



To the Board of Directors of  
Advocates International, Inc.

I have audited the accompanying financial statements of Advocates International, Inc. (a nonprofit organization), which comprise the Statements of Financial Position as of December 31, 2013 and 2012, and the related statements of Activities and Cash Flows for the years 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**

My responsibility is to express an opinion on these financial statements based on my audit. 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page YY is presented for purposes of additional analysis and is 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Morrow, PC  
Manassas, VA  
March 11, 2014

**Advocates International, Inc.**  
**Statement of Financial Position**  
**At December 31, 2013 and 2012**

	2013	2012
<b>Assets</b>		
Current Assets		
Cash and Cash Equivalents	\$ 141,317	\$ 114,943
Inventory	2,044	2,044
Prepaid Expenses	-	14,031
Total Current Assets	143,361	131,018
Property and Equipment		
Real Property	20,000	25,850
Equipment	32,855	20,665
Accumulated Depreciation	(28,405)	(28,015)
Net Property and Equipment	24,450	18,500
<b>Total Assets</b>	<b>\$ 167,811</b>	<b>\$ 149,518</b>
 <b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 19,573	\$ 6,340
Current Portion of Long Term Debt	2,252	-
Compensated Absences Payable	-	815
Deferred Support	-	5,475
Total Current Liabilities	21,825	12,630
Long Term Debt	7,847	-
Total Liabilities	29,672	12,630
Net Assets		
Unrestricted Net Assets	77,249	125,068
Temporarily Restricted Net Assets	60,890	11,820
Total Net Assets	138,139	136,888
<b>Total Liabilities and Net Assets</b>	<b>\$ 167,811</b>	<b>\$ 149,518</b>

See Accountant's Report and Notes to Financial Statements

**Advocates International, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 260,050	\$ 55,700	\$ 315,750
Grants	5,000	-	5,000
Convocation Fees	33,407	-	33,407
Other Income (Expense)	<u>(1,450)</u>	<u>-</u>	<u>(1,450)</u>
Total Revenues, Gains and Other Support	297,007	55,700	352,707
Expenses			
Program	317,575	6,630	324,205
Supporting Services			
General and Administrative	2,199	-	2,199
Fundraising	<u>25,052</u>	<u>-</u>	<u>25,052</u>
Total Expenses	344,826	6,630	351,456
Changes in Net Assets from Operations	(47,819)	49,070	1,251
Net Assets, Beginning of Year	<u>125,068</u>	<u>11,820</u>	<u>136,888</u>
Net Assets, End of Year	<u>\$ 77,249</u>	<u>\$ 60,890</u>	<u>\$ 138,139</u>

See Accountant's Report and Notes to Financial Statements

**Advocates International, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 363,194	\$ 11,820	\$ 375,014
Convocation Fees	1,800	-	1,800
Other Income	4,193	-	4,193
Total Revenues, Gains and Other Support	<u>369,187</u>	<u>11,820</u>	<u>381,007</u>
Expenses			
Program	262,825	-	262,825
Supporting Services			
General and Administrative	2,353	-	2,353
Fundraising	23,678	-	23,678
Total Expenses	<u>288,856</u>	<u>-</u>	<u>288,856</u>
Changes in Net Assets from Operations	80,331	11,820	92,151
Prior Period Adjustment	(19,000)	-	(19,000)
Net Assets, Beginning of Year	<u>63,737</u>	<u>-</u>	<u>63,737</u>
Net Assets, End of Year	<u>\$ 125,068</u>	<u>\$ 11,820</u>	<u>\$ 136,888</u>

See Accountant's Report and Notes to Financial Statements

**Advocates International, Inc.**  
**Schedule of Functional Expenses**  
**For the Year Ended December 31, 2013**

	<b>Program</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Functional Expenses				
Conferences	\$ 49,457	\$ -	\$ 109	49,566
Convocation	12,904			12,904
Depreciation and Amortization	-	4,467	-	4,467
Dues and Fees	1,000	450	-	1,450
Interest	-	1,573	-	1,573
Law of Life Project	19	-	-	19
Licenses and Fees	-	726	1,493	2,219
International Support	31,357	-	-	31,357
Meals and Entertainment	5	-	-	5
Miscellaneous	1,351	-	-	1,351
Office Expense	499	25,808	3,072	29,379
Payroll Taxes	10,983	341	596	11,920
Pension Expense	-	4,409	-	4,409
Postage and Shipping	-	21	8,278	8,299
Printing and Photocopy	-	154	-	154
Professional Fees	-	4,605	-	4,605
Rent Expense	-	15,600	-	15,600
Salaries and Employee Benefits	141,289	16,727	7,664	165,680
Telephone	174	1,925	-	2,099
Travel	4,400	-	-	4,400
Allocation of General and Administrative Expenses	70,767	(74,607)	3,840	-
<b>Total Functional Expenses</b>	<b>\$ 324,205</b>	<b>\$ 2,199</b>	<b>\$ 25,052</b>	<b>\$ 351,456</b>

See Accountant's Report and Notes to Financial Statements

**Advocates International, Inc.**  
**Schedule of Functional Expenses**  
**For the Year Ended December 31, 2012**

	<b>Program</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
<b>Functional Expenses</b>				
Advertising and Public Relations	\$ 1,226	\$ -	\$ 243	\$ 1,469
Conferences	400	-	108	508
Depreciation and Amortization	-	3,001	-	3,001
Dues and Fees	1,450	-	50	1,500
Interest	-	282	-	282
Licenses and Fees	-	-	1,369	1,369
International Support	28,913	-	-	28,913
Meals and Entertainment	159	-	17	176
Miscellaneous	975	11	-	986
Office Expense	702	23,101	2,162	25,965
Payroll Taxes	10,147	328	551	11,026
Pension Expense	1,272	2,120	848	4,240
Postage and Shipping	-	273	6,632	6,905
Printing and Photocopy	-	688	-	688
Professional Fees	2,023	4,525	-	6,548
Rent Expense	-	25,200	-	25,200
Salaries and Employee Benefits	131,064	16,561	7,121	154,746
Telephone	144	2,915	-	3,059
Travel	11,648	-	627	12,275
Allocation of General and Administrative Expenses	72,702	(76,652)	3,950	-
<b>Total Functional Expenses</b>	<b>\$ 262,825</b>	<b>\$ 2,353</b>	<b>\$ 23,678</b>	<b>\$ 288,856</b>

See Accountant's Report and Notes to Financial Statements

**Advocates International, Inc.**  
**Statement of Cash Flows**  
**For the Years December 31, 2013 and 2012**

	2013	2012
Cash flows from operating activities		
Changes in Net Assets	\$ 1,251	\$ 92,151
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and Amortization	4,467	3,001
(Increase) Decrease in grants receivable	-	19,000
(Increase) Decrease in prepaid expenses	14,031	(5,614)
Increase (Decrease) in accounts payable	13,233	(10,536)
Increase (Decrease) in compensated absences	(815)	28
Increase (Decrease) in other current liabilities	(5,475)	5,475
Total Adjustments	<u>25,441</u>	<u>11,354</u>
Net Cash Provided (Used) by Operating Activities	26,692	103,505
Cash Flows from Investing Activities		
Cash Payments for Purchase of Property	<u>(12,190)</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	(12,190)	-
Cash Flows from Financing Activities		
Prior Period Adjustment	-	(19,000)
Disposal of Property and Equipment	1,773	-
Net borrowings on Line of Credit, Notes	<u>10,099</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	11,872	(19,000)
Net Increase (Decrease) in Cash and Equivalents	26,374	84,505
Cash and Equivalents, Beginning of Year	<u>114,943</u>	<u>30,438</u>
<b>Cash and Equivalents, End of Year</b>	<b><u>\$ 141,317</u></b>	<b><u>\$ 114,943</u></b>
Interest Paid, Included in Change in Net Assets	\$ 1,573	\$ 282

See Accountant's Report and Notes to Financial Statements

**Advocates International, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2013 and 2012**

**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, 2013 and 2012 the Organization had \$60,890 and \$11,820 temporarily restricted net assets, respectively.

**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.

**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.

**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.

**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.



**Advocates International, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2013 and 2012**

As of December 31, 2013 and 2012, these assets were valued at \$52,855 and \$46,515, respectively. Depreciation expense for 2013 and 2012 was \$4,467 and \$3,001, 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. RELATED PARTIES**

The Organization leased its office space in Fairfax, VA from a company that the Organization’s late President owned. The lease terms are month-to-month at a rate of \$2,100 per month. This lease ended April 30, 2013.

**D. 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, 2013 and 2012 were \$4,409 and \$4,240, respectively.

**E. LEASES**

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. This lease ended April 30, 2013.

On March 25, 2013 the Organization entered into a new lease agreement, effective May 1, 2013, for office space on the 2<sup>nd</sup> Floor at 2920 King Street, Alexandria, VA. The term is two years. The monthly rent is \$800 and includes all utilities and real estate taxes. There is no escalation of the rental rate in year 2 of the lease.

The future minimum lease payments for this lease are:

Year	Amount
2014	\$ 9,600
2015	\$ 3,200
Total	\$ 12,800

Rent Expense was \$15,600 and \$25,200 for 2013 and 2012, respectively.

**F. CONCENTRATIONS**

For the year ended December 31, 2013 31.1% of all grants and contributions was received from the top five contributors, with 15.6% coming from one contributor.

**Advocates International, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2013 and 2012**

For the year ended December 31, 2012: 37.4% of all grants and contributions was received from 2.6% of contributors, with 12% coming from top two contributors.

**G. CAPITAL LEASES**

Long Term Debt consists of a leased copier COSTING \$12,190 financed by the Organization over 60 Months, first payment due in January 2013, at an imputed interest rate of 7.42% with monthly payments of \$243.80.

<b>Year</b>	<b>Amount</b>
2014	\$ 2,926
2015	\$ 2,926
2016	\$ 2,926
2017	\$ 2,926
<b>Total</b>	<b>\$ 11,702</b>

**H. PRIOR PERIOD ADJUSTMENT**

The prior period adjustment of \$19,000 was a grant for a program that originated with the Organization. This program was moved to another Organization when an employee left this Organization end of 2011. The program went with the former employee during 2012. The grant was no longer receivable. Since it originated in 2011 it has been identified as a prior period adjustment.

**I. SUBSEQUENT EVENTS**

The following subsequent events were evaluated through March 11, 2014 which is the date the financial statements were available to be issued.