International Justice Mission

Financial Report
December 31, 2013

Contents

McGladrey

Independent Auditor's Report

To the Board of Directors
International Justice Mission
Arlington, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of International Justice Mission (the Organization) which comprise the balance sheet as of December 31, 2013, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization’s financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 25, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, 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 May 8, 2014, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control over financial reporting and compliance.

McGladrey LLP

McLean, Virginia
May 8, 2014

International Justice Mission

Balance Sheet
December 31, 2013
(With Comparative Totals For 2012)

Assets	2013	2012
Cash And Cash Equivalents	**$ 17,102,398**	$ 17,536,510
Receivables, net	**2,940,500**	2,613,974
Promises To Give, net	**4,761,379**	372,110
Prepaid Expenses And Other Assets	**876,248**	839,664
Property And Equipment, net	**2,813,279**	2,220,518
	$ 28,493,804	$ 23,582,776

Liabilities And Net Assets	2013	2012
Liabilities		
Accounts payable and accrued expenses	**$ 1,233,022**	$ 1,078,801
Refundable advances	**3,346,210**	5,818,006
Accrued severance and retirement for national staff	**340,006**	199,500
Capital lease obligation	**-**	6,847
Deferred rent and tenant improvements	**3,286,154**	3,158,369
	8,205,392	10,261,523
Commitments And Contingencies (Notes 5, 7 and 8)		
Net Assets		
Unrestricted	**14,241,190**	12,640,835
Temporarily restricted	**6,047,222**	680,418
	20,288,412	13,321,253
	$ 28,493,804	$ 23,582,776

See Notes To Financial Statements.

International Justice Mission

Statement Of Activities
Year Ended December 31, 2013
(With Comparative Totals For 2012)

	2013			
	Unrestricted	**Temporarily Restricted**	**Total**	2012
Support and revenue:				
Contributions and grants	**$ 36,909,867**	**$ 9,691,657**	**$ 46,601,524**	$ 36,833,141
Rental income	**522,471**	**-**	**522,471**	522,366
Other income	**827,658**	**-**	**827,658**	519,707
Net assets released from restrictions	**4,324,853**	**(4,324,853)**	**-**	-
Total support and revenue	**42,584,849**	**5,366,804**	**47,951,653**	37,875,214
Expenses:				
Program services:				
Case work	**25,832,310**	**-**	**25,832,310**	20,066,354
Education and mobilization	**6,784,001**	**-**	**6,784,001**	6,647,654
Total program services	**32,616,311**	**-**	**32,616,311**	26,714,008
Supporting services:				
Fund development	**4,422,798**	**-**	**4,422,798**	3,461,714
General and administrative	**3,945,385**	**-**	**3,945,385**	2,966,245
Total supporting services	**8,368,183**	**-**	**8,368,183**	6,427,959
Total expenses	**40,984,494**	**-**	**40,984,494**	33,141,967
Change in net assets	**1,600,355**	**5,366,804**	**6,967,159**	4,733,247
Net assets:				
Beginning	**12,640,835**	**680,418**	**13,321,253**	8,588,006
Ending	**$ 14,241,190**	**$ 6,047,222**	**$ 20,288,412**	$ 13,321,253

See Notes To Financial Statements.

International Justice Mission

Statement Of Functional Expenses
Year Ended December 31, 2013
(With Comparative Totals For 2012)

	Program Services			Supporting Services				
	Case Work	Education And Mobilization	Total Program Services	Fund Development	General And Administrative	Total Supporting Services	2013 Total	2012 Total
Salaries and employee benefits	$ 13,826,501	$ 3,706,526	$ 17,533,027	$ 2,557,507	$ 2,214,189	$ 4,771,696	$ 22,304,723	$ 18,976,616
Services provided by contract	2,252,545	346,190	2,598,735	268,803	95,201	364,004	2,962,739	1,707,440
Travel	2,658,938	461,067	3,120,005	349,250	203,341	552,591	3,672,596	2,899,612
Depreciation	855,391	56,610	912,001	38,486	34,379	72,865	984,866	845,530
Donation to Partners	844,222	595,529	1,439,751	-	-	-	1,439,751	709,551
Dues, subscriptions and fees	43,761	16,084	59,845	17,918	18,807	36,725	96,570	94,176
Office expense	1,214,297	447,588	1,661,885	242,185	516,709	758,894	2,420,779	1,829,223
Client expenses	362,327	2,375	364,702	-	-	-	364,702	376,984
Good Samaritan expenses	12,224	-	12,224	-	1,055	1,055	13,279	11,159
Interest and fees	26,944	395	27,339	33,628	276,265	309,893	337,232	341,716
Internship development program	1,199,325	55,838	1,255,163	-	-	-	1,255,163	1,118,937
Miscellaneous expense	49,959	37,513	87,472	31,143	18,347	49,490	136,962	159,170
Occupancy	1,609,791	673,204	2,282,995	405,404	406,177	811,581	3,094,576	2,832,099
Photographic	93,767	154,935	248,702	251,250	6,476	257,726	506,428	419,944
Postage and shipping	83,071	34,916	117,987	132,968	21,079	154,047	272,034	212,948
Professional services	699,247	195,231	894,478	94,256	133,360	227,616	1,122,094	606,862
	$ 25,832,310	$ 6,784,001	$ 32,616,311	$ 4,422,798	$ 3,945,385	$ 8,368,183	$ 40,984,494	$ 33,141,967

See Notes To Financial Statements.

International Justice Mission

Statement Of Cash Flows
Year Ended December 31, 2013
(With Comparative Totals For 2012)

	2013	2012
Cash Flows From Operating Activities		
Change in net assets	**$ 6,967,159**	$ 4,733,247
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**984,866**	845,530
(Gain) loss on disposal of property and equipment	**(11,460)**	6,775
Deferred rent	**127,785**	11,389
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	**(326,526)**	(291,050)
Promises to give, net	**(4,389,269)**	552,814
Prepaid expenses and other assets	**(36,584)**	(354,946)
Increase (decrease) in:		
Accounts payable and accrued expenses	**154,221**	231,502
Refundable advances	**(2,471,796)**	(1,904,964)
Accrued severance and retirement for national staff	**140,506**	44,040
Net cash provided by operating activities	**1,138,902**	3,874,337
Cash Flows From Investing Activities		
Proceeds from sale of equipment	**40,983**	7,891
Purchase of property and equipment	**(1,607,150)**	(1,596,622)
Net cash used in investing activities	**(1,566,167)**	(1,588,731)
Cash Flows From Financing Activities		
Principal payments on capital lease obligation	**(6,847)**	(25,940)
Net cash used in financing activities	**(6,847)**	(25,940)
Net (decrease) increase in cash and cash equivalents	**(434,112)**	2,259,666
Cash And Cash Equivalents		
Beginning	**17,536,510**	15,276,844
Ending	**$ 17,102,398**	$ 17,536,510

See Notes To Financial Statements.

Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: International Justice Mission (the Organization) is a not-for-profit human rights agency, incorporated in the Commonwealth of Virginia, that began operations in 1997. The Organization protects the poor from violence by partnering with local authorities to: rescue victims, bring criminals to justice, restore survivors and strengthen justice systems. The Organization works in 18 communities throughout the developing world on behalf of victims of slavery, sex trafficking, rape, property grabbing, police brutality and other violence. The Organization also seeks to mobilize the Christian church and the general public to respond on behalf of victims of abuse.

A summary of the Organization's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby support and revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The Organization follows the Not-for-Profit Topic of the FASB Accounting Standards Codification (the Codification). Under this topic, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

> *Unrestricted net assets* are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
>
> *Temporarily restricted net assets* result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or used for specified purposes.
>
> *Permanently restricted net assets* result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization's actions. There were no permanently restricted net assets at December 31, 2013.

Cash and cash equivalents: For purposes of reporting cash flows, the Organization considers all investments purchased with a maturity of three months or less to be cash equivalents. In order to facilitate operations in the Organization's field offices worldwide, the Organization maintains bank accounts in several countries. All cash in these international accounts is included in cash and cash equivalents. The balance in these accounts was $946,147 at December 31, 2013.

Restricted cash: Cash and cash equivalents at December 31, 2013, include certificates of deposit in the amount of $652,410, of which $650,513 is restricted as security under letter of credit with a local bank.

Financial risk: The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant financial risk on cash.

Receivables: Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. There was no provision for doubtful accounts at December 31, 2013.

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Promises to give: Unconditional promises to give are recognized as revenue or gains in the period acknowledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give are carried at fair value less an estimate made for doubtful promises and a discount for the time value of money. The discount was $4,679 at December 31, 2013. The allowance for doubtful promises was $48,142 at December 31, 2013. Of the $4,814,200 gross outstanding promises to give at December 31, 2013, payments totaling $3,578,200 and $1,236,000 are due during the years ending December 2014 and 2015, respectively.

Property and equipment: Property and equipment purchases are capitalized and depreciated on a straight-line basis over their estimated lives. The Organization capitalizes all property and equipment purchased with a cost of $1,000 or more. The depreciation expense on assets acquired under capital leases is included with depreciation expense on owned assets.

Valuation of long-lived assets: The Organization accounts for the valuation of long-lived assets under the Impairment or Disposal of Long-Lived Assets Topic of the Codification. This Topic requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Support and revenue: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted revenue is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization receives grants from federal agencies and others for various purposes. Grant awards not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant. The Organization defers grant revenues received under approved awards to the extent they exceed expenses incurred for the purposes specified under the grant restrictions. These funds are reported as refundable advances.

Donated services: Contributions of services are recognized in the financial statements as in-kind contributions if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided by donation. These services are recorded at their estimated fair values at the date of donation and are recognized in the financial statements as contributions. Donated services in the amount of $1,538,375 are included within contributions and grants revenues in the accompanying statement of activities for the year ended December 31, 2013.

Rental income: The Organization currently rents two floors in an office building for its Head Quarters office use. A portion of this space was obtained in anticipation of future growth, but is not currently required space for the staff needs at Head Quarters. The Organization chose to lease the additional space in order to benefit from first rights to the space. In order to mitigate the rental expense related to this unused space, the Organization sublets the space and generates rental income. During 2013, the Organization received $522,471 in rental income from its subtenants which, although not netted for financial statement purposes, offsets rent expense.

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Expense allocation: Program and supporting services have been presented on a functional basis in the statement of activities and changes in net assets. Certain overhead costs have been allocated among the programs, management and general, and fundraising.
The Organization complies with the Not-for-Profit Topic of the Codification, which requires that revenue and expenses from fundraising events be reported gross; therefore, fundraising expenses are not offset directly against related revenues. Contribution revenue from the events totaled $4,352,963 and registration revenues totaled $280,750 in 2013, which, although not netted for financial statement purposes, offset the costs of the fundraising banquet expenses, totaling $805,165

Foreign currency translation: Revenue and expenses of the Organization's foreign operations are translated at weighted average exchange rates for the period.

Foreign currency transactions: Foreign currency transactions are recorded in U.S. dollars at the exchange rates in effect at the date of the transactions. Gains and losses are recognized as other income in the accompanying statement of activities.

Income taxes: The Organization is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (the Code). In addition, the Organization qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Organization did not have any net unrelated business income for the year ended December 31, 2013.

The Organization complies with the accounting for uncertainty in income taxes topic, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this policy, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position. Management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this guideline. The Organization would be liable for income taxes in the U.S. federal jurisdiction. Generally, the Organization is no longer subject to U.S. federal tax examinations by tax authorities before 2010.

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

Prior year information: The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Subsequent events: The Organization evaluated subsequent events through May 8, 2014, which is the date the financial statements were available to be issued.

Note 2. Receivables

Receivables at December 31, 2013, consist of the following:

Undeposited contributions	$ 2,832,843
Grant receivables	19,393
Advances for travel	30,753
Other receivables	57,511
	$ 2,940,500

Note 3. Property And Equipment

Property and equipment and accumulated depreciation at December 31, 2013, and depreciation expense for the year ended December 31, 2013, are as follows:

	Estimated Lives	Cost	Accumulated Depreciation	Net	Depreciation
Automobiles	7 years	$ 1,412,446	$ 601,481	$ 810,965	$ 151,365
Equipment	5 years	3,277,634	2,468,642	808,992	521,224
Leasehold improvements	2 – 7 years	972,718	485,300	487,418	189,153
Software	3 years	873,395	343,264	530,131	75,646
Furniture and fixtures	5 – 10 years	337,735	161,962	175,773	47,478
		$ 6,873,928	$ 4,060,649	$ 2,813,279	$ 984,866

Note 4. Refundable Advances

Refundable advances consist of advance payments on grants which equates to deferred revenue. Total refundable advances were $3,346,210 at December 31, 2013. The majority of this balance is made up of advance payments on a multi-year grant awarded in 2011, the remaining balances of which total $2,697,027.

Note 5. Line Of Credit

At year end, the Organization had a $3,200,000 guidance line of credit. This line of credit expires September 30, 2014, and accrues interest at one-month LIBOR plus 1.65% for an interest rate of 1.817% and is secured by all assets of the Organization. The bank also requires that the Organization maintain liquid assets of at least $2,600,000 and comply with certain other administrative covenants. There was no outstanding balance on the line at December 31, 2013.

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2013, are restricted for the following and were released from restrictions for the year ended December 31, 2013, as follows:

	Balance December 31, 2012	Additions	Releases	**Balance December 31, 2013**
Program restricted:				
Casework*	$ 367,669	$ 5,885,894	$ 3,438,650	**$ 2,814,913**
Time only	272,250	2,407,498	272,250	**2,407,498**
Education*	40,499	601,015	225,703	**415,811**
IS*	-	659,000	250,000	**409,000**
Communications	-	37,250	37,250	**-**
Finance	-	91,000	91,000	**-**
HR	-	10,000	10,000	**-**
	$ 680,418	$ 9,691,657	$ 4,324,853	**$ 6,047,222**

* Includes time-restricted amounts

Note 7. Contingencies

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

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

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

Note 8. Commitments

Leases: The Organization has two lease agreements for office space on two floors for its headquarters office building, which both expire in March 2022. During 2013, the Organization entered into another agreement to lease space on an additional floor in its headquarters office building commencing on August 1, 2014. The agreement also extended the termination date of the existing space leases to March 31, 2024. The lease for the new space includes a provision for an optional landlord contribution toward specific improvements. No such improvements have been made as of December 31, 2013. The rent for the space is approximately $19,000 per month, and rent concessions were also provided by the landlord. The existing lease agreements include rent concessions and a 3% annual increase, which is included in the basis for the calculation of a deferred rent amount. The benefit of these rent concessions is being amortized over the term of the leases. The leases also require the Organization to maintain a letter of credit in favor of the landlord, secured by certificates of deposit. At December 31, 2013, the combined required letter of credit was $650,513.

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

Future minimum rental payments applicable to operating leases at December 31, 2013, are as follows:

Years Ending December 31,	
2014	$ 2,380,829
2015	2,571,882
2016	2,554,105
2017	2,620,662
2018	2,709,677
2019 – 2024	15,493,811
	$ 28,330,966

Rent expense applicable to operating leases for the year ended December 31, 2013, was $2,780,570 and is included in occupancy costs on the statement of activities.

Enterprise Resource Planning Software: Subsequent to year end, the Organization entered into a five-year non-cancellable agreement for an enterprise software subscription, licenses, and support totaling approximately $1,650,000. After the initial set up fees paid in 2014, annual payments of $310,000 are due.

Note 9. Retirement Plan

The Organization maintains a defined contribution pension plan (the Plan) under Section 403(b)(7) of the Code. The Organization makes discretionary contributions to the Plan for the benefit of eligible employees in amounts equal to 6% of qualifying compensation during the year ended December 31, 2013. Contributions for not yet vested employees are held by the Plan custodian until they meet the one year service requirement. The Organization contributed $729,075 to the Plan during the year ended December 31, 2013.

Note 10. Related Parties

The Organization has five Partner Offices: IJM Canada, IJM Germany, IJM Netherlands, IJM UK, and IJM Australia (collectively referred to as the Partner Offices). The Partner Offices are independent organizations, governed by independent boards, staffed by national leadership and tied to the Organization through trademark and ministry agreements. The Partner Offices grow the justice movement in their own country and provide resources – including funding, personnel, political influence, media attention, and overall mission strategy – to accomplish the shared mission around the world.

The Organization receives support for operations from the Partner Offices and is also reimbursed for certain expenses by the Partner Offices. The Organization also provides support to the Partner Offices as support for operations. For the year ended December 31, 2013, support received from and provided to the Partner Offices is as follows:

	IJM Canada	IJM UK	IJM Germany	IJM Netherlands	IJM Australia	Total
Support received from Partner Offices:	$ 1,459,733	$ 373,549	$ 55,020	$ 262,370	$ -	$ 2,150,672
Support provided to Partner Offices:	8,329	100,000	215,195	193,100	80,000	596,624
Net support received from (provided to) Partner Offices	$ 1,451,404	$ 273,549	$ (160,175)	$ 69,270	$ (80,000)	$ 1,554,048