

International Justice Mission and Affiliates

Consolidated Financial Report
March 31, 2023

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RSM US LLP

Independent Auditor's Report

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, 2023, the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of IJM as of March 31, 2023, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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.

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 October 4, 2023, 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
October 4, 2023

International Justice Mission and Affiliates

**Consolidated Statement of Financial Position
Year Ended March 31, 2023**

Assets

Cash and cash equivalents	\$ 36,523,764
Investments	9,228
Receivables, net	1,403,394
Promises to give, net	6,475,274
Prepaid expenses and other assets	3,880,531
Intangible assets, net	967,489
Operating lease right-of-use assets	19,197,627
Property and equipment, net	2,875,289
	<u>\$ 71,332,596</u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 7,705,132
Refundable advances	1,452,322
Accrued severance and retirement for national staff	4,300,557
Lease liabilities	25,103,486
	<u>38,561,497</u>

Commitments and contingencies (Notes 11 and 14)

Net assets:

Without donor restrictions	24,415,934
With donor restrictions	8,355,165
	<u>32,771,099</u>
	<u>\$ 71,332,596</u>

See notes to consolidated financial statements.

International Justice Mission and Affiliates

**Consolidated Statement of Activities
Year Ended March 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and grants	\$ 76,378,407	\$ 46,480,408	\$ 122,858,815
Contributed nonfinancial assets	1,750,349	-	1,750,349
Rental income	115,251	-	115,251
Other income	1,463,688	-	1,463,688
Net assets released from restrictions	49,567,884	(49,567,884)	-
Total support and revenue	129,275,579	(3,087,476)	126,188,103
Expenses:			
Program services:			
Justice System Transformation	55,451,648	-	55,451,648
Mobilization	29,222,529	-	29,222,529
Total program services	84,674,177	-	84,674,177
Supporting services:			
Fund development	17,130,635	-	17,130,635
General and administrative	25,408,921	-	25,408,921
Total supporting services	42,539,556	-	42,539,556
Total expenses	127,213,733	-	127,213,733
Change in net assets	2,061,846	(3,087,476)	(1,025,630)
Net assets:			
Beginning	22,354,088	11,442,641	33,796,729
Ending	\$ 24,415,934	\$ 8,355,165	\$ 32,771,099

See notes to consolidated financial statements.

International Justice Mission and Affiliates

**Consolidated Statement of Functional Expenses
Year Ended March 31, 2023**

	Program Services			Supporting Services			
	Justice System Transformation	Mobilization	Total Program Services	Fund Development	General and Administrative	Total Supporting Services	Total
Salaries and employee benefits	\$ 29,498,168	\$ 20,702,250	\$ 50,200,418	\$ 5,868,035	\$ 12,547,810	\$ 18,415,845	\$ 68,616,263
Services provided by contract	9,645,304	3,247,139	12,892,443	6,056,931	7,508,113	13,565,044	26,457,487
Travel	2,886,608	1,036,645	3,923,253	551,404	284,702	836,106	4,759,359
Depreciation	644,526	72,879	717,405	40,408	194,783	235,191	952,596
External engagement	2,303,458	1,194,412	3,497,870	1,438,971	206,316	1,645,287	5,143,157
Professional services	804,645	636,251	1,440,896	307,409	1,458,128	1,765,537	3,206,433
Subgrants	1,370,029	-	1,370,029	-	-	-	1,370,029
Information technology	2,605,518	521,314	3,126,832	311,612	1,350,255	1,661,867	4,788,699
Facilities	3,424,635	1,237,355	4,661,990	1,275,676	1,098,718	2,374,394	7,036,384
Financial fees and interest	508,169	271,367	779,536	822,632	218,355	1,040,987	1,820,523
Insurance, taxes and other	150,997	125,035	276,032	94,705	377,571	472,276	748,308
Office expenses and supplies	1,192,469	178,085	1,370,554	362,312	149,469	511,781	1,882,335
Bad debt expense (recovery)	417,122	(203)	416,919	540	14,701	15,241	432,160
	<u>\$ 55,451,648</u>	<u>\$ 29,222,529</u>	<u>\$ 84,674,177</u>	<u>\$ 17,130,635</u>	<u>\$ 25,408,921</u>	<u>\$ 42,539,556</u>	<u>\$ 127,213,733</u>

See notes to consolidated financial statements.

International Justice Mission and Affiliates

Consolidated Statement of Cash Flows Year Ended March 31, 2023

Cash flows from operating activities:	
Change in net assets	\$ (1,025,630)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	952,596
Amortization of intangible assets	515,994
Gain on disposal of property and equipment	(22,552)
Changes in assets and liabilities:	
(Increase) decrease in:	
Receivables, net	130,174
Promises to give, net	(6,475,274)
Prepaid expenses and other assets	1,091,941
Operating lease right-of-use assets	5,174,524
Increase (decrease) in:	
Accounts payable and accrued expenses	(2,715,955)
Refundable advances	(752,932)
Accrued severance and retirement for national staff	779,857
Lease liabilities	(1,816,393)
Net cash used in operating activities	(4,163,650)
Cash flows from investing activities:	
Proceeds from sale of investments	767,843
Purchase of property and equipment	(1,257,327)
Proceeds from sale of equipment	99,325
Net cash used in investing activities	(390,159)
Net decrease in cash and cash equivalents	(4,553,809)
Cash and cash equivalents:	
Beginning	<u>41,077,573</u>
Ending	<u>\$ 36,523,764</u>
Supplemental cash flow information related to leases is as follows:	
ROU assets obtained in exchange for lease obligations at lease commencement date:	
Operating leases	<u>\$ 15,083,104</u>
Lease liability:	
Operating leases	<u>\$ 15,083,104</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 world's 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 and survivors 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 organization working in 24 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).

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. All significant intercompany transactions have been eliminated in consolidation.

International Justice Mission and Affiliates

Notes to Consolidated Financial Statements

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

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 consolidated financial position and consolidated 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 \$14,640,118 as of March 31, 2023.

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 international accounts was \$2,385,757 at March 31, 2023.

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 fair value. 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, 2023.

Promises to give, net: Promises to give are recognized when the donor makes a written promise to give to IJM that is, in substance, unconditional. Unconditional promises to give to be received in a future period are discounted to their net present value at the time the support is recorded. IJM's promises to give are discounted using a range of 3.48% - 4.06% at March 31, 2023. The allowance for doubtful promises to give is based on management's analysis of specific promises to give and their collectability based on past donor experience and other historical data. There was \$220,442 recorded as a discount on future promises to give at March 31, 2023. There was no allowance for doubtful promises at March 31, 2023.

International Justice Mission and Affiliates

Notes to Consolidated Financial Statements

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

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.

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. 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 generally 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.

International Justice Mission and Affiliates

Notes to Consolidated Financial Statements

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

Contributed nonfinancial assets: IJM receives contributed services in support of its mission. Certain contributed services meet the criteria for revenue recognition under generally accepted accounting principles. In-kind contributions received are valued and recorded as support at their fair value at the time the contribution is received. Contributed services and in-kind contributions are reflected on the consolidated statement of activities as contributed nonfinancial assets and expenses on the consolidated statement of activities.

Contributed nonfinancial assets utilized in program and activities for the year ended March 31, 2023, are as follows:

Category	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs	Total
Pro Bono Services	Legal Services	No associated donor restrictions	Fair market value provided by firm based on lawyer rate and hours worked	\$ 1,378,528
Fellowship Program	IJM Fellowship Program	No associated donor restrictions	Estimated localized salary based on hiring manager interviews and job market research	274,917
Fundraising Events	Fundraising Support	No associated donor restrictions	Estimated fair market value based on wholesale values for similar event pricing, local real estate or products	63,620
Other	Technology, Licensing, etc.	No associated donor restrictions	Fair market value of technology licensing provided by service provider	33,284
				\$ 1,750,349

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 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 \$5,917,196 and registration revenues totaled \$64,961 for the year ended March 31, 2023. Fundraising banquet expenses were \$598,761 for the year ended March 31, 2023.

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.

International Justice Mission and Affiliates

Notes to Consolidated Financial Statements

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

Income taxes: IJM is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (the Code). In addition, IJM qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. IJM did not have any net unrelated business income for the year ended March 31, 2023.

IJM US 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.

Use of estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP 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 September 2020, the FASB issued Accounting Standards Update (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 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. The adoption resulted in expanded disclosures around contributed nonfinancial assets.

Subsequent events: IJM has evaluated subsequent events through October 4, 2023, the date on which the consolidated financial statements were available to be issued.

As of September 5, 2023, IJM signed an agreement with the Dressemer Foundation (Dressemer), a California nonprofit corporation, agreeing to the asset transfer from Dressemer to IJM. This asset transfer included all copyright materials, marketing materials, donor contact lists, cash, and investments. Once the asset transfers have been completed, the Dressemer nonprofit corporation will dissolve. Currently, the estimated date of asset transfer between IJM and Dressemer is at the completion of Dressemer's current marketing campaign around April 2024. The two entities have a shared mission to protect people in poverty from violence, restore survivors and fight to end human trafficking. Combining the Dressemer assets with IJM's capabilities enables stronger efficiencies and a more powerful market presence than that of two separate entities.

International Justice Mission and Affiliates

Notes to Consolidated Financial Statements

Note 2. Availability of Assets

IJM is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner, IJM must maintain sufficient resources to meet those responsibilities to its donors. Therefore, financial assets may not be available for general expenditures within one year. As part of IJM's liquidity management, IJM has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, the board designates a liquidity reserve of \$14,640,118 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.

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, 2023	\$ 44,411,660
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(8,355,165)
Collateral for a security deposit	(749,283)
Refundable advances	(1,452,322)
	<u>(10,556,770)</u>
Board designations:	
Amount set aside for liquidity reserve for general expenditures within one year	(14,640,118)
	<u>\$ 19,214,772</u>

Note 3. Fair Value of Investments

Investments at March 31, 2023, consists of \$9,228 in fixed income investments.

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, IJM does not adjust the quoted prices for these investments even in situations where IJM 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. There were no Level 2 inputs for any assets or liabilities held by IJM at March 31, 2023.

International Justice Mission and Affiliates

Notes to Consolidated Financial Statements

Note 3. Fair Value of Investments (Continued)

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 practical expedient. There were no Level 3 inputs for any assets or liabilities held by IJM at March 31, 2023.

IJM's investments in U.S. treasury bonds and exchange-traded funds (ETFs) are classified as Level 1 items as they are traded on a public exchange.

Investments consist of the following at March 31, 2023:

Description	Assets at Fair Value as of March 31, 2023			
	Total	Level 1	Level 2	Level 3
Fixed income:				
U.S. treasury bonds/ETFs	\$ 9,228	\$ 9,228	\$ -	\$ -
	<u>\$ 9,228</u>	<u>\$ 9,228</u>	<u>\$ -</u>	<u>\$ -</u>

Note 4. Receivables

Receivables at March 31, 2023, consist of the following:

Grant receivables	\$ 784,653
Other receivables	606,619
Staff advances	12,122
	<u>\$ 1,403,394</u>

There is no allowance for doubtful accounts on receivables as of March 31, 2023.

Note 5. Promises to Give

Promises to give at March 31, 2023 consist of the following:

Unconditional promises to give without donor restrictions before present value discount	\$ 6,695,716
Less present value discount	(220,442)
Promises to give, net	<u>\$ 6,475,274</u>

International Justice Mission and Affiliates

Notes to Consolidated Financial Statements

Note 5. Promises to Give (Continued)

Future payments on promises to give at March 31, 2023 is as follows:

Amounts due in:	
2024	\$ 2,715,508
2025	3,059,410
2026	71,292
2027	85,550
2028	102,660
Thereafter	661,296
	<u>\$ 6,695,716</u>

There is no allowance for doubtful accounts on promises to give as of March 31, 2023.

Note 6. Property and Equipment

Property and equipment, accumulated depreciation and depreciation expense for the year ended March 31, 2023, are as follows:

	Estimated Lives (Years)	Cost	Accumulated Depreciation	Net	Depreciation
Automobiles	7	\$ 2,211,192	\$ 1,306,404	\$ 904,788	\$ 286,361
Equipment	3	1,980,520	1,793,836	186,684	172,594
Software	3	1,705,364	1,312,235	393,129	259,531
Furniture and Fixtures	5-10	192,807	108,095	84,712	15,364
Leasehold improvements	Shorter of lease term or 7 years	2,776,661	1,970,115	806,546	218,746
Work in Progress	N/A	499,430	-	499,430	-
		<u>\$ 9,365,974</u>	<u>\$ 6,490,685</u>	<u>\$ 2,875,289</u>	<u>\$ 952,596</u>

Note 7. 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. Amortization of intangible assets is included in services provided by contract in the statement of functional expenses. The capitalized cloud computing arrangement for the year ended March 31, 2023, is as follows:

Class	Estimated Lives (Years)	Cost	Accumulated Amortization	Net	Amortization
Cloud computing arrangement	4	\$ 1,979,585	\$ 1,012,096	\$ 967,489	\$ 515,994
		<u>\$ 1,979,585</u>	<u>\$ 1,012,096</u>	<u>\$ 967,489</u>	<u>\$ 515,994</u>

Note 8. 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 \$785,858 at March 31, 2023.

International Justice Mission and Affiliates

Notes to Consolidated Financial Statements

Note 9. 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. The combined required letter of credit was \$749,283 at March 31, 2023.

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 year ended March 31, 2023, IJM received \$115,251 and in rental income from its subtenants which, although not netted for consolidated financial statements purposes, offsets occupancy expense. The sublease agreement ends in March 2024.

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, Australia, India, Cambodia, Uganda, Thailand, Kenya, Philippines, Guatemala, Bolivia and other locations in South America and South Asia.

The lease terms for international leases expire at various times over the next two to ten 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.

IJM has operating leases for rent of office space. 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.

Future minimum payments including rental income to be received under executed noncancelable sublease agreements are show in the table below.

Years ending March 31:

	Minimum Future Rental Obligations	Sublease Rental Income	Net Rental Obligations
2024	\$ 5,468,144	\$ (120,410)	\$ 5,347,734
2025	1,373,960	-	1,373,960
2026	1,910,649	-	1,910,649
2027	2,009,707	-	2,009,707
2028	1,879,710	-	1,879,710
2029 and after	17,056,688	-	17,056,688
Total lease payments	<u>\$ 29,698,858</u>	<u>\$ (120,410)</u>	<u>\$ 29,578,448</u>

International Justice Mission and Affiliates

Notes to Consolidated Financial Statements

Note 9. Leases (Continued)

Operating ROU assets and lease liabilities as of March 31, 2023, consisted of the following:

Assets:	
Operating lease assets	<u>\$ 19,197,627</u>
Liabilities:	
Operating lease liabilities	<u>\$ 25,103,486</u>

The components of rent expense, net, for the year ended March 31, 2023, were as follows:

Operating lease cost	\$ 5,485,104
Short-term cost	293,481
Sublease income	(115,251)
	<u>\$ 5,663,334</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 outflows - payments on operating leases	\$ 5,613,326

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

Weighted average remaining lease term for operating leases	10.04 years
Weighted average discount rate for operating leases	2.42%

As of March 31, 2023, maturities of lease liabilities were as follows:

	<u>Minimum Future Rental Obligations</u>
2024	\$ 5,468,144
2025	1,373,960
2026	1,910,649
2027	2,009,707
2028	1,879,710
2029 and after	<u>17,056,688</u>
Total lease payments	29,698,858
Less imputed interest	(4,595,372)
Present value of lease liabilities	<u>\$ 25,103,486</u>

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Notes to Consolidated Financial Statements

Note 10. Net Assets with Donor Restrictions

Changes in net assets with donor restrictions by purpose for the year ended March 31, 2023, were as follows:

	March 31, 2022	Additions	Releases	March 31, 2023
Purpose restrictions:				
Justice System Transformation	\$ 11,322,337	\$ 28,067,644	\$ 37,592,800	\$ 1,797,181
ERP	79,827	6,020,000	6,099,827	-
Staff Care	40,477	42,233	-	82,710
Promises to Give (time restricted)	-	12,350,531	5,875,257	6,475,274
	<u>\$ 11,442,641</u>	<u>\$ 46,480,408</u>	<u>\$ 49,567,884</u>	<u>\$ 8,355,165</u>

Note 11. 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:						
2024	\$ 1,347,088	\$ 746,952	\$ 91,975	\$ 54,372	\$ 239,387	\$ 2,479,774
2025	-	746,952	53,652	-	59,847	860,451
2026	-	622,460	-	-	-	622,460
	<u>\$ 1,347,088</u>	<u>\$ 2,116,364</u>	<u>\$ 145,627</u>	<u>\$ 54,372</u>	<u>\$ 299,234</u>	<u>\$ 3,962,685</u>

Note 12. 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 year ended March 31, 2023. 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 \$1,963,231 to the Plan during the year ended March 31, 2023. 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 13. 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.

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Notes to Consolidated Financial Statements

Note 13. Related Parties (Continued)

IJM receives support for operations from the IAOs and is also reimbursed for certain expenses by the IAOs. IJM also provides support to the IAOs as support for operations, when necessary. For the year ended March 31, 2023, the net support received from unconsolidated IAOs is as follows:

	IJM Germany	IJM Netherlands	Total
Net support received from International Advancement Offices	\$ 2,351,722	\$ 2,221,678	\$ 4,573,400

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: IJM had access to a \$7,000,000 committed line of credit. This line of credit expired November 4, 2022. A new collateralized committed line of credit is currently in negotiation as of the date of these consolidated financial statements.

Note 15. Conditional Grants

As of March 31, 2023, IJM has \$5,728,282 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 \$904,113 as of March 31, 2023. Future payments are contingent upon the implementing partners carrying out certain activities (meeting donor-imposed barriers) stipulated by the grant or contract.