

FINANCIAL STATEMENTS

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**FOR THE YEAR ENDED DECEMBER 31, 2009
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2008**

PROJECT ON GOVERNMENT OVERSIGHT, INC.

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of the Project on Government Oversight, Inc. (POGO) as of December 31, 2009, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of POGO's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from POGO's 2008 financial statements and, in our report dated March 27, 2009, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of POGO as of December 31, 2009, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

May 10, 2010

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PROJECT ON GOVERNMENT OVERSIGHT, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008

ASSETS		<u>2009</u>	<u>2008</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	2,132,363	\$ 368,047
Investments (Notes 2 and 10)		535,303	410,882
Grants receivable		790,000	365,000
Inventory		10,605	-
Prepaid expenses		<u>61,049</u>	<u>55,818</u>
Total current assets		<u>3,529,320</u>	<u>1,199,747</u>
FIXED ASSETS (Note 3)		<u>11,215</u>	<u>18,979</u>
OTHER ASSETS			
Deposits		12,418	12,418
Grants receivable, non-current		<u>-</u>	<u>167,946</u>
Total other assets		<u>12,418</u>	<u>180,364</u>
TOTAL ASSETS	\$	<u>3,552,953</u>	\$ <u>1,399,090</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	23,588	\$ 13,683
Deferred rent (Note 6)		5,419	652
Accrued SEP contribution		51,450	50,000
Accrued contingent litigation judgment (Note 9)		<u>120,000</u>	<u>120,000</u>
Total current liabilities		<u>200,457</u>	<u>184,335</u>
LONG-TERM LIABILITIES			
Deferred rent (Note 6)		<u>7,908</u>	<u>13,327</u>
Total liabilities		<u>208,365</u>	<u>197,662</u>
NET ASSETS			
Unrestricted		2,133,603	193,864
Temporarily restricted (Note 4)		<u>1,210,985</u>	<u>1,007,564</u>
Total net assets		<u>3,344,588</u>	<u>1,201,428</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>3,552,953</u>	\$ <u>1,399,090</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, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Contributions	\$ 1,880,507	\$ -	\$ 1,880,507	\$ 100,975
Grants	184,368	1,477,202	1,661,570	1,282,225
Interest/dividend income	17,481	-	17,481	16,630
Unrealized gain (loss) on investments	113,490	-	113,490	(282,535)
Contributed services	80,505	-	80,505	32,593
Publications and other income	18,570	-	18,570	1,120
Net assets released from donor restrictions (Note 5)	<u>1,273,781</u>	<u>(1,273,781)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>3,568,702</u>	<u>203,421</u>	<u>3,772,123</u>	<u>1,151,008</u>
EXPENSES				
Program Services:				
Contract Oversight	179,733	-	179,733	273,024
Inherently Government Functions	168,066	-	168,066	-
Defense and National Security	115,328	-	115,328	99,791
Whistleblower Protections	113,131	-	113,131	62,610
Bailout Watch	110,054	-	110,054	-
Government Oversight	104,629	-	104,629	58,234
Congressional Oversight Training	86,277	-	86,277	158,897
Nuclear Weapons Security Investigations	85,148	-	85,148	197,451
Nuclear Power Plant Investigations	32,837	-	32,837	65,017
Livermore Nuclear Investigations	21,675	-	21,675	-
Public Health Investigations	76,551	-	76,551	106,225
Emerging Programs	76,288	-	76,288	-
Inspector General	66,657	-	66,657	174,412
Government Corruption (Revolving Door)	44,069	-	44,069	-
Energy and Natural Resources Investigations	30,564	-	30,564	126,171
Direct Lobbying	<u>38,835</u>	<u>-</u>	<u>38,835</u>	<u>13,638</u>
Total program services	<u>1,349,842</u>	<u>-</u>	<u>1,349,842</u>	<u>1,335,470</u>
Supporting Services:				
General and Administrative	116,433	-	116,433	118,882
Development	<u>162,688</u>	<u>-</u>	<u>162,688</u>	<u>163,929</u>
Total supporting services	<u>279,121</u>	<u>-</u>	<u>279,121</u>	<u>282,811</u>
Total expenses	<u>1,628,963</u>	<u>-</u>	<u>1,628,963</u>	<u>1,618,281</u>
Change in net assets	1,939,739	203,421	2,143,160	(467,273)
Net assets at beginning of year	<u>193,864</u>	<u>1,007,564</u>	<u>1,201,428</u>	<u>1,668,701</u>
NET ASSETS AT END OF YEAR	\$ <u>2,133,603</u>	\$ <u>1,210,985</u>	\$ <u>3,344,588</u>	\$ <u>1,201,428</u>

See accompanying notes to financial statements.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008

	2009				
	Program Services				
	Contract Oversight	Inherently Government Functions	Defense and National Security	Whistleblower Protections	Bailout Watch
Personnel Costs:					
Salaries	\$ 108,759	\$ 91,537	\$ 73,159	\$ 70,262	\$ 70,285
Employee benefits (Notes 7 and 8)	18,097	12,465	11,661	11,080	10,059
Payroll taxes	8,413	6,968	5,669	5,402	5,435
Total personnel costs	135,269	110,970	90,489	86,744	85,779
Rent (Note 6)	20,042	13,568	12,910	11,944	10,876
Web / Internet	8,583	5,412	5,074	5,158	3,970
Consultant fees	-	14,584	-	-	-
Printing, copying and publishing	2,001	1,481	1,264	1,267	1,084
Accounting fees	-	-	-	-	-
Research materials and documents	2,082	878	675	474	628
Telephone	1,294	710	813	732	655
Travel	99	54	39	558	261
Outreach	273	410	-	1,342	-
Depreciation and amortization	899	821	432	485	342
Technology	1,832	718	785	697	567
Office supplies	530	261	300	274	232
Intern stipends	1,000	250	-	-	750
Membership and professional growth	469	126	56	40	49
Postage	738	561	669	548	369
Insurance	637	336	354	347	238
Filing fees	-	-	-	-	-
Bank and payroll fees	-	-	-	-	-
Legal fees	-	-	-	-	-
Maintenance, repairs and miscellaneous	172	95	181	97	85
Meeting expenses	41	78	258	1,055	221
Equipment and equipment rental	598	233	385	309	288
Conference/seminar expenses	-	-	-	-	-
In-kind contributions - services	3,174	16,520	644	1,060	3,660
Development and fundraising	-	-	-	-	-
Interest expense	-	-	-	-	-
TOTAL	\$ 179,733	\$ 168,066	\$ 115,328	\$ 113,131	\$ 110,054

See accompanying notes to financial statements.

Government Oversight	Congressional Oversight Training	Nuclear Weapons Security Investigations	Nuclear Power Plant Investigations	Livermore Nuclear Investigations	Public Health Investigations	Emerging Programs
\$ 60,681	\$ 45,544	\$ 49,478	\$ 22,612	\$ 12,847	\$ 16,104	\$ 49,353
10,960	7,090	8,454	2,636	2,231	2,640	7,607
4,686	3,558	3,843	1,751	996	1,261	3,752
76,327	56,192	61,775	26,999	16,074	20,005	60,712
11,774	8,035	8,810	3,250	2,363	3,045	7,894
5,283	2,870	3,910	918	1,000	1,095	3,570
-	100	5,280	-	720	-	-
1,212	3,514	886	233	234	248	823
-	-	-	-	-	-	-
682	413	1,200	130	228	272	416
806	503	624	156	166	183	495
1,316	178	8	1	3	1,595	6
2,500	-	-	-	-	1,067	-
420	161	388	287	81	140	624
848	463	653	141	173	187	524
283	193	235	72	57	195	163
-	-	-	-	-	-	-
41	45	42	248	10	18	13
423	1,143	302	62	89	382	280
405	188	298	57	77	80	275
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
109	78	81	18	22	22	70
1,067	11,355	70	2	12	2	8
349	266	315	107	73	115	171
-	-	-	-	-	-	-
784	580	271	156	293	47,900	244
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ 104,629	\$ 86,277	\$ 85,148	\$ 32,837	\$ 21,675	\$ 76,551	\$ 76,288

See accompanying notes to financial statements.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008

	2009 (Continued)				
	Program Services (Continued)				
	Inspector General	Government Corruption (Revolving Door)	Energy and Natural Resources Investigations	Direct Lobbying	Total Program Services
Personnel Costs:					
Salaries	\$ 31,145	\$ 25,540	\$ 19,257	\$ 24,740	\$ 771,303
Employee benefits (Notes 7 and 8)	5,635	4,215	3,186	3,869	121,885
Payroll taxes	2,510	1,987	1,482	1,928	59,641
Total personnel costs	39,290	31,742	23,925	30,537	952,829
Rent (Note 6)	8,168	5,005	3,537	4,782	136,003
Web / Internet	2,548	1,998	1,512	1,670	54,571
Consultant fees	12,500	-	-	-	33,184
Printing, copying and publishing	547	429	364	418	16,005
Accounting fees	-	-	-	-	-
Research materials and documents	374	302	184	168	9,106
Telephone	459	308	217	270	8,391
Travel	3	2	8	3	4,134
Outreach	-	-	-	-	5,592
Depreciation and amortization	103	276	144	133	5,736
Technology	479	330	216	253	8,866
Office supplies	222	127	80	109	3,333
Intern stipends	-	-	-	-	2,000
Membership and professional growth	60	24	12	23	1,276
Postage	152	131	121	127	6,097
Insurance	186	155	109	112	3,854
Filing fees	-	-	-	-	-
Bank and payroll fees	-	-	-	-	-
Legal fees	-	-	-	-	-
Maintenance, repairs and miscellaneous	53	39	29	33	1,184
Meeting expenses	4	3	3	4	14,183
Equipment and equipment rental	361	178	95	149	3,992
Conference/seminar expenses	-	-	-	-	-
In-kind contributions - services	1,148	3,020	8	44	79,506
Development and fundraising	-	-	-	-	-
Interest expense	-	-	-	-	-
TOTAL	\$ 66,657	\$ 44,069	\$ 30,564	\$ 38,835	\$ 1,349,842

See accompanying notes to financial statements.

					2008
<u>Supporting Services</u>					
General and Administrative	Development	Total Supporting Services	Total Expenses	Total Expenses	
\$ 50,426	\$ 96,671	\$ 147,097	\$ 918,400	\$ 939,083	
6,422	15,324	21,746	143,631	154,331	
3,910	7,493	11,403	71,044	73,095	
60,758	119,488	180,246	1,133,075	1,166,509	
8,393	17,219	25,612	161,615	142,987	
427	6,319	6,746	61,317	49,605	
8,442	-	8,442	41,626	54,845	
3,733	1,851	5,584	21,589	21,034	
17,660	-	17,660	17,660	15,804	
-	-	-	9,106	9,076	
546	1,078	1,624	10,015	11,739	
476	3,815	4,291	8,425	8,435	
-	2,092	2,092	7,684	3,420	
369	756	1,125	6,861	11,103	
3,552	1,063	4,615	13,481	9,932	
3,360	445	3,805	7,138	5,403	
-	-	-	2,000	10,120	
292	-	292	1,568	1,113	
90	1,370	1,460	7,557	5,867	
3,304	490	3,794	7,648	7,041	
-	4,820	4,820	4,820	4,349	
2,728	-	2,728	2,728	3,605	
570	-	570	570	2,428	
806	244	1,050	2,234	4,156	
688	43	731	14,914	1,691	
239	540	779	4,771	2,057	
-	-	-	-	3,145	
-	999	999	80,505	32,593	
-	56	56	56	15,224	
-	-	-	-	15,000	
\$ 116,433	\$ 162,688	\$ 279,121	\$ 1,628,963	\$ 1,618,281	

See accompanying notes to financial statements.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,143,160	\$ (467,273)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,861	11,103
Unrealized (gain) loss on investments	(113,490)	282,535
Loss on disposal of fixed assets	2,953	-
(Increase) decrease in:		
Grants receivable	(257,054)	173,092
Inventory	(10,605)	-
Prepaid expenses	(5,231)	(15,038)
Deposits	-	3,457
Increase (decrease) in:		
Accounts payable and accrued liabilities	9,905	(3,542)
Deferred rent	(652)	3,975
Accrued SEP contribution	<u>1,450</u>	<u>50,000</u>
Net cash provided by operating activities	<u>1,777,297</u>	<u>38,309</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(2,050)	(6,792)
Purchases of investments	<u>(10,931)</u>	<u>(13,642)</u>
Net cash used by investing activities	<u>(12,981)</u>	<u>(20,434)</u>
Net increase in cash and cash equivalents	1,764,316	17,875
Cash and cash equivalents at beginning of year	<u>368,047</u>	<u>350,172</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>2,132,363</u>	\$ <u>368,047</u>
SUPPLEMENTAL INFORMATION		
Interest Paid	<u>\$ 15,000</u>	<u>\$ -</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

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 an independent non-profit that investigates and exposes corruption and other misconduct in order to achieve a more effective, accountable, open and ethical Federal government. These activities are funded primarily through contributions from foundations.

Recently issued accounting standards -

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC 105, Generally Accepted Accounting Principles, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, POGO has updated references to GAAP in its financial statements issued for the year ended December 31, 2009. The adoption of FASB ASC 105 did not impact the POGO's financial position or results of operations.

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, 2008, 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.

At times during the year, POGO maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) 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. 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. POGO capitalizes all property and equipment with a cost of \$1,000 or more.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

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

Fixed assets (continued) -

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.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2009, POGO has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Inventory -

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

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 -

Contributions and grants are recorded as revenue in the year notification is received from the donor. 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. 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 consist of contributed investigative research services. Contributed services are recorded at their fair market value as of the date of the gift.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

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

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.

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 measurements -

POGO adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. 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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

2. INVESTMENTS

Investments consisted of the following at December 31, 2009:

	<u>Cost</u>	<u>Market Value</u>
Vanguard Funds:		
Large-Cap Index Fund Admiral Shares	\$ 227,255	\$ 196,125
Small-Cap Value Index Fund	181,915	150,558
Global Equity Fund	<u>250,979</u>	<u>188,620</u>
TOTAL INVESTMENTS	<u>\$ 660,149</u>	<u>\$ 535,303</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

3. **FIXED ASSETS**

Fixed assets consisted of the following at December 31, 2009:

Furniture and computers	\$ 69,035
Leasehold improvements	<u>5,223</u>
Total fixed assets	74,258
Less: Accumulated depreciation and amortization	<u>(63,043)</u>
NET FIXED ASSETS	<u>\$ 11,215</u>

4. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2009:

Program Restricted:	
Defense and National Security	\$ 80,000
Congressional Oversight Training	5,721
Nuclear Weapons Security Investigations	30,000
Livermore Nuclear Investigations	6,250
Inspector General	<u>5,000</u>
Total Program Restricted:	126,971
Time Restricted	<u>1,084,014</u>
	<u>\$1,210,985</u>

5. **NET ASSETS RELEASED FROM RESTRICTIONS**

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

Program Restricted:	
Contract Oversight	\$ 170,000
Defense and National Security	60,000
Bailout Watch	69,980
Government Oversight	500
Congressional Oversight Training	23,162
Nuclear Weapons Security Investigations	51,556
Nuclear Power Plant Investigations	20,833
Livermore Nuclear Investigations	18,750
Inspector General	15,000
Government Corruption (Revolving Door)	20,000
Energy and Natural Resources Investigations	<u>16,834</u>
Total Program Restricted:	466,615
Passage of Time	<u>807,166</u>
	<u>\$1,273,781</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

6. LEASE COMMITMENTS AND RELATED PARTY

Effective November 1, 2006, POGO entered a new lease for office space in the District of Columbia under a non-cancelable operating lease that expires in October 2011.

The lease contains a fixed escalation clause for increases in the annual minimum rent at a rate of 3% per annum. The total amount of rental payments due over the life of the lease term is charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is charged to "deferred rent" in the accompanying Statement of Financial Position. Rent expense for the year ended December 31, 2009 totaled \$161,615, which included \$177,315 from straight-line rent expense, less \$15,700 of rental income from a sublessor.

Total future minimum lease payments required under the terms of this lease as of December 31, 2009 are as follows:

Year Ended December 31,

2010	\$ 163,649
2011	<u>139,767</u>
	<u>\$ 303,416</u>

Effective November 1, 2006, POGO entered into a sublease with a Board member to rent out part of its office space under a one-year noncancellable lease that expires October 31, 2007. This lease has been amended for the third time to continue for an additional year ending on October 31, 2010. Rental income during the year ended December 31, 2009 was \$15,700.

Total future minimum lease payments due under the terms of this lease as of December 31, 2009 are as follows:

Year Ended December 31, 2010	<u>\$ 13,408</u>
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7. PENSION PLAN

POGO maintains a simplified employee pension plan for all eligible employees. Employees are eligible to participate in the plan after one-year of service. Employer contributions are discretionary, subject to annual approval of the Board of Directors of POGO. For the year ended December 31, 2009, POGO contributed 7% of each eligible employee's salary to the plan, which totaled \$51,450 and is reflected in employee benefits in the accompanying Statement of Functional Expenses.

8. 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 lessor of 20% of their salary or \$16,500. POGO does not contribute to the plan.

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9. INVESTIGATIONS CONCERNING POGO SHARING LAWSUIT SETTLEMENT

The U.S. Department of Justice (DOJ) has filed a civil lawsuit against POGO in connection with the organization's monetary public service award given to an individual for his whistleblowing. In February 2008, POGO was found liable and was imposed a civil fine of \$120,000. POGO appealed the jury verdict to the United States Court of Appeals for the District of Columbia Circuit. The Court held oral arguments in October 2009 and POGO is awaiting a decision.

POGO's insurance carrier that had been covering the legal fees for this lawsuit disputed that the insurance carrier would be liable if POGO lost the lawsuit. Effective January 30, 2008, POGO entered a settlement with its insurance carrier to release the insurance carrier from any legal fees incurred after January 30, 2008 and any civil fines associated with this lawsuit, in exchange for \$40,000 to be paid to POGO within 21 days of the agreement.

10. FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, 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 in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

Financial assets recorded in the Statement of Financial Position are categorized based on the inputs to the valuation technique as follows for the year ended December 31, 2009:

	Level 1	Level 2	Level 3	Total December 31, 2009
Asset Category:				
Vanguard Funds:				
Large-Cap Index Fund Admiral Shares	\$ 196,125	\$ -	\$ -	\$ 196,125
Small-Cap Value Index Fund	150,558	-	-	150,558
Global Equity Fund	<u>188,620</u>	<u>-</u>	<u>-</u>	<u>188,620</u>
TOTAL	<u>\$ 535,303</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 535,303</u>

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11. SUBSEQUENT EVENTS

In preparing these financial statements, POGO has evaluated events and transactions for potential recognition or disclosure through May 10, 2010, the date the financial statements were issued.