

# **International Justice Mission and Affiliates**

Consolidated Financial Report  
December 31, 2020

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
International Justice Mission

### Report on the Financial Statements

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 December 31, 2020, the related consolidated statements 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).

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, based on our audit and the financial statements referred to above present fairly, in all material respects, the financial position of International Justice Mission and Affiliates as of December 31, 2020, 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.

**Report on Summarized Comparative Information**

We have previously audited IJM's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 29, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2021, 2021, on our consideration of IJM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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*

McLean, Virginia  
April 28, 2021

**International Justice Mission and Affiliates**

**Consolidated Statement of Financial Position  
December 31, 2020  
(With Comparative Totals for 2019)**

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 44,479,771	\$ 34,951,950
Investments	1,919,634	1,615,266
Receivables, net	1,035,013	1,499,009
Promises to give, net	168,995	672,089
Prepaid expenses and other assets	2,940,889	2,470,314
Asset held for sale	3,050,000	-
Property and equipment, net	2,719,907	3,025,166
Intangibles - internal use software, net	1,302,117	-
	<u>\$ 57,616,326</u>	<u>\$ 44,233,794</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 6,347,389	\$ 4,645,744
Paycheck Protection Program promissory note	4,024,900	-
Refundable advances	9,030,943	11,473,585
Accrued severance and retirement for national staff	2,314,030	2,071,868
Deferred rent and lease liabilities	3,768,400	4,512,194
	<u>25,485,662</u>	<u>22,703,391</u>
Commitments and contingencies (Notes 10 and 14)		
Net assets:		
Without donor restrictions	19,986,872	14,872,602
With donor restrictions	12,143,792	6,657,801
	<u>32,130,664</u>	<u>21,530,403</u>
	<u>\$ 57,616,326</u>	<u>\$ 44,233,794</u>

See notes to consolidated financial statements.

**International Justice Mission and Affiliates**

**Consolidated Statement of Activities  
Year Ended December 31, 2020  
(With Comparative Totals for 2019)**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contributions and grants	\$ 63,589,160	\$ 26,618,271	\$ 90,207,431	\$ 78,077,731
In-kind support	4,751,593	-	4,751,593	1,371,424
Rental income	112,493	-	112,493	103,897
Other income	521,738	-	521,738	1,019,122
Net assets released from restrictions	21,132,280	(21,132,280)	-	-
<b>Total support and revenue</b>	<b>90,107,264</b>	<b>5,485,991</b>	<b>95,593,255</b>	<b>80,572,174</b>
Expenses:				
Program services:				
Justice System Transformation	42,723,317	-	42,723,317	39,781,629
Mobilization	15,728,497	-	15,728,497	15,926,342
<b>Total program services</b>	<b>58,451,814</b>	<b>-</b>	<b>58,451,814</b>	<b>55,707,971</b>
Supporting services:				
Fund development	10,844,933	-	10,844,933	9,668,204
General and administrative	15,696,247	-	15,696,247	12,764,576
<b>Total supporting services</b>	<b>26,541,180</b>	<b>-</b>	<b>26,541,180</b>	<b>22,432,780</b>
<b>Total expenses</b>	<b>84,992,994</b>	<b>-</b>	<b>84,992,994</b>	<b>78,140,751</b>
<b>Change in net assets before IJM Canada transfer</b>	<b>5,114,270</b>	<b>5,485,991</b>	<b>10,600,261</b>	<b>2,431,423</b>
Transfer of net assets from IJM Canada	-	-	-	520,037
<b>Change in net assets</b>	<b>5,114,270</b>	<b>5,485,991</b>	<b>10,600,261</b>	<b>2,951,460</b>
Net assets:				
Beginning	14,872,602	6,657,801	21,530,403	18,578,943
Ending	<b>\$ 19,986,872</b>	<b>\$ 12,143,792</b>	<b>\$ 32,130,664</b>	<b>\$ 21,530,403</b>

See notes to consolidated financial statements.

## International Justice Mission and Affiliates

### Consolidated Statement of Functional Expenses Year Ended December 31, 2020 (With Comparative Totals for 2019)

	Program Services			Supporting Services			2020 Total	2019 Total
	Justice System Transformation	Mobilization	Total Program Services	Fund Development	General and Administrative	Total Supporting Services		
Salaries and employee benefits	\$ 22,505,692	\$ 12,078,507	\$ 34,584,199	\$ 6,416,924	\$ 8,985,405	\$ 15,402,329	\$ 49,986,528	\$ 45,928,326
Services provided by contract	5,223,141	1,334,228	6,557,369	1,844,246	3,014,332	4,858,578	11,415,947	8,211,281
Travel	1,128,851	174,969	1,303,820	80,742	94,744	175,486	1,479,306	4,053,531
Depreciation	836,658	101,095	937,753	41,042	106,753	147,795	1,085,548	1,109,059
External engagement	929,117	479,888	1,409,005	840,322	84,361	924,683	2,333,688	3,269,581
Professional services	1,461,813	100,268	1,562,081	46,780	828,877	875,657	2,437,738	1,680,673
Subgrants	2,196,497	-	2,196,497	-	-	-	2,196,497	814,733
Information technology	2,642,729	370,865	3,013,594	444,774	1,380,459	1,825,233	4,838,827	3,108,629
Facilities	3,183,498	785,823	3,969,321	276,676	1,039,952	1,316,628	5,285,949	5,112,152
Financial fees and interest	128,257	(21,919)	106,338	514,348	108,222	622,570	728,908	752,236
Insurance, taxes and other	177,150	57,167	234,317	53,185	231,942	285,127	519,444	532,221
Office expenses and supplies	1,629,556	267,234	1,896,790	330,648	229,878	560,526	2,457,316	2,271,862
Bad debt expense (recovery)	680,358	372	680,730	(44,754)	(408,678)	(453,432)	227,298	1,296,467
	<b>\$ 42,723,317</b>	<b>\$ 15,728,497</b>	<b>\$ 58,451,814</b>	<b>\$ 10,844,933</b>	<b>\$ 15,696,247</b>	<b>\$ 26,541,180</b>	<b>\$ 84,992,994</b>	<b>\$ 78,140,751</b>

See notes to consolidated financial statements.

**International Justice Mission and Affiliates**

**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2020**  
**(With Comparative Totals for 2019)**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 10,600,261	\$ 2,951,460
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,085,548	1,109,059
Noncash contribution of property	(3,050,000)	-
Gain on disposal of property and equipment	(18,944)	(9,431)
Deferred rent	(743,794)	(713,101)
Increase (decrease) in provision for doubtful accounts	(475,494)	475,494
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables, net	939,490	275,910
Promises to give, net	503,094	2,442,711
Prepaid expenses and other assets	(470,575)	(306,790)
Intangible assets - internal use software, net	(1,302,117)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	1,701,645	347,098
Refundable advances	(2,442,642)	9,317,556
Accrued severance and retirement for national staff	242,162	238,666
<b>Net cash provided by operating activities</b>	<b>6,568,634</b>	<b>16,128,632</b>
Cash flows from investing activities:		
Purchase of investments	(304,368)	(611,045)
Purchase of property and equipment	(822,770)	(648,303)
Proceeds from sale of equipment	61,425	97,846
<b>Net cash used in investing activities</b>	<b>(1,065,713)</b>	<b>(1,161,502)</b>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program promissory note	4,024,900	-
<b>Net cash provided by financing activities</b>	<b>4,024,900</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>9,527,821</b>	<b>14,967,130</b>
Cash and cash equivalents:		
Beginning	34,951,950	19,984,820
Ending	\$ 44,479,771	\$ 34,951,950
Supplemental disclosure of non-cash investing activity:		
Donated property	\$ 3,050,000	\$ -

See notes to consolidated financial statements.



## International Justice Mission and Affiliates

### Notes to Consolidated Financial Statements

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#### 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) and International Justice Mission Canada (IJM Canada).

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 International Justice Mission (IJM US), a global team working in 21 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 not-for-profit 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.

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 and IJM Canada. All significant intercompany transactions have been eliminated in consolidation.

**Basis of presentation:** IJM follows the Not-for-Profit Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). Under this topic, IJM is required to report information regarding its financial position and activities according to 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.

## International Justice Mission and Affiliates

### Notes to Consolidated Financial Statements

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

**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 \$9,507,912 for the year ended December 31, 2020.

**Cash and cash equivalents:** For purposes of reporting cash flows, IJM considers all investments purchased with an original maturity of three months or less to be cash equivalents. In order to facilitate operations in IJM's field offices worldwide, IJM maintains bank accounts in several countries. All cash in these international accounts is included in cash and cash equivalents. The balance in these accounts was \$1,771,405 at December 31, 2020.

**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. Gains or losses, whether realized or unrealized, 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 December 31, 2020.

**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 December 31, 2020, as amounts are due within the next 15 months. The allowance for doubtful promises was \$1,202 at December 31, 2020.

**Property and equipment, net:** Property and equipment purchases are capitalized at cost and depreciated on a straight-line basis over their estimated lives. IJM capitalizes all property and equipment purchased with a cost of \$5,000 or more. The depreciation expense on assets acquired under capital leases is included with depreciation expense on owned assets.

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

## International Justice Mission and Affiliates

### Notes to Consolidated Financial Statements

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

**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 statements of financial position as advances received for programs.

**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 \$1,618,810 are included in the in-kind support on the accompanying consolidated statement of activities for the year ended December 31, 2020.

**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 2020, IJM received \$112,493 in rental income from its subtenants which, although not netted for consolidated financial statement 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. 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.

**Joint costs:** IJM produces materials and events that jointly support programmatic and supporting activities as they include requests for contributions in support of IJM's mission. These expenses totaled \$301,050 for the year ended December 31, 2020. Similar to allocated expenses, joint costs are allocated by activity and time charged to each activity. Expenses were allocated 29% to supporting services and 71% to program services for fiscal year 2020.

**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 \$2,269,385 and registration revenues totaled \$11,130 for the year ended December 31, 2020. Fundraising banquet expenses were \$153,471 for the year ended December 31, 2020.

## International Justice Mission and Affiliates

### Notes to Consolidated Financial Statements

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

**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 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 statement of activities and statement of 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 year ended December 31, 2020.

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. Generally, IJM is no longer subject to U.S. federal tax examinations by tax authorities before 2017.

**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.

**Prior year information:** The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or function. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with IJM's consolidated financial statements for the year ended December 31, 2019, from which the summarized information was derived.

**Adopted accounting pronouncement:** IJM early adopted Accounting Standards Update (ASU) 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This ASU aligns the requirements for capitalizing implementation costs in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred for internal-use software. The early adoption resulted in capitalized costs of \$1,315,270, further explained in Note 6.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU has different effective dates for resource recipients and resource providers. Where IJM is a resource recipient, the ASU was adopted on a modified prospective basis for the year ended December 31, 2019. Where IJM is a resource provider, this ASU is effective for the year ended December 31, 2020, and did not have any impact on IJM's consolidated financial statements.

## International Justice Mission and Affiliates

### Notes to Consolidated Financial Statements

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

**Upcoming accounting pronouncements:** In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheets for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard is effective for IJM for the fiscal year beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. IJM is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements and is considering early adoption of the new standard for the fiscal year beginning January 1, 2021.

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 April 28, 2021, which is the date the consolidated financial statements were available to be issued and there are no further matters to disclose not reported in these 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 \$9,507,912 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 endowment, 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

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#### 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 December 31, 2020	<u>\$ 47,603,413</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	(12,143,792)
Collateral for a security deposit	(585,000)
Short-term CDs restricted by letter of credit	(165,000)
Refundable advances	<u>(9,030,943)</u>
	<u>(21,924,735)</u>
Board designations:	
Amount set aside for liquidity reserve	<u>(9,507,912)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 16,170,766</u></u>

#### Note 3. Fair Value of Investments

Investments at December 31, 2020, consist of the following:

Fixed income	\$ 176,667
Common stock	99,825
Cash and money market funds	<u>1,643,142</u>
	<u><u>\$ 1,919,634</u></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.

## International Justice Mission and Affiliates

### Notes to Consolidated Financial Statements

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#### 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 (NAV) practical expedient. There were no Level 3 inputs for any assets or liabilities held by the organization at December 31, 2020.

The organization'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 December 31, 2020:

Description	Assets at Fair Value as of December 31, 2020			
	Total	Level 1	Level 2	Level 3
Fixed income:				
U.S treasury bonds	\$ 9,810	\$ 9,810	\$ -	\$ -
Certificates of deposit	166,857	-	166,857	-
	<u>176,667</u>	<u>9,810</u>	<u>166,857</u>	<u>-</u>
Common stock	99,825	99,825	-	-
	<u>99,825</u>	<u>99,825</u>	<u>-</u>	<u>-</u>
	<u>276,492</u>	<u>\$ 109,635</u>	<u>\$ 166,857</u>	<u>\$ -</u>
Cash and money market funds at cost	<u>1,643,142</u>			
	<u>\$ 1,919,634</u>			

#### Note 4. Receivables

Receivables at December 31, 2020, consist of the following:

Grant receivables	\$ 548,699
Other receivables	453,423
Staff advances	32,891
	<u>\$ 1,035,013</u>

There is no allowance for doubtful accounts for the year ending December 31, 2020.

## International Justice Mission and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 5. Property and Equipment

Property and equipment, accumulated depreciation and depreciation expense for the year ended December 31, 2020, are as follows:

	Estimated Lives	Cost	Accumulated Depreciation	Net	Depreciation
Automobiles	7 years	\$ 2,164,687	\$ 1,186,074	\$ 978,613	\$ 262,166
Equipment	3 years	1,981,321	1,693,731	287,590	241,917
Leasehold improvements	7 years	2,462,138	1,713,400	748,738	372,660
Software	3 years	1,147,926	721,840	426,086	80,872
Furniture and fixtures	5-10 years	943,317	664,437	278,880	127,933
		<u>\$ 8,699,389</u>	<u>\$ 5,979,482</u>	<u>\$ 2,719,907</u>	<u>\$ 1,085,548</u>

#### Note 6. Intangibles - Internal Use Software

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 year ended December 31, 2020 is as follows:

Class	Estimated Lives	Cost	Accumulated Depreciation	Net	Depreciation
Cloud Computing Arrangement	4 years	\$ 1,315,270	\$ 13,153	\$ 1,302,117	\$ 13,153
		<u>\$ 1,315,270</u>	<u>\$ 13,153</u>	<u>\$ 1,302,117</u>	<u>\$ 13,153</u>

#### Note 7. Asset Held for Sale

On December 17, 2020, IJM was gifted a penthouse condominium in San Francisco, California. Management listed the property for sale and is committed to selling the property within one year. The property sold subsequent to year end on April 9, 2021 for \$3,050,000.

Assets held for sale consist of the following at December 31, 2020:

Land	\$ 1,429,327
Building	<u>1,620,673</u>
	<u>\$ 3,050,000</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 two donors, which totaled \$7,523,775 at December 31, 2020.



## International Justice Mission and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 9. Net Assets with Donor Restrictions

Changes in net assets with donor restrictions by purpose for the year ended December 31, 2020, were as follows:

	December 31, 2019	Additions	Releases	December 31, 2020
Purpose restrictions:				
Justice System Transformation	\$ 5,645,758	\$ 25,610,550	\$ 19,119,388	\$ 12,136,920
ERP	1,000,000	1,000,000	2,000,000	-
Staff Care	12,043	7,721	12,892	6,872
	<u>\$ 6,657,801</u>	<u>\$ 26,618,271</u>	<u>\$ 21,132,280</u>	<u>\$ 12,143,792</u>

#### Note 10. Commitments

**Leases:** IJM has a lease agreement for office space on several floors of its headquarters' office building which expires in March 2024. During the year ended 2015, IJM further amended its lease to include additional spaces in the same building. The lease terms for the additional space includes a provision for an optional landlord contribution toward specific improvements. The combined rent for the additional space is approximately \$70,000 per month and rent concessions were also provided by the landlord. The existing lease arrangement includes rent concessions and a 3% annual increase, which is included in the basis for the calculation of the deferred rent amount. The benefit of these rent concessions is being amortized over the term of the lease. The lease also requires IJM to maintain a letter of credit in favor of the landlord, secured by certificates of deposit. At December 31, 2020, the combined required letter of credit was \$749,285.

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 \$12,000 for the term of the leases.

Future minimum rental payments applicable to operating leases at December 31, 2020, are as follows:

2021	\$ 5,090,313
2022	4,632,397
2023	4,443,689
2024	1,244,973
	<u>\$ 15,411,372</u>

Rent expense applicable to operating leases for the year ended December 31, 2020, was \$4,696,942 and is included in the facilities costs on the consolidated statement of functional expenses.

## International Justice Mission and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 10. Commitments (Continued)

**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	Total
Years ending December 31:					
2021	\$ 472,021	\$ 557,663	\$ 76,646	\$ 271,872	\$ 1,378,202
2022	475,434	532,439	-	271,872	1,279,745
2023	498,255	66,555	-	271,872	836,682
2024	83,681	-	-	-	83,681
	<u>\$ 1,529,391</u>	<u>\$ 1,156,657</u>	<u>\$ 76,646</u>	<u>\$ 815,616</u>	<u>\$ 3,578,310</u>

#### 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 year ended December 31, 2020. 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 \$1,536,315 to the Plan during the year ended December 31, 2020.

#### Note 12. Related Parties

IJM has three partner offices: IJM Germany, IJM Netherlands, and IJM Australia (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 year ended December 31, 2020, the net support received from the IAOs is as follows:

	IJM Germany	IJM Netherlands	IJM Australia	Total
Net support received from International Advancement Offices	<u>\$ 1,262,163</u>	<u>\$ 1,302,379</u>	<u>\$ 4,679,680</u>	<u>\$ 7,244,222</u>

## International Justice Mission and Affiliates

### Notes to Consolidated Financial Statements

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#### **Note 13. Paycheck Protection Program Loan**

On April 7, 2020, IJM applied for and received loan proceeds on April 22, 2020, in the amount of \$4,024,900, issued under the Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Funds from the loan may only be used for payroll cost, interest on other debt obligations, leases, and utilities. IJM has applied the entire loan amount for the qualifying expenses which include payroll costs and rental lease payments incurred by IJM during the covered eligible period of eight weeks. On December 8, 2020, IJM applied for loan forgiveness, which it expects to be fully granted since IJM has used the entire PPP loan proceeds for purposes consistent with the PPP requirements. Since IJM submitted its loan forgiveness application within the 10-month period following the end of its loan-forgiveness covered period, IJM did not have to make any payments of principal or interest and is presently waiting for the Small Business Administration (SBA) to make a determination on the forgiveness application and remit the determined forgiveness amount to the PPP lender.

As of December 31, 2020, IJM has elected to record the loan under the Codification Topic 470. Under the Codification Topic 470, IJM will recognize as income any amount forgiven when formally approved by the SBA. No income has been recognized for the annual reporting period ended December 31, 2020. If the forgiveness amount is reduced, the unforgivable portion is payable over two years at an interest rate of 1% with a deferral of payment effective from the date issued by the lending bank. IJM has accrued interest of \$27,839 as interest payable.

#### **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 July 31, 2021, and accrues interest at one-month LIBOR plus 1.65%. The line is collateralized by unsecured/negative pledges. The line of credit contains certain administrative covenants that the organization maintains. The organization had no outstanding borrowings under the line of credit as of December 31, 2020.

## International Justice Mission and Affiliates

### Notes to Consolidated Financial Statements

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#### **Note 14. Contingencies (Continued)**

**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 December 31, 2020, IJM has \$20,291,074 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.