

# **International Justice Mission**

Financial Report  
December 31, 2008

**McGladrey & Pullen**  
Certified Public Accountants

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# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Board of Directors  
International Justice Mission  
Arlington, Virginia

We have audited the accompanying balance sheet of International Justice Mission (the Organization) as of December 31, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the 2007 financial statements. The financial statements of the Organization for the year ended December 31, 2007, were audited by us and in our report, dated April 1, 2008, we expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2008 financial statements referred to above present fairly, in all material respects, the financial position of International Justice Mission as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

Vienna, Virginia  
April 8, 2009

## International Justice Mission

### Balance Sheet

December 31, 2008

(With Comparative Totals For 2007)

<b>Assets</b>	<b>2008</b>	<b>2007</b>
Cash And Cash Equivalents	\$ 5,268,190	\$ 4,219,746
Investments	2,510,842	1,834,571
Receivables	799,372	1,722,390
Promises To Give	153,385	668,385
Prepaid Expenses And Other Assets	366,209	281,856
Property And Equipment, Net	1,958,322	1,824,533
	<u>\$ 11,056,320</u>	<u>\$ 10,551,481</u>

### Liabilities And Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 1,245,538	\$ 898,947
Refundable advances	2,095,383	1,810,466
Deferred rent	1,601,553	1,229,582
	<u>4,942,474</u>	<u>3,938,995</u>

Commitments And Contingencies (Notes 5, 8 And 9)

### Net Assets

Unrestricted	5,646,987	5,711,600
Temporarily restricted	466,859	900,886
	<u>6,113,846</u>	<u>6,612,486</u>
	<u>\$ 11,056,320</u>	<u>\$ 10,551,481</u>

See Notes To Financial Statements.

International Justice Mission

Statement Of Activities

Year Ended December 31, 2008

(With Comparative Totals For 2007)

	2008			2007
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Contributions and grants	\$ 15,564,598	\$ 3,561,977	\$ 19,126,575	\$ 18,123,243
Other income	916,125	-	916,125	670,927
Investment income	139,730	-	139,730	222,960
Net assets released from restrictions	3,996,004	(3,996,004)	-	-
<b>Total support and revenue</b>	<b>20,616,457</b>	<b>(434,027)</b>	<b>20,182,430</b>	<b>19,017,130</b>
Expenses:				
Program services:				
Case work	12,904,690	-	12,904,690	9,937,134
Education	2,856,907	-	2,856,907	2,253,005
<b>Total program services</b>	<b>15,761,597</b>	<b>-</b>	<b>15,761,597</b>	<b>12,190,139</b>
Supporting services:				
Fund development	3,027,415	-	3,027,415	2,586,176
General and administrative	1,892,058	-	1,892,058	1,689,879
<b>Total supporting services</b>	<b>4,919,473</b>	<b>-</b>	<b>4,919,473</b>	<b>4,276,055</b>
<b>Total expenses</b>	<b>20,681,070</b>	<b>-</b>	<b>20,681,070</b>	<b>16,466,194</b>
<b>Change in net assets</b>	<b>(64,613)</b>	<b>(434,027)</b>	<b>(498,640)</b>	<b>2,550,936</b>
Net assets:				
Beginning	5,711,600	900,886	6,612,486	4,061,550
Ending	<b>\$ 5,646,987</b>	<b>\$ 466,859</b>	<b>\$ 6,113,846</b>	<b>\$ 6,612,486</b>

See Notes To Financial Statements.

**International Justice Mission**

**Statement Of Functional Expenses  
Year Ended December 31, 2008  
(With Comparative Totals For 2007)**

	Program Services			Fund Development	General And Administrative	Total Supporting Services	2008 Total	2007 Total
	Case Work	Education	Total Program Services					
Salaries and employee benefits	\$ 7,083,652	\$ 1,957,668	\$ 9,041,320	\$ 1,492,709	\$ 1,081,352	\$ 2,574,061	\$ 11,615,381	\$ 9,070,096
Services provided by contract	874,462	43,323	917,785	48,168	6,707	54,875	972,660	666,239
Travel	1,580,693	205,527	1,786,220	227,449	79,276	306,725	2,092,945	1,475,566
Depreciation	433,681	15,406	449,087	21,313	45,186	66,499	515,586	354,545
Donation to Partners	8,000	-	8,000	-	-	-	8,000	-
Dues, subscriptions and fees	27,585	5,394	32,979	9,875	14,397	24,272	57,251	53,964
Office expense	907,480	187,337	1,094,817	546,528	68,030	614,558	1,709,375	1,565,377
Forensic and client court fees	14,306	-	14,306	-	-	-	14,306	501
Good Samaritan expenses	4,116	-	4,116	-	-	-	4,116	2,000
Interest and fees	26,436	611	27,047	2,608	152,694	155,302	182,349	141,183
Internship development program	440,486	9,317	449,803	205	764	969	450,772	190,395
Miscellaneous expense	107,690	32,207	139,897	28,069	18,967	47,036	186,933	154,875
Occupancy	862,321	208,277	1,070,598	320,969	321,496	642,465	1,713,063	1,625,233
Photographic	55,449	149,785	205,234	234,174	4,380	238,554	443,788	332,058
Postage and shipping	40,137	30,744	70,881	82,467	4,638	87,105	157,986	155,540
Professional services	153,448	10,980	164,428	11,852	94,171	106,023	270,451	273,876
Victim aftercare expense	284,748	331	285,079	1,029	-	1,029	286,108	404,746
	<u>\$ 12,904,690</u>	<u>\$ 2,856,907</u>	<u>\$ 15,761,597</u>	<u>\$ 3,027,415</u>	<u>\$ 1,892,058</u>	<u>\$ 4,919,473</u>	<u>\$ 20,681,070</u>	<u>\$ 16,466,194</u>

See Notes To Financial Statements.

## International Justice Mission

### Statement Of Cash Flows Year Ended December 31, 2008 (With Comparative Totals For 2007)

	2008	2007
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (498,640)	\$ 2,550,936
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	515,586	354,545
Noncash contributions	(529,021)	(344,593)
Net realized and unrealized loss on investments	7,314	3,462
Loss on disposal of property and equipment	28,370	31,664
Deferred rent	371,971	930,736
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	923,018	(1,336,597)
Promises to give	515,000	(598,385)
Prepaid expenses and other assets	(84,353)	54,678
Increase (decrease) in:		
Accounts payable and accrued expenses	346,591	311,166
Refundable advances	284,917	1,097,731
<b>Net cash provided by operating activities</b>	<b>1,880,753</b>	<b>3,055,343</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	1,927,111	1,226,703
Purchases of investments	(2,081,675)	(1,812,206)
Proceeds from sale of equipment	18,365	21,292
Purchase of property and equipment	(696,110)	(1,019,023)
<b>Net cash used in investing activities</b>	<b>(832,309)</b>	<b>(1,583,234)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,048,444</b>	<b>1,472,109</b>
<b>Cash And Cash Equivalents</b>		
Beginning	4,219,746	2,747,637
Ending	<u>\$ 5,268,190</u>	<u>\$ 4,219,746</u>
<b>Supplemental Schedule Of Noncash Investing Activities</b>		
Donated securities	<u>\$ 529,021</u>	<u>\$ 344,593</u>
<b>Supplemental Disclosure Of Cash Flow Information</b>		
Cash payment for expatriate taxes	<u>\$ 349,161</u>	<u>\$ 303,267</u>

See Notes To Financial Statements.

## International Justice Mission

### Notes To Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: International Justice Mission (the Organization) is a not-for-profit human rights agency, incorporated in the Commonwealth of Virginia that began operations in 1997. International Justice Mission secures justice for victims of slavery, sexual exploitation and other forms of violent oppression by partnering with local authorities to: rescue victims of abuse and provide holistic aftercare, prosecute perpetrators and promote functioning public justice systems. The Organization conducts its casework on behalf of the poor in 12 countries in the developing world. The Organization also seeks to mobilize the Christian church and the general public to respond on behalf of victims of abuse.

A summary of the Organization's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby, support and revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no permanently restricted net assets at December 31, 2008.

Cash and cash equivalents: For purposes of reporting cash flows, the Organization considers all investments purchased with a maturity of three months or less to be cash equivalents. All cash and investments held by an investment advisor, regardless of maturity, are considered investments.

Due to the nature of the Organization, it uses investments with a maturity of less than three months. The Organization has operations in many countries and many transactions have been performed using cash. In addition, the field offices receive cash in advance for their operations.

Restricted cash: Cash and cash equivalents at December 31, 2008, include certificates of deposit in the amount of \$626,530, which are restricted as security under two letters of credit with a local bank.

Financial risk: The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant financial risk on cash.

The Organization invests in a professionally managed portfolio that contains money market funds and certificates of deposit. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Investments: Investments consist of certificates of deposit and money market funds and are reflected at fair market value. To adjust the carrying value of these investments, the change in fair market value is included as a component of investment income on the statement of activities.

## International Justice Mission

### Notes To Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Receivables: Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. There was no provision for doubtful accounts at December 31, 2008.

Promises to give: Unconditional promises to give are recognized as revenue or gains in the period acknowledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give are carried at fair value less an estimate made for doubtful promises based on a review of all outstanding promises on a monthly basis. Management determines the allowance for doubtful promises by using the historical experience applied to an aging of promises. Promises are written off when deemed uncollectible. There was no provision for doubtful promises, based on management's evaluation of the collection of promises, at December 31, 2008. All promises to give are expected to be collected within one year.

Property and equipment: Property and equipment purchases are capitalized and depreciated on a straight-line basis over their estimated lives. The Organization capitalizes all property and equipment purchased with a cost of \$1,000 or more.

Valuation of long-lived assets: The Organization accounts for the valuation of long-lived assets under SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Support and revenue: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted revenue is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization receives grants from federal agencies and others for various purposes. Grant awards not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant. The Organization defers grant revenues received under approved awards to the extent they exceed expenses incurred for the purposes specified under the grant restrictions. These funds are reported as refundable advances.

Donated services: Contributions of services are recognized in the financial statements as in-kind contributions if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided by donation. These services are recorded at their estimated fair values at the date of donation and are recognized in the financial statements as contributions. Donated services for the year ended December 31, 2008, were \$31,877.

## International Justice Mission

### Notes To Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Expense allocation: Program and supporting services have been presented on a functional basis in the statement of activities and changes in net assets. Certain overhead costs have been allocated among the programs, management and general, and fundraising.

The Organization complies with SFAS No. 117, which requires that revenue and expenses from fundraising events be reported gross; therefore, fundraising expenses are reported gross and are not offset directly against ticket revenues. Contribution Revenue from the events totaled \$1,199,267 and ticket revenues totaled \$264,822 in 2008, which technically, although not netted for financial statement purposes, offset the costs of the fundraising banquet expenses, totaling \$485,866.28.

The Organization's Intern and Fellows program provides opportunities for students and professionals to join the Organization's work around the world as unpaid volunteers for a short time period. Internships take place in the Washington, DC office or in one of the Organization's field offices where they gain international human rights experience in various fields such as law, social work, investigations and administration. The Organization utilized 104 interns and fellows during the 2008 calendar year. The total income from the Intern and Fellows program in 2008 was \$524,853.30, which was generated through donations to the program, and the total cost of the program was 403,900.98.

Foreign currency translation: Revenues and expenses of the Organization's foreign operations are translated at weighted average exchanges rates for the period.

Foreign currency transactions: Foreign currency transactions are recorded in U.S. dollars at the exchange rates in effect at the date of the transactions. Gains and losses are recognized in the statement of activities.

Income taxes: The Organization is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (the Code). In addition, the Organization qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Organization did not have any net unrelated business income for the year ended December 31, 2008.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures 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 estimates.

Prior year information: The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

Reclassifications: Certain amounts in the 2007 financial statements have been reclassified to conform to the presentation in the 2008 statements, with no effect on the previously reported change in net assets.

## International Justice Mission

### Notes To Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Recent adopted accounting pronouncements: On August 8, 2008, FASB issued the Staff Position No. FAS 117-1 (FSP), which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission (ULC, formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. This FSP also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds), whether or not the organization is subject to UPMIFA. The Organization does not have permanently restricted net assets at December 31, 2008.

Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements, defines fair value and establishes a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with SFAS No. 157, The Organization has categorized its applicable financial instruments into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based upon the lowest level input that is significant to the fair value measurement of the instrument. The Organization has added the required disclosures in Note 11 of the financial statements.

Recent accounting pronouncements: In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. If there are changes in net assets as a result of application FIN 48, these will be accounted for as an adjustment to the opening balance of retained earnings. Additional disclosures about the amounts of such liabilities will be required also. The Organization presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, *Accounting for Contingencies*. The Organization has elected to defer the application of Interpretation 48 in accordance with FASB Staff Position FIN 48-3. This FSP defers the effective date of Interpretation 48 for nonpublic enterprises included within its scope to the annual financial statements for fiscal years beginning after December 15, 2008. The Organization, however, did determine that adoption of FIN 48 will not have a material impact on its financial statements.

#### Note 2 Investments

Investments at December 31, 2008, consist of the following:

Certificates of deposit	\$ 1,352,682
Money market funds	1,158,160
	<u>\$ 2,510,842</u>

Investment income for the year ended December 31, 2008, consists of the following:

Interest and dividends	\$ 147,044
Realized and unrealized loss on investments	(7,314)
	<u>\$ 139,730</u>

## International Justice Mission

### Notes To Financial Statements

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#### Note 3. Receivables

Receivables at December 31, 2008, consist of the following:

Undeposited contributions	\$	666,137
Advances for travel		81,869
Other receivables		36,177
Grant receivables		15,189
	\$	<u>799,372</u>

#### Note 4. Property And Equipment

Property and equipment and accumulated depreciation at December 31, 2008, and depreciation expense for the year ended December 31, 2008, are as follows:

	Estimated Lives	Cost	Accumulated Depreciation	Net	Depreciation
Equipment	5 years	\$ 1,767,531	\$ 976,011	\$ 791,520	\$ 330,217
Automobiles	7 years	791,615	142,947	648,668	94,782
Leasehold improvements	3 – 10 years	348,227	68,187	280,040	43,415
Software	3 years	232,062	75,798	156,264	41,208
Furniture and fixtures	5 – 10 years	92,110	10,280	81,830	5,964
		<u>\$ 3,231,545</u>	<u>\$ 1,273,223</u>	<u>\$ 1,958,322</u>	<u>\$ 515,586</u>

#### Note 5. Line Of Credit

The Organization has a \$2,100,000 line of credit that expires on September 30, 2009. The line of credit accrues interest at the bank's prime lending rate plus 1.0% and is secured by all assets of the Organization. The bank also requires that the Organization maintain liquid assets of at least \$2,600,000 and a debt-to-equity ratio of no more than 40% and comply with certain other administrative covenants. There was no outstanding balance on the line at December 31, 2008.

#### Note 6. Retirement Plan

The Organization maintains a defined contribution pension plan (the Plan) under Section 403(b)(7) of the Code. All qualified employees are eligible to receive employer contributions after one year of employment. The Organization makes discretionary contributions to the Plan for the benefit of eligible employees in amounts equal to 8% of base salary. Contributions for new employees are accrued from the date of full-time employment and will be made following the first anniversary date of full-time employment. Employees who are terminated prior to the first anniversary date forfeit all rights to these benefits. The Organization contributed \$529,708 to the Plan during the year ended December 31, 2008.

## International Justice Mission

### Notes To Financial Statements

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#### Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2008, are restricted for the following and were released from restrictions for the year ended December 31, 2008, as follows:

	Balance		Balance	
	December 31, 2007	Additions	Releases	December 31, 2008
Program restricted:				
Casework*	\$ 714,217	\$ 3,182,340	\$ (3,504,369)	\$ 392,188
Simply Justice	45,994	4,800	-	50,794
Survivor Scholarship	9,609	6,320	(1,846)	14,083
Good Samaritan Fund	7,917	4,981	(3,104)	9,794
Aftercare	114,976	32,862	(147,838)	-
SANE Training	8,173	1,595	(9,768)	-
Education	-	88,500	(88,500)	-
Investigations	-	35,859	(35,859)	-
Prayer	-	50,850	(50,850)	-
Human Resources	-	130,350	(130,350)	-
Interventions	-	23,520	(23,520)	-
	<u>\$ 900,886</u>	<u>\$ 3,561,977</u>	<u>\$ (3,996,004)</u>	<u>\$ 466,859</u>

\* Includes time restricted amounts

#### Note 8. Contingencies

Federal awards: The Organization participates in a number of federally-assisted grant programs which are subject to financial and compliance audits by the federal government or its representatives. As such, there exists a contingent liability for potential questioned costs that may result from such an audit. Management does not anticipate any significant adjustments as a result of such an audit.

The Organization has operations in many countries throughout the world, many of which have politically and economically volatile environments and whose governments are still in development stages. As a result, the Organization may have financial risks associated with these operations, including such matters as the assessment of local taxes. No assessments of any such amounts have been received and accordingly, no provision for such liabilities, if any, that might result from these operations have been made in the accompanying financial statements.

## International Justice Mission

### Notes To Financial Statements

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#### Note 9. Commitments

The Organization leases office space for its headquarters under a lease that expires on December 31, 2008. Under the terms of the lease, the Organization is required to pay monthly rental payments of approximately \$25,000. The lease also requires the Organization to maintain a letter of credit in favor of the landlord, secured by a certificate of deposit. At December 31, 2008, the required letter of credit was approximately \$50,000 and was cancelled on April 2, 2009.

In October 2006, the Organization entered into a new lease for an office space which ends in March 2022. The rent start date is May 1, 2007. During the first 12 months starting the rent start date, the Organization was not required to make monthly rental payments. Starting May 1, 2008, the payments were approximately \$71,000 which will be increased by 3% annually. The lease agreement also includes a rent concession, which is included in the basis for the calculation of a deferred rent amount. The benefit of this rent concession is being allocated over the term of the lease. The lease also requires the Organization to maintain a letter of credit in favor of the landlord, secured by a certificate of deposit. At December 31, 2008, the required letter of credit was approximately \$212,000.

During 2008, the Organization entered into a new lease for an office space which ends in March 2022. The rent start date will be the later to occur of May 1, 2009, or the date on which the Landlord shall have substantially completed the construction improvements. The Organization is not required to make the monthly rental payments until May 1, 2010, or for the first 12 months starting with the rental start date. After that the payments will be approximately \$78,000 which will be increased by 3% annually. The lease agreement also includes a rent concession, which is included in the basis for the calculation of a deferred rent amount. The benefit of this rent concession is being allocated over the term of the lease. The lease also requires the Organization to maintain a letter of credit in favor of the landlord, secured by a certificate of deposit. At December 31, 2008, the required letter of credit was approximately \$352,445.

The Organization has also entered into other leases for office space in Cambodia, Uganda, Zambia, Thailand, Kenya, Philippines, Rwanda, Bolivia and other locations in South Asia. The lease terms expire at various times ending in December 2012. The leases require the tenant to make monthly rental payments ranging from approximately \$350 to \$3,600 for the term of the leases.

Future minimum rental payments applicable to these operating leases at December 31, 2008, are as follows:

Years Ending December 31,	
2009	\$ 1,007,685
2010	1,614,715
2011	1,970,627
2012	2,036,315
2013	2,076,833
2014 – 2022	19,617,971
	<u>\$ 28,324,146</u>

Rent expense applicable to these operating leases for the year ended December 31, 2008, was \$1,540,886.

## International Justice Mission

### Notes To Financial Statements

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#### Note 10. Related Parties

The Organization has two international affiliates: International Justice Mission-UK (IJM-UK) and International Justice Mission-Canada (IJM-Canada). The Organization received \$231,500 of a \$231,500 promise to give from IJM-Canada for the year ended December 31, 2008. Additionally, the Organization received \$20,000 in advance for 2009 work and the Organization recorded a deferred liability to IJM Canada. IJM Canada also paid for reimbursed expenses and intern support in the amount of \$15,604. The Organization received approximately \$13,326 in support from IJM UK and paid IJM UK \$4,000 in reimbursements for expenses incurred for the year ended December 31, 2008.

#### Note 11. Fair Value Measurement

During the year ended December 31, 2008, the Organization adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*. This Statement establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. SFAS No. 157 applies to all assets and liabilities that are being measured and reported on a fair value basis. Statement No. 157 requires new disclosure that establishes a framework for measuring fair value in GAAP, and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to Statement No. 157. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by the Organization at December 31, 2008.

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy.

	Level 1	Level 2	Level 3
Certificates of deposit	\$ -	\$ 1,352,682	\$ -
Money market funds	-	1,158,160	-