

**FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2013**

**PROJECT ON GOVERNMENT OVERSIGHT, INC.**

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**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, 2014, 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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 29, 2014. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Freedman*

April 27, 2015

## PROJECT ON GOVERNMENT OVERSIGHT, INC.

**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2014**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

## ASSETS

|                                   | <u>2014</u>                | <u>2013</u>                |
|-----------------------------------|----------------------------|----------------------------|
| <b>CURRENT ASSETS</b>             |                            |                            |
| Cash and cash equivalents         | \$ 1,401,792               | \$ 1,207,595               |
| Investments (Notes 2 and 9)       | 1,114,715                  | 1,017,516                  |
| Accounts receivable               | 3,085                      | 2,227                      |
| Grants receivable                 | 42,773                     | 282,945                    |
| Inventory                         | -                          | 860                        |
| Prepaid expenses                  | <u>67,867</u>              | <u>28,948</u>              |
| Total current assets              | <u>2,630,232</u>           | <u>2,540,091</u>           |
| <b>FIXED ASSETS, Net (Note 3)</b> | <u>267,810</u>             | <u>297,566</u>             |
| <b>DEPOSITS</b>                   | <u>23,790</u>              | <u>22,690</u>              |
| <b>TOTAL ASSETS</b>               | <b><u>\$ 2,921,832</u></b> | <b><u>\$ 2,860,347</u></b> |

## LIABILITIES AND NET ASSETS

|   |                            |                            |
|---|----------------------------|----------------------------|
| <b>CURRENT LIABILITIES</b>                            |                            |                            |
| Accounts payable and accrued liabilities              | \$ 43,765                  | \$ 39,163                  |
| Deferred rent, current portion (Note 4)               | 38,753                     | 38,753                     |
| Accrued SEP contribution (Note 5)                     | <u>39,752</u>              | <u>34,421</u>              |
| Total current liabilities                             | <u>122,270</u>             | <u>112,337</u>             |
| <b>LONG-TERM LIABILITIES - Deferred Rent (Note 4)</b> | <u>398,738</u>             | <u>426,822</u>             |
| Total liabilities                                     | <u>521,008</u>             | <u>539,159</u>             |
| <b>NET ASSETS</b>                                     |                            |                            |
| Unrestricted  | 1,181,448                  | 1,290,906                  |
| Temporarily restricted (Note 7)                       | <u>1,219,376</u>           | <u>1,030,282</u>           |
| Total net assets                                      | <u>2,400,824</u>           | <u>2,321,188</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>               | <b><u>\$ 2,921,832</u></b> | <b><u>\$ 2,860,347</u></b> |

## PROJECT ON GOVERNMENT OVERSIGHT, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

|   | 2014                       |                            |                            | 2013                       |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
|   | Unrestricted               | Temporarily<br>Restricted  | Total                      | Total                      |
| <b>REVENUE</b>  |                            |                            |                            |                            |
| Contributions   | \$ 265,199                 | \$ 189,988                 | \$ 455,187                 | \$ 434,846                 |
| Grants  | 323,775                    | 1,657,000                  | 1,980,775                  | 1,807,957                  |
| Interest and dividend income                            | 20,274                     | -                          | 20,274                     | 19,416                     |
| Unrealized gain on investments                          | 78,459                     | -                          | 78,459                     | 230,729                    |
| Contributed goods and services                          | 33,218                     | -                          | 33,218                     | 51,788                     |
| Publications and other income                           | 1,472                      | -                          | 1,472                      | 124,103                    |
| Other   | -                          | 51,092                     | 51,092                     | -                          |
| Net assets released from donor restrictions<br>(Note 8) | <u>1,708,986</u>           | <u>(1,708,986)</u>         | <u>-</u>                   | <u>-</u>                   |
| Total revenue   | <u>2,431,383</u>           | <u>189,094</u>             | <u>2,620,477</u>           | <u>2,668,839</u>           |
| <b>EXPENSES</b>   |                            |                            |                            |                            |
| Program Services:                                       |                            |                            |                            |                            |
| Government Accountability                               | 536,691                    | -                          | 536,691                    | 616,368                    |
| Contract Oversight                                      | 265,865                    | -                          | 265,865                    | 318,918                    |
| Straus Military Reform Project                          | 238,404                    | -                          | 238,404                    | 282,096                    |
| Congressional Oversight Initiative                      | 229,099                    | -                          | 229,099                    | 25,656                     |
| Nuclear Weapons Security Investigations                 | 172,546                    | -                          | 172,546                    | 207,795                    |
| Whistleblower Protections                               | 168,758                    | -                          | 168,758                    | 102,737                    |
| Energy and Natural Resources Investigations             | 153,235                    | -                          | 153,235                    | 164,635                    |
| Defense and National Security                           | 112,458                    | -                          | 112,458                    | 167,404                    |
| Financial Sector Oversight                              | 79,911                     | -                          | 79,911                     | 122,147                    |
| Public Health Investigations                            | 74,006                     | -                          | 74,006                     | 97,340                     |
| Direct and Grassroots Lobbying                          | <u>50,131</u>              | <u>-</u>                   | <u>50,131</u>              | <u>48,672</u>              |
| Total program services                                  | <u>2,081,104</u>           | <u>-</u>                   | <u>2,081,104</u>           | <u>2,153,768</u>           |
| Supporting Services:                                    |                            |                            |                            |                            |
| General and Administrative                              | 151,271                    | -                          | 151,271                    | 136,906                    |
| Development   | <u>308,466</u>             | <u>-</u>                   | <u>308,466</u>             | <u>266,764</u>             |
| Total supporting services                               | <u>459,737</u>             | <u>-</u>                   | <u>459,737</u>             | <u>403,670</u>             |
| Total expenses  | <u>2,540,841</u>           | <u>-</u>                   | <u>2,540,841</u>           | <u>2,557,438</u>           |
| Change in net assets                                    | (109,458)                  | 189,094                    | 79,636                     | 111,401                    |
| Net assets at beginning of year                         | <u>1,290,906</u>           | <u>1,030,282</u>           | <u>2,321,188</u>           | <u>2,209,787</u>           |
| <b>NET ASSETS AT END OF YEAR</b>                        | <b><u>\$ 1,181,448</u></b> | <b><u>\$ 1,219,376</u></b> | <b><u>\$ 2,400,824</u></b> | <b><u>\$ 2,321,188</u></b> |

**PROJECT ON GOVERNMENT OVERSIGHT, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

|   | 2014                         |                       |   |  |  |
|---|------------------------------|-----------------------|---|--|--|
|   | Program Services             |                       |   |  |  |
|   | Government<br>Accountability | Contract<br>Oversight | Straus<br>Military<br>Reform<br>Project | Congressional<br>Oversight<br>Initiative | Nuclear<br>Weapons<br>Security<br>Investigations |
| Personnel Costs:                          |                              |                       |   |  |  |
| Salaries                                  | \$ 312,136                   | \$ 166,984            | \$ 136,120                              | \$ 124,084                               | \$ 112,169                                       |
| Employee benefits (Notes 5 and 6)         | 25,048                       | 13,578                | 12,394                                  | 8,437                                    | 8,940  |
| Payroll taxes                             | 23,896                       | 12,793                | 10,465                                  | 9,410                                    | 8,557  |
| <b>Total Personnel Costs</b>              | <b>361,080</b>               | <b>193,355</b>        | <b>158,979</b>                          | <b>141,931</b>                           | <b>129,666</b>                                   |
| Rent (Note 4)                             | 48,520                       | 25,554                | 23,204                                  | 15,712                                   | 16,331   |
| Printing, copying and publishing          | 13,542                       | 6,939                 | 22,944                                  | 9,053                                    | 4,649  |
| Web/Internet                              | 15,595                       | 8,351                 | 7,523                                   | 21,251                                   | 5,427  |
| Postage                                   | 10,871                       | 5,487                 | 8,407                                   | 3,987                                    | 3,576  |
| Outreach                                  | 14,240                       | 7,170                 | 5,975                                   | 5,488                                    | 4,644  |
| Consultant fees                           | 42,491                       | -                     | -                                       | 8,509                                    | -  |
| Depreciation and amortization             | 10,323                       | 5,226                 | 4,363                                   | 3,965                                    | 3,412  |
| In-kind contributions                     | -                            | 5,535                 | -                                       | -  | -  |
| Research materials and documents          | 5,180                        | 3,196                 | 2,487                                   | 5,618                                    | 1,791  |
| Technology                                | 5,405                        | 1,976                 | 1,771                                   | 1,450                                    | 1,267  |
| Travel                                    | 3,712                        | -                     | 6                                       | 864                                      | 15   |
| Legal fees                                | -                            | -                     | 180                                     | -  | -  |
| Accounting fees                           | -                            | -                     | -                                       | -  | -  |
| Insurance                                 | 2,175                        | 1,163                 | 1,036                                   | 710                                      | 759  |
| Fundraising events                        | -                            | -                     | -                                       | -  | -  |
| Meeting expenses                          | 417                          | -                     | 18                                      | 8,462                                    | -  |
| Telephone                                 | 1,909                        | 1,000                 | 897                                     | 690                                      | 654  |
| Bank and payroll fees                     | -                            | -                     | -                                       | -  | -  |
| Maintenance, repairs and<br>miscellaneous | 191                          | 106                   | 100                                     | 831                                      | 70   |
| Filing fees                               | -                            | -                     | -                                       | -  | -  |
| Office supplies                           | 467                          | 240                   | 347                                     | 377                                      | 153  |
| Equipment and equipment rental            | 373                          | 197                   | 167                                     | 161                                      | 132  |
| Membership and professional<br>growth     | 200                          | 370                   | -                                       | 40                                       | -  |
| Advertising/recruiting                    | -                            | -                     | -                                       | -  | -  |
| <b>TOTAL</b>                              | <b>\$ 536,691</b>            | <b>\$ 265,865</b>     | <b>\$ 238,404</b>                       | <b>\$ 229,099</b>                        | <b>\$ 172,546</b>                                |

| Whistleblower Protections | Energy and Natural Resources Investigations | Defense and National Security | Financial Sector Oversight | Public Health Investigations | Direct and Grassroots Lobbying | Total Program Services |
|---------------------------|---|-------------------------------|----------------------------|------------------------------|--------------------------------|------------------------|
| \$ 100,177                | \$ 96,692                                   | \$ 72,632                     | \$ 48,279                  | \$ 25,736                    | \$ 30,371                      | \$ 1,225,380           |
| 7,928                     | 8,307                                       | 5,914                         | 4,709                      | 3,692                        | 3,044                          | 101,991                |
| 7,700                     | 7,397                                       | 5,564                         | 3,736                      | 2,008                        | 2,349                          | 93,875                 |
| 115,805                   | 112,396                                     | 84,110                        | 56,724                     | 31,436                       | 35,764                         | 1,421,246              |
| 15,987                    | 15,456                                      | 11,146                        | 9,146                      | 6,984                        | 6,030                          | 194,070                |
| 5,358                     | 4,294                                       | 2,792                         | 2,020                      | 1,288                        | 1,263                          | 74,142                 |
| 7,548                     | 5,047                                       | 3,532                         | 2,775                      | 2,045                        | 1,727                          | 80,821                 |
| 3,633                     | 3,276                                       | 2,295                         | 1,669                      | 987                          | 1,081                          | 45,269                 |
| 8,841                     | 4,278                                       | 3,123                         | 2,291                      | 1,449                        | 1,553                          | 59,052                 |
| -                         | -   | -                             | 600                        | -                            | -                              | 51,600                 |
| 3,595                     | 3,164                                       | 2,298                         | 1,689                      | 1,128                        | 1,195                          | 40,358                 |
| -                         | -   | -                             | -                          | 25,620                       | -                              | 31,155                 |
| 1,643                     | 1,636                                       | 1,172                         | 1,114                      | 808                          | 547                            | 25,192                 |
| 1,495                     | 1,172                                       | 837                           | 676                        | 474                          | 411                            | 16,934                 |
| 2,122                     | 587   | 10                            | -                          | 1,122                        | -                              | 8,438                  |
| 221                       | -   | -                             | -                          | -                            | -                              | 401                    |
| -                         | -   | -                             | -                          | -                            | -                              | -                      |
| 686                       | 705   | 490                           | 391                        | 287                          | 242                            | 8,644                  |
| -                         | -   | -                             | -                          | -                            | -                              | -                      |
| 68                        | 287   | -                             | -                          | -                            | -                              | 9,252                  |
| 596                       | 608   | 427                           | 333                        | 243                          | 208                            | 7,565                  |
| -                         | -   | -                             | -                          | -                            | -                              | -                      |
| 57                        | 66  | 45                            | 38                         | 31                           | 23                             | 1,558                  |
| -                         | -   | -                             | -                          | -                            | -                              | -                      |
| 234                       | 141   | 102                           | 85                         | 62                           | 51                             | 2,259                  |
| 869                       | 122   | 79                            | 60                         | 42                           | 36                             | 2,238                  |
| -                         | -   | -                             | 300                        | -                            | -                              | 910                    |
| -                         | -   | -                             | -                          | -                            | -                              | -                      |
| <b>\$ 168,758</b>         | <b>\$ 153,235</b>                           | <b>\$ 112,458</b>             | <b>\$ 79,911</b>           | <b>\$ 74,006</b>             | <b>\$ 50,131</b>               | <b>\$ 2,081,104</b>    |



PROJECT ON GOVERNMENT OVERSIGHT, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

|   | 2014 (Continued)              |                   |                                 | 2013                |                     |
|---|-------------------------------|-------------------|---------------------------------|---------------------|---------------------|
|   | Supporting Services           |                   |                                 |                     |                     |
|   | General and<br>Administrative | Development       | Total<br>Supporting<br>Services | Total<br>Expenses   | Total<br>Expenses   |
| Personnel Costs:                          |                               |                   |                                 |                     |                     |
| Salaries                                  | \$ 72,363                     | \$ 151,901        | \$ 224,264                      | \$ 1,449,644        | \$ 1,529,547        |
| Employee benefits (Notes 5 and 6)         | 11,972                        | 11,690            | 23,662                          | 125,653             | 116,625             |
| Payroll taxes                             | 5,693                         | 11,644            | 17,337                          | 111,212             | 117,276             |
| Total Personnel Costs                     | 90,028                        | 175,235           | 265,263                         | 1,686,509           | 1,763,448           |
| Rent (Note 4)                             | 11,876                        | 22,496            | 34,372                          | 228,442             | 237,794             |
| Printing, copying and publishing          | 7,070                         | 25,994            | 33,064                          | 107,206             | 74,346              |
| Web/Internet                              | 86                            | 7,403             | 7,489                           | 88,310              | 104,257             |
| Postage                                   | 148                           | 26,825            | 26,973                          | 72,242              | 53,549              |
| Outreach                                  | -                             | 9,477             | 9,477                           | 68,529              | 33,534              |
| Consultant fees                           | -                             | -                 | -                               | 51,600              | 54,788              |
| Depreciation and amortization             | 2,323                         | 4,790             | 7,113                           | 47,471              | 50,515              |
| In-kind contributions                     | 299                           | -                 | 299                             | 31,454              | 51,788              |
| Research materials and documents          | -                             | -                 | -                               | 25,192              | 31,663              |
| Technology                                | 951                           | 1,743             | 2,694                           | 19,628              | 16,088              |
| Travel                                    | 1,577                         | 6,438             | 8,015                           | 16,453              | 13,341              |
| Legal fees                                | 6,449                         | 9,203             | 15,652                          | 16,053              | 4,766               |
| Accounting fees                           | 14,060                        | 52                | 14,112                          | 14,112              | 18,191              |
| Insurance                                 | 3,925                         | 1,019             | 4,944                           | 13,588              | 13,113              |
| Fundraising events                        | -                             | 10,713            | 10,713                          | 10,713              | -                   |
| Meeting expenses                          | 1,343                         | 6                 | 1,349                           | 10,601              | 7,931               |
| Telephone                                 | 445                           | 878               | 1,323                           | 8,888               | 8,621               |
| Bank and payroll fees                     | 6,357                         | -                 | 6,357                           | 6,357               | 5,814               |
| Maintenance, repairs and<br>miscellaneous | 3,167                         | 1,597             | 4,764                           | 6,322               | 1,700               |
| Filing fees                               | -                             | 4,214             | 4,214                           | 4,214               | 4,681               |
| Office supplies                           | 353                           | 209               | 562                             | 2,821               | 4,355               |
| Equipment and equipment rental            | 198                           | 174               | 372                             | 2,610               | 1,400               |
| Membership and professional<br>growth     | 616                           | -                 | 616                             | 1,526               | 1,335               |
| Advertising/recruiting                    | -                             | -                 | -                               | -                   | 420                 |
| <b>TOTAL</b>                              | <b>\$ 151,271</b>             | <b>\$ 308,466</b> | <b>\$ 459,737</b>               | <b>\$ 2,540,841</b> | <b>\$ 2,557,438</b> |

## PROJECT ON GOVERNMENT OVERSIGHT, INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

|  | <u>2014</u>                | <u>2013</u>                |
|--|----------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                            |                            |
| Change in net assets   | \$ 79,636                  | \$ 111,401                 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: |                            |                            |
| Depreciation and amortization  | 47,471                     | 50,515                     |
| Unrealized gain on investments   | (78,459)                   | (230,729)                  |
| (Increase) decrease in:  |                            |                            |
| Other accounts receivable  | (858)                      | (362)                      |
| Grants receivable  | 240,172                    | (157,314)                  |
| Inventory  | 860                        | 30                         |
| Prepaid expenses   | (38,919)                   | 3,206                      |
| Other assets   | (1,100)                    | -                          |
| Increase (decrease) in:  |                            |                            |
| Accounts payable and accrued liabilities   | 4,602                      | (7,366)                    |
| Deferred rent  | (28,084)                   | (18,989)                   |
| Accrued SEP contribution   | 5,331                      | (3,470)                    |
| Accrued contingent litigation judgment   | -                          | (120,000)                  |
| Net cash provided (used) by operating activities   | <u>230,652</u>             | <u>(373,078)</u>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                            |                            |
| Purchases of fixed assets  | (17,715)                   | -                          |
| Purchase of investments  | <u>(18,740)</u>            | <u>(17,221)</u>            |
| Net cash used by investing activities  | <u>(36,455)</u>            | <u>(17,221)</u>            |
| Net increase (decrease) in cash and cash equivalents   | 194,197                    | (390,299)                  |
| Cash and cash equivalents at beginning of year   | <u>1,207,595</u>           | <u>1,597,894</u>           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>  | <b><u>\$ 1,401,792</u></b> | <b><u>\$ 1,207,595</u></b> |

## PROJECT ON GOVERNMENT OVERSIGHT, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

#### 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, 2013, 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. Realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

##### 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, 2014

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

Uncertain tax positions -

For the year ended December 31, 2014, 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.

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.

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.

**PROJECT ON GOVERNMENT OVERSIGHT, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

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

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, 2014:

|                                     | <u>Cost</u>              | <u>Market Value</u>        |
|-------------------------------------|--------------------------|----------------------------|
| Vanguard Mutual Funds:              |                          |                            |
| Large-Cap Index Fund Admiral Shares | \$ 254,706               | \$ 410,475                 |
| Small-Cap Value Index Fund          | 224,420                  | 363,615                    |
| Global Equity Fund                  | <u>275,438</u>           | <u>340,625</u>             |
| <b>TOTAL INVESTMENTS</b>            | <b>\$ <u>754,564</u></b> | <b>\$ <u>1,114,715</u></b> |

Included in investment income are the following:

|                                |                         |
|--------------------------------|-------------------------|
| Interest and dividends         | \$ 20,274               |
| Unrealized gain                | <u>78,459</u>           |
| <b>TOTAL INVESTMENT INCOME</b> | <b>\$ <u>98,733</u></b> |

**3. FIXED ASSETS**

Fixed assets consisted of the following at December 31, 2014:

|   |                          |
|---|--------------------------|
| Furniture and computers                         | \$ 109,830               |
| Computer equipment                              | 9,160                    |
| Leasehold improvements                          | <u>351,441</u>           |
| Total fixed assets                              | 470,431                  |
| Less: Accumulated depreciation and amortization | <u>(202,621)</u>         |
| <b>FIXED ASSETS, NET</b>                        | <b>\$ <u>267,810</u></b> |

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

4. LEASE COMMITMENTS AND RELATED PARTY TRANSACTIONS

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, 2014 totaled \$268,917, which together with \$40,476 of rental income from sublessors resulted in net rent expense of \$228,441.

POGO renewed its annual sublease with a Syracuse University nonprofit organization whose co-director is a Board member for \$986 per month. At the end of 2014, POGO renewed its one-year sublease with a related nonprofit organization. Rental income is \$2,066 monthly. In 2014, POGO also entered a month-to-month arrangement for limited desk space to a start-up nonprofit organization for \$750 per month. Rental income is based on fair market value.

Total future minimum lease payments required under the terms of this lease as of December 31, 2014 are as follows:

**Year Ending December 31,**

|            |                            |
|------------|----------------------------|
| 2015       | \$ 293,216                 |
| 2016       | 300,547                    |
| 2017       | 313,829                    |
| 2018       | 321,675                    |
| 2019       | 329,716                    |
| Thereafter | <u>684,369</u>             |
|            | <b><u>\$ 2,243,352</u></b> |

Total future minimum lease payments due under the terms of the subleases as of December 31, 2014, are as follows:

|                                      |                         |
|--------------------------------------|-------------------------|
| <b>Year Ending December 31, 2015</b> | <b><u>\$ 36,635</u></b> |
|--------------------------------------|-------------------------|

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, 2014, POGO contributed 3% of each eligible employee's salary to the plan, which totaled \$39,752. This is accrued in the accompanying Statement of Financial Position and is included in employee benefits in the accompanying Statement of Functional Expenses.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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, 2014:

|  |                            |
|--|----------------------------|
| Program Restricted:                            |                            |
| Nuclear Weapons Security Investigations        | \$ 25,000                  |
| Defense and National Security                  | 100,000                    |
| Congressional Oversight                        | 295,902                    |
| Beth Daley Memorial Fund                       | 17,183                     |
| Straus Military Reform Project                 | <u>7,613</u>               |
| Total Program Restricted                       | 445,698                    |
| Time Restricted                                | <u>773,678</u>             |
| <b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b> | <b><u>\$ 1,219,376</u></b> |

8. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions, at December 31, 2014, by incurring expenses, which satisfied the restricted purposes specified by the donors or passage of time:

|  |                            |
|--|----------------------------|
| Program Restricted:                                |                            |
| Nuclear Weapons Security Investigations            | \$ 55,000                  |
| Defense and National Security                      | 107,083                    |
| Energy and Natural Resources Investigations        | 44,429                     |
| Congressional Oversight                            | 229,098                    |
| Beth Daley Memorial Fund                           | 31,820                     |
| Straus Military Reform Project                     | <u>238,405</u>             |
| Total Program Restricted                           | 705,835                    |
| Passage of Time                                    | <u>1,003,151</u>           |
| <b>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</b> | <b><u>\$ 1,708,986</u></b> |

9. 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.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

9. FAIR VALUE MEASUREMENT (Continued)

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, 2014.

*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, 2014:

|                                     | <u>Level 1</u>             | <u>Level 2</u>     | <u>Level 3</u>     | <u>Total</u>               |
|-------------------------------------|----------------------------|--------------------|--------------------|----------------------------|
| <b>Asset Class:</b>                 |                            |                    |                    |                            |
| Vanguard Mutual Funds:              |                            |                    |                    |                            |
| Large-Cap Index Fund Admiral Shares | \$ 410,475                 | \$ -               | \$ -               | \$ 410,475                 |
| Small-Cap Value Index Fund          | 363,615                    | -                  | -                  | 363,615                    |
| Global Equity Fund                  | <u>340,625</u>             | <u>-</u>           | <u>-</u>           | <u>340,625</u>             |
| <b>TOTAL</b>                        | <b><u>\$ 1,114,715</u></b> | <b><u>\$ -</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 1,114,715</u></b> |

10. SUBSEQUENT EVENTS

In preparing these financial statements, POGO has evaluated events and transactions for potential recognition or disclosure through April 27, 2015, the date the financial statements were issued.