

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

**JUNE 30, 2005**



**RIBIS, JONES & MARESCA, P.A.**

Certified Public Accountants

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# RIBIS, JONES & MARESCA, P.A.

Certified Public Accountants

1801 McCormick Drive  
Suite 200  
Largo, Maryland 20774  
(301) 636-6001  
Fax: (301) 636-6006

10500 Little Patuxent Parkway  
Suite 770  
Columbia, Maryland 21044  
(410) 884-0220  
(301) 596-5451  
Fax: (301) 596-5471

## 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, 2005, 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, 2005, 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 1, 2005

**FOCUS PROJECT, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2005**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 456,560
Accounts receivable	14,553
Grants receivable, current	150,000
Prepaid expenses	<u>26,500</u>
Total Current Assets	647,613

**OTHER ASSETS**

Certificates of deposit	156,215
Investments	<u>60,225</u>
Total Other Assets	<u>216,440</u>

**PROPERTY AND EQUIPMENT**

Property and equipment	154,972
Leasehold improvements	17,780
Less: accumulated depreciation and amortization	<u>(156,514)</u>
Net Property and Equipment	<u>16,238</u>

**TOTAL ASSETS**

**\$ 880,291**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 18,031
Accrued liabilities	<u>7,521</u>
Total Current Liabilities	25,552

**NET ASSETS**

Unrestricted net assets	573,406
Temporarily restricted net assets	<u>281,333</u>
Total Net Assets	<u>854,739</u>

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 880,291**

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

**FOCUS PROJECT, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenue</b>			
Grants	\$ 695,000	\$ 531,000	\$ 1,226,000
Contributions	23,751	10,000	33,751
Professional fees	170,182	-	170,182
Reimbursements	38,966	-	38,966
Publications	6,484	-	6,484
Investment income	5,073	-	5,073
Net assets released from restriction	<u>660,136</u>	<u>(660,136)</u>	<u>-</u>
<b>Total support and revenue</b>	<b>1,599,592</b>	<b>(119,136)</b>	<b>1,480,456</b>
<b>Expenses</b>			
Program services:			
Tax and budget	164,588	-	164,588
Regulatory	140,451	-	140,451
Access to information	487,685	-	487,685
Nonprofit advocacy	<u>333,878</u>	<u>-</u>	<u>333,878</u>
<b>Total program services</b>	<b>1,126,602</b>	<b>-</b>	<b>1,126,602</b>
Support services:			
General and administrative	164,649	-	164,649
Grant development	<u>67,792</u>	<u>-</u>	<u>67,792</u>
<b>Total support services</b>	<b>232,441</b>	<b>-</b>	<b>232,441</b>
<b>Total Expenses</b>	<b>1,359,043</b>	<b>-</b>	<b>1,359,043</b>
<b>CHANGE IN NET ASSETS</b>	<b>240,549</b>	<b>(119,136)</b>	<b>121,413</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>332,857</u>	<u>400,469</u>	<u>733,326</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 573,406</u>	<u>\$ 281,333</u>	<u>\$ 854,739</u>

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

**FOCUS PROJECT, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2005**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 121,413
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	20,186
Realized gain on investments	(1,515)
Unrealized loss on investments	483
Decrease in accounts receivable	6,459
Decrease in grants receivable	100,000
Increase in prepaid expenses	(10,512)
Decrease in accounts payable	(15,204)
Increase in accrued liabilities	<u>4,412</u>
Net Cash Provided By Operating Activities	225,250
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Purchase of certificates of deposit	(2,591)
Purchase of investments	(53,553)
Purchase of property and equipment	<u>(7,872)</u>
Net Cash Used By Investing Activities	(64,016)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal payment on note payable	<u>(4,250)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	157,456
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>299,104</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 456,560</u>

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

**FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE A - 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, 2005.

**FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE A - 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, 2005, 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, 2005**

**NOTE A - 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, 2005, the Organization's grants receivable were due in one year or less.

**NOTE D - PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2005 consisted of the following:

Furniture and office equipment	\$ 154,972
Leasehold improvements	17,780
Less: accumulated depreciation	<u>(156,514)</u>
Net Property and Equipment	<u>\$ 16,238</u>

Depreciation expense for the year ended June 30, 2005 was \$20,186.

**NOTE E - INVESTMENTS**

Investments are stated at fair market value and are summarized as follows for the year ended June 30, 2005:

	<u>Cost</u>	<u>Fair Value</u>
Certificate of deposits	\$ 156,215	\$ 156,215
Debt securities	<u>60,708</u>	<u>60,225</u>
	<u>\$ 216,923</u>	<u>\$ 216,440</u>

**FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE E - INVESTMENTS - continued**

Investment return at June 30, 2005 is summarized as follows:

Interest and dividend income	\$ 4,041
Realized gain on sale of investments	1,515
Unrealized loss on investments	<u>(483)</u>
 Total Investment Income	 <u>\$ 5,073</u>

**NOTE F- NOTE PAYABLE**

In July 2001, the Organization obtained a \$17,000 non-interest bearing loan from the Bauman Foundation to purchase of a new copier. The outstanding balance of the loan was Paid in full during the year ended June 30, 2005.

**NOTE G- COMMITMENTS**

The Organization leases office space, which expires on September 1, 2006. 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, 2005, were:

2006	\$ 94,555
2007	<u>16,074</u>
Total Minimum Future Rental Payments	<u>\$ 110,629</u>

Total rent expense for the year ended June 30, 2005 was \$104,572.

**NOTE H- RELATED PARTY TRANSACTION**

During the year ended June 30, 2005, 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 \$26,881.

**NOTE I- 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, 2005, employer contributions to the retirement plan totaled \$25,040.

**FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE J- TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following projects:

Tax and budget	\$ 50,000
Regulatory	12,500
Access to information	126,667
Nonprofit Advocacy	<u>92,167</u>
	<u>\$ 281,334</u>

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

For the year ended June 30, 2005 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	\$ 85,469
Regulatory	17,500
Access to Information	265,833
Nonprofit advocacy	<u>291,334</u>
	<u>\$ 660,136</u>

**NOTE L - BOARD DESIGNATED NET ASSETS**

The Organization's unrestricted net assets include Board designated net assets which can be used for future costs at the Board's discretion. The balance of Board designated net assets at June 30, 2005 was \$59,639.

**OMB WATCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE M- FUNCTIONAL EXPENSE CLASSIFICATIONS**

SEAS 117 requires that revenue and expenses be classified by functional classes on the statement of activities. The following schedule allocates those expenses by natural classification.

	Federal Budget	Regulatory	Information Policy	Non-Profit Advocacy	Management and General	Fund raising	Total
	\$	\$	\$	\$	\$	\$	\$
Accounting/audit	1,599	1,536	3,722	3,060	2,787	-	12,704
Bank charges	-	-	-	-	426	-	426
Civic Engagement Project	-	-	-	26,881	-	-	26,881
Consultants	115	283	7,046	6,640	2,892	1,267	18,243
Depreciation	2,396	2,045	7,099	4,860	2,799	987	20,186
Development	140	712	815	276	345	-	2,288
Employee benefits	15,760	13,682	33,976	26,595	16,068	7,038	113,119
Grants	10,000	-	-	5,000	-	-	15,000
Insurance	816	895	1,573	1,161	108	47	4,600
Internet	777	851	2,392	11,249	728	319	16,316
Legal	42	41	2,118	261	69	-	2,531
Media	783	547	1,239	1,215	904	-	4,688
Membership/conferences	2,089	834	55,556	616	1,503	-	60,598
Miscellaneous	1,079	480	1,222	1,080	917	-	4,778
Payroll taxes	7,609	6,785	17,412	13,135	7,890	3,456	56,287
Pension plan admin	8	13	29	27	16	7	100
Postage and delivery	481	617	1,215	1,729	905	397	5,344
Printing	258	1,092	648	1,796	229	101	4,124
Publications/Training	2,074	948	4,841	2,008	2,403	-	12,274
Rent	14,157	15,374	29,813	24,565	14,369	6,294	104,572
Repairs & maintenance	509	637	1,300	1,013	661	289	4,409
Research	-	-	44,164	22,524	-	-	66,688
Retirement	3,409	3,006	7,770	5,793	3,520	1,542	25,040
Salaries	94,668	84,614	216,327	164,027	98,276	43,055	700,967
Supplies	1,490	1,851	2,930	2,279	1,265	554	10,369
Technology budget	965	687	3,296	2,134	2,211	968	10,261
Telephone	1,060	1,002	2,765	1,815	1,223	536	8,401
Travel	1,972	280	2,064	2,139	1,772	776	9,003
Website	332	1,639	36,353	-	363	159	38,846
<b>Total</b>	<b>\$ 164,588</b>	<b>\$ 140,451</b>	<b>\$ 487,685</b>	<b>\$ 333,878</b>	<b>\$ 164,649</b>	<b>\$ 67,792</b>	<b>\$ 1,359,043</b>