



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, 2009 and 2008, 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, 2009 and 2008, 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  
August 4, 2010

**Advocates International, Inc.**  
**Statement of Financial Position**  
**At December 31, 2009 and 2008**

	2009	2008
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 87,692	\$ 42,242
Inventory	2,044	-
Donor Receivables	17,696	82,700
Loan Receivables	10,875	12,375
<b>Total Current Assets</b>	<b>118,307</b>	<b>137,317</b>
<b>Property and Equipment</b>		
Real Property	25,850	30,175
Equipment	18,874	27,192
Accumulated Depreciation	(19,352)	(31,003)
<b>Net Property and Equipment</b>	<b>25,372</b>	<b>26,364</b>
<b>Other Assets</b>		
Intangibles, Net of Accumulated Amortization	-	-
Security Deposits Receivable	2,412	2,412
<b>Total Other Assets</b>	<b>2,412</b>	<b>2,412</b>
<b>Total Assets</b>	<b>\$ 146,091</b>	<b>\$ 166,093</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 82,099	\$ 27,304
Loans Payable	41,845	-
Convocation Payable	-	198,000
Compensated Absences Payable	3,854	7,018
Deferred Rent	3,800	3,140
Line of Credit	50,052	1,038
<b>Total Current Liabilities</b>	<b>181,650</b>	<b>236,500</b>
<b>Total Liabilities</b>	<b>181,650</b>	<b>236,500</b>
<b>Net Assets</b>		
Unrestricted Net Assets	(35,559)	(70,407)
<b>Total Net Assets</b>	<b>(35,559)</b>	<b>(70,407)</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 146,091</b>	<b>\$ 166,093</b>

**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>Temporarily Restricted</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>-</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>-</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>-</u>	<u>(70,407)</u>
Net Assets, End of Year	<u>\$ (35,559)</u>	<u>\$ -</u>	<u>\$ (35,559)</u>

See Accountant's Report and Notes to Financial Statements

**Advocates International, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 1,109,737	\$ 250	\$ 1,109,987
Grants	8,000	-	8,000
Donated Services	482,000	-	482,000
Gifts in Kind	19,738	-	19,738
Convocation Gifts	-	6,000	6,000
Convocation Fees	200,934	-	200,934
Other Income	3,385	-	3,385
Total Revenues, Gains and Other Support	<u>1,823,794</u>	<u>6,250</u>	<u>1,830,044</u>
Expenses			
Program	1,963,023	-	1,963,023
Supporting Services			
General and Administrative	132,074	-	132,074
Fundraising	62,734	-	62,734
Total Expenses	<u>2,157,831</u>	<u>-</u>	<u>2,157,831</u>
Changes in Net Assets from Operations	(334,037)	6,250	(327,787)
Prior Period Adjustment	11,434	-	11,434
Net Assets, Beginning of Year	121,946	124,000	245,946
Net Assets Released from Restriction	<u>130,250</u>	<u>(130,250)</u>	<u>-</u>
<b>Net Assets, End of Year</b>	<b><u>\$ (70,407)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (70,407)</u></b>

**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>2009 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.**  
**Schedule of Functional Expenses**  
**For the Year Ended December 31, 2008**

	<b>Program</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>2008 Total</b>
<b>Functional Expenses</b>				
Advertising and Public Relations	\$ -	\$ -	\$ 17,604	\$ 17,604
Bank Charges	-	8,438	-	8,438
Casual Labor	-	4,227	1,106	5,333
Conferences	3,544	443	443	4,430
Convocation	830,586	-	-	830,586
Depreciation and Amortization	5,866	734	734	7,334
Donated Services	482,000	-	-	482,000
Gifts in Kind	14,701	-	-	14,701
Dues and Fees	2,671	334	334	3,339
Interest	-	3,090	-	3,090
Law of Life Project	66,744	-	-	66,744
Licenses and Fees	-	5,730	-	5,730
International Support	194,299	-	-	194,299
Meals and Entertainment	6,271	784	784	7,839
Miscellaneous	2,000	-	1,256	3,256
Office Expense	13,211	22,367	922	36,500
Payroll Taxes	11,905	4,899	1,384	18,188
PRM Project	12,841	-	-	12,841
Pension Expense	7,234	904	904	9,042
Postage and Shipping	10,344	1,293	1,293	12,930
Printing and Photocopy	10,858	1,357	1,357	13,572
Professional Fees	45,282	5,660	5,660	56,602
Program Donations	4,000	-	-	4,000
Rent Expense	34,334	4,292	4,292	42,918
Repairs and Maintenance	-	1,588	-	1,588
Salaries and Employee Benefits	175,304	61,663	20,777	257,744
Telephone	8,302	1,038	1,038	10,378
Travel	20,726	2,587	2,587	25,900
Other	-	646	259	905
<b>Total Functional Expenses</b>	<b>\$ 1,963,023</b>	<b>\$ 132,074</b>	<b>\$ 62,734</b>	<b>\$ 2,157,831</b>

See Accountant's Report and Notes to Financial Statements

**Advocates International, Inc.**  
**Statement of Cash Flows**  
**For the Years December 31, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
Cash flows from operating activities		
Changes in Net Assets	\$ 63,593	\$ (327,787)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and Amortization	4,562	7,332
(Increase) Decrease in other current assets	64,460	1,500
(Increase) Decrease in grants receivable	-	63,038
(Increase) Decrease in prepaid expenses	-	2,200
Increase (Decrease) in accounts payable	54,795	231,538
Increase (Decrease) in compensated absences	(3,164)	3,014
Increase (Decrease) in other current liabilities	(197,340)	(154)
Total Adjustments	<u>(76,687)</u>	<u>308,468</u>
Net Cash Provided (Used) by Operating Activities	(13,094)	(19,319)
Cash Flows from Investing Activities		
Cash Payments for Purchase of Property	<u>(6,779)</u>	<u>(3,933)</u>
Net Cash Provided (Used) by Investing Activities	(6,779)	(3,933)
Cash Flows from Financing Activities		
Prior Period Adjustment	(28,745)	11,434
Disposal of Property and Equipment	3,209	-
Net borrowings on Line of Credit, Notes	<u>90,859</u>	<u>1,938</u>
Net Cash Provided (Used) by Financing Activities	65,323	13,372
Net Increase (Decrease) in Cash and Equivalents	45,450	(9,880)
Cash and Equivalents, Beginning of Year	<u>42,242</u>	<u>52,122</u>
<b>Cash and Equivalents, End of Year</b>	<b><u>\$ 87,692</u></b>	<b><u>\$ 42,242</u></b>
Interest Paid, Included in Change in Net Assets	1,561	\$ 3,090

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

**Advocates International, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2009 and 2008**

**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, 2009 and 2008 the Organization 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, 2009 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. The only Donated Services reported in 2008 were those of the Board of Directors and some US-based volunteers. Donated Services were estimated at \$482,000 for the year ended December 31, 2008.

**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. Donated goods and overseas expenses totaled \$0 and \$14,701 for the years ended December 31, 2009 and 2008, respectively.

**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.



**Advocates International, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2009 and 2008**

**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.

**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, 2009 and 2008, these assets were valued at \$44,724 and \$57,367, respectively. As of December 31, 2009 Depreciation expense for 2009 and 2008 was \$4,562 and \$5,386, 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 this year.

As of December 31, 2009 and 2008, these assets were valued at \$0 and \$246,702, respectively. As of December 31, 2009 Amortization expense for 2009 and 2008 was \$0 and \$1,946, respectively while accumulated amortization was \$0 and \$246,702, respectively.

**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 \$0 and \$17,696 at December 31, 2009, respectively and \$0 and \$82,700 at December 31, 2008, 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 is \$6,000 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.

**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, 2009 and 2008 the balance due was \$50,052 and \$1,038, respectively. The line of credit is due on demand and bears interest at a rate of prime plus 2%.

**F. PENSION PLAN**

**Advocates International, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2009 and 2008**

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. The President did not take a pension contribution in 2008. Pension expenses for the years ended December 31, 2009 and 2008 were \$18,773 and \$9,043, respectively.

**G. RENT EXPENSE**

Rent Expense was \$53,414 and \$48,918 for 2009 and 2008, respectively. Deferred rents for 2009 and 2008 were \$3,800 and \$3,140, 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 is \$6,000 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 minimum future lease payments are as follows:

Year	Amount
2010	\$ 27,900
2011	\$ 8,750
Total	\$ 36,650

**I. CONCENTRATIONS**

For the year ended December 31, 2009 11.3% of all grants and contributions was received from one donor.

Donor receivables are made up of contributions receivable from two donors representing 50% and 50%, respectively, of total donor receivables.

**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.

**Advocates International, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2009 and 2008**

There was a prior period adjustment for \$11,434 for the year ended December 31, 2008. The adjustment was for a reclassification of inventory that should have been expensed.

**K. SUBSEQUENT EVENTS**

The following subsequent events were evaluated through August 8, 2010, which is the date the financial statements were available to be issued.

The line of credit described in Note E above was paid in full January 2010.

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.