

THE FOCUS PROJECT, INC.
AUDITED FINANCIAL STATEMENTS
June 30, 2007

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Report of Independent Auditors	1
Statement of Financial Position	2
Statement of Activities.....	3
Statement of Cash Flows	4
Notes to Financial Statements	5-9
Report of Independent Auditors on Supplementary Information	10
Statement of Functional Expenses.....	11



Drolet + Associates PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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, 2007, 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. 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, 2007, 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
January 9, 2008

THE FOCUS PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2007

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 348,402
Accounts receivable	36,236
Contributions receivable	390,000
Prepaid expenses	21,805
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TOTAL CURRENT ASSETS	796,443
PROPERTY AND EQUIPMENT, net	26,463
INVESTMENTS	478,897
CONTRIBUTIONS RECEIVABLE, net of current portion	23,806
OTHER ASSETS	461
<hr/>	
TOTAL ASSETS	\$ 1,326,070
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LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 9,877
Accrued expenses	33,780
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TOTAL CURRENT LIABILITIES	43,657
NET ASSETS	
Unrestricted	702,474
Temporarily restricted	579,939
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TOTAL NET ASSETS	1,282,413
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TOTAL LIABILITIES AND NET ASSETS	\$ 1,326,070

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

THE FOCUS PROJECT, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Grants	\$ 698,806	\$ 847,048	\$ 1,545,854
Contributions	45,834		45,834
Professional fees	215,021		215,021
Reimbursements	79,318		79,318
Publications	4,420		4,420
Investment income	21,366		21,366
Net assets released from restrictions	609,609	(609,609)	-0-
TOTAL REVENUES	1,674,374	237,439	1,911,813
EXPENSES			
Program expenses:			
Tax and budget	168,199		168,199
Regulatory	148,620		148,620
Access to information	706,927		706,927
Nonprofit advocacy	294,046		294,046
Total program expenses	1,317,792	-0-	1,317,792
Supporting services:			
Grant development	82,818		82,818
Management & general	153,909		153,909
Total supporting services	236,727	-0-	236,727
TOTAL EXPENSES	1,554,519	-0-	1,554,519
CHANGE IN NET ASSETS	119,855	237,439	357,294
NET ASSETS, BEGINNING OF YEAR	582,619	342,500	925,119
NET ASSETS, END OF YEAR	\$ 702,474	\$ 579,939	\$ 1,282,413

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, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 357,294
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	11,019
Loss on investment	1,978
Increase in accounts receivable	(22,630)
Increase in grants receivable	(243,037)
Decrease in prepaid expenses	6,589
Decrease in accounts payable	(6,418)
Increase in accrued expenses	3,296
NET CASH PROVIDED BY OPERATING ACTIVITIES	108,091
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of fixed assets	(12,104)
Purchases of investments	(180,539)
NET CASH USED IN INVESTING ACTIVITIES	(192,643)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(84,552)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	432,954
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 348,402

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

THE FOCUS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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 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.

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 classified as an organization that is not a private foundation under 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, 2007, management believes all accounts receivable are collectible. Therefore, no reserve for bad debt expense has been recorded.

Investments

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

THE FOCUS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

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

**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.

NOTE B - CONTRIBUTIONS RECEIVABLE

At June 30, 2007, the Organization's contributions receivable consisted of the following:

Description	Amount
Receivable in less than one year	\$ 390,000
Receivable in one to five years	25,000
	415,000
Less discount to net present value	(1,194)
Net contributions receivable	\$ 413,806

THE FOCUS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

NOTE B - CONTRIBUTIONS RECEIVABLE (Continued)

At June 30, 2007, 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 C - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2007 consisted of the following:

Description	Amount
Furniture and equipment	\$ 175,314
Leasehold improvements	17,780
Total property and equipment	193,094
Less accumulated depreciation and amortization	(166,631)
Property and equipment, net	\$ 26,463

NOTE D - INVESTMENTS

Investments are stated at fair market value and are summarized as follows as of June 30, 2007:

Description	Amount
Money market funds	\$ 32,661
Corporate bonds	4,789
US Treasury/Agency securities	88,512
Mutual funds	132,091
Certificates of deposit	220,844
Total investments	\$ 478,897

Investment income for the year ended June 30, 2007 is comprised of the following:

Description	Amount
Interest income	\$ 23,344
Loss on investments	(1,978)
Total investment income	\$ 21,366

THE FOCUS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

NOTE E - 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.

As of June 30, 2007, future minimum lease payments under the operating lease are as follows:

<i>Year Ended June 30,</i>	Amount
2008	\$ 144,473
2009	147,362
2010	24,641
TOTAL	\$ 316,476

Rent expense for the year ended June 30, 2007 was approximately \$143,400.

NOTE F - 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 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, 2007, employer contributions to the Plan totaled approximately \$40,300.

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2007, the Organization's temporarily restricted net assets consisted of the following:

Description	Amount
Tax and budget	\$ 30,000
Regulatory	123,593
Access to information	115,000
Nonprofit advocacy	11,346
Restrictions for subsequent period	300,000
Total temporarily restricted net assets	\$ 579,939

THE FOCUS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

NOTE G - TEMPORARILY RESTRICTED NET ASSETS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors for the year ended June 30, 2007 as follows:

Description	Amount
Regulatory	\$ 98,907
Access to information	435,381
Nonprofit advocacy	75,321
Total amount released from restrictions	\$ 609,609

NOTE H - BOARD DESIGNATED NET ASSETS

The Board of Directors has designated net assets of approximately \$225,000 as a reserve fund.

NOTE I - RELATED PARTY TRANSACTIONS

During the year ended June 30, 2007, a member of the board of directors provided training and technical consulting services to the Organization's nonprofit advocacy project. For these services, the board member's employer, the University of Washington, was paid approximately \$21,300.

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 \$228,000 for the year ended June 30, 2007.

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 up to \$100,000. At times during the year, the Organization's cash balances exceeded the FDIC insurance amount. Management believes the risk in these situations to be minimal.

As of June 30, 2007, one contributor comprised 72% of contributions receivable. For the year ended June 30, 2007, three contributors comprised 60% of grants revenue.



Drolet + Associates PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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, 2007 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
January 9, 2008

THE FOCUS PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2007

	Tax and Budget	Regulatory	Access to Information	Nonprofit Advocacy	Total Programs	Grant Development	Management and General	Total
Employee salaries	\$ 108,038	\$ 92,929	\$ 345,368	\$ 165,699	\$ 712,034	\$ 51,784	\$ 90,020	\$ 853,838
Employee benefits	14,049	13,682	50,850	22,923	101,504	7,624	13,254	122,382
Consultants	1,334	724	79,784	26,970	108,812	404	702	109,918
Accounting/audit	1,194	1,163	4,321	1,948	8,626	648	6,826	16,100
Depreciation	1,265	1,232	4,578	2,065	9,140	686	1,193	11,019
Development	264	258	957	431	1,910	144	250	2,304
Insurance	850	828	3,076	1,387	6,141	461	2,444	9,046
Internet	3,149	2,507	47,606	8,735	61,997	1,397	2,429	65,823
Legal	28	28	103	1,047	1,206	15	27	1,248
Loss on disposal of assets	24	23	86	39	172	13	23	208
Media	93	91	18,356	152	18,692	51	88	18,831
Membership conferences	1,066	456	11,175	2,352	15,049	254	1,755	17,058
Miscellaneous	(8)	(8)	(28)	(13)	(57)	(4)	(7)	(68)
Payroll taxes	7,943	7,736	28,749	12,959	57,387	4,311	7,493	69,191
Retirement contributions	4,623	4,502	16,732	7,542	33,399	2,509	4,361	40,269
Technology	586	570	2,782	955	4,893	318	553	5,764
Postage	499	486	1,949	816	3,750	271	985	5,006
Printing	279	82	2,846	697	3,904	46	80	4,030
Rent	16,461	16,031	59,577	26,855	118,924	8,933	15,529	143,386
Repairs & maintenance	1,015	823	3,057	1,377	6,272	458	797	7,527
Supplies	1,257	1,224	4,550	2,052	9,083	682	1,497	11,262
Telephone	948	923	3,432	1,547	6,850	515	895	8,260
Travel	1,159	302	4,550	2,113	8,124	168	750	9,042
Publications/training	2,083	2,028	12,471	3,398	19,980	1,130	1,965	23,075
TOTAL EXPENSES	\$ 168,199	\$ 148,620	\$ 706,927	\$ 294,046	\$ 1,317,792	\$ 82,818	\$ 153,909	\$ 1,554,519