



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, 2011 and 2010, 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, 2011 and 2010, 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
July 24, 2012

Advocates International, Inc.
Statement of Financial Position
At December 31, 2011 and 2010

	2011	2010
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 30,438	\$ 39,573
Accounts Receivable	-	8,751
Inventory	2,044	2,044
Grants Receivable	19,000	6,290
Prepaid Expenses	8,417	-
Total Current Assets	59,899	56,658
Property and Equipment		
Real Property	25,850	25,850
Equipment	20,665	18,874
Accumulated Depreciation	(25,014)	(22,026)
Net Property and Equipment	21,501	22,698
Total Assets	\$ 81,400	\$ 79,356
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 16,876	\$ 51,621
Loans Payable	-	5,000
Compensated Absences Payable	787	2,201
Line of Credit	-	39,900
Total Current Liabilities	17,663	98,722
Total Liabilities	17,663	98,722
Net Assets		
Unrestricted Net Assets	63,737	(19,366)
Total Net Assets	63,737	(19,366)
Total Liabilities and Net Assets	\$ 81,400	\$ 79,356

See Accountant's Report and Notes to Financial Statements

Advocates International, Inc.
Statement of Activities
For the Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Total</u>
Revenues, Gains and Other Support		
Contributions	\$ 440,820	\$ 440,820
Grants	25,950	25,950
Other Income	2,755	2,755
Total Revenues, Gains and Other Support	<u>469,525</u>	<u>469,525</u>
Expenses		
Program	323,541	323,541
Supporting Services		
General and Administrative	27,249	27,249
Fundraising	35,632	35,632
Total Expenses	<u>386,422</u>	<u>386,422</u>
Changes in Net Assets from Operations	83,103	83,103
Net Assets, Beginning of Year	<u>(19,366)</u>	<u>(19,366)</u>
Net Assets, End of Year	<u><u>\$ 63,737</u></u>	<u><u>\$ 63,737</u></u>

See Accountant's Report and Notes to Financial Statements

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

	Unrestricted	Total
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	679,665	679,665
Expenses		
Program	582,661	582,661
Supporting Services		
General and Administrative	56,709	56,709
Fundraising	24,102	24,102
Total Expenses	663,472	663,472
Changes in Net Assets from Operations	16,193	16,193
Net Assets, Beginning of Year	(35,559)	(35,559)
Net Assets, End of Year	\$ (19,366)	\$ (19,366)

See Accountant's Report and Notes to Financial Statements

Advocates International, Inc.
Schedule of Functional Expenses
For the Year Ended December 31, 2011

	Program	General and Administrative	Fundraising	Total
Functional Expenses				
Bank Charges	\$ -	\$ 828	\$ -	\$ 828
Conferences	-	140	412	552
Depreciation and Amortization	-	2,988	-	2,988
Dues and Fees	2,251	433	83	2,767
Interest	-	1,135	-	1,135
Law of Life Project	3,674	-	-	3,674
Licenses and Fees	-	55	2,525	2,580
International Support	48,709	-	-	48,709
Meals and Entertainment	170	-	84	254
Miscellaneous	773	43	-	816
Office Expense	35	24,342	3,825	28,202
Payroll Taxes	11,565	2,803	761	15,129
Pension Expense	2,456	4,094	1,638	8,188
Postage and Shipping	48	2,557	5,970	8,575
Printing and Photocopy	260	1,120	35	1,415
Professional Fees	-	11,780	1,456	13,236
Rent Expense	-	24,600	-	24,600
Repairs and Maintenance	-	249	-	249
Salaries and Employee Benefits	142,324	57,722	9,205	209,251
Telephone	229	3,284	573	4,086
Travel	6,942	30	2,216	9,188
Allocation of General and Administrative Expenses	104,105	(110,954)	6,849	-
Total Functional Expenses	\$ 323,541	\$ 27,249	\$ 35,632	\$ 386,422

See Accountant's Report and Notes to Financial Statements

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

	Program	General and Administrative	Fundraising	Total
Functional Expenses				
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)	-
Total Functional Expenses	\$ 582,661	\$ 56,709	\$ 24,102	\$ 663,472

See Accountant's Report and Notes to Financial Statements

Advocates International, Inc.
Statement of Cash Flows
For the Years December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Changes in Net Assets	\$ 83,103	\$ 16,193
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and Amortization	2,988	2,675
(Increase) Decrease in other current assets	8,751	19,820
(Increase) Decrease in grants receivable	(12,710)	(6,290)
(Increase) Decrease in prepaid expenses	(8,417)	-
(Increase) Decrease in other assets	-	2,412
Increase (Decrease) in accounts payable	(34,745)	(30,479)
Increase (Decrease) in compensated absences	(1,414)	(1,653)
Increase (Decrease) in other current liabilities	-	(3,800)
Total Adjustments	<u>(45,547)</u>	<u>(17,315)</u>
Net Cash Provided (Used) by Operating Activities	37,556	(1,122)
Cash Flows from Investing Activities		
Cash Payments for Purchase of Property	<u>(1,791)</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	(1,791)	-
Cash Flows from Financing Activities		
Net borrowings on Line of Credit, Notes	<u>(44,900)</u>	<u>(46,997)</u>
Net Cash Provided (Used) by Financing Activities	(44,900)	(46,997)
Net Increase (Decrease) in Cash and Equivalents	(9,135)	(48,119)
Cash and Equivalents, Beginning of Year	<u>39,573</u>	<u>87,692</u>
Cash and Equivalents, End of Year	<u><u>\$ 30,438</u></u>	<u><u>\$ 39,573</u></u>
Interest Paid, Included in Change in Net Assets	\$ 1,135	\$ 2,485

See Accountant's Report and Notes to Financial Statements

Advocates International, Inc.
Notes to the Financial Statements
December 31, 2011 and 2010

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, 2011 and 2010 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, 2011 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, 2011 and 2010.

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, 2011 and 2010

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, 2011 and 2010, these assets were valued at \$44,724 and \$44,724, respectively. As of December 31, 2011 Depreciation expense for 2011 and 2010 was \$2,988 and \$2,675, 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.

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 Receivable consisted of \$19,000 and \$6,290 at December 31, 2011 and 2010, respectively. All grant 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 late President owned. The lease terms are month-to-month with no long term commitment. The annual rent for year end December 31, 2011 and 2010 was \$0 and \$3,000, respectively, for the Bulgaria office space.

The Organization also leases its office space in Fairfax, VA from a company that the Organization’s late President owned. The lease terms are for one year at a rate of \$2,100 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 late President of the Organization and his spouse as sole guarantors for the line of credit. As of December 31, 2011 and 2010 the balance due was \$0 and \$39,900, 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, 2011 and 2010 were \$8,188 and \$20,042, respectively.

G. RENT EXPENSE

Rent Expense was \$24,600 and \$26,100 for 2011 and 2010, respectively.

Advocates International, Inc.
Notes to the Financial Statements
December 31, 2011 and 2010

H. LEASES

The Organization leases office space in Sofia, Bulgaria from a company that the Organization's late President owned. The lease terms are month-to-month with no long term commitment. The annual rent for year end December 31, 2011 and 2010 was \$0 and \$3,000, respectively, for the Bulgaria office space.

On April 16, 2010, the Organization renegotiated the November 1, 2009 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 and is month to month thereafter.

I. CONCENTRATIONS

For the year ended December 31, 2011 13.4% of all grants and contributions was received from two donors. Grants Receivable is made up of contributions receivable from one donor.

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. SUBSEQUENT EVENTS

The following subsequent events were evaluated through July 24, 2012, which is the date the financial statements were available to be issued.