

**FOCUS PROJECT, INC.**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITORS' REPORT**  
**JUNE 30, 2006**

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## Independent Auditors' Report

To the Board of Directors  
Focus Project, Inc.  
Washington, DC

We have audited the accompanying statement of financial position of Focus Project, Inc. as of June 30, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Focus Project, Inc. as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Ribis, Jones + Maresca, P.A.*

September 4, 2006

**FOCUS PROJECT INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2006**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 432,954
Accounts receivable	13,606
Grants receivable	170,769
Prepaid expenses	28,394
Total current assets	<u>645,723</u>

**PROPERTY AND EQUIPMENT**

Property and equipment	163,210
Leasehold improvements	17,780
Less: accumulated depreciation and amortization	<u>(155,612)</u>
Total property and equipment	<u>25,378</u>

**OTHER ASSETS**

Certificates of deposit	160,751
Investments	<u>140,046</u>
Total other assets	<u>300,797</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 971,898</u></b>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	16,295
Accrued expenses	<u>30,484</u>
Total current liabilities	<u>46,779</u>

**NET ASSETS**

Unrestricted net assets	442,573
Unrestricted net assets- reserve fund	<u>140,046</u>
Total unrestricted net assets	582,619
Temporarily restricted net assets	<u>342,500</u>
Total net assets	<u>925,119</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 971,898</u></b>
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See independent auditors' report and accompanying notes to the financial statements

**FOCUS PROJECT, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenue and Support</b>			
Grants	\$ 550,499	\$ 1,077,281	\$ 1,627,780
Contributions	26,864	-	26,864
Professional fees	175,437	-	175,437
Reimbursements	57,661	-	57,661
Publications	4,004	-	4,004
Investment income	4,817	-	4,817
Net assets released from restriction: satisfaction of time or program accomplishment	1,016,114	(1,016,114)	-
Total support and revenue	<u>1,835,396</u>	<u>61,167</u>	<u>1,896,563</u>
<b>Expenses</b>			
Program Services			
Tax and Budget	531,743	-	531,743
Regulatory	180,157	-	180,157
Access to Information	545,008	-	545,008
Nonprofit Advocacy	356,359	-	356,359
Total program services	<u>1,613,267</u>	<u>-</u>	<u>1,613,267</u>
Support Services			
Grant Development	114,357	-	114,357
Management and General	98,559	-	98,559
Total support services	<u>212,916</u>	<u>-</u>	<u>212,916</u>
Total Expenses	<u>1,826,183</u>	<u>-</u>	<u>1,826,183</u>
<b>CHANGE IN NET ASSETS</b>	9,213	61,167	70,380
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>573,406</u>	<u>281,333</u>	<u>854,739</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 582,619</u>	<u>\$ 342,500</u>	<u>\$ 925,119</u>

See independent auditors' report and accompanying notes to the financial statements

**OMB WATCH  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2006**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 70,380
Adjustments to reconcile net income to net cash	
Depreciation expense	6,718
Unrealized loss on investment	6,256
Loss on disposal of assets	440
Changes in operating assets and liabilities:	
Accounts receivable	947
Grant receivables	(20,769)
Prepaid expenses and other current assets	(1,894)
Accounts payable	(1,736)
Accrued expenses	<u>22,963</u>
Net Cash provided by Operating Activities	83,305
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of fixed assets	(16,297)
Purchase of certificates of deposit	(4,536)
Purchase of investments	<u>(86,078)</u>
Net Cash Used by Operating Activities	<u>(106,911)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENT</b>	<b>(23,606)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>456,560</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b><u><u>\$ 432,954</u></u></b>

See independent auditors' report and accompanying notes to the financial statements

**FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Focus Project, Inc. ( the "Organization") is a non-profit organization incorporated in July 1983 in the District of Columbia. Its purpose is to improve access to governmental decision makers and energize citizen participation in order to lead to a more just, equitable and accountable government, which will ultimately strengthen our civil society. The Organization operates under the name of OMB Watch.

Program Description

Tax and budget - Conduct meetings and provide analysis to educate the public on issues related to the federal budget process and rules and tax policies.

Regulatory - Provide information and analysis regarding cross-cutting regulatory issues, particularly as they affect public health, safety, and environmental protections.

Access to information - Research and provide data on policies pertaining to public access to governmental and industry data about issues that affect the public interest.

Nonprofit advocacy - Promote free speech rights and encourage policy involvement by nonprofit organizations through meetings, trainings and informational materials.

Accounting Method

The financial statements are prepared on the accrual basis of accounting and accordingly show all significant receivables, payables and other liabilities.

Basis of Presentation

Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein, are classified and reported as follows:

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization.

There were no permanently restricted net assets at June 30, 2006.

**FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE A -ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Cash and Cash Equivalents

The Organization invests its excess cash in demand deposits in bank checking accounts and a money market fund. These investments are typically well diversified and short term. Therefore, the investments bear minimal risk. For purposes of the statement of cash flows, demand deposits and money market funds are included in cash and cash equivalents.

Accounts Receivable

Accounts receivable are charged to bad debt expense as they are deemed uncollectible. At June 30, 2006, management believes all account receivables are collectible. Therefore, no reserve for bad debt expense has been recorded.

Property and Equipment

Furniture, equipment and leasehold improvements are recorded at cost. Depreciation expense for furniture and equipment is provided on a straight-line basis over the estimated useful lives of the assets, which range from three to five years. Leasehold improvements are depreciated over the terms of the office lease. The Organization capitalizes all property and equipment with a cost basis of \$500 or more.

Investments

Investments which consist of certificates of deposit and equitable securities is recorded at fair market value.

Grant Revenue

Grants are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When the donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets, and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.



**FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE B - INCOME TAXES**

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and from the District of Columbia franchise tax. The Organization has been classified by the Internal Revenue Service as other than a private foundation. The Organization files information returns as required.

**NOTE C - GRANTS RECEIVABLE**

At June 30, 2006, the Organization's grants receivable were due in one year or less.

**NOTE D - PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2006 consisted of the following:

Furniture and office equipment	\$ 163,210
Leasehold improvements	17,780
Less: accumulated depreciation	<u>(155,612)</u>
Net Property and Equipment	<u>\$ 25,378</u>

Depreciation expense for the year ended June 30, 2006 was \$6,718.

**NOTE E - INVESTMENTS**

Investments are stated at fair market value and are summarized as follows for the year ended June 30, 2006:

	<u>Cost</u>	<u>Fair Value</u>
Certificate of deposits	\$ 160,751	\$ 160,751
Debt securities	<u>146,302</u>	<u>140,046</u>
	<u>\$ 307,053</u>	<u>\$ 300,797</u>

**FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE E - INVESTMENTS - continued**

Investment return at June 30, 2006 is summarized as follows:

Interest and dividend income	\$ 8,815
Unrealized loss on investments	<u>(6,256)</u>
Total Investment Income	<u>\$ 2,259</u>

In addition, the Organizations operating account earned \$2,258 in interest income during the year ended June 30, 2006.

**NOTE F - COMMITMENTS**

The Organization has an operating lease for office space, that expires on September 1, 2010. The lease provides for fixed annual base rents with a 2% increase per year. Additional rent for a pro-rata share of real estate tax increases may be added to the base rent. Minimum rental commitments under the lease agreement at June 30, 2006, were:

2007	\$ 123,720
2008	126,197
2009	128,722
2010	<u>21,524</u>
Total Minimum Future Rental Payments	<u>\$ 400,163</u>

Total rent expense for the year ended June 30, 2006 was \$120,085.

**NOTE G - RELATED PARTY TRANSACTION**

During the year ended June 30, 2006, a member of the board of directors provided training and technical consulting services to the Organization's non profit advocacy project. For these services, the board member's employer, the University of Washington, was paid \$31,695.

**NOTE H - RETIREMENT PLAN**

The Organization has adopted a tax deferred annuity plan that is qualified under Internal Revenue Code Section 403(b). Substantially, all full-time employees are eligible to participate, and may consent to voluntary payroll contributions. In addition, the employer contributes a percentage of each participant's salary directly to the plan. Contributions are made on a graduated scale, and are based on length of service. For the year ended June 30, 2006, employer contributions to the retirement plan totaled \$33,753.

**FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE I - TEMPORARILY RESTRICTED NET ASSETS**

At June 30, 2006, temporarily restricted net assets consisted of:

Tax and budget	\$ 30,000
Regulatory	62,500
Access to information	208,333
Nonprofit Advocacy	<u>41,667</u>
	<u>\$342,500</u>

**NOTE J - NET ASSETS RELEASED FROM RESTRICTIONS**

For the year ended June 30, 2006 temporarily restricted net assets released from donor restrictions by incurring expenses satisfying the purpose specified by the donor are as follows:

Purpose restrictions accomplished:	
Tax and budget	\$ 425,000
Regulatory	80,000
Access to Information	276,103
Nonprofit advocacy	<u>235,011</u>
	<u>\$ 1,016,114</u>

**NOTE K - UNRESTRICTED NET ASSETS- RESERVE FUND**

In addition to other unrestricted net assets, the Board has created a reserve fund. The balance of the reserve fund at June 30, 2006 was \$140,046.

**FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE L - FUNCTIONAL EXPENSE CLASSIFICATIONS - SFAS 117** requires that revenue and expenses by classified by functional classes on the statement of activities. The following schedule allocates those expenses by natural classification.

	Tax and		Access to			NonProfit	Total	Grant	Management and		Total
	Budget	Regulatory	Information	Advocacy	Program				Development	General	
Salaries	\$ 118,253	\$ 111,590	\$ 310,714	\$ 180,155	\$ 720,712	\$ 71,711	\$ 44,349	\$ 116,060	\$ 836,772		
Employee Benefits	16,877	15,926	44,344	25,711	102,858	10,234	6,330	16,564	119,422		
Consultants	8,595	7,330	34,363	17,504	67,792	3,293	2,290	5,583	73,375		
Accounting/audit	-	-	-	-	-	-	17,758	17,758	17,758		
Civic Engagement Project	-	-	-	31,695	31,695	-	-	-	31,695		
Depreciation	949	896	2,495	1,446	5,786	576	356	932	6,718		
Development	204	192	535	310	1,241	123	77	200	1,441		
Grants	340,000	-	-	-	340,000	-	251	251	340,251		
Insurance	1,307	1,233	3,434	1,991	7,965	792	490	1,282	9,247		
Internet	1,337	1,261	3,512	2,036	8,146	811	501	1,312	9,458		
Legal	-	-	1,306	-	1,306	-	2,144	2,144	3,450		
Loss on disposal of assets	-	-	-	-	-	-	440	440	440		
Media	433	408	1,137	659	2,637	262	162	424	3,061		
Memberships/conferences	918	866	20,227	1,399	23,410	557	344	901	24,311		
Miscellaneous	822	776	2,160	1,252	5,010	499	306	805	5,815		
Payroll Taxes	9,306	8,782	24,453	14,176	56,717	5,644	3,965	9,609	66,326		
Retirement Contribution	4,770	4,501	12,533	7,267	29,071	2,893	1,789	4,682	33,753		
Technology	1,971	1,860	5,179	3,003	12,013	1,195	740	1,935	13,948		
Postage	1,140	1,076	2,995	1,737	6,948	691	427	1,118	8,066		
Printing	1,336	1,261	3,510	2,035	8,142	810	501	1,311	9,453		
Rent	16,970	16,014	44,590	25,854	103,428	10,291	6,366	16,657	120,085		
Repairs and Maintenance	998	941	2,621	1,520	6,080	605	374	979	7,059		
Research	-	-	-	28,144	28,144	-	-	-	28,144		
Supplies	1,767	1,668	4,643	2,692	10,770	1,072	663	1,735	12,505		
Telephone	1,281	1,209	3,366	1,952	7,808	777	481	1,258	9,066		
Travel	1,047	988	2,750	1,594	6,379	635	6,906	7,541	13,920		
Publications/Training	1,462	1,379	14,141	2,227	19,209	886	549	1,435	20,644		
<b>Total expenses</b>	<b>\$ 531,743</b>	<b>\$ 180,157</b>	<b>\$ 545,008</b>	<b>\$ 356,339</b>	<b>\$ 1,613,267</b>	<b>\$ 114,357</b>	<b>\$ 98,559</b>	<b>\$ 212,916</b>	<b>\$ 1,826,183</b>		