

International Justice Mission

Financial Report
December 31, 2011

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Independent Auditor's Report

To the Board of Directors
International Justice Mission
Arlington, Virginia

We have audited the accompanying balance sheet of the International Justice Mission (the Organization) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. 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 Organization's 2010 financial statements and, in our report dated April 15, 2011, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. 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 2011 financial statements referred to above present fairly, in all material respects, the financial position of the International Justice Mission as of December 31, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 23, 2012, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McGladrey & Pullen, LLP

Vienna, Virginia
April 23, 2012

International Justice Mission

Balance Sheet

December 31, 2011

(With Comparative Totals For 2010)

Assets	2011	2010
Cash And Cash Equivalents	\$ 15,276,844	\$ 7,014,127
Receivables, net	2,322,924	1,559,142
Promises To Give, net	924,924	336,561
Prepaid Expenses And Other Assets	484,718	428,595
Property And Equipment, net	1,484,092	1,508,606
	<u>\$ 20,493,502</u>	<u>\$ 10,847,031</u>
Liabilities And Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 847,299	\$ 1,031,237
Refundable advances	7,722,970	679,183
Accrued severance and retirement for National staff	155,460	74,100
Capital lease obligation	32,787	61,810
Deferred rent and tenant improvement	3,146,980	3,069,234
	<u>11,905,496</u>	<u>4,915,564</u>
Commitments And Contingencies (Notes 5, 6, 9 and 10)		
Net Assets		
Unrestricted	7,068,093	5,332,469
Temporarily restricted	1,519,913	598,998
	<u>8,588,006</u>	<u>5,931,467</u>
	<u>\$ 20,493,502</u>	<u>\$ 10,847,031</u>

See Notes To Financial Statements.

International Justice Mission

Statement Of Activities

Year Ended December 31, 2011

(With Comparative Totals For 2010)

	2011			2010
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Contributions and grants	\$ 22,477,067	\$ 7,225,152	\$ 29,702,219	\$ 24,802,558
Other income	603,165	-	603,165	679,447
Rental income	496,048	-	496,048	312,535
Net assets released from restrictions	6,304,237	(6,304,237)	-	-
Total support and revenue	29,880,517	920,915	30,801,432	25,794,540
Expenses:				
Program services:				
Case work	15,989,457	-	15,989,457	16,022,226
Education and mobilization	5,914,741	-	5,914,741	4,390,941
Total program services	21,904,198	-	21,904,198	20,413,167
Supporting services:				
Fund development	3,585,919	-	3,585,919	3,075,523
General and administrative	2,654,776	-	2,654,776	2,438,436
Total supporting services	6,240,695	-	6,240,695	5,513,959
Total expenses	28,144,893	-	28,144,893	25,927,126
Change in net assets	1,735,624	920,915	2,656,539	(132,586)
Net assets:				
Beginning	5,332,469	598,998	5,931,467	6,064,053
Ending	\$ 7,068,093	\$ 1,519,913	\$ 8,588,006	\$ 5,931,467

See Notes To Financial Statements.

International Justice Mission

**Statement Of Functional Expenses
Year Ended December 31, 2011
(With Comparative Totals For 2010)**

	Program Services			Supporting Services			2011 Total	2010 Total
	Case Work	Education and Mobilization	Total Program Services	Fund Development	General And Administrative	Total Supporting Services		
Salaries and employee benefits	\$ 8,850,807	\$ 3,686,798	\$ 12,537,605	\$ 1,801,560	\$ 1,477,712	\$ 3,279,272	\$ 15,816,877	\$ 13,997,607
Services provided by contract	722,913	168,677	891,590	455,343	26,831	482,174	1,373,764	1,454,664
Travel	1,707,000	342,697	2,049,697	311,496	55,515	367,011	2,416,708	2,278,840
Depreciation	544,405	74,907	619,312	37,782	30,392	68,174	687,486	652,390
Donation to Partners	218,567	208,155	426,722	-	-	-	426,722	179,567
Dues, subscriptions and fees	22,659	30,704	53,363	20,446	22,995	43,441	96,804	60,787
Office expense	864,660	264,172	1,128,832	166,528	392,092	558,620	1,687,452	1,746,443
Client expenses	297,154	497	297,651	-	-	-	297,651	442,257
Good Samaritan expenses	11,563	-	11,563	-	-	-	11,563	4,333
Interest and fees	15,954	2,449	18,403	1,302	189,896	191,198	209,601	217,272
Internship development program	1,157,182	56,227	1,213,409	-	-	-	1,213,409	1,105,864
Miscellaneous expense	49,982	32,314	82,296	15,757	17,230	32,987	115,283	157,137
Occupancy	1,248,634	706,346	1,954,980	361,737	321,778	683,515	2,638,495	2,586,871
Photographic	52,482	170,768	223,250	254,949	18,042	272,991	496,241	441,636
Postage and shipping	34,919	55,013	89,932	112,569	18,691	131,260	221,192	192,424
Professional services	190,576	115,017	305,593	46,450	83,602	130,052	435,645	409,034
	<u>\$ 15,989,457</u>	<u>\$ 5,914,741</u>	<u>\$ 21,904,198</u>	<u>\$ 3,585,919</u>	<u>\$ 2,654,776</u>	<u>\$ 6,240,695</u>	<u>\$ 28,144,893</u>	<u>\$ 25,927,126</u>

See Notes To Financial Statements.

International Justice Mission

Statement Of Cash Flows

Year Ended December 31, 2011

(With Comparative Totals For 2010)

	2011	2010
Cash Flows From Operating Activities		
Change in net assets	\$ 2,656,539	\$ (132,586)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	687,486	652,390
(Gain) loss on disposal of property and equipment	(4,441)	10,472
Deferred rent	77,746	517,178
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(763,782)	(349,093)
Promises to give	(588,363)	(49,061)
Prepaid expenses and other assets	(56,123)	132,355
Increase (decrease) in:		
Accounts payable and accrued expenses	(183,938)	345,701
Refundable advances	7,043,787	(365,601)
Accrued severance and retirement	81,360	17,125
Net cash provided by operating activities	8,950,271	778,880
Cash Flows From Investing Activities		
Proceeds from sale of equipment	20,685	15,310
Purchase of property and equipment	(679,216)	(410,501)
Net cash used in investing activities	(658,531)	(395,191)
Cash Flows From Financing Activities		
Principal payments on capital lease obligation	(29,023)	(24,699)
Net cash used in financing activities	(29,023)	(24,699)
Net increase in cash and cash equivalents	8,262,717	358,990
Cash And Cash Equivalents		
Beginning	7,014,127	6,655,137
Ending	\$ 15,276,844	\$ 7,014,127
Supplementary Schedule Of Noncash Investing And Financing Activities		
Equipment acquired under capital lease obligation	\$ -	\$ 73,060

See Notes To Financial Statements.

International Justice Mission

Notes To Financial Statements

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 13 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 Organization follows the Not-for-Profit Topic of the FASB Accounting Standards Codification (the Codification). Under this topic, 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, 2011.

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.

Restricted cash: Cash and cash equivalents at December 31, 2011, include certificates of deposit in the amount of \$569,223, of which \$564,445 is 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.

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, 2011.

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 and a discount for the time value of money. All promises to give are expected to be received within the next year and, accordingly, no discount has been recorded as of December 31, 2011. The allowance for doubtful promises to give was \$9,343 at December 31, 2011.

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. The depreciation expense on assets acquired under capital leases is included with depreciation expense on owned assets.

International Justice Mission

Notes To Financial Statements

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

Valuation of long-lived assets: The Organization accounts for the valuation of long-lived assets under the Impairment or Disposal of Long-Lived Assets Topic of the Codification. This Topic 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, 2011, were \$27,379.

Rental income: The Organization currently rents two floors in an office building for its Head Quarters (HQ) 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 HQ. The Organization chose to lease the additional floor in order to benefit from first rights to the space. In order to mitigate the rental expense related to this unused space, the Organization sublets the space and generates rental income. During 2011, the Organization received \$496,048 in rental income from its subtenants which technically, although not netted for financial statement purposes, offsets rent expense.

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 Not-for-Profit Topic of the Codification, which requires that revenue and expenses from fundraising events be reported gross; therefore, fundraising expenses are reported gross and are not offset directly against registrations. Contribution revenue from the events totaled \$1,208,887 and registration revenues totaled \$286,760 in 2011, which, although not netted for financial statement purposes, offset the costs of the fundraising banquet expenses, totaling \$793,221.

International Justice Mission

Notes To Financial Statements

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

Foreign currency translation: Revenue 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, 2011.

The Organization 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, the Organization 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 the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this guideline. The Organization would be liable for income taxes in the U.S. federal jurisdiction. Generally, the Organization is no longer subject to U.S. federal tax examinations by tax authorities before 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, 2010, from which the summarized information was derived.

Reclassifications: Certain amounts in the 2010 financial statements have been reclassified to conform to the presentation in the 2011 statements, with no effect on the previously reported change in net assets.

Subsequent events: The Organization evaluated subsequent events through April 23, 2012, which is the date the financial statements were available to be issued.

International Justice Mission

Notes To Financial Statements

Note 2. Receivables

Receivables at December 31, 2011, consist of the following:

Undeposited contributions	\$ 2,090,973
Grant receivables	155,325
Advances for travel	74,304
Other receivables	2,322
	<u>\$ 2,322,924</u>

Note 3. Property And Equipment

Property and equipment and accumulated depreciation at December 31, 2011, and depreciation expense for the year ended December 31, 2011, are as follows:

	Estimated Lives	Cost	Accumulated Depreciation	Net	Depreciation
Automobiles	7 years	\$ 858,848	\$ 389,742	\$ 469,106	\$ 112,728
Equipment	5 years	2,413,701	2,020,840	392,861	438,916
Furniture and fixtures	5 – 10 years	340,969	112,245	228,724	54,146
Leasehold improvements	2 – 10 years	404,759	223,339	181,420	58,281
Software	3 years	380,424	168,443	211,981	23,415
		<u>\$ 4,398,701</u>	<u>\$ 2,914,609</u>	<u>\$ 1,484,092</u>	<u>\$ 687,486</u>

Note 4. Refundable Advances

Refundable advances consist of advance payments on certain grants. Total refundable advances were \$7,722,970 at December 31, 2011. The majority of this balance is made up of advance payments on three new multi-year grants received during 2011 which have a combined total of approximately \$6,270,000.

Note 5. Capital Lease Obligation

The Organization leases equipment under the provisions of a capital lease.

Future minimum rental payments applicable to these capital leases at December 31, 2011, are as follows:

Years Ending December 31,	
2012	\$ 27,792
2013	6,948
	<u>34,740</u>
Amount representing interest	1,953
	<u>\$ 32,787</u>

International Justice Mission

Notes To Financial Statements

Note 6. Line Of Credit

At year end, the Organization had a \$2,400,000 line of credit. In January 2012, the line of credit was increased to \$2,730,000. This line of credit expires September 30, 2012. The line of credit accrues interest at the bank's prime lending rate, which was 3.250% at December 31, 2011, 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 comply with certain other administrative covenants. There was no outstanding balance on the line at December 31, 2011.

Note 7. Retirement Plan

The Organization maintains a defined contribution pension plan (the Plan) under Section 403(b)(7) of the Code. The Organization makes discretionary contributions to the Plan for the benefit of eligible employees in amounts equal to 6% of qualifying compensation. Contributions for not yet vested employees are held by the Plan custodian until they meet the vesting requirements. The Organization contributed \$641,725 to the Plan during the year ended December 31, 2011.

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2011, are restricted for the following and were released from restrictions for the year ended December 31, 2011, as follows:

	Balance December 31, 2010	Additions	Releases	Balance December 31, 2011
Program restricted:				
Casework*	\$ 492,258	\$ 6,554,657	\$ 5,681,439	\$ 1,365,476
Time Only	-	125,000	-	125,000
Staff Care*	-	25,000	-	25,000
Education	106,740	70,495	172,798	4,437
Communications	-	200,000	200,000	-
Donor Relations	-	250,000	250,000	-
	<u>\$ 598,998</u>	<u>\$ 7,225,152</u>	<u>\$ 6,304,237</u>	<u>\$ 1,519,913</u>

* Includes time restricted amounts

Note 9. 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.

International operations: 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.

Legal matters: From time to time, the Organization 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 the Organization is a party.

International Justice Mission

Notes To Financial Statements

Note 10. Commitments

In October 2006, the Organization entered into a new lease for an office space which ends in March 2022. The rent start date was 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 monthly 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 amortized 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, 2011, the required letter of credit was \$212,000.

During 2008, the Organization entered into a new lease for additional office space which ends in March 2022. The rent start date was May 1, 2009. During the first 12 months starting the rent start date, the Organization was not required to make monthly rental payments. Starting May 1, 2010, the monthly payments were 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 amortized 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, 2011, the required letter of credit was \$352,445. The Organization has one combined letter of credit to cover both of these requirements.

The Organization has also entered into other leases for office space in Cambodia, Uganda, Zambia, Thailand, Kenya, Philippines, Rwanda, Guatemala, Bolivia and other locations in South Asia. The lease terms expire at various times during 2012 and 2013. The leases require the tenant to make monthly rental payments ranging from approximately \$350 to \$4,000 for the term of the leases.

Future minimum rental payments applicable to operating leases at December 31, 2011, are as follows:

Years Ending December 31,	
2012	\$ 2,216,705
2013	2,095,450
2014	2,125,963
2015	2,189,742
2016	2,258,585
2017 – 2022	12,314,266
	<u>\$ 23,200,711</u>

Rent expense applicable to operating leases for the year ended December 31, 2011, was \$2,418,260 and is included in occupancy costs on the statement of activities.

International Justice Mission

Notes To Financial Statements

Note 11. Related Parties

The Organization has four Partner Offices: IJM Canada, IJM Germany, IJM Netherlands, and IJM UK (collectively referred to as the Partner Offices). The Partner Offices are independent organizations, governed by independent boards, staffed by national leadership and tied to the Organization through trademark and ministry agreements. The Partner Offices 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.

The Organization receives support for operations from the Partner Offices and is also reimbursed for certain expenses by the Partner Offices. The Organization also provides support to the Partner Offices as support for operations. For the year ended December 31, 2011, support received from and provided to the Partner Offices is as follows:

	IJM Canada	IJM UK	IJM Germany	IJM Netherlands	Total
Support received from Partner Offices:					
Operations	\$ 1,044,494	\$ 293,636	\$ 26,447	\$ -	\$ 1,364,577
Intern program	99,603	-	-	-	99,603
Reimbursed expenses	791	4,987	-	-	5,778
	<u>1,144,888</u>	<u>298,623</u>	<u>26,447</u>	<u>-</u>	<u>1,469,958</u>
Support provided to Partner Offices:					
Operations	(50,000)	(75,000)	(35,419)	(47,736)	(208,155)
Reimbursed expenses	(7,468)	-	-	-	(7,468)
	<u>(57,468)</u>	<u>(75,000)</u>	<u>(35,419)</u>	<u>(47,736)</u>	<u>(215,623)</u>
Net support received from (provided to) Partner Offices	<u>\$ 1,087,420</u>	<u>\$ 223,623</u>	<u>\$ (8,972)</u>	<u>\$ (47,736)</u>	<u>\$ 1,254,335</u>