



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, 2020 and 2019, and the related Statements of Activities, Functional Expenses 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, 2020 and 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Manassas, VA
April 28, 2021

Advocates International, Inc.
Statement of Financial Position
At December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash	\$ 235,195	\$ 107,733
Accounts Receivable	250	-
Investments	52,325	50,559
Total Current Assets	287,770	158,292
Property and Equipment		
Equipment	11,504	11,504
Accumulated Depreciation	(9,982)	(8,925)
Net Property and Equipment	1,522	2,579
Other Assets		
Video Production in Progress	193,640	193,640
Total Other Assets	193,640	193,640
Total Assets	\$ 482,932	\$ 354,511
Liabilities and Net Assets		
Current Liabilities		
Current Portion of Long Term Debt	\$ 967	\$ 863
Deferred Support	-	5,000
Total Current Liabilities	967	5,863
Long Term Debt	37,388	1,955
Total Liabilities	38,355	7,818
Net Assets		
Without Donor Restrictions	401,773	297,827
With Donor Restrictions	42,804	48,866
Total Net Assets	444,577	346,693
Total Liabilities and Net Assets	\$ 482,932	\$ 354,511

See Notes to Financial Statements

Advocates International, Inc.
Statement of Activities
For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 428,603	\$ 9,500	\$ 438,103
Holding Gain(Loss) on Investments	(265)	-	(265)
Other Income (Expense)	355	-	355
Total Revenues, Gains and Other Support	<u>428,693</u>	<u>9,500</u>	<u>438,193</u>
Expenses			
Program	305,035	-	305,035
Supporting Services			
General and Administrative	2,773	-	2,773
Fundraising	32,785	-	32,785
Total Expenses	<u>340,593</u>	<u>-</u>	<u>340,593</u>
Other Income (Expense)			
Interest/Dividend Income	284	-	284
Total Other Income (Expense)	<u>284</u>	<u>-</u>	<u>284</u>
Changes in Net Assets from Operations	88,384	9,500	97,884
Net Assets, Beginning of Year	297,827	48,866	346,693
Net Assets Released from Restriction	<u>15,562</u>	<u>(15,562)</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 401,773</u>	<u>\$ 42,804</u>	<u>\$ 444,577</u>

See Notes to Financial Statements

Advocates International, Inc.
Statement of Activities
For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 384,788	\$ -	\$ 384,788
Holding Gain(Loss) on Investments	392	-	392
Other Income (Expense)	<u>3,540</u>	<u>-</u>	<u>3,540</u>
Total Revenues, Gains and Other Support	388,720	-	388,720
Expenses			
Program	350,139	-	350,139
Supporting Services			
General and Administrative	3,019	-	3,019
Fundraising	<u>46,632</u>	<u>-</u>	<u>46,632</u>
Total Expenses	399,790	-	399,790
Other Income (Expense)			
Interest/Dividend Income	<u>1,391</u>	<u>-</u>	<u>1,391</u>
Total Other Income (Expense)	<u>1,391</u>	<u>-</u>	<u>1,391</u>
Changes in Net Assets from Operations	(9,679)	-	(9,679)
Net Assets, Beginning of Year	299,014	57,358	356,372
Net Assets Released from Restriction	<u>8,492</u>	<u>(8,492)</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 297,827</u>	<u>\$ 48,866</u>	<u>\$ 346,693</u>

See Notes to Financial Statements

Advocates International, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Functional Expenses				
Bank Charges	\$ -	\$ 626	\$ -	\$ 626
Conferences	721	-	4,500	5,221
Depreciation and Amortization	-	1,057	-	1,057
Dues and Fees	-	595	-	595
Insurance	36			36
Interest	-	95	-	95
Licenses and Fees	-	1,100	2,400	3,500
International Support	23,551	-	-	23,551
Meals and Entertainment	7,000	-	350	7,350
Miscellaneous	6,478	-	-	6,478
Office Expense	139	16,291	7,373	23,803
Payroll Taxes	14,866	710	820	16,396
Postage and Shipping	7	179	3,792	3,978
Printing and Photocopy	-	20	-	20
Professional Fees	953	6,500	-	7,453
Rent Expense	-	10,250	20	10,270
Salaries and Employee Benefits	188,907	25,648	10,137	224,692
Telephone	-	995	-	995
Travel	4,287	-	190	4,477
Allocation of General and Administrative Expenses	58,090	(61,293)	3,203	-
Total Functional Expenses	<u>\$ 305,035</u>	<u>\$ 2,773</u>	<u>\$ 32,785</u>	<u>\$ 340,593</u>

See Notes to Financial Statements

Advocates International, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Functional Expenses				
Bank Charges	-	1,201	-	1,201
Conferences	9,558	-	7,718	17,276
Depreciation and Amortization	-	1,679	-	1,679
Dues and Fees	800	-	-	800
Interest	-	95	-	95
Licenses and Fees	-	-	2,286	2,286
International Support	57,449	-	-	57,449
Meals and Entertainment	195	-	524	719
Miscellaneous	6,000	-	-	6,000
Office Expense	-	15,768	9,502	25,270
Payroll Taxes	14,536	708	802	16,046
Postage and Shipping	76	214	3,464	3,754
Printing and Photocopy	1,884	-	-	1,884
Professional Fees	-	6,570	-	6,570
Rent Expense	-	10,950	-	10,950
Repairs and Maintenance	-	280	-	280
Salaries and Employee Benefits	186,465	29,941	10,292	226,698
Telephone	-	1,002	-	1,002
Travel	11,207	-	8,624	19,831
Allocation of General and Administrative Expenses	61,969	(65,389)	3,420	-
Total Functional Expenses	\$ 350,139	\$ 3,019	\$ 46,632	\$ 399,790

See Notes to Financial Statements

Advocates International, Inc.
Statement of Cash Flows
For the Years December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Changes in Net Assets	\$ 97,884	\$ (9,679)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and Amortization	1,057	1,679
(Increase) Decrease in other current assets	(2,015)	39,444
(Increase) Decrease in prepaid expenses	-	800
(Increase) Decrease in other assets	-	(30,000)
Increase (Decrease) in other current liabilities	(5,000)	5,000
Total Adjustments	<u>(5,958)</u>	<u>16,923</u>
Net Cash Provided (Used) by Operating Activities	91,926	7,244
Cash Flows from Financing Activities		
Principle payments on long term debt	<u>35,536</u>	<u>(772)</u>
Net Cash Provided (Used) by Financing Activities	<u>35,536</u>	<u>(772)</u>
Net Increase (Decrease) in Cash and Equivalents	127,462	6,472
Cash and Equivalents, Beginning of Year	<u>107,733</u>	<u>101,261</u>
Cash and Equivalents, End of Year	<u>\$ 235,195</u>	<u>\$ 107,733</u>
Interest Paid, Included in Change in Net Assets	\$ 95	\$ 95

See Notes to Financial Statements

Advocates International, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

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 mission 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 financial framework of accounting. The accrual method is used for calculations so 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 two classes of net assets: with and without donor restrictions. As of December 31, 2020 and 2019, the Organization had \$42,804 and \$48,866 with donor restriction net assets, respectively.

Contributions – Grants and contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any restrictions. The Organization reports gifts of cash and other assets as donor 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, donor restricted assets are reclassified to without donor restricted 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.

As of December 31, 2020 and 2019, these assets were valued at \$11,504 and \$11,504, respectively. Depreciation expense for 2020 and 2019 was \$1,057 and \$1,679, 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.

Advocates International, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019 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. On February 1, 2019 the lease went to annual renewals at \$850 a month with the next renewal due date being January 31, 2020. On April 3, 2020, the most recent lease continuance was signed for the period February 1, 2020 thru January 31, 2021. The monthly rent was \$850 and includes all utilities and real estate taxes.

Rent Expense for the space was \$10,250 and \$10,950 for 2020 and 2019, respectively.

E. CONCENTRATIONS OF RISK

For the year ended December 31, 2020, the Organization received contributors totaled 47.1% of all grants and contributions from top five donors. One donor was 21%

For the year ended December 31, 2019, the Organization received contributors totaled 26.5% of all grants and contributions from three donors. One donor was 12.2%

F. INVESTMENTS

As of December 31, 2020, and 2019, 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 December 31, 2020 and 2019, as determined by the public exchange rates, was \$52,325 and \$50,559, respectively, and the cash in the money market fund was \$39,959 and \$38,541, respectively. These cash and investment amounts generated interest and dividend incomes of \$284 and \$1,391 and holding loss of \$265 and gains of \$392 in the years ended December 31, 2020 and 2019, respectively.

G. CAPITAL LEASES

Current and Long-Term Debt currently consists of a leased copier costing \$4,299 financed by the Organization over 60 months, with the first payment due in December 2017, at an imputed interest rate of 11.4% and monthly payments of \$95.

Advocates International, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

Future minimum lease payments for the next five years are as follows:

Year	Amount
2021	\$ 967
2022	988
Total	<u>\$ 1,955</u>

H. LOANS PAYABLE

The Organization secured a Paycheck Protection Program (PPP) Loan on May 8, 2020. The loan amount was \$157,655. Interest accrues as a rate of 1% per year. Repayment terms are equal monthly principal and interest payments to commence November 1, 2020 with the final payment due May 8, 2022. The Organization expects it will meet the requirements of loan forgiveness under the PPP (Sections 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security Act (Cares Act)). Absent this forgiveness, the minimum future principal payments on this note are as follows:

Fiscal Year Ended December 31,	Principle	Balance
2021	\$ 28,231	\$ 8,169
2022	8,169	-
Totals	<u>\$ 36,400</u>	

I. FINANCIAL ASSETS AVAILABLE FOR THE NEXT YEAR

The Organization has \$287,770 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash and cash equivalents of \$275,154. \$42,804 of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$56,766. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments, including sweep type bank instruments.

J. SUBSEQUENT EVENTS

The following subsequent events were evaluated through April 28, 2021 which is the date the financial statements were available to be issued.

On April 1, 2021 the lease mentioned in Note D above renewed as month-to-month starting April 1, 2021 at the same rate. The fee will be renegotiated annually and be effective January 1 each year of the month-to-month continues.

The board made a change at the Executive Director Position in 2021. The replacement is expected to start May of 2021.