

# **International Justice Mission**

Financial Report  
December 31, 2016

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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 (IJM), which comprise the statement of financial position as of December 31, 2016, 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 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, the financial statements referred to above present fairly, in all material respects, the financial position of IJM as of December 31, 2016, 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2017, 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 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 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.

**Report on Summarized Comparative Information**

We have previously audited IJM's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 5, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*RSM US LLP*

McLean, Virginia  
May 4, 2017

**International Justice Mission**

**Statement of Financial Position  
December 31, 2016  
(With Comparative Totals for 2015)**

|   | 2016                 | 2015                 |
|---|----------------------|----------------------|
| <b>Assets</b>                                       |                      |                      |
| Cash and cash equivalents                           | \$ 21,056,081        | \$ 21,375,524        |
| Receivables, net                                    | 617,515              | 552,057              |
| Promises to give, net                               | 1,084,358            | 2,289,328            |
| Prepaid expenses and other assets                   | 1,693,994            | 1,297,115            |
| Property and equipment, net                         | 3,045,862            | 2,558,805            |
|   | <u>\$ 27,497,810</u> | <u>\$ 28,072,829</u> |
| <b>Liabilities and Net Assets</b>                   |                      |                      |
| Liabilities:  |                      |                      |
| Accounts payable and accrued expenses               | \$ 2,182,440         | \$ 1,897,986         |
| Refundable advances                                 | 2,363,009            | 722,535              |
| Accrued severance and retirement for national staff | 993,383              | 628,409              |
| Deferred rent and tenant improvements               | 6,286,545            | 4,788,834            |
|   | <u>11,825,377</u>    | <u>8,037,764</u>     |
| Commitments and contingencies (Notes 6 and 9)       |                      |                      |
| Net assets:   |                      |                      |
| Unrestricted  | 14,286,165           | 16,427,220           |
| Temporarily restricted                              | 1,386,268            | 3,607,845            |
|   | <u>15,672,433</u>    | <u>20,035,065</u>    |
|   | <u>\$ 27,497,810</u> | <u>\$ 28,072,829</u> |

See notes to financial statements.

**International Justice Mission**

**Statement of Activities**

**Year Ended December 31, 2016**

**(With Comparative Totals for 2015)**

|                                       | 2016                 |                           |                      | 2015                 |
|---------------------------------------|----------------------|---------------------------|----------------------|----------------------|
|                                       | Unrestricted         | Temporarily<br>Restricted | Total                |                      |
| Support and revenue:                  |                      |                           |                      |                      |
| Contributions and grants              | \$ 40,028,330        | \$ 13,334,816             | \$ 53,363,146        | \$ 48,622,954        |
| In-kind support                       | 1,066,542            | -                         | 1,066,542            | 2,087,869            |
| Rental income                         | 250,489              | -                         | 250,489              | 302,237              |
| Other income                          | 714,245              | -                         | 714,245              | 552,407              |
| Net assets released from restrictions | 15,556,393           | (15,556,393)              | -                    | -                    |
| <b>Total support and revenue</b>      | <b>57,615,999</b>    | <b>(2,221,577)</b>        | <b>55,394,422</b>    | 51,565,467           |
| Expenses:                             |                      |                           |                      |                      |
| Program services:                     |                      |                           |                      |                      |
| Justice System Transformation         | 35,364,542           | -                         | 35,364,542           | 30,158,336           |
| Mobilization                          | 8,632,278            | -                         | 8,632,278            | 8,812,001            |
| <b>Total program services</b>         | <b>43,996,820</b>    | <b>-</b>                  | <b>43,996,820</b>    | 38,970,337           |
| Supporting services:                  |                      |                           |                      |                      |
| Fund Development                      | 7,949,001            | -                         | 7,949,001            | 7,045,487            |
| General and Administrative            | 7,811,233            | -                         | 7,811,233            | 6,242,215            |
| <b>Total supporting services</b>      | <b>15,760,234</b>    | <b>-</b>                  | <b>15,760,234</b>    | 13,287,702           |
| <b>Total expenses</b>                 | <b>59,757,054</b>    | <b>-</b>                  | <b>59,757,054</b>    | 52,258,039           |
| <b>Change in net assets</b>           | <b>(2,141,055)</b>   | <b>(2,221,577)</b>        | <b>(4,362,632)</b>   | (692,572)            |
| Net assets:                           |                      |                           |                      |                      |
| Beginning                             | 16,427,220           | 3,607,845                 | 20,035,065           | 20,727,637           |
| Ending                                | <b>\$ 14,286,165</b> | <b>\$ 1,386,268</b>       | <b>\$ 15,672,433</b> | <b>\$ 20,035,065</b> |

See notes to financial statements.

## International Justice Mission

### Statement of Functional Expenses Year Ended December 31, 2016 (With Comparative Totals for 2015)

|                                | Program Services                 |                     |                           | Supporting Services |                               |                              | 2016<br>Total        | 2015<br>Total        |
|--------------------------------|----------------------------------|---------------------|---------------------------|---------------------|-------------------------------|------------------------------|----------------------|----------------------|
|                                | Justice System<br>Transformation | Mobilization        | Total Program<br>Services | Fund<br>Development | General and<br>Administrative | Total Supporting<br>Services |                      |                      |
| Salaries and employee benefits | \$ 19,569,466                    | \$ 4,924,887        | \$ 24,494,353             | \$ 4,535,918        | \$ 3,843,661                  | \$ 8,379,579                 | \$ 32,873,932        | \$ 29,037,776        |
| Services provided by contract  | 5,001,364                        | 1,049,747           | 6,051,111                 | 871,024             | 1,180,458                     | 2,051,482                    | 8,102,593            | 4,537,562            |
| Travel                         | 3,392,309                        | 512,619             | 3,904,928                 | 566,198             | 276,243                       | 842,441                      | 4,747,369            | 4,141,753            |
| Depreciation                   | 636,117                          | 57,613              | 693,730                   | 42,320              | 36,701                        | 79,021                       | 772,751              | 984,928              |
| Grants and donations           | 457,767                          | 75,477              | 533,244                   | 88,840              | 18,619                        | 107,459                      | 640,703              | 1,050,912            |
| Dues, subscriptions and fees   | 76,904                           | 34,899              | 111,803                   | 101,140             | 65,470                        | 166,610                      | 278,413              | 177,862              |
| Office expense                 | 2,404,761                        | 746,483             | 3,151,244                 | 436,754             | 629,900                       | 1,066,654                    | 4,217,898            | 3,557,745            |
| Client expenses                | 291,814                          | 220                 | 292,034                   | 54                  | 11                            | 65                           | 292,099              | 407,789              |
| Good Samaritan expenses        | 12,476                           | -                   | 12,476                    | -                   | -                             | -                            | 12,476               | 18,563               |
| Fees and interest              | 12,115                           | 747                 | 12,862                    | 792                 | 363,196                       | 363,988                      | 376,850              | 319,111              |
| Internship development program | 615,075                          | 896                 | 615,971                   | 567                 | 932                           | 1,499                        | 617,470              | 1,320,628            |
| Miscellaneous expense          | 139,362                          | 44,663              | 184,025                   | 55,729              | 13,666                        | 69,395                       | 253,420              | 169,877              |
| Occupancy                      | 2,156,611                        | 986,596             | 3,143,207                 | 709,475             | 648,764                       | 1,358,239                    | 4,501,446            | 4,144,088            |
| Photographic                   | 126,162                          | 138,952             | 265,114                   | 363,905             | 25,658                        | 389,563                      | 654,677              | 553,634              |
| Postage and shipping           | 57,114                           | 37,314              | 94,428                    | 162,624             | 50,274                        | 212,898                      | 307,326              | 224,372              |
| Professional services          | 415,125                          | 21,165              | 436,290                   | 13,661              | 657,680                       | 671,341                      | 1,107,631            | 1,611,439            |
|                                | <b>\$ 35,364,542</b>             | <b>\$ 8,632,278</b> | <b>\$ 43,996,820</b>      | <b>\$ 7,949,001</b> | <b>\$ 7,811,233</b>           | <b>\$ 15,760,234</b>         | <b>\$ 59,757,054</b> | <b>\$ 52,258,039</b> |

See notes to financial statements.

**International Justice Mission**

**Statement of Cash Flows**  
**Year Ended December 31, 2016**  
**(With Comparative Totals for 2015)**

|   | 2016                 | 2015                 |
|---|----------------------|----------------------|
| Cash flows from operating activities:   |                      |                      |
| Change in net assets  | \$ (4,362,632)       | \$ (692,572)         |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                      |                      |
| Depreciation  | 772,751              | 984,928              |
| Loss on disposal of property and equipment  | 5,452                | 22,774               |
| Deferred rent and tenant improvements   | 508,592              | 497,240              |
| Changes in assets and liabilities:  |                      |                      |
| (Increase) decrease in:   |                      |                      |
| Receivables, net  | (65,458)             | 59,755               |
| Promises to give, net   | 1,204,970            | 748,727              |
| Prepaid expenses and other assets   | (396,879)            | 165,217              |
| Increase (decrease) in:   |                      |                      |
| Accounts payable and accrued expenses   | 284,454              | 526,482              |
| Refundable advances   | 1,640,474            | (165,978)            |
| Accrued severance and retirement for national staff   | 364,974              | 89,085               |
| <b>Net cash (used in) provided by operating activities</b>                                  | <b>(43,302)</b>      | <b>2,235,658</b>     |
| Cash flows from investing activities:   |                      |                      |
| Purchase of property and equipment  | (298,879)            | (814,618)            |
| Proceeds from sale of equipment   | 22,738               | 78,833               |
| <b>Net cash used in investing activities</b>  | <b>(276,141)</b>     | <b>(735,785)</b>     |
| <b>Net (decrease) increase in cash and cash equivalents</b>                                 | <b>(319,443)</b>     | <b>1,499,873</b>     |
| Cash and cash equivalents:  |                      |                      |
| Beginning   | 21,375,524           | 19,875,651           |
| Ending  | <b>\$ 21,056,081</b> | <b>\$ 21,375,524</b> |
| Supplemental schedule of noncash investing and financing activities:                        |                      |                      |
| Fixed Assets acquired through tenant allowance  | <b>\$ 989,119</b>    | <b>\$ 405,776</b>    |

See notes to financial statements.



## International Justice Mission

### Notes to Financial Statements

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

**Nature of activities:** International Justice Mission (IJM) is a nonprofit human rights agency, incorporated in the Commonwealth of Virginia, which began operations in 1997. IJM protects the poor from violence by partnering with local authorities to: rescue victims, bring criminals to justice, restore survivors and strengthen justice systems. IJM works in 17 communities throughout the developing world on behalf of victims of slavery, sex trafficking, rape, property grabbing, police brutality and other violence. IJM also seeks to mobilize the Christian church and the general public to respond on behalf of victims of abuse.

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.

**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 three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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

**Temporarily restricted net assets:** Net assets that are subject to donor-imposed restrictions that either expire by passage of time or can be fulfilled and removed by actions of IJM 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:** Net assets that are subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by IJM's actions. There were no permanently restricted net assets at December 31, 2016.

**Cash and cash equivalents:** For purposes of reporting cash flows, IJM considers all investments purchased with a 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 \$1,689,065 at December 31, 2016.

**Restricted cash:** Cash and cash equivalents at December 31, 2016, include certificates of deposit in the amount of \$1,003,248, of which \$999,046 is restricted as security under a letter of credit with a local bank.

**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.

## International Justice Mission

### Notes to Financial Statements

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

**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. There was no provision for doubtful accounts at December 31, 2016.

**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. The discount was \$6,120 at December 31, 2016. The allowance for doubtful promises was \$10,975 at December 31, 2016. Of the \$1,101,453 gross outstanding promises to give at December 31, 2016, payments totaling \$579,500 are due during the year ending December 31, 2017, and payments totaling \$521,953 are due during the year ending December 31, 2018.

**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.

**Support and revenue:** Unconditional 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.

IJM 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. IJM 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.

**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 \$1,042,428 are included in the in-kind support on the accompanying statement of activities for the year ended December 31, 2016.

## International Justice Mission

### Notes to Financial Statements

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

**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 2016, IJM received \$250,489 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, general and administration, and fundraising.

**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 \$1,517,772 and registration revenues totaled \$109,485 in 2016, which, although not netted for financial statement purposes, offset the costs of the fundraising banquet expenses, totaling \$463,961.

**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 recognized as other income on the accompanying statement of activities.

**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 did not have any net unrelated business income for the year ended December 31, 2016.

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 2013.

**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.

## International Justice Mission

### Notes to Financial Statements

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#### 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 IJM's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

**Recent accounting pronouncements:** In February 2016, the FASB issued Accounting Standards Update (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 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. 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. IJM is currently evaluating the impact of its pending adoption of the new standard on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a nonprofit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, net assets with donor restrictions and net assets without donor restrictions, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-05 is effective for annual periods beginning after December 15, 2017, with early adoption permitted. IJM is currently evaluating the impact the adoption of this guidance will have on its combined financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU create Topic 606, *Revenue from Contracts with Customers* and supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, the amendments supersede the cost guidance in Subtopic 605-35, *Revenue Recognition – Construction-Type and Production-Type Contracts* and create new Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2018. The impact of adopting ASU 2014-09 on IJM's financial statements for subsequent periods has not yet been determined.

**Subsequent events:** IJM evaluated subsequent events through May 4, 2017, which is the date the financial statements were available to be issued.

## International Justice Mission

### Notes to Financial Statements

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#### Note 2. Receivables

Receivables at December 31, 2016, consist of the following:

|                     |    |                |
|---------------------|----|----------------|
| Grant receivables   | \$ | 497,766        |
| Other receivables   |    | 75,539         |
| Advances for travel |    | 44,210         |
|                     | \$ | <u>617,515</u> |

#### Note 3. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2016, and depreciation expense for the year ended December 31, 2016, are as follows:

|                        | Estimated<br>Lives | Cost                | Accumulated<br>Depreciation | Net                 | Depreciation      |
|------------------------|--------------------|---------------------|-----------------------------|---------------------|-------------------|
| Automobiles            | 7 years            | \$ 1,668,330        | \$ 677,826                  | \$ 990,504          | \$ 201,447        |
| Equipment              | 5 years            | 2,519,260           | 2,508,986                   | 10,274              | 227,192           |
| Leasehold improvements | 7 years            | 1,559,057           | 680,862                     | 878,195             | 158,792           |
| Software               | 3 years            | 1,054,790           | 669,833                     | 384,957             | 97,405            |
| Furniture and fixtures | 5-10 years         | 903,393             | 121,461                     | 781,932             | 87,915            |
|                        |                    | <u>\$ 7,704,830</u> | <u>\$ 4,658,968</u>         | <u>\$ 3,045,862</u> | <u>\$ 772,751</u> |

#### Note 4. Refundable Advances

Refundable advances consist primarily of advance payments on grants which make up \$2,354,675 of the total refundable advance balance on the accompanying statement of financial position at December 31, 2016. The majority of this balance is made up of advance payments from three donors which totaled \$2,251,535 at December 31, 2016.

#### Note 5. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets by purpose for the year ended December 31, 2016, were as follows:

|                               | Balance<br>December 31,<br>2015 | Additions            | Releases             | Balance<br>December 31,<br>2016 |
|-------------------------------|---------------------------------|----------------------|----------------------|---------------------------------|
| Program restricted:           |                                 |                      |                      |                                 |
| Justice System Transformation | \$ 1,590,449                    | \$ 8,672,772         | \$ 9,391,233         | \$ 871,988                      |
| ERP*                          | 1,486,690                       | 4,147,470            | 5,634,160            | -                               |
| Time only                     | 522,453                         | 497,082              | 518,524              | 501,011                         |
| Staff care                    | 8,253                           | 17,492               | 12,476               | 13,269                          |
|                               | <u>\$ 3,607,845</u>             | <u>\$ 13,334,816</u> | <u>\$ 15,556,393</u> | <u>\$ 1,386,268</u>             |

\* Includes time-restricted amounts

## International Justice Mission

### Notes to Financial Statements

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#### Note 6. 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, 2016, the combined required letter of credit was \$999,046.

IJM 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, 2016, are as follows:

|                           |                      |
|---------------------------|----------------------|
| Years ending December 31: |                      |
| 2017                      | \$ 3,842,602         |
| 2018                      | 3,777,161            |
| 2019                      | 3,780,943            |
| 2020                      | 3,894,212            |
| 2021                      | 4,011,038            |
| 2022-2024                 | 9,477,880            |
| Total                     | <u>\$ 28,783,836</u> |

Rent expense applicable to operating leases for the year ended December 31, 2016, was \$3,861,044 and is included in occupancy costs on the 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 as follows:

|                           | Workday             | Salesforce        | Classy            | Total               |
|---------------------------|---------------------|-------------------|-------------------|---------------------|
| Years ending December 31: |                     |                   |                   |                     |
| 2016                      | \$ 237,230          | \$ 130,687        | \$ 74,250         | \$ 442,167          |
| 2017                      | 536,330             | 174,250           | 198,000           | 908,580             |
| 2018                      | 585,597             | 174,250           | 198,000           | 957,847             |
| 2019                      | 585,597             | 174,250           | 198,000           | 957,847             |
| 2020                      | 585,597             | 174,250           | 8,250             | 768,097             |
| 2021                      | 97,600              | 43,562            | -                 | 141,162             |
| Total                     | <u>\$ 2,627,951</u> | <u>\$ 871,249</u> | <u>\$ 676,500</u> | <u>\$ 4,175,700</u> |

## International Justice Mission

### Notes to Financial Statements

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#### Note 7. Retirement Plan

IJM maintains a defined contribution pension plan (the Plan) under Section 403(b)(7) of the Code. IJM makes discretionary contributions to the Plan for the benefit of eligible employees in amounts equal to 6% of qualifying compensation during the year ended December 31, 2016. Contributions for not yet vested employees are held by the Plan custodian until they meet the one-year service requirement. IJM contributed \$1,056,630 to the Plan during the year ended December 31, 2016.

#### Note 8. Related Parties

IJM 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 IJM 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.

IJM receives support for operations from the Partner Offices and is also reimbursed for certain expenses by the Partner Offices. IJM also provides support to the Partner Offices as support for operations. For the year ended December 31, 2016, support received from and provided to the Partner Offices is as follows:

|   | IJM Canada          | IJM UK            | Germany           | Netherlands       | IJM Australia     | Total               |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Support received from Partner Offices     | \$ 2,346,459        | \$ 756,371        | \$ 144,310        | \$ 544,505        | \$ 329,057        | \$ 4,120,702        |
| Support provided to Partner Offices       | 1,692               | 1,445             | 17,632            | 11,252            | 183,203           | 215,224             |
| Net support received from Partner Offices | <u>\$ 2,344,767</u> | <u>\$ 754,926</u> | <u>\$ 126,678</u> | <u>\$ 533,253</u> | <u>\$ 145,854</u> | <u>\$ 3,905,478</u> |

#### Note 9. 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 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.