

# **International Justice Mission and Affiliates**

Consolidated Financial Report  
December 31, 2019

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
International Justice Mission

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of International Justice Mission and Affiliates (collectively, IJM), which comprise the consolidated statement of financial position as of December 31, 2019, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, based on our audit and the financial statements referred to above present fairly, in all material respects, the financial position of International Justice Mission and Affiliate as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited IJM's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2020, on our consideration of IJM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IJM's internal control over financial reporting and compliance.

*RSM US LLP*

McLean, Virginia  
April 29, 2020

**International Justice Mission and Affiliates**

**Consolidated Statement of Financial Position  
December 31, 2019  
(With Comparative Totals for 2018)**

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 34,951,950	\$ 19,984,820
Investments	1,615,266	1,004,221
Receivables, net	1,499,009	2,250,413
Promises to give, net	672,089	3,114,800
Prepaid expenses and other assets	2,470,314	2,163,524
Property and equipment, net	3,025,166	3,574,337
	<u>\$ 44,233,794</u>	<u>\$ 32,092,115</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,645,744	\$ 4,298,646
Refundable advances	11,473,585	2,156,029
Accrued severance and retirement for national staff	2,071,868	1,833,202
Deferred rent and tenant improvements	4,512,194	5,225,295
	<u>22,703,391</u>	<u>13,513,172</u>
Commitments and contingencies (Notes 7 and 10)		
Net assets:		
Without donor restrictions	14,872,602	10,941,177
With donor restrictions	6,657,801	7,637,766
	<u>21,530,403</u>	<u>18,578,943</u>
	<u>\$ 44,233,794</u>	<u>\$ 32,092,115</u>

See notes to consolidated financial statements.

**International Justice Mission and Affiliates**

**Consolidated Statement of Activities  
Year Ended December 31, 2019  
(With Comparative Totals for 2018)**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contributions and grants	\$ 58,768,567	\$ 19,309,164	\$ 78,077,731	\$ 69,479,753
In-kind support	1,371,424	-	1,371,424	2,122,982
Rental income	103,897	-	103,897	112,553
Other income	1,019,122	-	1,019,122	924,022
Net assets released from restrictions	20,705,857	(20,705,857)	-	-
<b>Total support and revenue</b>	<b>81,968,867</b>	<b>(1,396,693)</b>	<b>80,572,174</b>	<b>72,639,310</b>
Expenses:				
Program services:				
Justice System Transformation	39,781,629	-	39,781,629	40,760,052
Mobilization	15,926,342	-	15,926,342	17,627,200
<b>Total program services</b>	<b>55,707,971</b>	<b>-</b>	<b>55,707,971</b>	<b>58,387,252</b>
Supporting services:				
Fund development	9,668,204	-	9,668,204	9,124,804
General and administrative	12,764,576	-	12,764,576	10,571,473
<b>Total supporting services</b>	<b>22,432,780</b>	<b>-</b>	<b>22,432,780</b>	<b>19,696,277</b>
<b>Total expenses</b>	<b>78,140,751</b>	<b>-</b>	<b>78,140,751</b>	<b>78,083,529</b>
<b>Change in net assets before IJM Canada transfer</b>	<b>3,828,116</b>	<b>(1,396,693)</b>	<b>2,431,423</b>	<b>(5,444,219)</b>
Transfer of net assets from IJM UK	-	-	-	881,188
Transfer of net assets from IJM Canada	103,309	416,728	520,037	-
<b>Change in net assets</b>	<b>3,931,425</b>	<b>(979,965)</b>	<b>2,951,460</b>	<b>(4,563,031)</b>
Net assets:				
Beginning	10,941,177	7,637,766	18,578,943	23,141,974
Ending	<b>\$ 14,872,602</b>	<b>\$ 6,657,801</b>	<b>\$ 21,530,403</b>	<b>\$ 18,578,943</b>

See notes to consolidated financial statements.

## International Justice Mission and Affiliates

### Consolidated Statement of Functional Expenses Year Ended December 31, 2019 (With Comparative Totals for 2018)

	Program Services			Supporting Services			2019 Total	2018 Total
	Justice System Transformation	Mobilization	Total Program Services	Fund Development	General and Administrative	Total Supporting Services		
Salaries and employee benefits	\$ 22,021,358	\$ 11,319,062	\$ 33,340,420	\$ 6,075,715	\$ 6,512,191	\$ 12,587,906	\$ 45,928,326	\$ 44,790,346
Services provided by contract	4,073,063	1,186,321	5,259,384	1,154,407	1,797,490	2,951,897	8,211,281	8,084,273
Travel	2,479,859	690,448	3,170,307	566,319	316,905	883,224	4,053,531	5,976,441
Depreciation	873,327	87,994	961,321	42,362	105,376	147,738	1,109,059	899,878
External engagement	1,220,356	1,162,360	2,382,716	761,516	125,349	886,865	3,269,581	4,276,491
Professional services	1,110,648	41,460	1,152,108	79,752	448,813	528,565	1,680,673	1,485,102
Subgrants	814,733	-	814,733	-	-	-	814,733	691,954
Information technology	1,507,178	275,162	1,782,340	442,487	883,802	1,326,289	3,108,629	3,029,710
Facilities	3,087,960	725,134	3,813,094	260,513	1,038,545	1,299,058	5,112,152	4,733,261
Financial fees and interest	154,871	7,778	162,649	11,910	577,677	589,587	752,236	851,778
Insurance, taxes and other	129,699	58,883	188,582	51,719	291,920	343,639	532,221	516,009
Office expenses and supplies	1,661,971	304,806	1,966,777	177,999	127,086	305,085	2,271,862	2,241,254
Other expenses	646,606	66,934	713,540	43,505	539,422	582,927	1,296,467	507,032
	<b>\$ 39,781,629</b>	<b>\$ 15,926,342</b>	<b>\$ 55,707,971</b>	<b>\$ 9,668,204</b>	<b>\$ 12,764,576</b>	<b>\$ 22,432,780</b>	<b>\$ 78,140,751</b>	<b>\$ 78,083,529</b>

See notes to consolidated financial statements.

**International Justice Mission and Affiliates**

**Consolidated Statement of Cash Flows**

**Year Ended December 31, 2019**

**(With Comparative Totals for 2018)**

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 2,951,460	\$ (4,563,031)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,109,059	899,878
Gain on disposal of property and equipment	(9,431)	(9,460)
Deferred rent and tenant improvements	(713,101)	(612,281)
Increase in provision for doubtful accounts	475,494	-
Changes in assets and liabilities:		
Decrease (increase) in:		
Receivables, net	275,910	(364,775)
Promises to give, net	2,442,711	288,666
Prepaid expenses and other assets	(306,790)	(749,153)
Increase (decrease) in:		
Accounts payable and accrued expenses	347,098	347,226
Refundable advances	9,317,556	(277,942)
Accrued severance and retirement for national staff	238,666	516,167
<b>Net cash provided by (used in) operating activities</b>	<b>16,128,632</b>	<b>(4,524,705)</b>
Cash flows from investing activities:		
Purchase of investments	(611,045)	(9,221)
Purchase of property and equipment	(648,303)	(1,241,524)
Proceeds from sale of equipment	97,846	41,273
<b>Net cash used in investing activities</b>	<b>(1,161,502)</b>	<b>(1,209,472)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>14,967,130</b>	<b>(5,734,177)</b>
Cash and cash equivalents:		
Beginning	19,984,820	25,718,997
Ending	<b>\$ 34,951,950</b>	<b>\$ 19,984,820</b>

See notes to consolidated financial statements.



## International Justice Mission and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** International Justice Mission and Affiliate (IJM) consist of the activities of International Justice Mission (IJM US), International Justice Mission UK (IJM UK) and International Justice Mission Canada (IJM Canada). IJM Canada is newly consolidated with IJM US for the year ended December 31, 2019.

International Justice Mission is the largest, international, anti-slavery organization working to protect the poor from violence throughout the developing world. IJM partners with local authorities to rescue victims of violence, bring criminals to justice, restore survivors and strengthen justice systems. IJM works on behalf of victims of crimes like slavery, violence against women and children, and police abuse of power. IJM also seeks to mobilize the Christian church and the general public to respond on behalf of victims of violence.

IJM UK is a charitable company limited by guarantee registered and operated in the UK – company number 04310900. It is registered with the Charity Commission of England and Wales (Charity number 1099126) and with the OSCR in Scotland (Charity number SCO49311). IJM UK is affiliated with International Justice Mission (IJM US), a global team working in 19 countries worldwide to protect the poor from violence throughout the world. The global headquarters of IJM US are based in the United States of America, where IJM US is organized and operated as a charitable not-for-profit corporation, incorporated in the Commonwealth of Virginia. For the purpose of aligning the global team around shared mission, core values and objectives, IJM US is the sole member of IJM UK. As a separate legal entity, registered in the UK and subject to UK law, IJM UK has a separate board of Directors/Trustees with fiduciary responsibility under UK law over IJM UK.

IJM Canada is a charitable company incorporated, without share capital, under the Canada Corporations Act on August 14, 2002 and continued under the Canada Not-for-Profit Corporations Act on May 20, 2014. The organization is registered with the Canada Revenue Agency as a federally recognized charitable organization (registration number: 86388 9283 RR0001). IJM Canada is affiliated with IJM US. For the purpose of aligning the global team around shared mission, core values and objectives, IJM US is a controlling governing member of IJM Canada. As a separate entity, registered in Canada and subject to Canadian law, IJM Canada has a separate Board of Directors with fiduciary responsibility under Canadian law over IJM Canada.

A summary of IJM's significant accounting policies follows:

**Basis of accounting:** The accompanying financial statements are presented using the accrual basis of accounting in accordance with the U.S. generally accepted accounting principles (GAAP).

**Basis of presentation:** IJM follows the Not-for-Profit Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). Under this topic, IJM is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Principles of consolidation:** All significant intercompany transactions between IJM US, IJM UK and IJM Canada have been eliminated.

**Net assets without donor restrictions:** Represents resources whose use is not restricted by donor stipulations and are available for the support of general operating activities.

## International Justice Mission and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Net assets with donor restrictions:** Represents resources unavailable for use in the current period because of the existence of time and/or donor-imposed restrictions that remain unsatisfied at year-end or resources whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of IJM.

**Cash and cash equivalents:** For purposes of reporting cash flows, IJM considers all investments purchased with an original maturity of three months or less to be cash equivalents. In order to facilitate operations in IJM's field offices worldwide, IJM maintains bank accounts in several countries. All cash in these international accounts is included in cash and cash equivalents. The balance in these accounts was \$1,289,638 at December 31, 2019.

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

**Investments:** IJM holds certificates of deposit with original maturities of 90 days or more which are recorded at cost based on quoted market prices. Interest is recognized as income when earned.

**Receivables, net:** 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. Receivables at December 31, 2019 include a provision for doubtful accounts of \$475,494 (further discussed in Note 3). There was no provision for doubtful accounts at December 31, 2018.

**Promises to give, net:** 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 initially recorded at fair value less an estimate made for doubtful promises and a discount for the time value of money. There was no discount recorded at December 31, 2019, as amounts are due within the next 15 months. The allowance for doubtful promises was \$5,779 at December 31, 2019.

**Property and equipment, net:** Property and equipment purchases are capitalized at cost and depreciated on a straight-line basis over their estimated lives. IJM capitalizes all property and equipment purchased with a cost of \$5,000 or more. The depreciation expense on assets acquired under capital leases is included with depreciation expense on owned assets.

**Valuation of long-lived assets:** IJM reviews long-lived assets 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.

**Contributions:** Unconditional contributions are recognized as revenue upon receipt or when unconditional promises to give are received. Contribution revenue is recorded as increases in net assets without donor restrictions, unless their use is limited by time or donor-imposed restrictions.

## International Justice Mission and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Government and other grant funding:** Support and revenue related to government and other grants is recognized when donor-imposed conditions are met. These revenues are subject to right of return if funds are not spent and also have other performance and/or control barriers that must be met to be entitled to the funds. For this reason, IJM's grant revenues are considered to be conditional and revenue is recognized as funds are utilized for programmatic activities specified in the grant agreement. Accordingly, amounts received, but not recognized as revenue, are classified in the consolidated statements of financial position as advances received for programs.

**In-kind support:** Contributions of services are recognized in the financial statements as in-kind contributions if the services enhance or create non-financial 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 and expenses. Donated services in the amount of \$1,268,210 are included in the in-kind support on the accompanying consolidated statement of activities for the year ended December 31, 2019.

**Rental income:** IJM currently rents four floors in an office building for its headquarters office use. A portion of this space was obtained in anticipation of future growth, but is not currently required space for the staff needs at headquarters. IJM chose to sub-lease the additional space in order to benefit from first rights to the space. In order to mitigate the rental expense related to this unused space, IJM sublets the space and generates rental income. During 2019, IJM received \$103,897 in rental income from its subtenants which, although not netted for financial statement purposes, offsets occupancy expense.

**Expense allocation:** The consolidated financial statements report certain categories of expenses that are attributable to more than one program or function. As a result, these expenses require allocation on a reasonable basis that is consistently applied within the organization. IJM applies two kind of allocations, based on activity and based on a proportion of time charged to each functional area. Expenses related to the Executive and Advancement functional areas are allocated based on the core activities of each area and the activities performed by the staff members within each area. Expenses related to and budgeted in the functional areas of administration, finance and technology are allocated based on a pre-determined proportion of time approved by the management. Other expenses that require allocation such as rent, utilities and supplies are allocated based on headcount. Bad debt reserves are treated in accordance with GAAP as non-program expenses.

**Fundraising events:** IJM complies with the Not-for-Profit Topic of the Codification, which requires that revenue and expenses from fundraising events be reported gross; therefore, fund development expenses are not offset directly against related revenues. Contribution revenue from the events totaled \$1,321,798 and registration revenues totaled \$74,143 for the year ended December 31, 2019. Fundraising banquet expenses were \$313,683 for the year ended December 31, 2019.

**Foreign currency translation:** The functional currency for IJM is the U.S. dollar. Revenue and expenses of IJM's foreign operations are translated at weighted-average exchange rates for the period, and assets and liabilities are translated at the statement of financial position date at the exchange rate in effect at year-end.

**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 recorded within expenses on the accompanying statement of activities and statement of functional expenses.

## International Justice Mission and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Income taxes:** IJM is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (the Code). In addition, IJM 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. IJM recorded \$105,000 of tax expense related to unrelated business income for the year ended December 31, 2019 which will be refunded in 2020. IJM recorded \$79,252 of tax expense related to unrelated business income for the year ended December 31, 2018 which will be refunded in 2020.

IJM complies with the accounting for uncertainty in income taxes topic, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this policy, IJM may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position. Management has evaluated IJM's tax positions and has concluded that IJM has taken no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this guideline. IJM would be liable for income taxes in the U.S. federal jurisdiction. Generally, IJM is no longer subject to U.S. federal tax examinations by tax authorities before 2016.

**Use of estimates:** The preparation of consolidated 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 consolidated 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 or function. 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 IJM's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

**Reclassifications:** Certain items in the December 31, 2018 summarized comparative information have been reclassified to conform to the December 31, 2019, financial statement presentation. The reclassifications had no effect on the previously reported change in net assets or net assets.

**Adopted accounting pronouncement:** In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where IJM is a resource recipient, the ASU is applicable to contributions received for the fiscal year ended December 31, 2019, and IJM adopted this amendment on a modified prospective basis. The adoption did not have a material impact on the reported net assets as of January 1, 2019. Where IJM is a resource provider, the ASU is effective for the fiscal year ending December 31, 2020. IJM is in the process of evaluating the impact of this new guidance for resource providers.

## International Justice Mission and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Recent accounting pronouncement:** In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. IJM is currently evaluating the extent of the anticipated impact of this standard and will implement this standard on January 1, 2021.

**Subsequent events:** On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a “Public Health Emergency of International Concern” and on March 10, 2020, declared COVID-19 a pandemic. The impact of COVID-19 could negatively impact the mission effectiveness of International Justice Mission by adversely impacting our ability to serve our clients in various quarantined countries and also through reduction in funding from federal agencies and public donors. Social and increasing situational disruptions to our public donors could severely reduce donor giving resulting in lower revenues and hence our ability to provide services and mission impact. In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in which International Justice Mission operates, resulting in an economic downturn that could affect donor support for our services. The extent to which the coronavirus impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

Under the CARES Act, IJM applied for the Paycheck Protection Program (PPP) loan and received \$4,024,900 on April 22, 2020.

IJM has evaluated subsequent events through April 29, 2020, which is the date the financial statements were available to be issued and there are no further matters to disclose not reported in these consolidated financial statements.

#### Note 2. Availability of Assets

IJM is substantially supported by restricted contributions. Because a donor’s restriction requires resources to be used in a particular manner, IJM must maintain sufficient resources to meet those responsibilities to its donors. Therefore, financial assets may not be available for general expenditures within one year. As part of IJM’s liquidity management, IJM has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, the board designates a liquidity reserve of \$8,411,765 as the minimum six-week liquidity reserve that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities. Although IJM does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board’s annual budget approval and appropriation), these amounts could be made available if necessary. In the event of an unanticipated liquidity need, IJM also has available a \$6,000,000 line of credit (as further discussed in Note 10), which was drawn upon subsequent to year end and disclosed as part of subsequent events.

## International Justice Mission and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 2. Availability of Assets (Continued)

The following reflects IJM's consolidated financial assets, including cash and cash equivalents, accounts receivable, investments and promises to give, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date:

Financial assets, at December 31, 2019	<u>\$ 38,738,314</u>
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(6,657,801)
Collateral for a security deposit	(250,000)
Short-term CDs restricted by letter of credit	(330,000)
Refundable advances	<u>(11,473,585)</u>
	(18,711,386)
Board designations:	
Amount set aside for liquidity reserve	<u>(8,411,765)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 11,615,163</u>

#### Note 3. Receivables

Receivables at December 31, 2019, consist of the following:

Grant receivables	\$ 1,065,186
Other receivables	426,955
Advances for travel	<u>6,868</u>
	<u>\$ 1,499,009</u>

At December 31, 2019, there is an allowance for doubtful accounts of \$475,494 which is a reserve against an outstanding receivable from the Bureau of International Narcotics and Law Enforcement Affairs (INL) within the US Department of State. IJM has been delivering program services to Guatemala supported by funding under the INL Grant since June 2016. In 2019, IJM is due for reimbursement of program expenses amounting to USD \$950,988. In view of the governmental approach in 2019 to reduce foreign aid to Latin America, IJM is taking a conservative approach by recording a provision on receivable of fifty percent. There was no allowance for doubtful accounts for the year ending December 31, 2018.

## International Justice Mission and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 4. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2019, and depreciation expense for the year ended December 31, 2019, are as follows:

	Estimated Lives	Cost	Accumulated Depreciation	Net	Depreciation
Automobiles	7 years	\$ 2,022,520	\$ 1,107,181	\$ 915,339	\$ 268,502
Equipment	5 years	2,085,658	1,751,734	333,924	227,555
Leasehold improvements	7 years	2,530,563	1,466,401	1,064,162	414,476
Software	3 years	1,267,893	936,886	331,007	72,671
Furniture and fixtures	5-10 years	930,431	549,697	380,734	125,855
		<u>\$ 8,837,065</u>	<u>\$ 5,811,899</u>	<u>\$ 3,025,166</u>	<u>\$ 1,109,059</u>

#### Note 5. Refundable Advances

Refundable advances consist primarily of advance payments on grants. The majority of this balance is made up of advance payments from two donors, which totaled \$10,579,259 at December 31, 2019.

#### Note 6. Net Assets With Donor Restrictions

Changes in net assets with donor restrictions by purpose for the year ended December 31, 2019, were as follows:

	December 31, 2018	Additions	Releases	December 31, 2019
Purpose restrictions:				
Justice System Transformation	\$ 7,616,343	\$ 18,711,342	\$ 20,681,927	\$ 5,645,758
ERP	-	1,000,000	-	1,000,000
Staff Care	21,423	14,550	23,930	12,043
	<u>\$ 7,637,766</u>	<u>\$ 19,725,892</u>	<u>\$ 20,705,857</u>	<u>\$ 6,657,801</u>

#### Note 7. Commitments

**Leases:** IJM has a lease agreement for office space on several floors of its headquarters' office building which expires in March 2024. During the year ended 2015, IJM further amended its lease to include additional spaces in the same building. The lease terms for the additional space includes a provision for an optional landlord contribution toward specific improvements. The combined rent for the additional space is approximately \$70,000 per month, and rent concessions were also provided by the landlord. The existing lease arrangement includes rent concessions and a 3% annual increase, which is included in the basis for the calculation of the deferred rent amount. The benefit of these rent concessions is being amortized over the term of the lease. The lease also requires IJM to maintain a letter of credit in favor of the landlord, secured by certificates of deposit. At December 31, 2019, the combined required letter of credit was \$749,285.

IJM has also entered into other leases for office space in Europe, Canada, Bangladore, Uganda, Thailand, Kenya, Philippines, Guatemala, Bolivia and other locations in South America and South Asia. The lease terms expire at various times over the next two to five years. The leases require the tenant to make monthly rental payments ranging from approximately \$500 to \$12,000 for the term of the leases.

## International Justice Mission and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 7. Commitments (Continued)

Future minimum rental payments applicable to operating leases at December 31, 2019, are as follows:

2020	\$ 4,730,345
2021	4,488,932
2022	4,386,013
2023	4,434,091
2024	1,258,264
Total	<u>\$ 19,297,645</u>

Rent expense applicable to operating leases for the year ended December 31, 2019, was \$4,529,119 and is included in the facilities costs on the consolidated statement of functional expenses.

**Enterprise resource planning software:** In 2016, IJM entered into several multi-year non-cancellable agreements for enterprise software subscriptions, licenses and support with future payment requirements as follows:

	Workday	Salesforce	Boomi, Inc.	Total
Years ending December 31:				
2020	\$ 556,303	\$ 572,869	\$ 51,975	\$ 1,181,147
2021	91,051	559,185	43,313	693,549
2022	-	532,439	-	532,439
2023	-	66,555	-	66,555
Total	<u>\$ 647,354</u>	<u>\$ 1,731,048</u>	<u>\$ 95,288</u>	<u>\$ 2,473,690</u>

#### Note 8. Retirement Plan

IJM maintains a defined contribution pension plan (the Plan) under Section 403(b)(7) of the Code. IJM made discretionary contributions to the Plan for the benefit of eligible employees in amounts equal to 6% from January through March and 3% April through December of qualifying compensation during the year ended December 31, 2019. Contributions for not yet vested employees are held by the Plan custodian until they meet the one-year service requirement. IJM contributed \$805,631 to the Plan during the year ended December 31, 2019.

#### Note 9. Related Parties

IJM has three partner offices: IJM Germany, IJM Netherlands, and IJM Australia (collectively referred to as International Advancement Offices (IAOs)). The IAOs are independent organizations, governed by independent boards and staffed by national leadership. IJM is currently in the process of changing the governance structure for these offices, but presently they are tied to IJM through trademark and ministry agreements. The IAOs grow the justice movement in their own country and provide resources – including funding, personnel, political influence, media attention and overall mission strategy – to accomplish the shared mission around the world.



## International Justice Mission and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 9. Related Parties (Continued)

IJM receives support for operations from the IAOs and is also reimbursed for certain expenses by the IAOs. IJM also provides support to the IAOs as support for operations, when necessary. For the year ended December 31, 2019, the net support received from the IAOs is as follows:

	IJM Germany	IJM Netherlands	IJM Australia	Total
Net support received from International Advancement Offices	\$ 772,770	\$ 1,328,924	\$ 195,164	\$ 2,296,858

#### Note 10. Contingencies

**Federal awards:** IJM 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 audits. Management does not anticipate any significant adjustments as a result of such audits.

**International operations:** IJM 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, IJM 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 provisions for such liabilities, if any, that might result from these operations have been made in the accompanying consolidated financial statements.

**Legal matters:** From time to time, IJM may be subject to various legal proceedings, which are incidental to the ordinary course of business. In the opinion of management, there are no material legal proceedings to which IJM is a party.

**Line of credit:** At year-end, IJM had a \$6,000,000 committed line of credit. This line of credit expires May 31, 2020 and accrues interest at one-month LIBOR plus 1.65%. The line is collateralized by unsecured/negative pledges. The line of credit contains certain administrative covenants that the Organization maintains. The organization has no outstanding borrowings under the line of credit at December 31, 2019.

#### Note 11. Conditional Grants

As of December 31, 2019, IJM has \$17,926,565 of revenue to be earned on various conditional grants from various sources of funding including the U.S government, other governments and public institutions, corporations and foundations. The amount is not recognized in the accompanying consolidated financial statements as such revenue is recognized over the multi-year period of each respective grant agreement, conditional upon management of IJM complying with grant requirements.