International Justice Mission

Financial Report
December 31, 2015

Contents

RSM US LLP

Independent Auditor's Report

To the Board of Directors
International Justice Mission
Arlington, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of International Justice Mission (the Organization) which comprise the balance sheet as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 21, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

McLean, Virginia
May 5, 2016

International Justice Mission

Balance Sheet
December 31, 2015
(With Comparative Totals for 2014)

	2015	2014
Assets		
Cash and cash equivalents	**$ 21,375,524**	$ 19,875,651
Receivables, net	**552,057**	611,812
Promises to give, net	**2,289,328**	3,038,055
Prepaid expenses and other assets	**1,297,115**	1,462,332
Property and equipment, net	**2,558,805**	2,424,946
	$ 28,072,829	$ 27,412,796
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 1,897,986**	$ 1,371,504
Refundable advances	**722,535**	888,513
Accrued severance and retirement for national staff	**628,409**	539,324
Deferred rent and tenant improvements	**4,788,834**	3,885,818
	8,037,764	6,685,159
Commitments and contingencies (Notes 5, 7 and 8)		
Net assets:		
Unrestricted	**16,427,220**	17,024,860
Temporarily restricted	**3,607,845**	3,702,777
	20,035,065	20,727,637
	$ 28,072,829	$ 27,412,796

See notes to financial statements.

International Justice Mission

Statement of Activities
Year Ended December 31, 2015
(With Comparative Totals for 2014)

	2015			
	Unrestricted	**Temporarily Restricted**	**Total**	2014
Support and revenue:				
Contributions and grants	**$ 37,145,001**	**$ 11,477,953**	**$ 48,622,954**	$ 44,008,742
In-kind support	**1,978,770**	**109,099**	**2,087,869**	2,006,351
Rental income	**302,237**	**-**	**302,237**	472,350
Other income	**552,407**	**-**	**552,407**	686,626
Net assets released from restrictions	**11,681,984**	**(11,681,984)**	**-**	-
Total support and revenue	**51,660,399**	**(94,932)**	**51,565,467**	47,174,069
Expenses:				
Program services:				
Justice System Transformation	**30,158,336**	**-**	**30,158,336**	27,981,950
Education and mobilization	**8,812,001**	**-**	**8,812,001**	8,362,305
Total program services	**38,970,337**	**-**	**38,970,337**	36,344,255
Supporting services:				
Fund development	**7,045,487**	**-**	**7,045,487**	5,137,360
General and administrative	**6,242,215**	**-**	**6,242,215**	5,253,229
Total supporting services	**13,287,702**	**-**	**13,287,702**	10,390,589
Total expenses	**52,258,039**	**-**	**52,258,039**	46,734,844
Change in net assets	**(597,640)**	**(94,932)**	**(692,572)**	439,225
Net assets:				
Beginning	**17,024,860**	**3,702,777**	**20,727,637**	20,288,412
Ending	**$ 16,427,220**	**$ 3,607,845**	**$ 20,035,065**	$ 20,727,637

See notes to financial statements.

International Justice Mission

Statement of Functional Expenses
Year Ended December 31, 2015
(With Comparative Totals for 2014)

	Program Services			Supporting Services				
	Justice System Transformation	Education and Mobilization	Total Program Services	Fund Development	General and Administrative	Total Supporting Services	2015 Total	2014 Total
Salaries and employee benefits	$ 16,693,874	$ 4,975,153	$ 21,669,027	$ 4,114,909	$ 3,253,840	$ 7,368,749	$ 29,037,776	$ 25,916,729
Services provided by contract	3,163,495	530,072	3,693,567	652,008	191,987	843,995	4,537,562	3,568,563
Travel	2,767,887	665,762	3,433,649	531,159	176,945	708,104	4,141,753	3,581,845
Depreciation	855,513	57,110	912,623	39,092	33,213	72,305	984,928	1,115,262
Grants and donations	488,332	562,580	1,050,912	-	-	-	1,050,912	1,451,453
Dues, subscriptions and fees	49,773	43,610	93,383	38,503	45,976	84,479	177,862	109,970
Office expense	1,883,892	719,187	2,603,079	504,616	450,050	954,666	3,557,745	3,073,589
Client expenses	407,789	-	407,789	-	-	-	407,789	345,010
Good Samaritan expenses	18,563	-	18,563	-	-	-	18,563	14,709
Fees and interest	16,553	1,846	18,399	1,437	299,275	300,712	319,111	316,265
Internship development program	1,257,835	62,793	1,320,628	-	-	-	1,320,628	1,416,353
Miscellaneous expense	85,172	39,257	124,429	26,732	18,716	45,448	169,877	141,249
Occupancy	1,912,163	998,045	2,910,208	628,542	605,338	1,233,880	4,144,088	3,493,614
Photographic	84,887	106,499	191,386	347,879	14,369	362,248	553,634	570,145
Postage and shipping	50,391	22,971	73,362	127,691	23,319	151,010	224,372	229,077
Professional services	422,217	27,116	449,333	32,919	1,129,187	1,162,106	1,611,439	1,391,011
	$ 30,158,336	$ 8,812,001	$ 38,970,337	$ 7,045,487	$ 6,242,215	$ 13,287,702	$ 52,258,039	$ 46,734,844

See notes to financial statements.

International Justice Mission

Statement of Cash Flows
Year Ended December 31, 2015
(With Comparative Totals for 2014)

	2015	2014
Cash flows from operating activities:		
Change in net assets	**$ (692,572)**	$ 439,225
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**984,928**	1,115,262
Gain (loss) on disposal of property and equipment	**22,774**	(32,412)
Deferred rent and tenant improvements	**903,016**	599,664
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	**59,755**	(504,155)
Promises to give, net	**748,727**	1,723,324
Prepaid expenses and other assets	**165,217**	(586,084)
Increase (decrease) in:		
Accounts payable and accrued expenses	**526,482**	138,482
Refundable advances	**(165,978)**	(2,457,697)
Accrued severance and retirement for national staff	**89,085**	199,318
Net cash provided by operating activities	**2,641,434**	634,927
Cash flows from investing activities:		
Purchase of property and equipment	**(1,220,394)**	(772,334)
Proceeds from sale of equipment	**78,833**	77,817
Net cash used in investing activities	**(1,141,561)**	(694,517)
Net increase (decrease) in cash and cash equivalents	**1,499,873**	(59,590)
Cash and cash equivalents:		
Beginning	**19,875,651**	19,935,241
Ending	**$ 21,375,524**	$ 19,875,651

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: International Justice Mission (the Organization) is a nonprofit human rights agency, incorporated in the Commonwealth of Virginia, which began operations in 1997. The Organization protects the poor from violence by partnering with local authorities to: rescue victims, bring criminals to justice, restore survivors and strengthen justice systems. The Organization works in 18 communities throughout the developing world on behalf of victims of slavery, sex trafficking, rape, property grabbing, police brutality and other violence. 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 unconditional support is recognized when notification of the contribution is received 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 Financial Accounting Standards Board (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.

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or used for specified purposes.

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization's actions. There were no permanently restricted net assets at December 31, 2015.

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. In order to facilitate operations in the Organization's field offices worldwide, the Organization 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 $1,688,273 at December 31, 2015.

Restricted cash: Cash and cash equivalents at December 31, 2015, include certificates of deposit in the amount of $992,803, of which $991,871 is restricted as security under a letter 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.

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, 2015.

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 initially recorded at fair value less an estimate made for doubtful promises and a discount for the time value of money. The discount was $47 at December 31, 2015. The allowance for doubtful promises was $23,125 at December 31, 2015. Of the $2,312,500 gross outstanding promises to give at December 31, 2015, payments totaling $2,308,500 are due during the year ending December 31, 2016, and payments totaling $4,000 are due during the years ending December 31, 2017 through 2018.

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 $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: The Organization 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.

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 on the statement of activities as net assets released from restrictions.

The Organization receives grants from federal agencies and others for various purposes. Grant awards revenue is recognized to the extent expenses have been incurred under approved awards for the purposes specified by an approved grant. The Organization defers grant payments 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 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 $1,994,262 are included in the in-kind support on the accompanying statement of activities for the year ended December 31, 2015.

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

Rental income: The Organization currently rents four floors in an office building for its Head Quarters 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 Head Quarters. The Organization chose to 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, the Organization sublets the space and generates rental income. During 2015, the Organization received $302,237 in rental income from its subtenants which, although not netted for financial statement purposes, offsets occupancy expense.

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

The Organization 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 $2,668,956 and registration revenues totaled $126,570 in 2015, which, although not netted for financial statement purposes, offset the costs of the fundraising banquet expenses, totaling $495,770.

Foreign currency translation: The functional currency for the Organization is the U.S. Dollar. Revenue and expenses of the Organization's foreign operations are translated at weighted average exchange rates for the period, and assets and liabilities are translated at the balance sheet 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 recognized as other income on the accompanying 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, 2015.

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 2012.

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.

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

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 the Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Reclassifications: Certain items in the December 31, 2014, summarized comparative financial information have been reclassified to conform to the December 31, 2015, financial statement presentation. The reclassifications had no effect on the previously reported change in net assets or net assets.

Recent accounting pronouncements: In February 2016, the FASB issued ASU 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 balance sheet 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 income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of its pending adoption of the new standard on the financial statements.

Subsequent events: The Organization evaluated subsequent events through May 5, 2016, which is the date the financial statements were available to be issued.

Note 2. Receivables

Receivables at December 31, 2015, consist of the following:

Grant receivables	$ 281,752
Other receivables	181,785
Advances for travel	88,520
	$ 552,057

Note 3. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2015, and depreciation expense for the year ended December 31, 2015, are as follows:

	Estimated Lives	Cost	Accumulated Depreciation	Net	Depreciation
Automobiles	7 years	$ 1,621,970	$ 545,411	$ 1,076,559	$ 185,909
Equipment	5 years	2,683,121	2,514,927	168,194	412,779
Leasehold improvements	2-7 years	1,362,007	839,904	522,103	180,748
Software	3 years	959,819	577,271	382,548	171,973
Furniture and fixtures	5-10 years	507,008	97,607	409,401	33,519
		$ 7,133,925	$ 4,575,120	$ 2,558,805	$ 984,928

Note 4. Refundable Advances

Refundable advances consist primarily of advance payments on grants which make up $689,993 of the total deferred revenue balance on the accompanying balance sheet at December 31, 2015. The majority of this balance is made up of advance payments on one multi-year grant awarded in 2015, the remaining balance of which totaled $527,186 at December 31, 2015.

Note 5. Line of Credit

At year end, the Organization had a $5,255,000 guidance line of credit. This line of credit expires September 30, 2016, and accrues interest at one-month LIBOR plus 1.65 percent for an interest rate of 2.077 percent at December 31, 2015, 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, 2015.

Note 6. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets by purpose for the year ended December 31, 2015, were as follows:

	Balance December 31, 2014	Additions	Releases	Balance December 31, 2015
Program restricted:				
Justice System Transformation	$ 944,302	$ 8,268,202	$ 7,622,055	$ 1,590,449
ERP*	493,292	2,071,671	1,078,273	1,486,690
Time only	2,090,130	119,183	1,686,860	522,453
Staff care	8,386	18,482	18,615	8,253
Education and mobilization	166,667	1,109,514	1,276,181	-
	$ 3,702,777	$ 11,587,052	$ 11,681,984	$ 3,607,845

* Includes time-restricted amounts

Note 7. 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 audits. Management does not anticipate any significant adjustments as a result of such audits.

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 provisions 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.

Note 8. Commitments

Leases: The Organization has a lease agreement for office space on several floors of its headquarters office building which expires in March 2024. During the years ended December 31, 2015 and 2014, the Organization 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 percent 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 the Organization to maintain a letter of credit in favor of the landlord, secured by certificates of deposit. At December 31, 2015, the combined required letter of credit was $991,871.

The Organization has also entered into other leases for office space in Cambodia, Uganda, Thailand, Kenya, Philippines, Guatemala, Bolivia and other locations in 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 $780 to $6,500 for the term of the leases.

Future minimum rental payments applicable to operating leases at December 31, 2015, are as follows:

Years ending December 31:	
2016	$ 3,282,110
2017	3,558,136
2018	3,708,175
2019	3,780,788
2020	3,894,212
2021-2024	13,488,919
	$ 31,712,340

Rent expense applicable to operating leases for the year ended December 31, 2015, was $3,660,256 and is included in occupancy costs on the statement of functional expenses.

Enterprise resource planning software: The Organization entered into a five-year non-cancellable agreement in 2014 for an enterprise software subscription, licenses and support totaling approximately $310,000 annually and expires in January 2019.

Note 9. 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 percent of qualifying compensation during the year ended December 31, 2015. Contributions for not yet vested employees are held by the Plan custodian until they meet the one-year service requirement. The Organization contributed $950,688 to the Plan during the year ended December 31, 2015.

Note 10. Related Parties

The Organization has five Partner Offices: IJM Canada, IJM Germany, IJM Netherlands, IJM UK and IJM Australia (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, 2015, support received from and provided to the Partner Offices is as follows:

	IJM Canada	IJM UK	IJM Germany	IJM Netherlands	IJM Australia	Total
Support received from Partner Offices	$ 1,709,106	$ 731,830	$ 122,100	$ 309,660	$ 277,221	$ 3,149,917
Support provided to Partner Offices	896	25,190	153,304	100,916	283,360	563,666
Net support received from (provided to) Partner Offices	$ 1,708,210	$ 706,640	$ (31,204)	$ 208,744	$ (6,139)	$ 2,586,251