



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Advocates International, Inc.

We have audited the accompanying financial statements of Advocates International, Inc. (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2016 and 2015, 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Advocates International, Inc. as of December 31, 2016 and 2015, 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.



Report on Supplementary Information

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
May 5, 2017

Advocates International, Inc.
Statement of Financial Position
At December 31, 2016 and 2015

	2016	2015
Assets		
Current Assets		
Cash	\$ 149,746	\$ 268,532
Investments	150,665	-
Prepaid Expenses	2,700	2,700
Total Current Assets	303,111	271,232
Property and Equipment		
Real Property	-	20,000
Equipment	19,395	19,395
Accumulated Depreciation	(14,303)	(18,283)
Net Property and Equipment	5,092	21,112
Total Assets	\$ 308,203	\$ 292,344
Liabilities and Net Assets		
Current Liabilities		
Current Portion of Long Term Debt	\$ 2,811	\$ 2,611
Total Current Liabilities	2,811	2,611
Long Term Debt	-	2,811
Total Liabilities	2,811	5,422
Net Assets		
Unrestricted Net Assets	38,368	34,502
Temporarily Restricted Net Assets	267,024	252,420
Total Net Assets	305,392	286,922
Total Liabilities and Net Assets	\$ 308,203	\$ 292,344

See Notes to Financial Statements

Advocates International, Inc.
Statement of Activities
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 261,569	\$ 76,119	\$ 337,688
Holding Gain(Loss) on Investments	(117)	-	(117)
Other Income (Expense)	<u>(10,171)</u>	<u>-</u>	<u>(10,171)</u>
Total Revenues, Gains and Other Support	251,281	76,119	327,400
Expenses			
Program	269,571	-	269,571
Supporting Services			
General and Administrative	869	-	869
Fundraising	<u>39,228</u>	<u>-</u>	<u>39,228</u>
Total Expenses	309,668	-	309,668
Other Income (Expense)			
Interest Income	<u>738</u>	<u>-</u>	<u>738</u>
Total Other Income (Expense)	<u>738</u>	<u>-</u>	<u>738</u>
Changes in Net Assets from Operations	(57,649)	76,119	18,470
Net Assets, Beginning of Year	<u>34,502</u>	<u>252,420</u>	<u>286,922</u>
Net Assets Released from Restriction	<u>61,515</u>	<u>(61,515)</u>	<u>-</u>
Net Assets, End of Year	<u><u>\$ 38,368</u></u>	<u><u>\$ 267,024</u></u>	<u><u>\$ 305,392</u></u>

See Notes to Financial Statements

Advocates International, Inc.
Statement of Activities
For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Contributions	\$ 221,247	\$ 178,909	\$ 400,156
Other Income (Expense)	1,889	-	1,889
Total Revenues, Gains and Other Support	223,136	178,909	402,045
Expenses			
Program	244,212	-	244,212
Supporting Services			
General and Administrative	785	-	785
Fundraising	22,308	-	22,308
Total Expenses	267,305	-	267,305
Other Income (Expense)			
Interest Income	65	-	65
Total Other Income (Expense)	65	-	65
Changes in Net Assets from Operations	(44,104)	178,909	134,805
Net Assets, Beginning of Year	73,408	78,709	152,117
Net Assets Released from Restriction	5,198	(5,198)	-
Net Assets, End of Year	\$ 34,502	\$ 252,420	\$ 286,922

See Notes to Financial Statements

Advocates International, Inc.
Schedule of Functional Expenses
For the Year Ended December 31, 2016

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Functional Expenses				
Advertising and Public Relations	\$ -	\$ 2,464	\$ 15,440	\$ 17,904
Bank Charges	-	483	-	483
Conferences	4,419	-	-	4,419
Convocation	4,691	-	-	4,691
Depreciation and Amortization	-	3,300	-	3,300
Dues and Fees	-	450	750	1,200
Law of Life Project	2,767	-	-	2,767
Licenses and Fees	-	54	1,407	1,461
International Support	52,188	-	-	52,188
Meals and Entertainment	174	-	232	406
Miscellaneous	947	-	-	947
Office Expense	7,108	19,336	3,990	30,434
Payroll Taxes	9,308	149	498	9,955
Postage and Shipping	8	4	7,495	7,507
Printing and Photocopy	340	-	29	369
Professional Fees	-	5,400	-	5,400
Rent Expense	-	9,608	-	9,608
Repairs and Maintenance	-	250	-	250
Salaries and Employee Benefits	120,917	14,791	6,466	142,174
Telephone	113	1,722	-	1,835
Travel	12,170	189	11	12,370
Allocation of General and Administrative Expenses	54,421	(57,331)	2,910	-
Total Functional Expenses	\$ 269,571	\$ 869	\$ 39,228	\$ 309,668

See Notes to Financial Statements

Advocates International, Inc.
Schedule of Functional Expenses
For the Year Ended December 31, 2015

	Program	General and Administrative	Fundraising	Total
Functional Expenses				
Bank Charges	\$ -	\$ 445	\$ -	\$ 445
Conferences	19,992	-	294	20,286
Convocation	4,998	-	-	4,998
Depreciation and Amortization	-	3,918	-	3,918
Dues and Fees	-	450	-	450
Gifts In-Kind	-	-	5	5
Interest	-	39	-	39
Law of Life Project	655	-	-	655
Licenses and Fees	-	-	1,507	1,507
International Support	17,192	-	-	17,192
Meals and Entertainment	164	-	150	314
Miscellaneous	4,308	-	-	4,308
Office Expense	2,534	19,096	2,899	24,529
Payroll Taxes	9,276	144	496	9,916
Postage and Shipping	6	8	7,821	7,835
Professional Fees	-	4,950	-	4,950
Rent Expense	-	9,600	-	9,600
Salaries and Employee Benefits	120,390	14,198	6,435	141,023
Telephone	165	1,173	-	1,338
Travel	13,997	-	-	13,997
Allocation of General and Administrative Expenses	50,535	(53,236)	2,701	-
Total Functional Expenses	\$ 244,212	\$ 785	\$ 22,308	\$ 267,305

See Notes to Financial Statements

Advocates International, Inc.
Statement of Cash Flows
For the Years December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Changes in Net Assets	\$ 18,470	\$ 134,805
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and Amortization	3,300	3,918
(Increase) Decrease in other current assets	-	2,044
(Increase) Decrease in prepaid expenses	-	(2,700)
Total Adjustments	<u>3,300</u>	<u>3,262</u>
Net Cash Provided (Used) by Operating Activities	21,770	138,067
Cash Flows from Investing Activities		
Cash Payments for Purchase of Property	-	(4,094)
Cash Purchase on Investments	<u>(150,665)</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	(150,665)	(4,094)
Cash Flows from Financing Activities		
Disposal of Property and Equipment	12,720	33
Principle payments on long term debt	<u>(2,611)</u>	<u>(2,425)</u>
Net Cash Provided (Used) by Financing Activities	<u>10,109</u>	<u>(2,392)</u>
Net Increase (Decrease) in Cash and Equivalents	(118,786)	131,581
Cash and Equivalents, Beginning of Year	<u>268,532</u>	<u>136,951</u>
Cash and Equivalents, End of Year	<u>\$ 149,746</u>	<u>\$ 268,532</u>
Interest Paid, Included in Change in Net Assets	\$ -	\$ 39

See Notes to Financial Statements

Advocates International, Inc.
Notes to the Financial Statements
December 31, 2016 and 2015

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 US GAAP framework of accounting using accrual methods of measurement. Under this method, 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, 2016 and 2015 the Organization had \$267,024 and \$252,420 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.

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.

The board authorized the donation of the Mongolia Property on April 24, 2015. On January 22, 2016 the donation of the property was completed.

Advocates International, Inc.
Notes to the Financial Statements
December 31, 2016 and 2015

As of December 31, 2016 and 2015, these assets were valued at \$19,395 and \$39,395, respectively. Depreciation expense for 2016 and 2015 was \$3,300 and \$3,918, 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. 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, 2016 and 2015 were \$0 and \$0, respectively.

D. LEASES

On March 25, 2013 the Organization entered into a new lease agreement, effective May 1, 2013, for office space on the 2nd Floor at 2920 King Street, Alexandria, VA. The term was two years. The lease has been renewed every two years since inception. The monthly rent is \$800 and includes all utilities and real estate taxes.

Rent Expense for the space was \$9,600 and \$9,600 for 2016 and 2015, respectively.

E. CONCENTRATIONS OF RISK

For the year ended December 31, 2016, the Organization received all restricted contributions from one source and 17.6% of all grants and contributions from the top five contributors.

For the year ended December 31, 2015, the Organization received all restricted contributions from one source and 21.9% of all grants and contributions from the top five contributors.

The Organization maintains cash balances at one financial institution. The account exceeded the amount insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2016 and 2015, the amounts on deposit that exceeded FDIC limits are \$0 and \$6,109, respectively.

F. INVESTMENTS

As of December 31, 2016, the Organization held some cash and some available for sale investments with one brokerage firm. The cash was held in low risk government money market funds and the investments were in conservative bond mutual funds. The Fair Market Value of the investments as of year-end, as determined by the public exchange rates, was \$100,546 and the cash in the money market fund was \$50,119. These cash and investment amounts generated interest and dividend incomes of \$679 and holding losses of \$117 in the year ended December 31, 2016.

Advocates International, Inc.
Notes to the Financial Statements
December 31, 2016 and 2015

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:

Year	Amount
2017	\$ 2,926
Total	\$ 2,926

H. SUBSEQUENT EVENTS

The following subsequent events were evaluated through May 5, 2017 which is the date the financial statements were available to be issued.