operating activities	<u>807,607</u>	<u>3,779,044</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(17,845)</u>	<u>(11,221)</u>
Net cash used in investing activities	(17,845)	(11,221)
Net change in cash and cash equivalents	789,762	3,808,351
Cash and cash equivalents, beginning of year	4,489,275	680,924
Cash and cash equivalents, end of year	<u>\$ 5,279,037</u>	<u>\$ 4,489,275</u>
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, 2021 and 2020

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, 2021 and 2020, Detention Watch Network's cash was held at one financial institution and the amount in excess of FDIC coverage was \$4,778,887 and \$4,239,275, 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, 2021 and 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, 2021 and 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 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 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.

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. No in-kind contributions were received in 2021.

See independent auditor's report.

Detention Watch Network

Notes to Financial Statements December 31, 2021 and 2020

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, 2021 and 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 2021.

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 is evaluating 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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,279,037	\$ 4,489,275
Contributions receivable, current	<u>1,563,711</u>	<u>310,000</u>
	6,842,748	4,799,275
Less amounts restricted by donors	<u>(551,642)</u>	<u>(572,257)</u>
	<u>\$ 6,291,106</u>	<u>\$ 4,227,018</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. 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.

See independent auditor's report.

Detention Watch Network

Notes to Financial Statements December 31, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>
Deferred member dues, beginning of year	\$ 14,228	\$ 31,188
Revenue recognized that was included in deferred member dues at the beginning of year	(14,228)	(31,188)
Increase in deferred member dues from cash received during the year	-	14,228
Deferred member dues, end of year	<u>\$ -</u>	<u>\$ 14,228</u>

5. Property and equipment

Property and equipment for the years ended December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>	<u>Useful life</u>
Property and equipment, cost	\$ 39,264	\$ 21,419	3 - 5 years
Accumulated depreciation	(13,549)	(5,047)	
	<u>\$ 25,715</u>	<u>\$ 16,372</u>	

Depreciation expense was \$8,502 and \$5,047 for the years ended December 31, 2021 and 2020, respectively.

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 May 14, 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. From March 2020 to December 31, 2021 there was a rent increase prohibition credit that reduced the amount due during that period. As of December 31, 2021 and 2020, the deferred rent liability was \$2,812 and \$8,936 on the statements of financial position, respectively. The Organization expects to pay \$28,260 in 2022 from January through May 14th. The lease was not renewed.

Subsequent to year end, Detention Watch Network entered into a new lease for new office space in Washington, D.C. The new lease begins 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.

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. Detention Watch Network will give at least 30 days' written notice before vacating the lease. Monthly rent was \$1,450. The lease ended on June 30, 2021.

See independent auditor's report.

Detention Watch Network

Notes to Financial Statements December 31, 2021 and 2020

Detention Watch Network paid \$78,228 and \$93,789 in rental expense for both office spaces during the years ended December 31, 2021 and 2020. Rental expenses are included in the occupancy costs on the statement of functional expenses.

7. Contributions receivable

Contributions receivable are collectible over a one-to-three-year period. As of December 31, 2021 and 2020, 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, 2021 and 2020. Following is a summary of contributions receivable as of December 31,

	2021	2020
Contributions due in		
Less than one year	\$ 1,563,711	\$ 310,000
One to five years	1,387,500	1,162,500
	<u>2,951,211</u>	<u>1,472,500</u>
Present value discount	(36,818)	(11,472)
	<u>2,914,393</u>	<u>1,461,028</u>
Less: current portion	(1,563,711)	(310,000)
Long-term portion	<u>\$ 1,350,682</u>	<u>\$ 1,151,028</u>

8. Net assets with donor restrictions

Detention Watch Network's net assets with donor restrictions for the years ended December 31, 2021 and 2020 were as follows:

	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>
	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>

See independent auditor's report.

Detention Watch Network

Notes to Financial Statements December 31, 2021 and 2020

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 \$53,130 and \$47,641 to the retirement plan for the years ended December 31, 2021 and 2020, respectively. The contribution is included with employee benefits on the statement of functional expenses.

10. Concentrations

For the year ended December 31, 2021, one funder contributed 41 percent of the total revenue and 78 percent of contributions receivable.

11. Subsequent events

Detention Watch Network assessed events occurring subsequent to December 31, 2021 through July 12, 2022, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. Other than a new lease, see Note 6, no other events occurred during that time period that would require adjustment to or disclosure in the financial statements.