

**THE FOCUS PROJECT, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**June 30, 2011**

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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 .....	5-11
Report of Independent Auditors on Supplementary Information .....	12
Statement of Functional Expenses.....	13



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, 2011, 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, 2010 financial statements and, in our report dated October 27, 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, 2011, 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 26, 2011

**THE FOCUS PROJECT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2011**  
(With Summarized Financial Information for June 30, 2010)

	2011	2010
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 114,422	\$ 577,324
Accounts receivable	34,250	21,500
Contributions receivable	312,500	350,000
Prepaid expenses	81,334	42,838
Other current assets	255	600
<b>TOTAL CURRENT ASSETS</b>	<b>542,761</b>	<b>992,262</b>
<b>PROPERTY AND EQUIPMENT, net</b>	<b>28,132</b>	<b>26,508</b>
<b>INVESTMENTS</b>	<b>1,619,231</b>	<b>1,080,413</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,190,124</b>	<b>\$ 2,099,183</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 11,872	\$ 3,435
Accrued expenses	36,397	88,553
Deferred revenue	37,500	-0-
<b>TOTAL CURRENT LIABILITIES</b>	<b>85,769</b>	<b>91,988</b>
<b>NET ASSETS</b>		
Unrestricted	1,791,855	1,632,995
Temporarily restricted	312,500	374,200
<b>TOTAL NET ASSETS</b>	<b>2,104,355</b>	<b>2,007,195</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,190,124</b>	<b>\$ 2,099,183</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, 2011**  
(With Summarized Financial Information for the Year Ended June 30, 2010)

	Unrestricted	Temporarily Restricted	2011 Total	2010 Total
<b>REVENUES</b>				
Grants and contributions	\$ 778,522	\$ 1,164,779	\$ 1,943,301	\$ 1,270,153
Donated services, equipment and facilities	240,281		240,281	290,797
Professional fees	193,015		193,015	266,701
Reimbursements	98,375		98,375	90,911
Publications	2,142		2,142	3,372
Investment income	127,477		127,477	64,097
Net assets released from restrictions	1,226,479	(1,226,479)	-0-	-0-
<b>TOTAL REVENUES</b>	<b>2,666,291</b>	<b>(61,700)</b>	<b>2,604,591</b>	<b>1,986,031</b>
<b>EXPENSES</b>				
Program expenses:				
Federal fiscal policy	325,298		325,298	307,845
Regulatory	313,315		313,315	229,811
Access to information	1,007,835		1,007,835	969,823
Nonprofit speech rights	484,766		484,766	624,103
Total program expenses	2,131,214	-0-	2,131,214	2,131,582
Supporting services:				
Grant development	196,317		196,317	199,069
Management and general	179,900		179,900	129,049
Total supporting services	376,217	-0-	376,217	328,118
<b>TOTAL EXPENSES</b>	<b>2,507,431</b>	<b>-0-</b>	<b>2,507,431</b>	<b>2,459,700</b>
<b>CHANGE IN NET ASSETS</b>	<b>158,860</b>	<b>(61,700)</b>	<b>97,160</b>	<b>(473,669)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,632,995</b>	<b>374,200</b>	<b>2,007,195</b>	<b>2,480,864</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,791,855</b>	<b>\$ 312,500</b>	<b>\$ 2,104,355</b>	<b>\$ 2,007,195</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, 2011**  
(With Summarized Financial Information for the Year Ended June 30, 2010)

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>CHANGE IN NET ASSETS</b>	<b>\$ 97,160</b>	<b>\$ (473,669)</b>
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	13,833	15,305
Gain on investments	(112,728)	(51,338)
Increase in accounts receivable	(12,750)	(7,153)
Decrease in contributions receivable	37,500	571,306
Increase in prepaid expenses	(38,496)	(28,858)
Decrease (increase) in other current assets	345	(34)
Increase (decrease) in accounts payable	8,437	(33,486)
(Decrease) increase in accrued expenses	(52,156)	62,290
Increase in deferred revenue	37,500	-0-
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<b>(21,355)</b>	<b>54,363</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(15,457)	(10,239)
Proceeds from sales of investments	309,871	212,885
Purchases of investments	(735,961)	(414,700)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(441,547)</b>	<b>(212,054)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(462,902)</b>	<b>(157,691)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>577,324</b>	<b>735,015</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 114,422</b>	<b>\$ 577,324</b>

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

**THE FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

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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:

*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.

Financial Accounting Standards Board (FASB) Accounting Standards Codification 740, Income Taxes (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 Organization does not believe its financial statements include, or reflect, any uncertain tax positions.

Tax years from June 30, 2008 through the current year remain open for examination by the Federal and state tax authorities.

**THE FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011**

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

**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, 2011, 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.

**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.

**Allocation of  
Functional 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.



**THE FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011**

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

**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 2010 amounts have been reclassified for comparative purposes.

**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, 2010.

**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, 2011, employer contributions to the Plan totaled approximately \$75,000.

**NOTE C - PROPERTY AND EQUIPMENT**

Property and equipment as of June 30, 2011 consisted of the following:

<b>Description</b>	<b>Amount</b>
Furniture and equipment	\$ 153,897
Leasehold improvements	17,780
Total property and equipment	171,677
Less accumulated depreciation and amortization	(143,545)
<b>Property and equipment, net</b>	<b>\$ 28,132</b>

**THE FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011**

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**NOTE D - INVESTMENTS**

The Organization invests in professionally managed portfolios that contain cash and equity and fixed income mutual funds. 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, 2011 is comprised of the following:

<b>Description</b>	<b>Amount</b>
Interest income	<b>\$ 2,366</b>
Dividend income	<b>12,383</b>
Gain on investments	<b>112,728</b>
<b>Total investment income</b>	<b>\$ 127,477</b>

**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, 2011 by ASC 820 valuation hierarchy (as described above).

**THE FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011**

**NOTE E - FAIR VALUE MEASUREMENTS (Continued)**

Description	Level 1	Level 2	Level 3	Total
Money market funds	\$ 112,694			\$ 112,694
Equity mutual funds	736,326			736,326
Fixed income mutual funds	217,937			217,937
Certificates of deposit		\$ 552,274		552,274
<b>Total assets at fair value</b>	<b>\$ 1,066,957</b>	<b>\$ 552,274</b>	<b>\$ -0-</b>	<b>\$ 1,619,231</b>

Certificates of deposit were valued using an independent pricing service and is based on recent sales of similar securities.

**NOTE F - TEMPORARILY RESTRICTED NET ASSETS**

As of June 30, 2011, the Organization's temporarily restricted net assets consisted of the following:

Description	Amount
Subsequent year's activities	\$ 312,500
<b>Total temporarily restricted net assets</b>	<b>\$ 312,500</b>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors for the year ended June 30, 2011 as follows:

Description	Amount
Regulatory	\$ 144,200
Access to information	416,000
Nonprofit speech rights	366,279
Timing - subsequent year's activities	300,000
<b>Net assets released from restrictions</b>	<b>\$ 1,226,479</b>

**NOTE G - BOARD DESIGNATED NET ASSETS**

The Board of Directors has designated net assets of approximately \$1,067,000 as a reserve fund.

**THE FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011**

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**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, 2011, 100% of contributions receivable was due from one donor. For the year ended June 30, 2011, one contributor comprised 53% of grants and contributions revenue.

**NOTE I - DONATED SERVICES**

The fair value of donated services, equipment and facilities included as contributions in the financial statements and the corresponding program and supporting expenses for the year ended June 30, 2011, are as follows:

<b>Description</b>	<b>Fiscal Policy</b>	<b>Access to Information</b>	<b>Nonprofit Speech Rights</b>	<b>Total</b>
<b>Legal</b>			<b>\$ 70,137</b>	<b>\$ 70,137</b>
<b>Technical asst</b>		<b>\$ 132,144</b>		<b>132,144</b>
<b>Conference &amp; meetings</b>		<b>2,000</b>		<b>2,000</b>
<b>Software license</b>	<b>\$ 18,000</b>	<b>18,000</b>		<b>36,000</b>
<b>Total</b>	<b>\$ 18,000</b>	<b>\$ 152,144</b>	<b>\$ 70,137</b>	<b>\$ 240,281</b>

**NOTE J - RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2011, a nonprofit organization (the Nonprofit) provided consulting services to the Organization. A member of the Board of Directors of the Organization is the Vice President of the Nonprofit. The Nonprofit was paid \$35,000 of which \$26,250 was included in prepaid expenses at June 30, 2011 and \$8,750 was included in expense for the year ended June 30, 2011.

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 \$112,000 for the year ended June 30, 2011.

**NOTE K - COMMITMENT**

The Organization entered into an employment agreement with its Executive Director. The term of the agreement is effective July 1, 2011 to June 30, 2014. The agreement shall thereafter be renewed for successive one (1) year terms upon the mutual consent of the parties. In the event the agreement is

**THE FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011**

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**NOTE K - COMMITMENT (Continued)**

terminated without cause by the Organization, the Organization shall pay five months of severance pay to the Executive Director at the base salary rate in effect at the time of termination.

**NOTE L - SUBSEQUENT EVENTS**

Subsequent events were evaluated through October 26, 2011, 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, 2011 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  
October 26, 2011

**THE FOCUS PROJECT, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2011**  
(With Summarized Financial Information for the Year Ended June 30, 2010)

	Federal Fiscal Policy	Regulatory	Access to Information	Nonprofit Speech Rights	Total Programs	Grant Development	Management and General	2011 Total	2010 Total
Salaries	\$ 153,734	\$ 189,817	\$ 409,411	\$ 220,855	\$ 973,817	\$ 122,940	\$ 68,621	\$ 1,165,378	\$ 1,266,274
Employee benefits	24,187	28,196	64,178	34,747	151,308	19,343	11,195	181,846	186,801
Consultants	25,641	3,839	72,359	21,248	123,087	513	30,286	153,886	89,290
Accounting and audit	2,635	3,073	6,992	3,836	16,536	2,107	23,395	42,038	35,799
Depreciation and amortization	1,843	2,150	4,893	2,649	11,535	1,475	823	13,833	15,305
Advertising	261	444	823	483	2,011	208	116	2,335	1,260
Grants			116,315		116,315			116,315	2,250
Insurance	1,191	1,389	3,162	1,712	7,454	953	532	8,939	9,138
Internet	5,212	5,906	28,526	8,916	48,560	3,974	2,217	54,751	60,305
Legal	60	70	159	71,346	71,635	48	989	72,672	118,576
Media	381	362	824	3,554	5,121	248	139	5,508	5,898
Membership conferences	3,892	4,340	7,942	8,270	24,444	1,332	5,650	31,426	27,732
Miscellaneous	542	632	2,198	865	4,237	433	411	5,081	5,060
Payroll taxes	12,211	14,235	32,401	17,486	76,333	9,765	5,451	91,549	98,903
Retirement contributions	9,999	11,657	26,532	14,365	62,553	7,996	4,463	75,012	72,180
Technology	52,313	1,877	122,999	3,163	180,352	1,287	718	182,357	181,189
Postage	252	354	734	653	1,993	202	1,739	3,934	5,296
Printing	220	314	641	1,502	2,677	176	98	2,951	3,135
Rent	22,544	26,282	68,880	45,156	162,862	18,029	10,063	190,954	187,775
Repairs and maintenance	687	800	1,821	986	4,294	549	307	5,150	4,355
Research		8,750			8,750			8,750	-0-
Supplies	680	920	2,312	2,086	5,998	544	1,396	7,938	8,562
Telephone	863	947	2,086	1,168	5,064	650	363	6,077	9,568
Travel	1,512	2,036	20,438	12,543	36,529	167	9,043	45,739	35,940
Publications and training	4,438	4,925	11,209	7,177	27,749	3,378	1,885	33,012	23,740
Bad debt expense					-0-			-0-	5,369
<b>TOTAL EXPENSES</b>	<b>\$ 325,298</b>	<b>\$ 313,315</b>	<b>\$ 1,007,835</b>	<b>\$ 484,766</b>	<b>\$ 2,131,214</b>	<b>\$ 196,317</b>	<b>\$ 179,900</b>	<b>\$ 2,507,431</b>	<b>\$ 2,459,700</b>