



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, 2014 and 2013, 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, 2014 and 2013, 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 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  
February 27, 2015

**Advocates International, Inc.**  
**Statement of Financial Position**  
**At December 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Current Assets		
Cash and Cash Equivalents	\$ 136,951	\$ 141,317
Inventory	2,044	2,044
Total Current Assets	138,995	143,361
Property and Equipment		
Real Property	20,000	20,000
Equipment	32,855	32,855
Accumulated Depreciation	(31,886)	(28,405)
Net Property and Equipment	20,969	24,450
<b>Total Assets</b>	<b>\$ 159,964</b>	<b>\$ 167,811</b>
 <b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ -	\$ 19,573
Current Portion of Long Term Debt	2,425	2,252
Total Current Liabilities	2,425	21,825
Long Term Debt	5,422	7,847
Total Liabilities	7,847	29,672
Net Assets		
Unrestricted Net Assets	73,408	77,249
Temporarily Restricted Net Assets	78,709	60,890
Total Net Assets	152,117	138,139
<b>Total Liabilities and Net Assets</b>	<b>\$ 159,964</b>	<b>\$ 167,811</b>

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

**Advocates International, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 237,304	\$ 58,500	\$ 295,804
Convocation Fees	1,259	-	1,259
Other Income (Expense)	495	-	495
Total Revenues, Gains and Other Support	<u>239,058</u>	<u>58,500</u>	<u>297,558</u>
Expenses			
Program	222,072	40,681	262,753
Supporting Services			
General and Administrative	858	-	858
Fundraising	19,969	-	19,969
Total Expenses	<u>242,899</u>	<u>40,681</u>	<u>283,580</u>
Changes in Net Assets from Operations	(3,841)	17,819	13,978
Prior Period Adjustment	-	-	-
Net Assets, Beginning of Year	<u>77,249</u>	<u>60,890</u>	<u>138,139</u>
<b>Net Assets, End of Year</b>	<b><u><u>\$ 73,408</u></u></b>	<b><u><u>\$ 78,709</u></u></b>	<b><u><u>\$ 152,117</u></u></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)	(1,450)	-	(1,450)
Total Revenues, Gains and Other Support	<u>297,007</u>	<u>55,700</u>	<u>352,707</u>
Expenses			
Program	317,575	6,630	324,205
Supporting Services			
General and Administrative	2,199	-	2,199
Fundraising	25,052	-	25,052
Total Expenses	<u>344,826</u>	<u>6,630</u>	<u>351,456</u>
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>
<b>Net Assets, End of Year</b>	<b><u><u>\$ 77,249</u></u></b>	<b><u><u>\$ 60,890</u></u></b>	<b><u><u>\$ 138,139</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, 2014**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Functional Expenses				
Bank Charges	\$ -	\$ 7	\$ -	\$ 7
Conferences	1,718	128	31	1,877
Convocation	25,361	-	-	25,361
Depreciation and Amortization	-	3,481	-	3,481
Dues and Fees	7	25	-	32
Interest	-	450	-	450
Licenses and Fees	-	-	2,026	2,026
International Support	33,451	-	-	33,451
Meals and Entertainment	238	-	-	238
Miscellaneous	2,413	-	-	2,413
Office Expense	750	20,811	3,199	24,760
Payroll Taxes	9,437	162	505	10,104
Postage and Shipping	31	18	4,981	5,030
Professional Fees	2,176	4,950	-	7,126
Rent Expense	-	8,800	-	8,800
Salaries and Employee Benefits	122,346	13,815	6,550	142,711
Telephone	65	894	-	959
Travel	14,754	-	-	14,754
Allocation of General and Administrative Expenses	50,006	(52,683)	2,677	-
<b>Total Functional Expenses</b>	<b><u>\$ 262,753</u></b>	<b><u>\$ 858</u></b>	<b><u>\$ 19,969</u></b>	<b><u>\$ 283,580</u></b>

**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>

**Advocates International, Inc.**  
**Statement of Cash Flows**  
**For the Years December 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
Cash flows from operating activities		
Changes in Net Assets	\$ 13,978	\$ 1,251
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and Amortization	3,481	4,467
(Increase) Decrease in prepaid expenses	-	14,031
Increase (Decrease) in accounts payable	(19,573)	13,233
Increase (Decrease) in compensated absences	-	(815)
Increase (Decrease) in other current liabilities	-	(5,475)
Total Adjustments	(16,092)	25,441
Net Cash Provided (Used) by Operating Activities	(2,114)	26,692
Cash Flows from Investing Activities		
Cash Payments for Purchase of Property	-	(12,190)
Net Cash Provided (Used) by Investing Activities	-	(12,190)
Cash Flows from Financing Activities		
Disposal of Property and Equipment	-	1,773
Net borrowings on Line of Credit, Notes	(2,252)	10,099
Net Cash Provided (Used) by Financing Activities	(2,252)	11,872
Net Increase (Decrease) in Cash and Equivalents	(4,366)	26,374
Cash and Equivalents, Beginning of Year	141,317	114,943
<b>Cash and Equivalents, End of Year</b>	<b>\$ 136,951</b>	<b>\$ 141,317</b>
Interest Paid, Included in Change in Net Assets	\$ 450	\$ 1,573

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

**Advocates International, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2014 and 2013**

**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, 2014 and 2013 the Organization had \$78,709 and \$60,890 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, 2014 and 2013**

As of December 31, 2014 and 2013, these assets were valued at \$52,855 and \$52,855, respectively. Depreciation expense for 2014 and 2013 was \$3,481 and \$4,467, 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, 2014 and 2013 were \$0 and \$4,409, 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:

<b>Year</b>	<b>Amount</b>
2015	\$ 3,200
<b>Total</b>	<b>\$ 3,200</b>

Rent Expense was \$8,800 and \$15,600 for 2014 and 2013, respectively.

**F. CONCENTRATIONS**

For the year ended December 31, 2014, the organization received 29.9% of all grants and contributions from the top five contributors, with 19.3% coming from one contributor.

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

**Advocates International, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2014 and 2013**

**G. CAPITAL LEASES**

Long Term Debt consists of a leased copier costing \$12,190 financed by the Organization over 60 months, with the first payment due in January 2013, at an imputed interest rate of 7.42% and monthly payments of \$243.80. Future minimum lease payments for the next five years are as follows:

<b>Year</b>	<b>Amount</b>
2015	\$ 2,926
2016	\$ 2,926
2017	\$ 2,926
<b>Total</b>	<b>\$ 8,777</b>

**H. SUBSEQUENT EVENTS**

The following subsequent events were evaluated through February 27, 2015 which is the date the financial statements were available to be issued.