

**FOCUS PROJECT, INC.**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2003**

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## Independent Auditors' Report

To the Board of Directors  
Focus Project, Inc.  
Washington, DC

We have audited the accompanying statements of financial position of Focus Project, Inc. as of June 30, 2003, and the related statements of activities and cash flows for the year then ended. The 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, 2003, 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.*

August 17, 2003

**FOCUS PROJECT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2003**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 234,035
Accounts receivable	23,080
Grants receivable, current	370,000
Prepaid expenses	<u>7,705</u>
Total Current Assets	634,820

**OTHER ASSETS**

Certificates of deposit	101,913
Grants receivable long term	65,000
Investments	<u>2,657</u>
Total Other Assets	169,570

**PROPERTY AND EQUIPMENT**

Property and equipment	145,008
Leasehold improvements	17,780
Less: accumulated depreciation and amortization	<u>(114,958)</u>
Net Property and Equipment	47,830

**TOTAL ASSETS**

**\$ 852,220**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 31,685
Note payable - current	5,667
Accrued liabilities	<u>4,170</u>
Total Current Liabilities	41,522

**OTHER LIABILITIES**

Note payable - net of current portion	<u>4,249</u>
Total Other Liabilities	<u>4,249</u>

**TOTAL LIABILITIES**

45,771

**NET ASSETS**

Unrestricted net assets	310,013
Temporarily restricted net assets	<u>496,436</u>
Total Net Assets	<u>806,449</u>

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 852,220**

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

**FOCUS PROJECT, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Grants	\$ 545,000	\$ 943,500	\$ 1,488,500
Contributions	116,367	-	116,367
Professional fees	19,025	-	19,025
Reimbursements	55,280	-	55,280
Publications	5,725	-	5,725
Interest and dividend income	2,442	-	2,442
Unrealized gain on investments	2,084	-	2,084
Net assets released from restriction	<u>507,064</u>	<u>(507,064)</u>	<u>-</u>
Total support and revenue	1,252,987	436,436	1,689,423
Expenses			
Program services:			
Federal budget	229,397	-	229,397
Regulatory	146,246	-	146,246
Information policy	259,475	-	259,475
Nonprofit advocacy	<u>306,275</u>	<u>-</u>	<u>306,275</u>
Total program services	941,393	-	941,393
Support services			
General and administrative	147,789	-	147,789
Grant development	<u>48,523</u>	<u>-</u>	<u>48,523</u>
Total Support Services	<u>196,312</u>	<u>-</u>	<u>196,312</u>
Total Expenses	<u>1,137,705</u>	<u>-</u>	<u>1,137,705</u>
<b>CHANGE IN NET ASSETS</b>	115,282	436,436	551,718
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>194,731</u>	<u>60,000</u>	<u>254,731</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 310,013</u>	<u>\$ 496,436</u>	<u>\$ 806,449</u>

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

**FOCUS PROJECT, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2003**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 551,718
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Bad debt expense	10,228
Depreciation and amortization	38,897
Loss on equipment disposal	269
Unrealized gain on investments	(2,084)
Increase in accounts receivable	(3,500)
Increase in grants receivable	(435,000)
Decrease in prepaid expenses	4,901
Increase in accounts payable	1,745
Increase in accrued liabilities	<u>1,908</u>
Net Cash Provided By Operating Activities	169,082
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Purchase of certificates of deposit	(1,917)
Purchase of property and equipment	<u>(3,215)</u>
Net Cash Used By Investing Activities	(5,132)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal payment on note payable	<u>(5,667)</u>
Net Cash Used By Financing Activities	<u>(5,667)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	158,283
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>75,752</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 234,035</u>

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

**FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**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 form an equitable and accountable government in the United States of America. The Organization operates under the name of OMB Watch.

Program Description

Federal Budget - Conduct workshops and analysis that educate the public on budgetary matters and regulations being considered by the Federal Government.

Regulatory - Improve access to government policy makers and energize citizen participation to lead a more just and accountable government that will strengthen society.

Information Policy - Act as a resource to the news media by providing background expertise on major public issues.

Nonprofit Advocacy - Conduct meetings around the county to encourage nonprofit organizations to effectively participate in advocacy work on policy issues.

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 subjects 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, 2003.

**FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**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, 2003 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 is three 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.

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.



**FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**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, 2003, the Organization's grants receivable consisted of the following:

Due in one year or less	\$ 370,000
Due in one to five years	<u>65,000</u>
Total	<u>\$ 435,000</u>

**NOTE D - PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2003 consisted of the following:

Furniture and office equipment	\$ 145,008
Leasehold improvements	17,780
Less: accumulated depreciation and amortization	<u>(114,958)</u>
Net Property and Equipment	<u>\$ 47,830</u>

Depreciation expense for the year ended June 30, 2003 was \$35,637. Amortization expense for leasehold improvements was \$3,260.

**NOTE E - INVESTMENTS**

Investments are stated at fair market value and are summarized as follows for the year ended June 30, 2003:

	<u>Cost</u>	<u>Fair Value</u>
Certificate of deposits	\$ 101,913	\$ 101,913
Marketable equity securities	<u>573</u>	<u>2,657</u>
	<u>\$ 102,486</u>	<u>\$ 104,570</u>

Investment return at June 30, 2003 is summarized as follows:

Interest and dividend income	\$ 1,917
Unrealized gain on investments	<u>2,084</u>
Total Investment Gain	<u>\$ 4,001</u>

**FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**NOTE F- NOTE PAYABLE**

In July 2001, the Organization obtained a \$17,000 cash loan from the Bauman Foundation to purchase of a new copier. The loan is non-interest bearing. Minimum payments June 30, 2003 were:

2004	\$ 5,667
2005	<u>4,249</u>
	<u>\$ 9,916</u>

**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, 2003, were:

2004	\$ 90,883
2005	92,700
2006	94,555
2007	<u>16,074</u>
Total Minimum Future Rental Payments	<u>\$ 294,212</u>

**NOTE H- RELATED PARTY TRANSACTION**

During the year ended June 30, 2003, 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 \$27,550.

**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, 2003, employer contributions to the retirement plan totaled \$27,874

**NOTE J- TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following project:

Federal Budget	\$ 205,603
Information Policy	90,000
Nonprofit Advocacy	<u>200,833</u>
	<u>\$ 496,436</u>

**FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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

For the year ended June 30, 2003 temporarily restricted net assets released from donor restrictions by incurring expenses satisfying the purpose specified by the donor are as follows:

Purpose restrictions accomplished:	
Federal budget	\$ 229,397
Information policy	75,000
Nonprofit advocacy	174,167
Right to Know	<u>28,500</u>
	<u>\$ 507,064</u>

**FOCUS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**NOTE L - FUNCTIONAL EXPENSE CLASSIFICATION**

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

Description	PROGRAM SERVICES					SUPPORT SERVICES			TOTAL EXPENSES
	FEDERAL BUDGET	REGULATORY	INFORMATION POLICY	NONPROFIT ADVOCACY	GENERAL AND ADMINISTRATIVE	GRANT DEVELOPMENT	TOTAL EXPENSES		
Audit and accounting	\$ 1,940	\$ 2,027	\$ 2,853	\$ 3,418	\$ 1,480	\$ 442	\$	\$ 12,160	
Bad debt expense	-	-	-	-	10,228	-	-	10,228	
Bank charges	-	-	-	-	508	-	-	508	
Computer time	711	722	1,005	1,353	442	132	-	4,365	
Consultants	21,113	8,135	18,453	45,043	-	7,951	-	100,695	
Conference/meetings	2,440	830	3,112	1,955	693	-	-	9,030	
Contributions	4,200	-	-	-	-	-	-	4,200	
Depreciation and amortization	6,449	5,663	9,199	10,592	5,385	1,609	-	38,897	
Development	256	296	380	475	288	-	-	1,695	
Grants	20,000	-	-	-	-	-	-	20,000	
Insurance - health	14,490	12,609	20,991	23,529	12,208	3,646	-	87,473	
Insurance - office	867	759	1,210	1,413	672	201	-	5,122	
Legal	185	-	-	96	-	-	-	281	
Loss on disposal of assets	-	-	-	-	-	-	-	269	
Miscellaneous	761	599	1,040	1,087	1,150	343	-	4,980	
Occupancy	16,985	15,257	23,394	28,152	13,729	4,101	-	101,618	
Office supplies	1,455	846	1,404	1,659	851	254	-	6,469	
Postage and delivery	1,752	437	850	917	721	216	-	4,893	
Printing/publications	7,018	856	1,554	1,602	5,345	1,596	-	17,971	
Repairs and maintenance	766	677	1,029	1,255	598	179	-	4,504	
Retirement	4,540	3,955	7,168	7,196	3,862	1,153	-	27,874	
Salaries/payroll taxes	101,094	88,750	144,173	165,999	84,474	25,233	-	609,723	
Technology budget	2,146	1,465	3,058	3,231	2,104	629	-	12,633	
Telephone	1,128	983	1,676	1,839	937	280	-	6,843	
Travel	4,114	770	1,143	3,112	1,207	368	-	10,714	
Website	14,987	610	15,783	2,352	638	190	-	34,560	
<b>TOTAL EXPENSES</b>	<b>\$ 229,397</b>	<b>\$ 146,246</b>	<b>\$ 259,475</b>	<b>\$ 306,275</b>	<b>\$ 147,789</b>	<b>\$ 48,523</b>	<b>\$</b>	<b>\$ 1,137,705</b>	