

**THE FOCUS PROJECT, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**June 30, 2008**

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Board of Directors  
The Focus Project, Inc.  
Washington, DC

Report of Independent Auditors

We have audited the accompanying statement of financial position of The Focus Project, Inc. (the Organization) as of June 30, 2008, 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. The prior year summarized comparative information has been derived from the Organization's June 30, 2007 financial statements and, in our report dated January 9, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These 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, 2008, 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.

*Drolet + Associates, PLLC*

Washington, DC  
November 17, 2008

**THE FOCUS PROJECT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2008**  
(With Summarized Financial Information for June 30, 2007)

	2008	2007
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 694,822	\$ 348,402
Accounts receivable	25,336	36,236
Contributions receivable	100,000	390,000
Prepaid expenses	13,678	21,805
<b>TOTAL CURRENT ASSETS</b>	<b>833,836</b>	<b>796,443</b>
<b>PROPERTY AND EQUIPMENT, net</b>	<b>45,248</b>	<b>26,463</b>
<b>INVESTMENTS</b>	<b>963,022</b>	<b>478,897</b>
<b>CONTRIBUTIONS RECEIVABLE, less current portion</b>	<b>48,806</b>	<b>23,806</b>
<b>OTHER ASSETS</b>	<b>756</b>	<b>461</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,891,668</b>	<b>\$ 1,326,070</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 51,654	\$ 9,877
Accrued expenses	22,416	33,780
<b>TOTAL CURRENT LIABILITIES</b>	<b>74,070</b>	<b>43,657</b>
<b>NET ASSETS</b>		
Unrestricted	1,426,835	702,474
Temporarily restricted	390,763	579,939
<b>TOTAL NET ASSETS</b>	<b>1,817,598</b>	<b>1,282,413</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,891,668</b>	<b>\$ 1,326,070</b>

*The accompanying notes are an integral part of these financial statements.*

**THE FOCUS PROJECT, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2008**  
(With Summarized Financial Information for June 30, 2007)

	Unrestricted	Temporarily Restricted	2008 Total	2007 Total
<b>REVENUES</b>				
Grants and contributions	\$ 781,969	\$ 850,000	\$ 1,631,969	\$ 1,591,688
Professional fees	165,479		165,479	215,021
Licensing revenue	648,975		648,975	-0-
Reimbursements	71,301		71,301	79,318
Publications	2,318		2,318	4,420
Investment income	2,711		2,711	21,366
Net assets released from restrictions	1,039,176	(1,039,176)	-0-	-0-
<b>TOTAL REVENUES</b>	<b>2,711,929</b>	<b>(189,176)</b>	<b>2,522,753</b>	<b>1,911,813</b>
<b>EXPENSES</b>				
Program expenses:				
Tax and budget	205,088		205,088	168,199
Regulatory	291,215		291,215	148,620
Access to information	803,056		803,056	706,927
Nonprofit advocacy	398,986		398,986	294,046
Total program expenses	1,698,345	-0-	1,698,345	1,317,792
Supporting services:				
Grant development	128,356		128,356	82,818
Management and general	160,867		160,867	153,909
Total supporting services	289,223	-0-	289,223	236,727
<b>TOTAL EXPENSES</b>	<b>1,987,568</b>	<b>-0-</b>	<b>1,987,568</b>	<b>1,554,519</b>
<b>CHANGE IN NET ASSETS</b>	<b>724,361</b>	<b>(189,176)</b>	<b>535,185</b>	<b>357,294</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>702,474</b>	<b>579,939</b>	<b>1,282,413</b>	<b>925,119</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,426,835</b>	<b>\$ 390,763</b>	<b>\$ 1,817,598</b>	<b>\$ 1,282,413</b>

*The accompanying notes are an integral part of these financial statements.*

**THE FOCUS PROJECT, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2008**  
(With Summarized Financial Information for June 30, 2007)

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>CHANGE IN NET ASSETS</b>	<b>\$ 535,185</b>	<b>\$ 357,294</b>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	14,638	11,019
Loss on disposal of fixed assets	659	-0-
Loss on investments	26,684	1,978
Decrease (increase) in accounts receivable	10,900	(22,630)
Decrease (increase) in contributions receivable	265,000	(243,037)
Increase in other assets	(295)	-0-
Decrease in prepaid expenses	8,127	6,589
Increase (decrease) in accounts payable	41,777	(6,418)
(Decrease) increase in accrued expenses	(11,364)	3,296
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>891,311</b>	<b>108,091</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(34,082)	(12,104)
Proceeds from sales of investments	53,453	-0-
Purchases of investments	(564,262)	(180,539)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(544,891)</b>	<b>(192,643)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>346,420</b>	<b>(84,552)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>348,402</b>	<b>432,954</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 694,822</b>	<b>\$ 348,402</b>

*The accompanying notes are an integral part of these financial statements.*

**THE FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

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

**Organization**

The 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 equitable and accountable government which will ultimately strengthen our civil society. The Organization operates under the name of OMB Watch.

The Organization receives a majority of its support from grants and contributions.

The major programs of the Organization are as follows:

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

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

*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 non-profit organizations through meetings, training and informational materials.

**Tax Status**

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined not to be a private foundation within the meaning of Section 509(a) of the Code.

**Cash and Cash  
Equivalents**

The Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents, excluding amounts held as investments.

**Accounts  
Receivable**

Accounts receivable is comprised of amounts due for professional fees and services. Accounts receivable are charged to bad debt expense as they are deemed uncollectible. At June 30, 2008, management believes all accounts receivable are collectible. Therefore, no reserve for bad debt expense has been recorded.

**Investments**

Investments are recorded at fair market value.

**THE FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2008**

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**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 on a straight-line basis over the shorter of the lease term or useful life of the asset. The Organization capitalizes all property and equipment with a cost basis of \$500 or greater.

**Contributions and  
Grants**

Contributions and 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 benefited.

**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 disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Prior Year  
Information**

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2007.

**NOTE B - PENSION PLAN**

The Organization has adopted a tax deferred annuity plan (the Plan) that is qualified under the 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 Organization contributes a percentage of each participant's salary directly to the Plan. Contributions are made on a graduated scale and are based on length

**THE FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2008**

**NOTE B - PENSION PLAN (Continued)**

of service. For the year ended June 30, 2008, employer contributions to the Plan totaled approximately \$48,200.

**NOTE C - CONTRIBUTIONS RECEIVABLE**

At June 30, 2008, the Organization's contributions receivable consisted of the following:

Description	Amount
Receivable in less than one year	\$ 100,000
Receivable in one to five years	50,000
	150,000
Less discount to net present value	(1,194)
<b>Net contributions receivable</b>	<b>\$ 148,806</b>

At June 30, 2008, the Organization's management believes all contributions receivable are fully collectible and no reserve for bad debt expense has been recorded. Contributions receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 4%.

**NOTE D - PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2008 consisted of the following:

Description	Amount
Furniture and equipment	\$ 127,562
Leasehold improvements	17,780
Total property and equipment	145,342
Less accumulated depreciation and amortization	(100,094)
<b>Property and equipment, net</b>	<b>\$ 45,248</b>

**THE FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2008**

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**NOTE E - INVESTMENTS**

Investments are stated at fair market value and are summarized as follows as of June 30, 2008:

<b>Description</b>	<b>Amount</b>
Money market funds	\$ 72,071
Corporate bonds	4,935
U.S. Treasury/Agency securities	67,386
Mutual funds	508,824
Certificates of deposit	309,806
<b>Total investments</b>	<b>\$ 963,022</b>

The Organization invests in professionally managed portfolios that contain cash, mutual funds, U.S. government securities, bonds. All of the Organization's investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Investment income for the year ended June 30, 2008 is comprised of the following:

<b>Description</b>	<b>Amount</b>
Interest income	\$ 21,851
Dividend income	7,544
Loss on investments	(26,684)
<b>Total investment income</b>	<b>\$ 2,711</b>

**NOTE F - OPERATING LEASES**

The Organization has an operating lease for office space that expires on September 1, 2009. 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 may be added to the base rent.

**THE FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2008**

**NOTE F - OPERATING LEASES (Continued)**

As of June 30, 2008, future minimum lease payments under the operating lease are as follows:

<i>Year Ended June 30,</i>	<b>Amount</b>
2009	147,362
2010	24,641
<b>TOTAL</b>	<b>\$ 172,003</b>

Rent expense for the year ended June 30, 2008 was approximately \$151,500.

**NOTE G - TEMPORARILY RESTRICTED NET ASSETS**

As of June 30, 2008, the Organization's temporarily restricted net assets consisted of the following:

<b>Description</b>	<b>Amount</b>
Tax and budget	\$ 30,000
Regulatory	335,763
Access to information	25,000
<b>Total temporarily restricted net assets</b>	<b>\$ 390,763</b>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors for the year ended June 30, 2008 as follows:

<b>Description</b>	<b>Amount</b>
Regulatory	\$ 237,830
Access to information	390,000
Non-profit advocacy	111,346
Restrictions for subsequent period	300,000
<b>Total amount released from restrictions</b>	<b>\$ 1,039,176</b>

**THE FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2008**

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**NOTE H - BOARD DESIGNATED NET ASSETS**

The Board of Directors has designated net assets of approximately \$653,000 as a reserve fund.

**NOTE I - RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2008, 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 approximately \$27,300.

The Organization receives contributions and grants from members of its Board of Directors as well as various organizations with which members of its Board of Directors are affiliated. These contributions and grants totaled approximately \$69,500 for the year ended June 30, 2008.

**NOTE J - CONCENTRATIONS**

The Organization maintains cash balances at several financial institutions in the Washington, DC metropolitan area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times during the year, the Organization's cash balances exceeded the FDIC insurance limits. Management believes the risk in these situations to be minimal.

As of June 30, 2008, three contributors comprised 100% of contributions receivable. For the year ended June 30, 2008, two contributors comprised 31% of grants and contributions revenue.

**NOTE K - LICENSING AGREEMENT**

During the year ended June 30, 2008, the Organization entered into a licensing agreement (the Agreement) with InfoReliance Corporation. Under the terms of the Agreement, the Organization received a one-time software and data license fee of \$630,000. In addition, the Organization received a \$12,500 fee plus expenses for a data update. The total has been recognized as licensing revenue during the year ended June 30, 2008 as the transaction is complete.



Board of Directors  
The Focus Project, Inc.  
Washington, DC

Report of Independent Auditors on  
Supplementary Information

Our report on our audit of the financial statements of The Focus Project, Inc. for the year ended June 30, 2008 appears on page one. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of functional expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Drolet + Associates, PLLC*

Washington, DC  
November 17, 2008

**THE FOCUS PROJECT, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2008**  
(With Summarized Financial Information for the Year Ended June 30, 2007)

	<b>Tax and Budget</b>	<b>Regulatory</b>	<b>Access to Information</b>	<b>Nonprofit Advocacy</b>	<b>Total Programs</b>	<b>Grant Development</b>	<b>Management and General</b>	<b>2008 Total</b>	<b>2007 Total</b>
Salaries	\$ 107,378	\$ 144,432	\$ 398,432	\$ 156,385	\$ 806,627	\$ 80,683	\$ 108,771	\$ 996,081	\$ 853,838
Employee benefits	14,500	19,505	53,766	21,044	108,815	10,907	16,010	135,732	122,382
Consultants	1,170	4,134	74,250	35,473	115,027	880	695	116,602	109,918
Accounting and audit	3,634	4,889	13,476	5,275	27,274	2,734	2,154	32,162	16,100
Depreciation and amortization	1,654	2,225	6,133	2,401	12,413	1,244	981	14,638	11,019
Development	634	852	2,519	1,005	5,010	477	375	5,862	2,304
Grants	31,000	-0-	-0-	-0-	31,000	-0-	-0-	31,000	-0-
Insurance	816	1,098	3,027	1,185	6,126	614	2,127	8,867	9,046
Internet	3,614	7,097	67,876	4,637	83,224	2,267	1,788	87,279	65,823
Legal	2,432	3,273	9,939	107,157	122,801	1,830	1,444	126,075	1,248
Loss on disposal of assets	75	100	276	108	559	55	45	659	208
Media	133	179	494	194	1,000	100	80	1,180	18,831
Membership conferences	1,458	3,205	5,974	2,023	12,660	217	1,390	14,267	17,058
Miscellaneous	889	625	2,418	679	4,611	349	275	5,235	(68)
Payroll taxes	8,442	11,355	31,302	12,252	63,351	6,350	5,005	74,706	69,191
Research	-0-	45,968	-0-	-0-	45,968	-0-	-0-	45,968	-0-
Retirement contributions	5,449	7,329	20,203	7,908	40,889	4,099	3,230	48,218	40,269
Technology	619	833	2,297	899	4,648	466	368	5,482	5,764
Postage	401	584	1,962	721	3,668	295	1,577	5,540	5,006
Printing	296	348	960	5,227	6,831	195	154	7,180	4,030
Rent	14,583	19,616	76,471	21,164	131,834	10,969	8,647	151,450	143,386
Repairs and maintenance	513	691	1,904	745	3,853	386	305	4,544	7,527
Supplies	1,163	1,240	4,803	1,434	8,640	658	640	9,938	11,262
Telephone	816	1,098	3,027	1,185	6,126	614	485	7,225	8,260
Travel	1,046	7,752	12,361	5,979	27,138	426	3,105	30,669	9,042
Publications and training	2,373	2,787	9,186	3,906	18,252	1,541	1,216	21,009	23,075
<b>TOTAL EXPENSES</b>	<b>\$ 205,088</b>	<b>\$ 291,215</b>	<b>\$ 803,056</b>	<b>\$ 398,986</b>	<b>\$ 1,698,345</b>	<b>\$ 128,356</b>	<b>\$ 160,867</b>	<b>\$ 1,987,568</b>	<b>\$ 1,554,519</b>