



To the Board of Directors of  
Advocates International, Inc.

I have audited the accompanying Statement of Financial Position of Advocates International, Inc. (a nonprofit organization) as of December 31, 2010 and 2009, and the related Statements of Activities and Cash Flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on our audits.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Advocates International, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Functional Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Morrow, PC  
Manassas, VA  
April 29, 2011

**Advocates International, Inc.**  
**Statement of Financial Position**  
**At December 31, 2010 and 2009**

	2010	2009
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 39,573	\$ 87,692
Accounts Receivable	8,751	-
Inventory	2,044	2,044
Grants Receivable	6,290	-
Donor Receivables	-	17,696
Loan Receivables	-	10,875
Prepaid Expenses	-	-
<b>Total Current Assets</b>	<b>56,658</b>	<b>118,307</b>
<b>Property and Equipment</b>		
Real Property	25,850	25,850
Equipment	18,874	18,874
Accumulated Depreciation	(22,026)	(19,352)
<b>Net Property and Equipment</b>	<b>22,698</b>	<b>25,372</b>
<b>Other Assets</b>		
Security Deposits Receivable	-	2,412
<b>Total Other Assets</b>	<b>-</b>	<b>2,412</b>
<b>Total Assets</b>	<b>\$ 79,356</b>	<b>\$ 146,091</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 51,621	\$ 82,099
Loans Payable	5,000	41,845
Compensated Absences Payable	2,201	3,854
Deferred Rent	-	3,800
Line of Credit	39,900	50,052
<b>Total Current Liabilities</b>	<b>98,722</b>	<b>181,650</b>
<b>Total Liabilities</b>	<b>98,722</b>	<b>181,650</b>
<b>Net Assets</b>		
Unrestricted Net Assets	(19,366)	(35,559)
<b>Total Net Assets</b>	<b>(19,366)</b>	<b>(35,559)</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 79,356</b>	<b>\$ 146,091</b>

**See Accountant's Report and Notes to Financial Statements**

**Advocates International, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2010**

	<u>Unrestricted</u>	<u>Total</u>
Revenues, Gains and Other Support		
Contributions	\$ 674,615	\$ 674,615
Convocation Gifts	500	500
Convocation Fees	1,069	1,069
Other Income	3,481	3,481
Total Revenues, Gains and Other Support	<u>679,665</u>	<u>679,665</u>
Expenses		
Program	582,661	582,661
Supporting Services		
General and Administrative	56,709	56,709
Fundraising	24,102	24,102
Total Expenses	<u>663,472</u>	<u>663,472</u>
Changes in Net Assets from Operations	16,193	16,193
Net Assets, Beginning of Year	<u>(35,559)</u>	<u>(35,559)</u>
Net Assets, End of Year	<u><u>\$ (19,366)</u></u>	<u><u>\$ (19,366)</u></u>

**See Accountant's Report and Notes to Financial Statements**

**Advocates International, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2009**

	<u>Unrestricted</u>	<u>Total</u>
Revenues, Gains and Other Support		
Contributions	\$ 801,003	\$ 801,003
Grants	15,000	15,000
Donated Services	473	473
Gifts in Kind	200	200
Convocation Gifts	9,200	9,200
Convocation Fees	5,400	5,400
Other Income	9,322	9,322
Total Revenues, Gains and Other Support	<u>840,598</u>	<u>840,598</u>
Expenses		
Program	670,401	670,401
Supporting Services		
General and Administrative	54,106	54,106
Fundraising	52,498	52,498
Total Expenses	<u>777,005</u>	<u>777,005</u>
Changes in Net Assets from Operations	63,593	63,593
Prior Period Adjustment	(28,745)	(28,745)
Net Assets, Beginning of Year	<u>(70,407)</u>	<u>(70,407)</u>
<b>Net Assets, End of Year</b>	<b><u><u>\$ (35,559)</u></u></b>	<b><u><u>\$ (35,559)</u></u></b>

**See Accountant's Report and Notes to Financial Statements**

**Advocates International, Inc.**  
**Schedule of Functional Expenses**  
**For the Year Ended December 31, 2010**

	<b>Program</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
<b>Functional Expenses</b>				
Advertising and Public Relations	\$ 201	\$ 167	\$ 3,889	\$ 4,257
Bank Charges		1,890		1,890
Conferences	1,387	2,435	2,647	6,469
Convocation	5,740			5,740
Depreciation and Amortization		2,675		2,675
Dues and Fees	1,350	1,234	25	2,609
Gifts In-Kind	250			250
Interest		3,385		3,385
Law of Life Project	18,686			18,686
Licenses and Fees		250	1,559	1,809
International Support	126,672			126,672
Meals and Entertainment	732	467	89	1,288
Miscellaneous	3,350	39	5	3,394
Office Expense	8,719	48,283	435	57,437
Payroll Taxes	15,222	3,849	1,370	20,441
Pension Expense		20,042		20,042
Postage and Shipping	157	4,315	7,737	12,209
Printing and Photocopy	1,074	5,900	489	7,463
Professional Fees	310	19,359	51	19,720
Rent Expense	3,000	23,100		26,100
Repairs and Maintenance		323		323
Salaries and Employee Benefits	212,291	72,985	19,259	304,535
Telephone	15	10,085		10,100
Travel	3,222	1,328	1,428	5,978
Allocation of General and Administrative Expenses	180,283	(165,402)	(14,881)	-
<b>Total Functional Expenses</b>	<b>\$ 582,661</b>	<b>\$ 56,709</b>	<b>\$ 24,102</b>	<b>\$ 663,472</b>

See Accountant's Report and Notes to Financial Statements

**Advocates International, Inc.**  
**Schedule of Functional Expenses**  
**For the Year Ended December 31, 2009**

	<b>Program</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
<b>Functional Expenses</b>				
Advertising and Public Relations	\$ 1,013	\$ 667	\$ 4,840	\$ 6,520
Bank Charges	-	6,616	-	6,616
Conferences	1,920	1,700	-	3,620
Convocation	52,500	-	-	52,500
Depreciation and Amortization	-	4,562	-	4,562
Dues and Fees	1,400	464	-	1,864
Interest	-	2,406	-	2,406
Law of Life Project	64,217	-	-	64,217
Licenses and Fees	-	2,500	2,848	5,348
International Support	124,465	-	-	124,465
Meals and Entertainment	1,027	92	-	1,119
Miscellaneous	4,148	-	-	4,148
Office Expense	1,122	62,080	2,783	65,985
Payroll Taxes	18,267	4,602	1,611	24,480
PRM Project	1,013	-	-	1,013
Pension Expense	-	18,773	-	18,773
Postage and Shipping	51	9,809	16	9,876
Printing and Photocopy	-	4,307	-	4,307
Professional Fees	1,500	9,739	-	11,239
Rent Expense	6,000	47,414	-	53,414
Repairs and Maintenance	-	671	-	671
Salaries and Employee Benefits	162,926	98,258	19,939	281,123
Telephone	-	9,038	-	9,038
Travel	14,069	4,109	1,523	19,701
Allocation of General and Administrative Expenses	214,763	(233,701)	18,938	-
<b>Total Functional Expenses</b>	<b>\$ 670,401</b>	<b>\$ 54,106</b>	<b>\$ 52,498</b>	<b>\$ 777,005</b>

See Accountant's Report and Notes to Financial Statements

**Advocates International, Inc.**  
**Statement of Cash Flows**  
**For the Years December 31, 2010 and 2009**

	2010	2009
Cash flows from operating activities		
Changes in Net Assets	\$ 16,193	\$ 63,593
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and Amortization	2,675	4,562
(Increase) Decrease in other current assets	19,820	64,460
(Increase) Decrease in grants receivable	(6,290)	-
Increase (Decrease) in accounts payable	(30,479)	54,795
Increase (Decrease) in compensated absences	(1,653)	(3,164)
Increase (Decrease) in other current liabilities	(3,800)	(197,340)
Total Adjustments	<u>(17,315)</u>	<u>(76,687)</u>
Net Cash Provided (Used) by Operating Activities	(1,122)	(13,094)
Cash Flows from Investing Activities		
Cash Payments for Purchase of Property	<u>-</u>	<u>(6,779)</u>
Net Cash Provided (Used) by Investing Activities	-	(6,779)
Cash Flows from Financing Activities		
Prior Period Adjustment	-	(28,745)
Disposal of Property and Equipment	-	3,209
Net borrowings on Line of Credit, Notes	<u>(46,997)</u>	<u>90,859</u>
Net Cash Provided (Used) by Financing Activities	(46,997)	65,323
Net Increase (Decrease) in Cash and Equivalents	(48,119)	45,450
Cash and Equivalents, Beginning of Year	<u>87,692</u>	<u>42,242</u>
<b>Cash and Equivalents, End of Year</b>	<b><u>\$ 39,573</u></b>	<b><u>\$ 87,692</u></b>
Interest Paid, Included in Change in Net Assets	\$ 2,485	\$ 1,561

**See Accountant's Report and Notes to Financial Statements**

**Advocates International, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2010 and 2009**

**A. ORGANIZATION**

Advocates International, Inc. (the "Organization") is a not-for-profit organization incorporated in the Commonwealth of Virginia on December 29, 1992. The purpose of the Organization is to globally promote religious freedom, human rights, justice, sanctity of life, protecting the family, peace & reconciliation and the rule of law through an international network of attorneys and skilled laypersons. Regional and national conferences, held in the United States of America and various other countries, help to build this network and related national judicial systems. The Organization works with other international and missions organizations to analyze and solve problems, and gives presentations in the United States of America and other countries, to promote its mission.

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** – The financial statements of the Organization have been prepared on the accrual basis of accounting. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

**Use of Estimates and Assumptions** – Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**Financial Statement Presentation** – The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. As of December 31, 2010 and 2009 the Organization had no temporarily restricted net assets.

**Contributions** – Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any restrictions. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as Net Assets Released from Restrictions.

**Allowances for Doubtful Accounts** – Due to the nature and type of receivables management believes all receivables at December 31, 2010 are collectible; therefore no allowances have been taken.

**Donated Services** – Donated Services are a significant part of the efforts of the Organization and are primarily related to legal services and speaking fees in the United States of America and in other countries. In addition, officers and directors of the Organization provide donated services in addition to their normal duties as officers and directors. Management estimates the fair market value of these services based on the average market value of the services rendered. The global network now informally links over 30,000 lawyers in 150+ nations. Tracking the pro bono donated services by lawyers globally with only a very small staff to do the tracking is no longer feasible.

**Donated Goods and Overseas Expenses** – Donated services and various expenses related to the regional conferences paid by various individuals on behalf of the Organization are a significant part of the efforts of the Organization. There were no donated goods and overseas expenses for the years ended December 31, 2010 and 2009.

**Cash and Cash Equivalents** – For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**Inventory** – Inventory of program supplies consists of educational books, videos and printed information distributed at no cost as a part of the program activities. Inventory is valued at the lower of cost or market. Cost is determined on a first-in, first-out basis.



**Advocates International, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2010 and 2009**

**Property and Equipment** – The Organization capitalizes expenditures with a useful life of greater than one year that exceed \$500. Property and equipment is stated at cost and is depreciated using the straight-line method over an estimated useful life of three to five years for equipment and forty years for real property. The Organization owns an apartment in Ulan Bator, Mongolia that is used by the Rule of Law Institute of Mongolia.

As of December 31, 2010 and 2009, these assets were valued at \$44,724 and \$44,724, respectively. As of December 31, 2010 Depreciation expense for 2010 and 2009 was \$2,675 and \$4,562, respectively.

**Intangible Assets** – Intangible Assets consisted of videos and website development costs. Video costs are amortized over three years using the straight-line method; website development costs are amortized over three or five years using a straight-line method. The useful life of the videos will be assessed annually for impairment. Neither the old website, nor the videos were in use for 2009. They have been removed from assets at year end December 31, 2009.

**Functional Allocation of Expenses** – The Organization's expenses have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the areas benefited.

**Income Taxes** – The Internal Revenue Service has recognized the Organization as a Section 501(c)(3) organization exempt from income tax under Section 501(a) of the Internal Revenue Code and applicable income tax regulations of the Commonwealth of Virginia.

**C. GRANTS AND DONOR RECEIVABLES**

Grants and donor receivables consisted of \$6,290 and \$0 at December 31, 2010, respectively and \$0 and \$17,696 at December 31, 2009, respectively. All grant and donor receivables are generally due in less than one year from year-end. Due to past experience, management feels there is no need to take an allowance against these receivables.

**D. RELATED PARTIES**

The Organization leases office space in Sofia, Bulgaria from a company that the Organization's President owns. The lease terms are month-to-month with no long term commitment. The annual rent for year end December 31, 2010 and 2009 was \$3,000 and \$6,000, respectively, for the Bulgaria office space.

The Organization also leases its office space in Fairfax, VA from a company that the Organization's President owns. The lease terms are for one year, effective November 1, 2009 at a rate of \$1,900 per month and are renewable annually.

**E. LINE OF CREDIT**

The Organization has secured a line of credit from a local bank in the amount of \$50,000 with the President of the Organization and his spouse as sole guarantors for the line of credit. As of December 31, 2010 and 2009 the balance due was \$39,900 and \$50,052, respectively. The line of credit is due on demand and bears interest at a rate of prime plus 2%.

**F. PENSION PLAN**

The Organization contributes to a SEP/IRA plan for all employees who work a minimum of 32 hours per week on a regular basis. Contributions ranged from 0% to 11% of compensation. Pension expenses for the years ended December 31, 2010 and 2009 were \$20,042 and \$18,773, respectively.

**Advocates International, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2010 and 2009**

**G. RENT EXPENSE**

Rent Expense was \$26,100 and \$53,414 for 2010 and 2009, respectively. Deferred rents for 2010 and 2009 were \$0 and \$3,800, respectively.

**H. LEASES**

On September 1, 2005, the Organization entered into a lease agreement for office space at 8001 Braddock Road, Springfield, VA. The term of the lease started September 1, 2005 and was for a period of five years and two months unless sooner terminated or extended. The total amount of office and warehouse space leased in Springfield, VA was 1,755 square feet. Base rent was \$2,926 per month for the first year with annual increases of 3%, based on the previous year's base rent, through the fifth year. The lease was terminated effective October 31, 2009.

The Organization leases office space in Sofia, Bulgaria from a company that the Organization's President owns. The lease terms are month-to-month with no long term commitment. The annual rent for year end December 31, 2010 and 2009 was \$3,000 and \$6,000, respectively, for the Bulgaria office space.

On November 1, 2009, the Organization entered into a lease agreement for office space at 9691-D Main Street, Fairfax, VA 25425. The term of the lease was for one year unless sooner terminated or extended. The total amount of office space leased in Fairfax, VA was 1,000 square feet. Base rent was \$1,900 per month.

On April 16, 2010, the Organization renegotiated the above mentioned lease agreement for office space at 9691-D Main Street, Fairfax, VA 25425. The term of the lease was for one year unless sooner terminated or extended. The total amount of office space leased in Fairfax, VA was 1,000 square feet. Base rent was \$2,500 per month. The lease was subsequently agreed to be reduced to \$1,900 per month. On April 1, 2011, the monthly rent increases to \$2,100 per month through the end of 2011.

The minimum future lease payments are as follows:

<b>Year</b>	<b>Amount</b>
2011	\$ 24,600
<b>Total</b>	<b>\$ 24,600</b>

**I. CONCENTRATIONS**

For the year ended December 31, 2010 16.6% of all grants and contributions was received from one donor.

Grants Receivable is made up of contributions receivable from one donor.

Accounts Receivable is a balance due from one organization.

**J. PRIOR PERIOD ADJUSTMENT**

There was a prior period adjustment for \$28,745 for the year ended December 31, 2009. The adjustment was for 2008 Convocation expenses not accrued at December 31, 2008.

**K. SUBSEQUENT EVENTS**

**Advocates International, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2010 and 2009**

The following subsequent events were evaluated through April 29, 2011, which is the date the financial statements were available to be issued.

On January 21, 2011, the President of the Organization passed away.

On April 1, 2011, the monthly rent for the Fairfax office was increased to \$2,100 per month through the end of 2011.