



Focus on the Family Action™ Inc.
2007 Annual Report

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DR. DOBSON'S LETTER

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COLORADO SPRINGS, CO 80995

A warm greeting to you from Focus on the Family® and Focus on the Family Action™! With yet another new year upon us, we have taken the opportunity to reflect on the past year with thanksgiving for all the Lord continues doing through our outreach on behalf of families. The culture has changed dramatically since we opened our doors in 1977, but the needs of families have not—and we regularly hear from hurting people who long for loving, flourishing homes. That God has positioned us to come alongside these folks is an incredible privilege, and I trust you'll gain a sense of the far-reaching impact Focus has had over the last year as you review the highlights contained in this annual report.

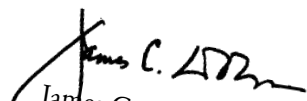
In 2007 we celebrated Focus on the Family's 30th anniversary, and our entire staff enjoyed this special opportunity to pay tribute to God's hand of guidance and blessing upon our ministry throughout its history. I am simply awed by the ways in which the Lord has used our efforts over the years; when Shirley and I were getting our fledgling organization off the ground, we never imagined that God would eventually grow Focus into an international, multimedia presence that would reach tens of millions of people. This kind of influence would not be possible without the faithful and sacrificial support of friends like you, and we're humbled and honored by the gracious partnership of those who believe in our mission.

Focus Action continues making significant headway in the battle to champion the rights of families. The onslaught against traditional, biblical values grows more intense with each passing day, but our dedicated team is tirelessly meeting these assaults head-on by actively engaging in the public policy arena. At the forefront of Focus Action's endeavors throughout 2007 was our emphasis on preserving the institution of marriage; to date, 28 states have voted on the definition of marriage, and 27 of them have passed legislation that defines marriage as the union of one man and one woman. This has been an enormous accomplishment in defense of the family, for whom many organizations get the credit. Focus on the Family Action has been one of them.

We have also made important strides toward actively and effectively battling some of our nation's most destructive problems, such as online gambling, attempts to impose stricter penalties for so-called "hate crimes," domestic partnership benefits, partial-birth abortion, and a troubling campaign to strip Americans of their right to communicate with Congressmen. Now, with a national election right around the corner, we're especially aware of the impact we can have on a nation that is literally standing on a precipice, so we will be redoubling our efforts to urge our fellow Americans to prayerfully represent their values at the polls. Your intercession on our behalf and your support would be greatly appreciated as we strive to continue bringing God's truth to bear upon a culture that is increasingly hostile to scriptural principles.

All of our labors are undergirded and multiplied by the generous involvement of those who have seen fit to partner with us, and words simply can't express the full extent of our gratitude. Deepest thanks for joining hands with us as we pursue the calling set before us. Blessings to you and yours!

Sincerely,


James C. Dobson, Ph.D.
Founder and Chairman

DEDICATED TO THE

RT

INDEPENDENT AUDITORS' REPORT

Board of Directors
Focus on the Family Action, Inc.
Colorado Springs, Colorado

We have audited the accompanying statement of financial position of Focus on the Family Action, Inc. as of September 30, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the organizations' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Focus on the Family Action, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Focus on the Family Action, Inc. as of September 30, 2007, and the results of its activities and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Capin Crouse LLP

Colorado Springs, Colorado
January 16, 2008

STATEMENT OF FINANCIAL POSITION:

September 30, 2007

ASSETS:

Cash and cash equivalents	\$ 2,125,989
Accounts receivable	236,385
Prepaid expenses	83,873
Equipment	<u>6,130</u>

TOTAL ASSETS

\$ 2,452,377

LIABILITIES AND NET ASSETS:

Liabilities:	
Accounts payable and accrued expenses	\$ 750,033

Unrestricted net assets 1,702,344

TOTAL LIABILITIES AND NET ASSETS

\$ 2,452,377

See Notes to Financial Statements

STATEMENT OF ACTIVITIES:

Year Ended September 30, 2007 (Changes in Unrestricted Net Assets)

SUPPORT AND REVENUE:

Contributions	\$ 5,005,153
Reimbursement income	4,311,693
Membership dues	73,435
Gift-in-kind	160,328
Investment income	<u>111,461</u>

Total Support and Revenue 9,662,070

EXPENSES:

Program services:	
Broadcasts	1,331,933
Resources	221,492
Publications	1,776,317
Correspondence	136,073
Public policy awareness	3,911,842
Internet	128,532
Events	<u>285,225</u>
	<u>7,791,414</u>

Supporting activities:	
General and administrative	1,711,884
Fund-raising	<u>586,127</u>
	<u>2,298,011</u>

Total Expenses 10,089,425

Change in Net Assets (427,355)

Net Assets—Beginning of Year 2,129,699

NET ASSETS—END OF YEAR \$ 1,702,344

See Notes to Financial Statements

STATEMENT OF CASH FLOWS:

Year Ended September 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (427,355)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Non-cash contributions	(160,328)
Gain on sale of non-cash contributions	(355)
Changes in operating assets and liabilities:	
Accounts receivable	141,228
Prepaid expenses	354,505
Accounts payable and accrued expenses	<u>(156,191)</u>
Net Cash Used by Operating Activities	<u>(248,496)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of equipment	(6,130)
Proceeds from sale of non-cash contributions	<u>160,683</u>
Net Cash Provided by Investing Activities	<u>154,553</u>
Net Decrease in Cash and Cash Equivalents	(93,943)
Cash and Cash Equivalents—Beginning of Year	<u>2,219,932</u>
Cash and Cash Equivalents—End of Year	<u>\$ 2,125,989</u>

See Notes to Financial Statements

1. NATURE OF ORGANIZATION:

Focus on the Family Action™, Inc. (FOFA) was organized as a religious corporation on April 2, 2004, and is not organized for the private gain of any person. It is organized under the Colorado Nonprofit Corporation Act for religious purposes. FOFA was formed for the express purpose of spreading the gospel of Jesus Christ, and to provide an educational service to parents and others who are concerned with healthy family living, toward the end of strengthening the family in its varied dimensions.

FOFA is active in the promotion of social welfare by addressing the Christian community and the Christian's responsibility in the public policy arena, both locally and nationally. This organization uses regular media channels, such as radio, television, periodicals, the internet and events to discuss critical legislation and policy matters that significantly impact Christian world view issues. This organization is also a vehicle to discuss practical means for Christians to become educated and involved in public policy matters. The organization encourages Christians to be aware of and involved in their civic duties. FOFA is a membership organization that is supported by members who are dedicated to the defense of moral values and the institution of the family. Membership is open to the public and is attained by the annual affirmation of joining as a member and paying the annual membership dues of \$1.

FOFA focuses on policy matters such as: federal and state constitutional amendments to protect marriage as an institution between one man and one woman, the protection of human life in all its various forms, and the appropriate role of state and federal judicial systems as designed by the founding fathers of the United States of America.

FOFA operates under Section 501(c)(4) of the Internal Revenue Code of 1986.

2. SUMMARY OF ACCOUNTING POLICIES:

The financial statements have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The significant accounting policies are described as follows:

CASH AND CASH EQUIVALENTS

FOFA considers all highly liquid investments with a maturity of three

months or less when purchased to be cash equivalents. Cash and cash equivalents include amounts held in a non-interest bearing checking account. These accounts may, at times, exceed federally insured limits. FOFA has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of receivables from Focus on the Family (FOF) for various transaction processing. All amounts are considered fully collectible and therefore there are no allowances for uncollectible amounts.

EQUIPMENT

Equipment is recorded on the basis of cost, or estimated fair value if donated. FOFA capitalizes most purchases in excess of \$2,500, with lesser amounts expensed in the year purchased. Depreciation is provided using the straight-line method over 3-7 years.

NET ASSETS

Net assets consist of unrestricted amounts currently available for use in the ministries of FOFA.

SUPPORT AND REVENUE

Contributions are recognized as income when made, which may be when cash is received or unconditionally promised, or when ownership of donated assets is transferred. Contributions and membership dues made to organizations that have received a 501(c)(4) designation by the Internal Revenue Service, such as FOFA, are not tax-deductible for federal income tax purposes.

FUNCTIONAL ALLOCATION OF EXPENDITURES

The cost of providing the various programs has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

ADVERTISING AND PROMOTION

FOFA uses advertising and promotion costs to distribute information regarding its programs among the audiences it serves. These costs, expensed as incurred, are as follows:

Advertising	\$	61,415
Promotion		<u>126,149</u>
	\$	<u><u>187,564</u></u>

3. RETIREMENT PLAN:

FOFA sponsors a defined contribution retirement plan covering substantially all regular, full-time employees meeting eligibility requirements. FOFA provides a matching contribution of 3% to 6% of participant compensation, depending on years of service. It is FOFA's policy to fund retirement plan costs accrued. Total contributions for the year ended September 30, 2007, were \$131,440.

4. FUNCTIONAL EXPENSES AND ALLOCATION OF JOINT COSTS:

During the year ended September 30, 2007, FOFA incurred joint costs for informational materials and activities that included fund-raising appeals. These programs include various newsletters, magazines, and constituent relations. Costs associated with the various programs have been allocated in the statement of activities according to their functional classification as follows:

Program services:		
Public policy awareness	\$	947,215
Fund-raising		<u>48,633</u>
	\$	<u><u>995,848</u></u>

5. RELATED PARTY TRANSACTIONS:

FOFA has common board members and officers, as well as some common management with FOF. FOFA has a receivable from FOF of \$233,950 and a payable to FOF of \$355,748. These amounts are related to services that each organization performs for the other as well as items such as shared office space and reimbursements of expenses such as postage. Reimbursement income reflected on the statement of activities is from FOF. In addition, FOFA paid \$3,082,106 to FOF.

A formal reimbursement policy has been adopted by each organization. This policy includes FOFA reimbursing FOF for items at fair market value based on research done and FOF reimbursing FOFA for items at cost. If fair market value is not readily available a markup on any goods or services that FOF provides to FOFA will be reimbursed in order to guarantee that tax-deductible contributions given to FOF, as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, are not used for the activities of FOFA.

BOARD OF DIRECTORS

We are governed by an independent board of directors committed to the lordship of Jesus Christ and His principles for the success of the traditional family.

James C. Dobson, Ph.D.
Founder of Focus on the Family
Chairman of the Board of Directors

Elsa Prince Broekhuizen
Chairman of E.O.P. Management
Co., LLC

Robert E. Hamby, C.P.A.
Former Senior Vice President
and CFO of Multimedia, Inc.

Kathleen Nielson, Ph.D.
Professor, author and women's
conference/retreat speaker

James D. Daly
Chief Executive Officer
President of Focus on the Family

Patrick P. Caruana, M.S.
Lieutenant General (Ret.), Air Force
Former Vice President at Northrop
Grumman (Aerospace Industry)

R. Albert Mohler Jr., Ph.D.
President of The Southern Baptist
Theological Seminary

Eric Pillmore
Former Senior Vice President of
Tyco International

Bobb Biehl, M.A.
President of Masterplanning
Group International

Shirley M. Dobson
Chairman of the National Day of Prayer
Task Force

Paul D. Nelson
Retired President of Evangelical Council
for Financial Accountability
Former Executive Vice President/COO
of Focus on the Family

Lee Torrence
Managing Director for IBM,
Senior State Executive for Georgia

Daniel L. Villanueva
President, The Villanueva Companies

EXECUTIVE COMMITTEE

James D. Daly
Chief Executive Officer
President of Focus on the Family

Kent Kiefer
Senior Vice President, Operations

Tom Minnery
Senior Vice President,
Public Policy

Glenn Williams
Senior Vice President, Strengthen

Wade Crow
Chief Financial Officer/Treasurer

Steve Maegdlin
Senior Vice President,
Constituent Acquisitions

Diane Passno
Senior Vice President, Ministry Values

Ron Wilson
Senior Vice President,
Human Resources

Stan John
Senior Vice President,
Ministry Innovations

Clark Miller
Divisional Vice President, Strengthen

Del Tackett
Senior Vice President
President, Focus on the Family Institute

Bob Wood
Chief Information Officer

GUIDELINES FOR FUND-RAISING

We believe that the way an organization handles itself in the financial arena is a reflection of its integrity in every arena. Therefore, Focus on the Family Action adheres to all applicable fund-raising guidelines of Focus on the Family®.