

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2015**

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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 12, 2016. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

March 31, 2017

PROJECT ON GOVERNMENT OVERSIGHT, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 794,765	\$ 1,184,864
Investments (Notes 2 and 12)	2,079,413	1,479,379
Accounts receivable	32,476	2,888
Grants receivable	219,208	641,423
Inventory	2,957	3,066
Prepaid expenses	<u>90,938</u>	<u>85,870</u>
Total current assets	<u>3,219,757</u>	<u>3,397,490</u>
FIXED ASSETS, NET	<u>177,109</u>	<u>227,134</u>
NONCURRENT ASSETS		
Deposits	23,790	23,790
Grants receivable, net of current portion and present value discount	<u>-</u>	<u>56,400</u>
Total noncurrent assets	<u>23,790</u>	<u>80,190</u>
TOTAL ASSETS	<u>\$ 3,420,656</u>	<u>\$ 3,704,814</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 107,182	\$ 106,767
Deferred rent (Note 4)	55,849	38,753
Accrued SEP contribution (Note 5)	<u>50,975</u>	<u>37,674</u>
Total current liabilities	214,006	183,194
LONG-TERM LIABILITIES - Deferred Rent	<u>303,839</u>	<u>363,501</u>
Total liabilities	<u>517,845</u>	<u>546,695</u>
NET ASSETS		
Unrestricted	2,096,756	1,393,782
Temporarily restricted (Note 7)	<u>806,055</u>	<u>1,764,337</u>
Total net assets	<u>2,902,811</u>	<u>3,158,119</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,420,656</u>	<u>\$ 3,704,814</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Contributions	\$ 408,782	\$ 199,195	\$ 607,977	\$ 564,868
Grants	542,767	970,350	1,513,117	2,919,809
Interest and dividend income	32,326	-	32,326	29,072
Unrealized gain (loss) on investments	169,267	-	169,267	(62,226)
Contributed services	12,750	-	12,750	18,000
Other	353,272	35,392	388,664	93,397
Net assets released from donor restrictions (Note 8)	2,163,219	(2,163,219)	-	-
Total revenue	3,682,383	(958,282)	2,724,101	3,562,920
EXPENSES				
Program Services:				
Congressional Oversight Initiative	591,844	-	591,844	532,252
Government Accountability	544,565	-	544,565	479,388
CDI/Straus Military Reform Project	463,942	-	463,942	430,998
Inspectors General Project	242,348	-	242,348	53,211
Contract Oversight	186,074	-	186,074	248,950
Energy and Natural Resources	151,193	-	151,193	188,648
Whistleblower Protections	115,896	-	115,896	107,578
Nuclear Weapons Security Investigations	93,599	-	93,599	132,146
Effective Government	68,678	-	68,678	-
Private Prison Oversight	20,520	-	20,520	-
Open Contracting	10,531	-	10,531	-
Public Health Investigations	-	-	-	150,193
Direct and Grassroots Lobbying	21,725	-	21,725	30,545
Total program services	2,510,915	-	2,510,915	2,353,909
Supporting Services:				
General and Administrative	147,155	-	147,155	157,020
Development	321,339	-	321,339	294,696
Total supporting services	468,494	-	468,494	451,716
Total expenses	2,979,409	-	2,979,409	2,805,625
Change in net assets	702,974	(958,282)	(255,308)	757,295
Net assets at beginning of year	1,393,782	1,764,337	3,158,119	2,400,824
NET ASSETS AT END OF YEAR	\$ 2,096,756	\$ 806,055	\$ 2,902,811	\$ 3,158,119

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	2016					
	Program Services					
	Congressional Oversight Initiative	Government Accountability	CDI/Straus Military Reform Project	Inspectors General Project	Contract Oversight	Energy and Natural Resources
Personnel Costs:						
Salaries	\$ 337,630	\$ 321,438	\$ 275,339	\$ 153,264	\$ 111,969	\$ 99,606
Employee benefits	28,371	32,623	24,923	10,494	12,893	9,053
Payroll taxes	24,914	23,645	20,302	9,714	9,793	7,418
Total personnel costs	390,915	377,706	320,564	173,472	134,655	116,077
Rent	49,988	39,978	37,603	13,391	23,710	14,114
Printing and postage	6,224	22,238	38,069	5,719	5,929	4,590
Web/Internet	6,280	23,421	19,817	5,177	8,249	4,506
Outreach	2,808	11,421	5,355	1,309	2,868	1,876
Consultant fees	-	29,921	20,025	33,333	-	-
Depreciation and amortization	11,988	7,808	7,999	3,354	4,202	2,973
Contributed services	-	12,508	-	-	-	-
Research materials and documents	7,220	12,366	3,766	3,096	2,435	1,397
Technology	2,993	1,769	2,008	806	1,014	707
Travel	1,749	104	1,585	16	-	2,633
Legal fees	-	-	-	-	-	-
Accounting fees	-	-	-	-	-	-
Insurance	2,749	1,819	1,833	784	964	684
Fundraising events	-	-	-	-	-	-
Meeting expenses	39,306	54	1,092	110	-	500
Telephone	2,283	1,470	1,479	641	777	550
Bank and payroll fees	-	-	-	-	-	-
Maintenance, repairs and miscellaneous	303	460	318	76	110	85
Filing fees	-	-	-	-	-	-
Office supplies	866	328	482	462	345	172
Equipment and equipment rental	61	250	129	99	69	46
Membership and professional growth	986	944	1,818	503	747	283
Grant expense	65,125	-	-	-	-	-
TOTAL	\$ 591,844	\$ 544,565	\$ 463,942	\$ 242,348	\$ 186,074	\$ 151,193

Whistleblower Protections	Nuclear Weapons Security Investigations	Effective Government	Private Prison Oversight	Open Contracting	Direct and Grassroots Lobbying	Total Program Services
\$ 72,064	\$ 60,445	\$ 38,168	\$ 14,015	\$ 6,226	\$ 15,363	\$ 1,505,527
7,203	6,209	1,811	481	631	1,313	136,005
5,345	4,579	2,686	949	458	1,130	110,933
84,612	71,233	42,665	15,445	7,315	17,806	1,752,465
13,378	10,338	1,129	159	774	1,602	206,164
3,432	2,896	1,470	288	431	620	91,906
3,843	2,969	1,130	200	462	578	76,632
4,384	1,449	-	-	221	219	31,910
-	-	10,456	4,167	580	-	98,482
2,396	1,969	718	128	151	381	44,067
-	-	-	-	242	-	12,750
1,126	959	273	46	240	189	33,113
578	482	144	25	34	95	10,655
22	-	1,639	-	-	-	7,748
-	-	-	-	-	-	-
-	-	-	-	-	-	-
555	436	199	37	35	83	10,178
-	-	-	-	-	-	-
500	79	8,466	-	-	-	50,107
444	362	137	25	28	70	8,266
-	-	-	-	-	-	-
55	63	197	-	-	-	1,667
-	-	-	-	-	-	-
121	123	25	-	-	22	2,946
155	32	-	-	-	-	841
295	209	30	-	18	60	5,893
-	-	-	-	-	-	65,125
\$ 115,896	\$ 93,599	\$ 68,678	\$ 20,520	\$ 10,531	\$ 21,725	\$ 2,510,915

See accompanying notes to financial statements.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016 (Continued)			2015	
	Supporting Services				
	General and Administrative	Development	Total Supporting Services	Total Expenses	Total Expenses
Personnel Costs:					
Salaries	\$ 79,841	\$ 163,067	\$ 242,908	\$ 1,748,435	\$ 1,596,565
Employee benefits	3,184	15,073	18,257	154,262	114,263
Payroll taxes	6,084	11,955	18,039	128,972	121,764
Total personnel costs	89,109	190,095	279,204	2,031,669	1,832,592
Rent	10,023	21,661	31,684	237,848	240,544
Printing and postage	3,125	39,699	42,824	134,730	222,477
Web/Internet	134	7,185	7,319	83,951	133,339
Outreach	736	3,659	4,395	36,305	17,711
Consultant fees	-	5,000	5,000	103,482	63,265
Depreciation and amortization	2,434	4,649	7,083	51,150	49,125
Contributed services	-	-	-	12,750	18,000
Research materials and documents	-	-	-	33,113	25,532
Technology	556	1,012	1,568	12,223	12,158
Travel	2,594	3,468	6,062	13,810	13,007
Legal fees	893	-	893	893	4,231
Accounting fees	18,000	-	18,000	18,000	14,800
Insurance	4,285	1,049	5,334	15,512	14,768
Fundraising events	-	37,900	37,900	37,900	8,684
Meeting expenses	352	10	362	50,469	30,956
Telephone	450	858	1,308	9,574	9,372
Bank and payroll fees	9,225	-	9,225	9,225	7,774
Maintenance, repairs and miscellaneous	4,442	205	4,647	6,314	5,001
Filing fees	-	4,430	4,430	4,430	4,761
Office supplies	230	306	536	3,482	3,438
Equipment and equipment rental	89	76	165	1,006	4,633
Membership and professional growth	478	77	555	6,448	4,332
Grant expense	-	-	-	65,125	65,125
TOTAL	\$ 147,155	\$ 321,339	\$ 468,494	\$ 2,979,409	\$ 2,805,625

PROJECT ON GOVERNMENT OVERSIGHT, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (255,308)	\$ 757,295
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	51,150	49,125
Unrealized (gain) loss on investments	(169,267)	62,226
Donated investments	-	(1,826)
(Increase) decrease in:		
Accounts receivable	(29,588)	197
Grants receivable	478,615	(655,050)
Inventory	109	(3,066)
Prepaid expenses	(5,068)	(18,003)
Increase (decrease) in:		
Accounts payable and accrued liabilities	415	63,002
Deferred rent	(42,566)	(35,237)
Accrued SEP contribution	<u>13,301</u>	<u>(2,078)</u>
Net cash provided by operating activities	<u>41,793</u>	<u>216,585</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,125)	(8,449)
Purchase of investments	(430,767)	(426,890)
Proceeds from the sale of investments	<u>-</u>	<u>1,826</u>
Net cash used by investing activities	<u>(431,892)</u>	<u>(433,513)</u>
Net decrease in cash and cash equivalents	(390,099)	(216,928)
Cash and cash equivalents at beginning of year	<u>1,184,864</u>	<u>1,401,792</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 794,765</u>	<u>\$ 1,184,864</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Donated Investments	<u>\$ 131,942</u>	<u>\$ 125,284</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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, 2015, 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 shown separately in the Statement of Activities and Change in Net Assets. Donated investments consist of donated stock that were sold immediately.

Accounts and grants receivable -

Accounts 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.

Grants receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

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 fixed assets with a cost of \$2,000 or more. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2016 totaled \$51,150.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

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.

Uncertain tax positions -

For the year ended December 31, 2016, 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.

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 services -

Contributed services consisted of contributed investigative research services. Contributed 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, 2016

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, 2016:

	<u>Cost</u>	<u>Fair Value</u>
Vanguard Mutual Funds:		
Large-Cap Index Fund Admiral Shares	\$ 375,370	\$ 572,548
Small-Cap Value Index Fund	342,520	548,061
Global Equity Fund	492,660	561,966
Short-term Investment Grade Fund	<u>401,671</u>	<u>396,838</u>
TOTAL INVESTMENTS	<u>\$ 1,612,221</u>	<u>\$ 2,079,413</u>

3. **FIXED ASSETS**

Fixed assets consisted of the following at December 31, 2016:

Furniture and computers	\$ 103,321
Leasehold improvements	<u>351,441</u>
Total fixed assets	454,762
Less: Accumulated depreciation and amortization	<u>(277,653)</u>
FIXED ASSETS, NET	<u>\$ 177,109</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 lease provides for a tenant improvement allowance for the build-out of space, office moving expenses and office equipment. The value of these improvements totaled \$385,178. These improvements have been recorded as an asset and as a deferred rent liability in the accompanying Statement of Financial Position and are being amortized over the life of the related lease.

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, 2016 totaled \$282,587, which together with \$44,739 of rental income from sublessors, resulted in net rent expense of \$237,848.

POGO continued with four annual subleases, including one sublease with a non-profit organization whose Co-Director is a Board member and one sublease with an organization with which POGO's Executive Director is the Chair of the group's Steering Committee.

Rental income in December 2016 was \$3,713 monthly and is based on fair market value.

Total future minimum lease payments are as follows:

Year Ending December 31,

2017	\$ 313,829
2018	321,675
2019	329,716
2020	337,960
2021	<u>346,409</u>
	<u>\$ 1,649,589</u>

Total future minimum rental income is as follows:

Year Ending December 31, 2017	<u>\$ 30,564</u>
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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, 2016, POGO contributed 4% of each eligible employee's salary to the plan, which totaled \$50,975. 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, 2016

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 \$18,000. POGO does not contribute to the plan.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2016:

Program Restricted:	
Open Contracting	\$ 19,469
Congressional Oversight Initiative	77,427
Inspectors General Project	121,484
CDI/Straus Military Reform Project	<u>121,425</u>
Total Program Restricted	339,805
Time Restricted	<u>466,250</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 806,055</u>

8. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions for the year ended December 31, 2016, by incurring expenses, which satisfied the restricted purposes specified by the donors or passage of time:

Program Restricted:	
Open Contracting	\$ 10,531
Congressional Oversight Initiative	591,844
Inspectors General Project	242,348
CDI/Straus Military Reform Project	463,942
Nuclear Weapons Security Investigations	75,000
Private Prison Oversight	20,000
Energy and Natural Resources	72,850
Beth Daley Memorial Fund	<u>17,306</u>
Total Program Restricted	1,493,821
Passage of Time	<u>669,398</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 2,163,219</u>

9. POGO ACTION, INC.

Due to restrictions placed on Section 501(c)(3) organizations, POGO Action Inc. (POGO Action) was created as a 501(c)(4) organization. POGO Action is organized for purposes of social welfare, including but not limited to conducting research, publicizing findings and advocating for a more effective, accountable, open and ethical Federal government, including proposing good government issues to candidates and to presidential transition teams. POGO and POGO Action entered into a Sharing Agreement in February 2016. Certain members of management and the Board of Directors of POGO also serve as management and members of the Board of Directors of POGO Action, respectively.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

9. POGO ACTION, INC. (Continued)

At December 31, 2016, \$12,375 was payable by POGO Action to POGO as reimbursement of POGO Action expenses incurred by POGO during the year ended December 31, 2016.

10. JOINT COSTS

POGO conducts fundraising campaigns that include appeals for contributions as well as program components.

As required by FASB ASC 958, *Not-for-Profit Entities*, POGO allocates the cost of the campaigns to the supported functional categories. The cost of these campaigns totaled \$106,223 for the year ended December 31, 2016.

11. THE CENTER FOR EFFECTIVE GOVERNMENT

The Center for Effective Government (CEG) determined in early 2016 that it could more effectively achieve its mission through collaboration with existing allies and decided to discontinue operations. CEG transferred certain activities and assets to POGO by agreement on June 30, 2016, resulting in revenue to POGO of \$295,998. POGO now houses CEG's website and its Fedspending.org website, as well as other intellectual property assets. POGO has also taken over CEG's work in the areas of open government and regulatory reform.

12. 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, 2016.

- *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.

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12. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, POGO's investments as of December 31, 2016:

	<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	\$ 572,548	\$ -	\$ -	\$ 572,548
Small-Cap Value Index Fund	548,061	-	-	548,061
Global Equity Fund	561,966	-	-	561,966
Short-term Investment Grade Fund	<u>396,838</u>	<u>-</u>	<u>-</u>	<u>396,838</u>
TOTAL	<u>\$ 2,079,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,079,413</u>

13. SUBSEQUENT EVENTS

In preparing these financial statements, POGO has evaluated events and transactions for potential recognition or disclosure through March 31, 2017, the date the financial statements were issued.