

International Justice Mission and Affiliates

Consolidated Financial Report
15-Month Period Ended March 31, 2022

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Consolidated statement of financial position	3
Consolidated statement of activities	4
Consolidated statement of functional expenses	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	7-19

Independent Auditor's Report

RSM US LLP

Board of Directors
International Justice Mission

Report on the Audit of the Financial Statements***Opinion***

We have audited the accompanying consolidated financial statements of International Justice Mission and Affiliates (collectively, IJM), which comprise the consolidated statement of financial position as of March 31, 2022, the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the 15-month period then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of IJM as of March 31, 2022, and the changes in their net assets and their cash flows for the 15-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of IJM and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As disclosed in Note 1 to the financial statements, IJM elected to change its fiscal year end from December 31 to March 31. The accompanying financial statements are for the 15-month period ended March 31, 2022. Our opinion is not modified with respect to this matter.

As disclosed in Note 1 to the financial statements, IJM adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* as of January 1, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about IJM's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 IJM's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about IJM's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2022, on our consideration of IJM's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of IJM's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IJM's internal control over financial reporting and compliance.

RSM US LLP

Baltimore, Maryland
August 8, 2022

International Justice Mission and Affiliates

**Consolidated Statement of Financial Position
March 31, 2022**

Assets

Cash and cash equivalents	\$ 41,077,573
Investments	777,071
Receivables, net	1,533,568
Prepaid expenses and other assets	4,972,472
Operating lease right-of-use assets	9,289,047
Property and equipment, net	2,647,331
Intangible assets, net	1,483,483
	<hr/>
	\$ 61,780,545

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 10,421,087
Refundable advances	2,205,254
Accrued severance and retirement for national staff	3,520,700
Lease liabilities	11,836,775
	<hr/>
	27,983,816

Commitments and contingencies (Notes 10 and 14)

Net assets:

Without donor restrictions	22,354,088
With donor restrictions	11,442,641
	<hr/>
	33,796,729
	<hr/>
	\$ 61,780,545

See notes to consolidated financial statements.

International Justice Mission and Affiliates

Consolidated Statement of Activities 15-Month Period Ended March 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and grants	\$ 94,703,059	\$ 39,205,722	\$ 133,908,781
Forgiveness of Paycheck Protection Program promissory note	4,024,900	-	4,024,900
In-kind support	1,919,678	-	1,919,678
Rental income	149,237	-	149,237
Other income	461,923	-	461,923
Net assets released from restrictions	39,906,873	(39,906,873)	-
Total support and revenue	141,165,670	(701,151)	140,464,519
Expenses:			
Program services:			
Justice System Transformation	68,015,517	-	68,015,517
Mobilization	24,069,552	-	24,069,552
Total program services	92,085,069	-	92,085,069
Supporting services:			
Fund development	23,056,755	-	23,056,755
General and administrative	24,108,789	-	24,108,789
Total supporting services	47,165,544	-	47,165,544
Total expenses	139,250,613	-	139,250,613
Change in net assets before IJM Australia transfer	1,915,057	(701,151)	1,213,906
Acquisition of IJM Australia by contribution	452,159	-	452,159
Change in net assets	2,367,216	(701,151)	1,666,065
Net assets:			
Beginning	19,986,872	12,143,792	32,130,664
Ending	\$ 22,354,088	\$ 11,442,641	\$ 33,796,729

See notes to consolidated financial statements.

International Justice Mission and Affiliates

Consolidated Statement of Functional Expenses 15-Month Period Ended March 31, 2022

	Program Services			Supporting Services			
	Justice System Transformation	Mobilization	Total Program Services	Fund Development	General and Administrative	Total Supporting Services	Total
Salaries and employee benefits	\$ 34,200,902	\$ 17,641,709	\$ 51,842,611	\$ 11,273,226	\$ 11,052,162	\$ 22,325,388	\$ 74,167,999
Services provided by contract	12,457,803	2,738,145	15,195,948	6,345,404	7,390,766	13,736,170	28,932,118
Travel	2,320,135	379,555	2,699,690	313,870	128,414	442,284	3,141,974
Depreciation	1,088,056	106,808	1,194,864	45,308	102,938	148,246	1,343,110
External engagement	2,437,441	945,843	3,383,284	2,342,887	216,246	2,559,133	5,942,417
Professional services	1,603,626	280,881	1,884,507	297,558	1,675,894	1,973,452	3,857,959
Subgrants	2,410,325	-	2,410,325	-	-	-	2,410,325
Information technology	3,401,283	572,989	3,974,272	665,682	1,234,211	1,899,893	5,874,165
Facilities	4,419,880	998,202	5,418,082	359,911	1,319,608	1,679,519	7,097,601
Financial fees and interest	351,427	67,188	418,615	771,233	217,240	988,473	1,407,088
Insurance, taxes and other	245,211	107,815	353,026	262,590	497,869	760,459	1,113,485
Office expenses and supplies	2,262,325	227,128	2,489,453	376,018	203,049	579,067	3,068,520
Bad debt expense	817,103	3,289	820,392	3,068	70,392	73,460	893,852
	<u>\$ 68,015,517</u>	<u>\$ 24,069,552</u>	<u>\$ 92,085,069</u>	<u>\$ 23,056,755</u>	<u>\$ 24,108,789</u>	<u>\$ 47,165,544</u>	<u>\$ 139,250,613</u>

See notes to consolidated financial statements.

International Justice Mission and Affiliates

Consolidated Statement of Cash Flows 15-Month Period Ended March 31, 2022

Cash flows from operating activities:	
Change in net assets	\$ 1,666,065
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	1,343,110
Amortization of intangible assets	482,950
Non-cash components from acquisition, net	26,270
Forgiveness of Paycheck Protection Program note payable	(4,024,900)
Loss on disposal of property and equipment	168,038
Changes in assets and liabilities:	
(Increase) decrease in:	
Receivables	(498,555)
Promises to give, net	168,995
Prepaid expenses and other assets	(1,968,388)
Operating lease right-of-use assets	(8,873,006)
Intangible assets, net	(664,316)
Increase (decrease) in:	
Accounts payable and accrued expenses	3,850,336
Refundable advances	(6,825,689)
Accrued severance and retirement for national staff	1,206,670
Lease liabilities	7,632,922
Net cash used in operating activities	(6,309,498)
Cash flows from investing activities:	
Proceeds from sale of investments	1,142,563
Purchase of property and equipment	(1,333,141)
Proceeds from sale of equipment	47,878
Proceeds from sale of donated property held for sale	3,050,000
Net cash provided by investing activities	2,907,300
Net decrease in cash and cash equivalents	(3,402,198)
Cash and cash equivalents:	
Beginning	<u>44,479,771</u>
Ending	<u>\$ 41,077,573</u>
Supplemental schedule of non-cash investing and financing activities:	
Reduction of notes payable by forgiveness	<u>\$ 4,024,900</u>
Noncash components of acquisition of IJM Australia	<u>\$ 153,309</u>

See notes to consolidated financial statements.

International Justice Mission and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: International Justice Mission and Affiliates (IJM) consist of the activities of International Justice Mission (IJM US), International Justice Mission UK (IJM UK), International Justice Mission Canada (IJM Canada), and International Justice Mission Australia (IJM Australia).

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

IJM UK is a charitable company limited by guarantee registered and operated in the UK—company number 04310900. It is registered with the Charity Commission of England and Wales (Charity number 1099126) and with the OSCR in Scotland (Charity number SCO49311). IJM UK is affiliated with IJM US, a global team working in 22 countries worldwide to protect the poor from violence throughout the world. The global headquarters of IJM is based in the United States of America, where IJM US is organized and operated as a charitable nonprofit corporation, incorporated in the Commonwealth of Virginia. For the purpose of aligning the global team around shared mission, core values and objectives, IJM US is the sole member of IJM UK. As a separate legal entity, registered in the UK and subject to UK law, IJM UK has a separate board of directors/trustees with fiduciary responsibility under UK law over IJM UK.

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

IJM Australia Ltd, a nonprofit public company limited by guarantee, formed and operated in Australia, is affiliated with International Justice Mission in order to advance their mutually shared mission to protect the poor from violence throughout the world. IJM US is the sole member of IJM Australia. Notwithstanding this affiliation, IJM Australia is operated as a separate and unique entity, responsible for its own business, including its own debts and liabilities (subject to Australian law), excepting a guarantee made by IJM in its capacity as the Sole Member in the event of dissolution of IJM Australia, and is established to be, and to continue as, a charity under the Australian Securities and Investments Commission (ACN# 164 514 694).

On March 3, 2022, IJM acquired IJM Australia through the execution of an affiliation agreement. No cash consideration was paid as a result of the acquisition. IJM treated the business combination as a nonreciprocal transfer of assets, resulting in an inherent contribution of the fair value of the acquiree's net assets to the acquirer. The excess fair value of net assets acquired over the consideration transferred was recorded as a contribution related to the acquisition totaling \$452,159.

International Justice Mission and Affiliates

Notes to Consolidated Financial Statements

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

The related fair value allocation of the assets acquired and liabilities assumed in the acquisition is summarized as follows:

Cash	\$	478,429
Prepaid expenses and other assets		63,195
Operating lease right-of-use assets		416,041
Property and equipment, net		153,309
Accounts payable and accrued expenses		(223,362)
Lease liabilities		(435,453)
Net assets acquired	\$	<u>452,159</u>

A summary of IJM's significant accounting policies follows:

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

Principles of consolidation: The accompanying consolidated financial statements include the financial statements of IJM US, IJM UK, IJM Canada, and IJM Australia (beginning March 3, 2022 through March 31, 2022). All significant intercompany transactions have been eliminated in consolidation.

IJM US has investments in wholly owned foreign subsidiaries in Malaysia, Romania, Thailand and India with an initial investment amount of \$381,506 that is eliminated in consolidation.

Period of consolidation: The accompanying consolidated financial statements are for a period of 15 months as IJM transitions from a calendar reporting year to a fiscal period commencing April and ending in March. The accompanying consolidated financial statements include the 15-month period from January 1, 2021 to March 31, 2022. IJM is adjusting the fiscal year-end to optimize financial reporting and allow management to better communicate IJM's strategy thereby better positioning its mission story to the public.

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

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

Net assets without donor restrictions: Represents resources whose use is not restricted by donor stipulations and are available for the support of general operating activities. Net assets without donor restrictions include board-designated amounts that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities. Board-designated amounts were \$13,419,231 as of March 31, 2022.

International Justice Mission and Affiliates

Notes to Consolidated Financial Statements

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

Cash and cash equivalents: For purposes of reporting cash flows, IJM considers all investments purchased with an original maturity of 90 days 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 \$4,201,813 at March 31, 2022.

Financial risk: IJM maintains its cash in bank deposit accounts and money market funds at financial institutions. At times, certain balances within these accounts may exceed federally insured limits. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to the organization. IJM has not experienced any losses in such accounts. IJM believes it is not exposed to any significant financial risk on cash.

Investments: IJM records investments at fair value based on quoted market prices. Cash and money market funds which have original maturities of 90 days or less are recorded at cost. Realized gains or losses are recognized when they occur. Interest is recognized as income when earned.

Receivables, net: Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. There was no provision for doubtful accounts at March 31, 2022.

Promises to give, net: Unconditional promises to give are recognized as revenue or gains in the period acknowledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give are initially recorded at fair value less an estimate made for doubtful promises and a discount for the time value of money. There was no discount recorded at March 31, 2022, as amounts are due within the next 12 months. There was no allowance for doubtful promises at March 31, 2022.

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.

On December 17, 2020, IJM was gifted a penthouse condominium in San Francisco, California. Management listed the property for sale during the year ended December 31, 2020, and sold the property on April 9, 2021, for \$3,050,000.

Leases: IJM determines whether an arrangement contains a lease at inception by determining if the contract conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration and other facts and circumstances.

International Justice Mission and Affiliates

Notes to Consolidated Financial Statements

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

Right-of-use assets (ROU assets) represent IJM's right to use an underlying asset for the lease term and lease liabilities represent IJM's obligation to make lease payments arising from the lease. ROU assets are calculated based on the lease liability adjusted for any lease payments paid to the lessor at or before the commencement date and initial direct costs incurred by IJM and excludes any lease incentives received from the lessor. Lease liabilities are recognized based on the present value of lease payments over the lease term. IJM utilizes the implicit rate when readily determinable. However, as the lessee, IJM typically cannot determine the implicit interest rate in a lease and therefore, uses the risk-free yield curve rate based on the information available at the U.S. Department of Treasury at commencement date to determine the present value of future payments.

Lease expense for operating leases is recognized on a straight-line basis over the term of the lease. Variable lease payments are the portion of lease payments that are not fixed over the lease term. Variable lease payments are expensed as incurred, and include certain non-lease components, such as maintenance and other services provided by the lessor, and other charges included in the lease, as applicable. IJM elected to exclude short-term leases, defined as leases with an initial term of 12 months or less, from the consolidated statement of financial position.

Lease expense for operating leases is initially recorded as general and administrative expense for IJM's global lease within the consolidated statement of activities. These lease expenses are then allocated to fund development and program services. Costs allocated include salaries and related benefits, facilities and other operating expenses. All country office leases are reported as program services.

Valuation of long-lived assets: IJM reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

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

Government and other grant funding: Support and revenue related to government and other grants is recognized when donor-imposed conditions are met. These revenues are subject to right of return if funds are not spent and also have other performance and/or control barriers that must be met to be entitled to the funds. For this reason, IJM's grant revenues are considered to be conditional and revenue is recognized as funds are utilized for programmatic activities specified in the grant agreement. Accordingly, amounts received, but not recognized as revenue, are classified in the consolidated statement of financial position as refundable advances. Recognized conditional grants are recorded to net assets without donor restrictions if any purpose or time restrictions are met simultaneously with the condition.

In-kind support: Contributions of services are recognized in the consolidated 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 consolidated financial statements as contributions and expenses. Donated services in the amount of \$1,767,316 are included in the in-kind support on the accompanying consolidated statement of activities for the 15-month period ended March 31, 2022.

International Justice Mission and Affiliates

Notes to Consolidated Financial Statements

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 the 15-month period ended March 31, 2022, IJM received \$149,237 in rental income from its subtenants which, although not netted for consolidated financial statements purposes, offsets occupancy expense.

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

Fundraising events: IJM complies with the Not-for-Profit Topic of the Codification, which requires that revenue and expenses from fundraising events be reported gross; therefore, fund development expenses are not offset directly against related revenues. Contribution revenue from the events totaled \$1,068,038 and registration revenues totaled \$14,740 for the 15-month period ended March 31, 2022. Fundraising banquet expenses were \$148,659 for the 15-month period ended March 31, 2022.

Foreign currency transactions: The functional currency for IJM is the U.S. Dollar. Foreign currency transactions are recorded in U.S. Dollars at the exchange rates in effect at the date of the transactions. 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 consolidated statement of financial position date at the exchange rate in effect at year end. Gains and losses are recorded within expenses on the accompanying consolidated statements of activities and functional expenses.

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 15-month period ended March 31, 2022.

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 consolidated 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 consolidated financial statements to comply with provisions of this guideline. IJM would be liable for income taxes in the U.S. federal jurisdiction.

International Justice Mission and Affiliates

Notes to Consolidated Financial Statements

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

Use of estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Adopted accounting pronouncement: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU 2019-10 amended the effective period to fiscal years beginning after December 15, 2020, with early application permitted. IJM early adopted this accounting standard effective January 1, 2021, for the 15-month period ending March 31, 2022. IJM has adopted these provisions using the transition method provided by ASU 2018-11 in the year of adoption. As a result of the adoption of ASC 842, IJM recorded right-of-use assets of \$12.6 million, and lease liabilities of \$16.3 million as of January 1, 2021, the date of adoption.

Upcoming accounting pronouncements In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the consolidated statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance will be effective for IJM's fiscal year beginning after June 15, 2021. IJM is the process of evaluating the impact of this new guidance on the consolidated financial statements.

Subsequent events: IJM has evaluated subsequent events through August 8, 2022, which is the date the consolidated financial statements were available to be issued.

Note 2. Availability of Assets

IJM is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner, IJM must maintain sufficient resources to meet those responsibilities to its donors. Therefore, financial assets may not be available for general expenditures within one year. As part of IJM's liquidity management, IJM has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, the board designates a liquidity reserve of \$13,419,231 as the minimum six-week liquidity reserve that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities. Although IJM does not intend to spend from this board-designated reserve fund, these amounts could be made available if necessary. In the event of an unanticipated liquidity need, IJM also has available a \$7,000,000 line of credit (as further discussed in Note 14).

International Justice Mission and Affiliates

Notes to Consolidated Financial Statements

Note 2. Availability of Assets (Continued)

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

Financial assets, at March 31, 2022	<u>\$ 43,388,212</u>
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(11,442,641)
Collateral for a security deposit	(750,000)
Refundable advances	<u>(2,205,254)</u>
	<u>(14,397,895)</u>
Board designations:	
Amount set aside for liquidity reserve for general expenditures within one year	<u>(13,419,231)</u>
	<u><u>\$ 15,571,086</u></u>

Note 3. Fair Value of Investments

Investments at March 31, 2022, consist of the following:

Fixed income	\$ 752,977
Common stock	24,094
	<u>\$ 777,071</u>

The Fair Value Measurement Topic of the Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under this topic as assumptions market participants would use in pricing an asset or liability.

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. As required by the Fair Value Measurement Topic, the organization does not adjust the quoted prices for these investments even in situations where the organization holds a large position and a sale could reasonably impact the quoted price.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category are investments where fair value is not based on a net asset value (NAV) practical expedient. There were no Level 3 inputs for any assets or liabilities held by IJM at March 31, 2022.

International Justice Mission and Affiliates

Notes to Consolidated Financial Statements

Note 3. Fair Value of Investments (Continued)

IJM's investments in common stocks and treasury bonds are classified as Level 1 items as they are traded on a public exchange. Certificates of deposit are classified as Level 2 investments as there are no readily observable market prices in active markets for identical assets.

Investments consist of the following at March 31, 2022:

Description	Assets at Fair Value as of March 31, 2022			
	Total	Level 1	Level 2	Level 3
Fixed income:				
U.S treasury bonds	\$ 9,386	\$ 9,386	\$ -	\$ -
Certificates of deposit	743,591	-	743,591	-
	752,977	9,386	743,591	-
Common stock	24,094	24,094	-	-
	<u>\$ 777,071</u>	<u>\$ 33,480</u>	<u>\$ 743,591</u>	<u>\$ -</u>

Note 4. Receivables

Receivables at March 31, 2022, consist of the following:

Grant receivables	\$ 1,133,586
Other receivables	333,831
Staff advances	66,152
	<u>\$ 1,533,569</u>

There is no allowance for doubtful accounts as of March 31, 2022.

Note 5. Property and Equipment

Property and equipment, accumulated depreciation and depreciation expense for the 15-month period ended March 31, 2022, are as follows:

	Estimated Lives	Cost	Accumulated Depreciation	Net	Depreciation
Automobiles	7 years	\$ 2,695,099	\$ 1,356,687	\$ 1,338,412	\$ 347,362
Equipment	3 years	2,137,196	1,835,010	302,186	269,713
Software	3 years	1,571,697	1,057,560	514,137	217,663
Furniture and fixtures	5-10 years	162,769	108,096	54,673	70,961
Leasehold improvements	Shorter of 7 years or lease term	2,454,033	2,016,110	437,923	437,411
		<u>\$ 9,020,794</u>	<u>\$ 6,373,463</u>	<u>\$ 2,647,331</u>	<u>\$ 1,343,110</u>

International Justice Mission and Affiliates

Notes to Consolidated Financial Statements

Note 6. Intangible Assets

In accordance with ASU 2018-15, IJM capitalized the implementation costs of an internal use software system hosted on a cloud computing arrangement that is a service contract. The capitalized costs are amortized over the term of the associated hosting arrangement. The capitalized cloud computing arrangement for the 15-month period ended March 31, 2022, is as follows:

Class	Estimated Lives	Cost	Accumulated Amortization	Net	Amortization
Cloud computing arrangement	4 years	\$ 1,979,585	\$ 496,102	\$ 1,483,483	\$ 482,950
		<u>\$ 1,979,585</u>	<u>\$ 496,102</u>	<u>\$ 1,483,483</u>	<u>\$ 482,950</u>

Note 7. Refundable Advances

Refundable advances consist primarily of advance payments on grants. The majority of this balance is made up of advance payments from one donor, which totaled \$1,349,310 at March 31, 2022.

Note 8. Leases

IJM has a lease agreement for office space on several floors of its headquarters' office building which expires in March 2024. The existing lease arrangement requires monthly payments of \$345,878 with a 3% annual increase. The lease also requires IJM to maintain a letter of credit in favor of the landlord, secured by certificates of deposit. On March 31, 2022, the combined required letter of credit was \$749,283.

In May 2022, IJM entered into a new lease agreement for its headquarters office space with a commencement date in April 2024 and expiration date in March 2036. The terms of the agreement state that IJM has the right to install cabling and move furniture, fixtures and equipment into the office space and to commence business operations beginning in May 2022. The monthly rent for the office space, starting at the lease commencement date, is \$132,841 with 2.5% annual increases and rent concessions provided by the landlord.

IJM has also entered into other leases for office space in Europe, Canada, India, Cambodia, Uganda, Thailand, Kenya, Philippines, Guatemala, Bolivia and other locations in South America and South Asia.

The lease terms expire at various times over the next two to five years. The leases require the tenant to make monthly rental payments ranging from approximately \$1,000 to \$10,000 for the term of the leases.

Rent expense applicable to operating leases for the 15-month period ended March 31, 2022, was \$6,058,313 and is included in the facilities costs on the consolidated statement of functional expenses.

IJM has operating and finance leases for rent of office space and office equipment. IJM's property leases may contain renewal options for periods ranging from one to three years. If IJM is reasonably certain to exercise these renewal options at lease inception, the options are considered in determining the lease term, and payments associated with the option years.

International Justice Mission and Affiliates

Notes to Consolidated Financial Statements

Note 8. Leases (Continued)

Operating and finance lease ROU assets and lease liabilities as of March 31, 2022, consisted of the following:

Assets:

Operating lease assets	<u>\$ 9,289,047</u>
------------------------	---------------------

Liabilities:

Operating lease liabilities	<u>\$ 11,836,775</u>
-----------------------------	----------------------

The components of lease cost for the 15-month period ended March 31, 2022, were as follows:

Operating lease cost	\$ 6,590,888
Short-term cost	147,404
	<u>\$ 6,738,292</u>

Supplemental information regarding assumptions and cash flows for the operating leases is as follows:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 6,370,978
Leased assets obtained for new operating lease liabilities	219,910

The lease term and discount rate for operating leases are as follows:

Weighted average remaining lease term for operating leases	1.75 years
Weighted average remaining lease term for finance leases	3.5 years
Weighted average discount rate for operating leases	0.25%
Weighted average discount rate for finance leases	0.62%

International Justice Mission and Affiliates

Notes to Consolidated Financial Statements

Note 8. Leases (Continued)

As of March 31, 2022, maturities of lease liabilities were as follows:

2023	\$ 5,306,139
2024	5,052,364
2025	591,347
2026	266,439
2027	110,802
2028 and after	609,703
Total lease payments	<u>11,936,794</u>
Less imputed interest	(100,019)
Present value of lease liabilities	<u><u>\$ 11,836,775</u></u>

Note 9. Net Assets with Donor Restrictions

Changes in net assets with donor restrictions by purpose for the 15-month period ended March 31, 2022, were as follows:

	December 31, 2020	Additions	Releases	March 31, 2022
Purpose restrictions:				
Justice system transformation	\$ 12,136,920	\$ 34,401,737	\$ 35,216,320	\$ 11,322,337
ERP	-	4,770,380	4,690,553	79,827
Staff Care	6,872	33,605	-	40,477
	<u>\$ 12,143,792</u>	<u>\$ 39,205,722</u>	<u>\$ 39,906,873</u>	<u>\$ 11,442,641</u>

Note 10. Commitments

Data systems software: IJM has entered into several multi-year non-cancellable agreements for data systems software subscriptions, licenses and support with future payment requirements as follows:

	Workday	Salesforce	Boomi, Inc.	Eplus	Microsoft	Total
Years ending March 31:						
2023	\$ 4,581,007	\$ 488,069	\$ 91,975	\$ 271,872	\$ 239,387	\$ 5,672,310
2024	1,305,247	-	91,975	203,904	239,387	1,840,513
2025	-	-	53,652	-	59,847	113,499
	<u>\$ 5,886,254</u>	<u>\$ 488,069</u>	<u>\$ 237,602</u>	<u>\$ 475,776</u>	<u>\$ 538,621</u>	<u>\$ 7,626,322</u>

International Justice Mission and Affiliates

Notes to Consolidated Financial Statements

Note 11. Retirement Plan

IJM US maintains a defined contribution pension plan (the Plan) under Section 403(b)(7) of the Code. IJM US made discretionary contributions to the Plan for the benefit of eligible employees in amounts equal to 6% of qualifying compensation during the 15-month period ended March 31, 2022. Contributions for not yet vested employees are held by the Plan custodian until they meet the one-year service requirement. IJM UK and IJM Canada also maintain defined contribution retirement plans for eligible employees which are similar to IJM US with a potential employer contribution up to 6% of qualifying compensation. IJM contributed \$2,215,428 to the Plan during the 15-month period ended March 31, 2022. IJM Australia does not maintain a Retirement Plan for staff, but instead remits the statutory rate of 10% to a nominated Superannuation Fund as required by the Australian government.

Note 12. Related Parties

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

IJM receives support for operations from the IAOs and is also reimbursed for certain expenses by the IAOs. IJM also provides support to the IAOs as support for operations, when necessary. For the 15-month period ended March 31, 2022, the net support received from unconsolidated IAOs is as follows:

	IJM Germany	IJM Netherlands	Total
Net support received from International Advancement Offices	\$ 1,799,238	\$ 4,209,370	\$ 6,008,608

Note 13. Paycheck Protection Program Loan

On April 7, 2020, IJM applied for and received a loan from a financial institution in the amount of \$4,024,900 to fund payroll, rent and utilities through the Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act. Funds from the note may only be used for payroll costs, interest on other debt obligations, leases and utilities. At least 60% of the loan proceeds must be used for payroll costs. IJM used the entire loan amount on qualifying expenses. IJM applied for and received loan forgiveness for the entire loan amount of \$4,024,900 on June 10, 2021. As IJM has elected to record the loan under ASC Topic 470, IJM has recognized \$4,024,900 for the forgiveness in the consolidated statement of activities for the 15-month period ended March 31, 2022. The loan forgiveness is subject to audit by the Small Business Administration (SBA) for a period of six years after forgiveness.

International Justice Mission and Affiliates

Notes to Consolidated Financial Statements

Note 14. Contingencies

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

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

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

Line of credit: At year end, IJM had access to a \$7,000,000 committed line of credit. This line of credit expires November 4, 2022, and accrues interest at the daily simple secured overnight financing rate (SFR) plus 1.68%. The line is collateralized by unsecured/negative pledges. The line of credit contains certain administrative covenants that IJM maintains. IJM had no outstanding borrowings under the line of credit as of March 31, 2022.

Uncertainties: On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantine in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. It is unknown how long these conditions will last and what the complete financial effect will be on IJM. The extent of the impact of COVID-19 on IJM’s operations and financial performance are uncertain and cannot be predicted. Management is continually monitoring the impact of COVID-19.

Note 15. Conditional Grants

As of March 31, 2022, IJM has \$14,452,164 of revenue to be earned on various conditional grants from various sources of funding including the U.S. government, other governments and public institutions, corporations and foundations. The amount is not recognized in the accompanying consolidated financial statements as such revenue is recognized over the multi-year period of each respective grant agreement, conditional upon management of IJM complying with grant requirements.

IJM has made conditional promises (conditional grants) to implementing partners of \$1,727,697 as of March 31, 2022. Future payments are contingent upon the implementing partners carrying out certain activities (meeting donor-imposed barriers) stipulated by the grant or contract.