

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2012**

PROJECT ON GOVERNMENT OVERSIGHT, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2013, with Summarized Financial Information for 2012	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2013, with Summarized Financial Information for 2012	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2013, with Summarized Financial Information for 2012	6 - 9
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2013, with Summarized Financial Information for 2012	10
NOTES TO FINANCIAL STATEMENTS	11 - 17



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Project on Government Oversight, Inc.
Washington, D.C.

We have audited the accompanying financial statements of the Project on Government Oversight, Inc. (POGO), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of POGO as of December 31, 2013, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited POGO's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 11, 2013. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

April 29, 2014

PROJECT ON GOVERNMENT OVERSIGHT, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

ASSETS		<u>2013</u>	<u>2012</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	1,207,595	\$ 1,597,894
Investments (Notes 2 and 10)		1,017,516	769,566
Other accounts receivable		2,227	1,865
Grants receivable		282,945	125,631
Inventory		860	890
Prepaid expenses		<u>28,948</u>	<u>32,154</u>
Total current assets		<u>2,540,091</u>	<u>2,528,000</u>
FIXED ASSETS, Net (Note 3)		<u>297,566</u>	<u>348,081</u>
OTHER ASSETS - Deposits		<u>22,690</u>	<u>22,690</u>
TOTAL ASSETS	\$	<u>2,860,347</u>	\$ <u>2,898,771</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	39,163	\$ 46,529
Deferred rent, current portion (Note 4)		38,753	38,518
Accrued SEP contribution (Note 5)		34,421	37,891
Accrued contingent litigation judgment (Note 9)		<u>-</u>	<u>120,000</u>
Total current liabilities		<u>112,337</u>	<u>242,938</u>
LONG-TERM LIABILITIES - Deferred Rent (Note 4)		<u>426,822</u>	<u>446,046</u>
Total liabilities		<u>539,159</u>	<u>688,984</u>
NET ASSETS			
Unrestricted		1,290,906	1,689,350
Temporarily restricted (Note 7)		<u>1,030,282</u>	<u>520,437</u>
Total net assets		<u>2,321,188</u>	<u>2,209,787</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>2,860,347</u>	\$ <u>2,898,771</u>

See accompanying notes to financial statements.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Contributions	\$ 241,709	\$ 193,137	\$ 434,846	\$ 351,545
Grants	347,957	1,460,000	1,807,957	529,845
Interest and dividend income	19,416	-	19,416	20,138
Unrealized gain on investments	230,729	-	230,729	142,435
Contributed goods and services	51,788	-	51,788	42,450
Publications and other income	124,103	-	124,103	1,371
Net assets released from donor restrictions (Note 8)	<u>1,143,292</u>	<u>(1,143,292)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>2,158,994</u>	<u>509,845</u>	<u>2,668,839</u>	<u>1,087,784</u>
EXPENSES				
Program Services:				
Government Accountability	569,798	-	569,798	474,941
Contract Oversight	318,918	-	318,918	282,186
Straus Military Reform Project	282,096	-	282,096	155,044
Nuclear Weapons Security Investigations	207,795	-	207,795	252,621
Defense and National Security	167,404	-	167,404	306,775
Energy and Natural Resources Investigations	164,635	-	164,635	70,111
Financial Sector Oversight	122,147	-	122,147	95,644
Whistleblower Protections	102,737	-	102,737	119,502
Public Health Investigations	97,340	-	97,340	78,987
Emerging Programs	46,570	-	46,570	103,923
Inspector General	-	-	-	44,447
Congressional Oversight Training	25,656	-	25,656	26,388
Direct and Grassroots Lobbying	<u>48,672</u>	<u>-</u>	<u>48,672</u>	<u>53,748</u>
Total program services	<u>2,153,768</u>	<u>-</u>	<u>2,153,768</u>	<u>2,064,317</u>
Supporting Services:				
General and Administrative	136,906	-	136,906	166,008
Development	<u>266,764</u>	<u>-</u>	<u>266,764</u>	<u>234,255</u>
Total supporting services	<u>403,670</u>	<u>-</u>	<u>403,670</u>	<u>400,263</u>
Total expenses	<u>2,557,438</u>	<u>-</u>	<u>2,557,438</u>	<u>2,464,580</u>
Change in net assets	(398,444)	509,845	111,401	(1,376,796)
Net assets at beginning of year	<u>1,689,350</u>	<u>520,437</u>	<u>2,209,787</u>	<u>3,586,583</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,290,906</u>	<u>\$ 1,030,282</u>	<u>\$ 2,321,188</u>	<u>\$ 2,209,787</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	2013			
	Program Services			
	Government Accountability	Contract Oversight	Straus Military Reform Project	Nuclear Weapons Security Investigations
Personnel Costs:				
Salaries	\$ 338,286	\$ 194,076	\$ 158,850	\$ 132,705
Employee benefits (Notes 5 and 6)	24,599	14,176	12,627	10,927
Payroll taxes	25,934	14,868	12,283	10,175
Total personnel costs	388,819	223,120	183,760	153,807
Rent (Note 4)	53,883	29,674	26,794	23,752
Web/Internet	18,656	26,052	18,382	8,069
Printing, copying and publishing	11,292	6,193	21,565	4,790
Consultant fees	54,000	788	-	-
Postage	8,178	4,693	7,834	3,507
In-kind contributions - services	457	7,710	-	-
Depreciation and amortization	11,163	6,427	5,254	4,392
Outreach	5,850	3,289	3,282	2,372
Research materials and documents	7,486	4,315	3,978	2,865
Accounting fees	-	-	-	-
Technology	4,006	1,987	1,640	1,443
Travel	251	8	1,477	9
Insurance	2,158	1,195	1,156	973
Telephone	1,865	1,100	972	812
Meeting expenses	73	-	3,818	15
Bank and payroll fees	-	-	-	-
Legal fees	-	1,000	1,238	-
Filing fees	-	-	-	-
Office supplies	922	517	500	430
Maintenance, repairs and miscellaneous	345	189	192	151
Equipment and equipment rental	325	192	156	141
Membership and professional growth	-	430	60	240
Advertising/recruiting	69	39	38	27
Fundraising events	-	-	-	-
TOTAL	\$ 569,798	\$ 318,918	\$ 282,096	\$ 207,795

See accompanying notes to financial statements.

Defense and National Security	Energy and Natural Resources Investigations	Financial Sector Oversight	Whistleblower Protections	Public Health Investigations
\$ 109,230	\$ 112,778	\$ 78,240	\$ 66,879	\$ 38,521
8,097	6,769	6,275	5,466	2,129
8,332	8,605	6,111	5,075	2,896
125,659	128,152	90,626	77,420	43,546
17,704	12,431	12,834	10,644	3,231
6,072	5,376	4,696	4,054	1,593
3,695	3,211	3,405	2,312	1,079
-	-	-	-	-
2,653	2,497	1,717	1,809	651
-	-	-	-	39,600
3,601	3,717	2,583	2,209	1,252
1,731	1,801	1,939	939	378
2,268	1,882	2,077	1,340	3,777
-	-	-	-	-
1,118	1,054	771	723	269
41	2,980	-	62	1,499
702	576	609	467	164
628	507	452	392	163
-	21	-	-	-
-	-	-	-	-
680	-	-	-	-
-	-	-	-	-
317	221	238	215	80
107	94	108	66	23
108	95	70	74	30
300	-	-	-	-
20	20	22	11	5
-	-	-	-	-
\$ 167,404	\$ 164,635	\$ 122,147	\$ 102,737	\$ 97,340

See accompanying notes to financial statements.

PROJECT ON GOVERNMENT OVERSIGHT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	2013 (Continued)			
	Program Services (Continued)			
	Emerging Programs	Congressional Oversight Training	Direct and Grassroots Lobbying	Total Program Services
Personnel Costs:				
Salaries	\$ 27,456	\$ 14,466	\$ 33,190	\$ 1,304,677
Employee benefits (Notes 5 and 6)	2,673	1,203	2,350	97,291
Payroll taxes	2,163	1,104	2,555	100,101
Total personnel costs	32,292	16,773	38,095	1,502,069
Rent (Note 4)	6,982	2,691	3,821	204,441
Web/Internet	1,955	907	1,759	97,571
Printing, copying and publishing	1,257	482	1,207	60,488
Consultant fees	-	-	-	54,788
Postage	731	451	676	35,397
In-kind contributions - services	-	-	-	47,767
Depreciation and amortization	925	487	1,097	43,107
Outreach	673	217	596	23,067
Research materials and documents	752	306	593	31,639
Accounting fees	-	-	-	-
Technology	343	181	291	13,826
Travel	-	30	-	6,357
Insurance	244	96	200	8,540
Telephone	219	94	177	7,381
Meeting expenses	-	2,860	-	6,787
Bank and payroll fees	-	-	-	-
Legal fees	-	-	-	2,918
Filing fees	-	-	-	-
Office supplies	115	45	88	3,688
Maintenance, repairs and miscellaneous	41	14	33	1,363
Equipment and equipment rental	33	19	31	1,274
Membership and professional growth	-	-	-	1,030
Advertising/recruiting	8	3	8	270
Fundraising events	-	-	-	-
TOTAL	\$ 46,570	\$ 25,656	\$ 48,672	\$ 2,153,768

See accompanying notes to financial statements.

					2012
<u>Supporting Services</u>					
<u>General and Administrative</u>	<u>Development</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>	<u>Total Expenses</u>	
\$ 75,872	\$ 148,998	\$ 224,870	\$ 1,529,547	\$ 1,442,484	
8,394	10,940	19,334	116,625	115,454	
5,782	11,393	17,175	117,276	111,950	
90,048	171,331	261,379	1,763,448	1,669,888	
10,518	22,835	33,353	237,794	226,455	
77	6,609	6,686	104,257	96,951	
-	13,858	13,858	74,346	58,832	
-	-	-	54,788	63,767	
192	17,960	18,152	53,549	18,071	
-	4,021	4,021	51,788	25,116	
2,477	4,931	7,408	50,515	8,323	
-	10,467	10,467	33,534	11,094	
24	-	24	31,663	63,268	
18,191	-	18,191	18,191	50,834	
741	1,521	2,262	16,088	20,076	
831	6,153	6,984	13,341	6,936	
3,635	938	4,573	13,113	827	
416	824	1,240	8,621	26,711	
1,144	-	1,144	7,931	12,827	
5,814	-	5,814	5,814	5,343	
1,848	-	1,848	4,766	4,168	
-	4,681	4,681	4,681	38,028	
261	406	667	4,355	1,738	
190	147	337	1,700	6,322	
44	82	126	1,400	1,066	
305	-	305	1,335	42,450	
150	-	150	420	4,585	
-	-	-	-	904	
\$ 136,906	\$ 266,764	\$ 403,670	\$ 2,557,438	\$ 2,464,580	

See accompanying notes to financial statements.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 111,401	\$ (1,376,796)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	50,515	50,834
Unrealized gain on investments	(230,729)	(142,435)
Leasehold improvements and other related expenses covered by lease included in deferred rent	-	66,557
(Increase) decrease in:		
Other accounts receivable	(362)	(1,865)
Grants receivable	(157,314)	1,397,057
Tenant improvement allowance receivable	-	48,143
Inventory	30	60
Prepaid expenses	3,206	65,564
Increase (decrease) in:		
Accounts payable and accrued liabilities	(7,366)	(8,514)
Deferred rent	(18,989)	51,243
Accrued SEP contribution	(3,470)	(9,348)
Accrued contingent litigation judgment	<u>(120,000)</u>	<u>-</u>
Net cash (used) provided by operating activities	<u>(373,078)</u>	<u>140,500</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	-	(8,577)
(Purchase) sale of investments	<u>(17,221)</u>	<u>307,375</u>
Net cash (used) provided by investing activities	<u>(17,221)</u>	<u>298,798</u>
Net (decrease) increase in cash and cash equivalents	(390,299)	439,298
Cash and cash equivalents at beginning of year	<u>1,597,894</u>	<u>1,158,596</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,207,595</u>	<u>\$ 1,597,894</u>
SCHEDULE OF NONCASH INVESTING TRANSACTIONS		
Leasehold Improvement and Related Expenses Covered by Lease Included in Deferred Rent	<u>\$ -</u>	<u>\$ 318,621</u>

See accompanying notes to financial statements.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Project on Government Oversight, Inc. (POGO) is a non-profit organization, incorporated under the laws of the District of Columbia and located in the United States of America. Founded in 1981, POGO is a non-partisan, independent watchdog, that champions good government reforms. POGO's investigations into corruption, misconduct and conflicts of interest achieve a more effective, accountable, open and ethical federal government.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with POGO's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Cash and cash equivalents -

POGO considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, POGO maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value.

Grants receivable -

Grants receivable approximate fair value. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets are stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years, with no salvage value. Leasehold improvements are amortized over the life of the lease. POGO capitalizes all property and equipment with a cost of \$2,000 or more. Expenditures for major maintenance and repairs are capitalized and minor maintenance and repairs are expensed when they are incurred.

Income taxes -

POGO is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. POGO is not a private foundation.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Uncertain tax positions -

For the year ended December 31, 2013, POGO has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Inventory -

Inventory consisted of publications, which are recorded at the lower of cost or market value using the first-in, first-out method.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of POGO and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of POGO and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Contributed goods and services -

Contributed goods and services consisted of contributed investigative research services and office supplies. Contributed goods and services are recorded at their fair market value as of the date of the gift.

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

POGO invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Fair value measurement -

POGO adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. POGO accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. INVESTMENTS

Investments consisted of the following at December 31, 2013:

	<u>Cost</u>	<u>Market Value</u>
Vanguard Mutual Funds:		
Large-Cap Index Fund Admiral Shares	\$ 247,509	\$ 362,038
Small-Cap Value Index Fund	218,095	328,915
Global Equity Fund	<u>270,220</u>	<u>326,563</u>
TOTAL INVESTMENTS	<u>\$ 735,824</u>	<u>\$ 1,017,516</u>

Included in investment income are the following:

Interest and dividends	\$ 19,416
Unrealized gain	<u>230,729</u>
TOTAL INVESTMENT INCOME	<u>\$ 250,145</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. **FIXED ASSETS**

Fixed assets consisted of the following at December 31, 2013:

Furniture and computers	\$ 106,079
Leasehold improvements	<u>351,441</u>
Total fixed assets	457,520
Less: Accumulated depreciation and amortization	<u>(159,954)</u>
FIXED ASSETS, NET	<u>\$ 297,566</u>

4. **LEASE COMMITMENTS AND RELATED PARTY**

POGO leases office space in the District of Columbia, under a non-cancelable operating lease that extends through December 31, 2021. Base rent is \$272,281 per year, plus a proportionate share of expenses, increasing by a factor of 2.5% per annum, except for a \$2 per square foot increase at the beginning of the sixth lease year in lieu of the 2.5% annual increase. The amended lease provides for a tenant improvement allowance for the build-out of the new space, office moving expenses and office equipment; the amount received for these items is charged to deferred rent in the accompanying Statement of Financial Position.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position.

Rent expense for the year ended December 31, 2013 totaled \$237,794, which included \$268,605 from straight-line rent expense, including other leasing, operating and real estate tax expenses, less \$30,811 of rental income from a sublessor.

Total future minimum lease payments required under the terms of this lease as of December 31, 2013 are as follows:

Year Ending December 31,

2014	\$ 286,065
2015	293,216
2016	300,547
2017	313,829
2018	321,675
Thereafter	<u>1,014,086</u>
	<u>\$ 2,529,418</u>

POGO renewed its annual sublease to a Board member for \$1,280 per month. At the end of 2013, POGO renewed its one-year sublease with a related organization. Rental income is \$1,207 monthly. Rental income during the year ended December 31, 2013 totaled \$30,811.

Total future minimum lease payments due under the terms of these subleases as of December 31, 2013 are as follows:

Year Ending December 31, 2014	<u>\$ 35,262</u>
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PROJECT ON GOVERNMENT OVERSIGHT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

5. PENSION PLAN

POGO maintains a simplified employee pension plan for all eligible employees. Employer contributions are discretionary, subject to annual approval of the Board of Directors of POGO.

For the year ended December 31, 2013, POGO contributed 3% of each eligible employee's salary to the plan, which totaled \$34,421, is accrued in the accompanying Statement of Financial Position and is included in employee benefits in the accompanying Statement of Functional Expenses.

6. RETIREMENT PLAN

POGO sponsors a 403(b) retirement plan that is available to employees who meet certain eligibility requirements. Each employee may contribute up to the lesser of 20% of their salary or \$17,500. POGO does not contribute to the plan.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2013:

Program Restricted:	
Nuclear Weapons Security Investigations	\$ 25,000
Energy and Natural Resources Investigations	21,429
Defense and National Security	67,083
Beth Daley Memorial Fund	<u>14,942</u>
Total Program Restricted	128,454
Time Restricted	<u>901,828</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 1,030,282</u>

8. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions, at December 31, 2013, by incurring expenses, which satisfied the restricted purposes specified by the donors or passage of time:

Program Restricted:	
Nuclear Weapons Security Investigations	\$ 50,000
Defense and National Security	22,917
Energy and Natural Resources Investigations	78,571
Beth Daley Memorial Fund	8,955
Straus Military Reform Project	<u>225,752</u>
Total Program Restricted	386,195
Passage of Time	<u>757,097</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 1,143,292</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

9. ACCRUED CONTINGENT LITIGATION JUDGMENT

The civil case against POGO brought by the Department of Justice in 2003 is no longer being pursued and the statute of limitations has expired. Financial liability will no longer be accrued on the Statement of Financial Position.

10. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, POGO has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market POGO has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2013.

- *Mutual funds*—The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

The table below summarizes, by level within the fair value hierarchy, POGO's investments as of December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Vanguard Mutual Funds:				
Large-Cap Index Fund Admiral Shares	\$ 362,038	\$ -	\$ -	\$ 362,038
Small-Cap Value Index Fund	328,915	-	-	328,915
Global Equity Fund	<u>326,563</u>	<u>-</u>	<u>-</u>	<u>326,563</u>
TOTAL	<u>\$ 1,017,516</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,017,516</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

11. SUBSEQUENT EVENTS

In preparing these financial statements, POGO has evaluated events and transactions for potential recognition or disclosure through April 29, 2014, the date the financial statements were issued.