

THE FOCUS PROJECT, INC.
AUDITED FINANCIAL STATEMENTS
June 30, 2010

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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, 2010, 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, 2009 financial statements and, in our report dated March 5, 2010, 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, 2010, 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
October 27, 2010

THE FOCUS PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2010
(With Summarized Financial Information for June 30, 2009)

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 577,324	\$ 735,015
Accounts receivable	21,500	14,347
Contributions receivable	350,000	872,500
Prepaid expenses	42,838	13,980
Other current assets	600	566
TOTAL CURRENT ASSETS	992,262	1,636,408
PROPERTY AND EQUIPMENT, net	26,508	31,574
INVESTMENTS	1,080,413	827,260
CONTRIBUTIONS RECEIVABLE, net of current portion	-0-	48,806
TOTAL ASSETS	\$ 2,099,183	\$ 2,544,048
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,435	\$ 36,921
Accrued expenses	88,553	26,263
TOTAL CURRENT LIABILITIES	91,988	63,184
NET ASSETS		
Unrestricted	1,632,995	1,142,750
Temporarily restricted	374,200	1,338,114
TOTAL NET ASSETS	2,007,195	2,480,864
TOTAL LIABILITIES AND NET ASSETS	\$ 2,099,183	\$ 2,544,048

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

THE FOCUS PROJECT, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010
(With Summarized Financial Information for the Year Ended June 30, 2009)

	Unrestricted	Temporarily Restricted	2010 Total	2009 Total
REVENUES				
Grants and contributions	\$ 923,838	\$ 346,315	\$ 1,270,153	\$ 2,944,816
Donated services, equipment and facilities	290,797		290,797	35,152
Professional fees	266,701		266,701	179,190
Reimbursements	90,911		90,911	96,085
Publications	3,372		3,372	3,801
Investment income (loss)	64,097		64,097	(104,396)
Net assets released from restrictions	1,310,229	(1,310,229)	-0-	-0-
TOTAL REVENUES	2,949,945	(963,914)	1,986,031	3,154,648
EXPENSES				
Program expenses:				
Federal fiscal policy	307,845		307,845	494,727
Regulatory	229,811		229,811	278,754
Access to information	969,823		969,823	1,075,401
Nonprofit speech rights	624,103		624,103	360,754
Total program expenses	2,131,582	-0-	2,131,582	2,209,636
Supporting services:				
Grant development	199,069		199,069	161,321
Management and general	129,049		129,049	120,425
Total supporting services	328,118	-0-	328,118	281,746
TOTAL EXPENSES	2,459,700	-0-	2,459,700	2,491,382
CHANGE IN NET ASSETS	490,245	(963,914)	(473,669)	663,266
NET ASSETS, BEGINNING OF YEAR	1,142,750	1,338,114	2,480,864	1,817,598
NET ASSETS, END OF YEAR	\$ 1,632,995	\$ 374,200	\$ 2,007,195	\$ 2,480,864

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, 2010
(With Summarized Financial Information for the Year Ended June 30, 2009)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	\$ (473,669)	\$ 663,266
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	15,305	15,281
(Gain) loss on investments	(51,338)	125,012
(Increase) decrease in accounts receivable	(7,153)	10,989
Decrease (increase) in contributions receivable	571,306	(772,500)
Increase in prepaid expenses	(28,858)	(302)
(Increase) decrease in other current assets	(34)	190
Decrease in accounts payable	(33,486)	(14,733)
Increase (decrease) in accrued expenses	62,290	3,847
NET CASH PROVIDED BY OPERATING ACTIVITIES	54,363	31,050
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(10,239)	(1,607)
Proceeds from sales of investments	212,885	647,754
Purchases of investments	(414,700)	(637,004)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(212,054)	9,143
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(157,691)	40,193
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	735,015	694,822
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 577,324	\$ 735,015

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

THE FOCUS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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:

Federal fiscal policy - 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 speech rights - 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. However, the Organization is subject to tax on net income received from activities unrelated to its exempt purpose such as advertising.

**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. As of June 30, 2010, 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, 2010

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

**Property and
Equipment**

Furniture, equipment and leasehold improvements are recorded at cost, if purchased or at fair market value at date of donation, if contributed. Depreciation of furniture and equipment is provided on the straight-line basis over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are amortized 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.

**Contributions
Receivable**

Management believes all contributions receivable are fully collectible and no reserve for bad debt expense has been recorded.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

**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.

Reclassifications

Certain 2009 amounts have been reclassified for comparative purposes.

THE FOCUS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010

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

**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, 2009.

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 of service. For the year ended June 30, 2010, employer contributions to the Plan totaled approximately \$72,200.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2010 consisted of the following:

Description	Amount
Furniture and equipment	\$ 138,440
Leasehold improvements	17,780
Total property and equipment	156,220
Less accumulated depreciation and amortization	(129,712)
Property and equipment, net	\$ 26,508

NOTE D - INVESTMENTS

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.

THE FOCUS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010

NOTE D - INVESTMENTS (Continued)

Investment income for the year ended June 30, 2010 is comprised of the following:

Description	Amount
Interest income	\$ 3,611
Dividend income	9,148
Gain on investments	51,338
Total investment income	\$ 64,097

NOTE E - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification 820, Fair Value Measurements and Disclosures* (ASC 820) defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by ASC 820, are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities);

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities and hedge funds).

The following presents assets carried at fair value as of June 30, 2010 by ASC 820 valuation hierarchy (as described above).

Description	Level 1	Level 2	Level 3	Total
Money market funds	\$ 86,122			\$ 86,122
U.S. Treasury securities	27,067			27,067
Mutual funds	716,556			716,556
Certificates of deposit		\$ 250,668		250,668
Total assets at fair value	\$ 829,745	\$ 250,668	\$ -0-	\$ 1,080,413

THE FOCUS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2010, the Organization's temporarily restricted net assets consisted of the following:

Description	Amount
Regulatory	\$ 74,200
Subsequent year's activities	300,000
Total temporarily restricted net assets	\$ 374,200

Description	Amount
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Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors for the year ended June 30, 2010 as follows:

Description	Amount
Regulatory	\$ 229,811
Access to information	824,204
Nonprofit speech rights	256,214
Net assets released from restrictions	\$ 1,310,229

NOTE G - BOARD DESIGNATED NET ASSETS

The Board of Directors has designated net assets of approximately \$830,000 as a reserve fund.

NOTE H - 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, 2010, approximately 86% of contributions receivable was due from two donors. For the year ended June 30, 2010, one contributor comprised 32% of grants and contributions revenue.

THE FOCUS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010

NOTE I - ACCOUNTING FOR UNCERTAIN TAX POSITIONS

In fiscal year 2010, the Organization adopted the provisions of Financial Accounting Standards Board (FASB), Accounting Standards Codification 740, Income Taxes (ASC 740). ASC 740 requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. The implementation of ASC 740 had no impact on the Organization’s statement of financial position or statement of activities. The Organization does not believe its financial statements include, or reflect, any uncertain tax positions.

Tax years from June 30, 2007 through the current year remain open for examination by the Federal and state tax authorities.

NOTE J - DONATED SERVICES

The fair value of donated services included as contributions in the financial statements and the corresponding program and supporting expenses for the year ended June 30, 2010, are as follows:

Description	Access to Information	Nonprofit Speech Rights	Total
Legal		\$ 113,063	\$ 113,063
Technical asst	\$ 27,650		27,650
Total	\$ 27,650	\$ 113,063	\$ 140,713

NOTE K - SUBSEQUENT EVENTS

Subsequent events were evaluated through October 27, 2010, which is the date the financial statements were available to be issued.



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, 2010 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, P.L.L.C.

Washington, DC
October 27, 2010

THE FOCUS PROJECT, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2010
(With Summarized Financial Information for the Year Ended June 30, 2009)

	Federal Fiscal Policy	Regulatory	Access to Information	Nonprofit Speech Rights	Total Programs	Grant Development	Management and General	2010 Total	2009 Total
Salaries	\$ 191,045	\$ 145,879	\$ 438,362	\$ 296,230	\$ 1,071,516	\$ 127,123	\$ 67,635	\$ 1,266,274	\$ 1,054,155
Employee benefits	28,256	21,575	64,353	43,812	157,996	18,802	10,003	186,801	190,039
Consultants	2,776	773	79,176	6,335	89,060	150	80	89,290	143,198
Accounting and audit	3,327	2,521	7,548	5,139	18,535	2,197	15,067	35,799	32,765
Depreciation and amortization	2,315	1,767	5,273	3,590	12,945	1,540	820	15,305	15,281
Development	184	184	419	285	1,072	122	66	1,260	3,597
Grants	340	260	776	528	1,904	226	120	2,250	422,026
Insurance	1,382	1,055	3,149	2,143	7,729	920	489	9,138	7,437
Internet	6,888	4,851	30,196	11,894	53,829	4,227	2,249	60,305	62,065
Legal	371	284	903	116,125	117,683	247	646	118,576	79,623
Media	123	232	190	5,297	5,842	56		5,898	1,549
Membership conferences	3,308	245	9,143	11,928	24,624	213	2,895	27,732	61,108
Miscellaneous	820	550	1,640	1,316	4,326	479	255	5,060	7,867
Payroll taxes	14,921	11,394	34,239	23,755	84,309	9,929	4,665	98,903	79,435
Retirement contributions	10,918	8,337	24,866	19,664	63,785	7,265	1,130	72,180	50,729
Technology	2,109	1,610	171,801	3,520	179,040	1,403	746	181,189	20,534
Postage	353	208	1,658	1,011	3,230	169	1,897	5,296	5,497
Printing	167	40	60	80	347	34	2,754	3,135	4,293
Rent	28,403	21,688	64,688	44,041	158,820	18,900	10,055	187,775	177,445
Repairs and maintenance	659	502	1,500	1,021	3,682	439	234	4,355	5,908
Supplies	1,173	826	2,612	2,274	6,885	651	1,026	8,562	10,663
Telephone	1,447	1,105	3,296	2,244	8,092	964	512	9,568	6,671
Travel	1,900	563	13,887	15,044	31,394	83	4,463	35,940	22,130
Publications and training	3,848	2,742	8,238	5,568	20,396	2,390	954	23,740	27,367
Bad debt expense	812	620	1,850	1,259	4,541	540	288	5,369	-0-
TOTAL EXPENSES	\$ 307,845	\$ 229,811	\$ 969,823	\$ 624,103	\$ 2,131,582	\$ 199,069	\$ 129,049	\$ 2,459,700	\$ 2,491,382