

**FINANCIAL STATEMENTS**

**PROJECT ON GOVERNMENT OVERSIGHT, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2010  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2009**

# 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, 2010, 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 2009 financial statements and, in our report dated May 10, 2010, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of POGO's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of POGO as of December 31, 2010, 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*

March 29, 2011

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

**PROJECT ON GOVERNMENT OVERSIGHT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2010**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009**

<b>ASSETS</b>		<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	2,021,691	\$ 2,132,363
Investments (Notes 2 and 11)		971,229	535,303
Grants receivable (Note 3)		625,969	790,000
Inventory		1,047	10,605
Prepaid expenses		<u>86,555</u>	<u>61,049</u>
Total current assets		<u>3,706,491</u>	<u>3,529,320</u>
<b>FIXED ASSETS, NET (Note 4)</b>		<u>13,818</u>	<u>11,215</u>
<b>OTHER ASSETS</b>			
Deposits		12,418	12,418
Grants receivable, net of current portion (Note 3)		<u>448,113</u>	<u>-</u>
Total other assets		<u>460,531</u>	<u>12,418</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>4,180,840</u></b>	<b>\$ <u>3,552,953</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	\$	25,749	\$ 23,588
Deferred rent (Note 5)		7,908	5,419
Accrued SEP contribution (Note 8)		60,118	51,450
Accrued contingent litigation judgment (Note 10)		<u>120,000</u>	<u>120,000</u>
Total current liabilities		<u>213,775</u>	<u>200,457</u>
<b>LONG-TERM LIABILITIES</b>			
Deferred rent (Note 5)		<u>-</u>	<u>7,908</u>
Total liabilities		<u>213,775</u>	<u>208,365</u>
<b>NET ASSETS</b>			
Unrestricted		2,040,941	2,133,603
Temporarily restricted (Note 6)		<u>1,926,124</u>	<u>1,210,985</u>
Total net assets		<u>3,967,065</u>	<u>3,344,588</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>4,180,840</u></b>	<b>\$ <u>3,552,953</u></b>

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, 2010  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009**

	<u>2010</u>			<u>2009</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>REVENUE</b>				
Contributions	\$ 77,937	\$ 19,261	\$ 97,198	\$ 1,880,507
Grants (Note 3)	155,800	1,893,113	2,048,913	1,661,570
Interest/dividend income	27,293	-	27,293	17,481
Unrealized gain on investments	118,752	-	118,752	113,490
Contributed services	57,960	-	57,960	80,505
Publications and other income	345	-	345	18,585
Fundraising event income	7,335	-	7,335	-
Net assets released from donor restrictions (Note 7)	<u>1,197,235</u>	<u>(1,197,235)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,642,657</u>	<u>715,139</u>	<u>2,357,796</u>	<u>3,772,138</u>
<b>EXPENSES</b>				
Program Services:				
Nuclear Weapons Security Investigations	184,152	-	184,152	85,148
Nuclear Power Plant Investigations	14,155	-	14,155	32,837
Livermore Nuclear Investigations	-	-	-	21,675
Contract Oversight	179,260	-	179,260	179,733
Inherently Governmental Functions	100,592	-	100,592	168,066
Emerging Programs	138,039	-	138,039	76,288
Defense and National Security	113,643	-	113,643	115,328
Energy and Natural Resources Investigations	86,958	-	86,958	30,564
Whistleblower Protections	82,208	-	82,208	113,131
Financial Sector Oversight	81,892	-	81,892	110,054
Public Health Investigations	81,467	-	81,467	76,551
Government Oversight	80,297	-	80,297	104,629
Government Corruption	71,807	-	71,807	44,069
Inspector General	64,796	-	64,796	66,657
Government Secrecy	46,818	-	46,818	-
Congressional Oversight Training	40,079	-	40,079	86,292
Direct Lobbying	<u>40,961</u>	<u>-</u>	<u>40,961</u>	<u>38,835</u>
Total program services	<u>1,407,124</u>	<u>-</u>	<u>1,407,124</u>	<u>1,349,857</u>
Supporting Services:				
General and Administrative	121,790	-	121,790	116,433
Development	<u>206,405</u>	<u>-</u>	<u>206,405</u>	<u>162,688</u>
Total supporting services	<u>328,195</u>	<u>-</u>	<u>328,195</u>	<u>279,121</u>
Total expenses	<u>1,735,319</u>	<u>-</u>	<u>1,735,319</u>	<u>1,628,978</u>
Change in net assets	(92,662)	715,139	622,477	2,143,160
Net assets at beginning of year	<u>2,133,603</u>	<u>1,210,985</u>	<u>3,344,588</u>	<u>1,201,428</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 2,040,941</u></b>	<b><u>\$ 1,926,124</u></b>	<b><u>\$ 3,967,065</u></b>	<b><u>\$ 3,344,588</u></b>

See accompanying notes to financial statements.

**PROJECT ON GOVERNMENT OVERSIGHT, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009**

	<b>2010</b>				
	<b>Program Services</b>				
	<b>Nuclear Weapons Security Investigations</b>	<b>Nuclear Power Plant Investigations</b>	<b>Contract Oversight</b>	<b>Inherently Governmental Functions</b>	<b>Emerging Programs</b>
Personnel Costs:					
Salaries	\$ 120,250	\$ 6,954	\$ 115,296	\$ 43,270	\$ 92,130
Employee benefits (Notes 8 and 9)	17,032	1,926	16,835	7,355	12,731
Payroll taxes	9,420	564	8,996	3,413	7,181
<b>Total personnel costs</b>	<b>146,702</b>	<b>9,444</b>	<b>141,127</b>	<b>54,038</b>	<b>112,042</b>
Rent (Note 5)	19,418	2,725	19,681	8,932	14,117
Web / Internet	7,333	1,143	7,985	3,635	5,747
Consultant fees	1,923	-	613	12,500	-
Printing, copying and publishing	2,032	109	1,829	649	1,334
Accounting fees	-	-	-	-	-
Research materials and documents	1,375	176	1,737	2,628	954
Telephone	789	105	794	351	570
Travel	32	1	342	4	44
Outreach	566	39	569	180	439
Depreciation and amortization	396	22	614	240	612
Technology	758	105	850	351	544
Office supplies	598	102	733	305	460
Intern stipends	-	-	-	-	-
Membership and professional growth	390	25	929	153	220
Postage	659	48	711	190	420
Insurance	524	79	541	248	390
Filing fees	-	-	-	-	-
Bank and payroll fees	-	-	-	-	-
Legal fees	-	-	-	-	-
Maintenance, repairs and miscellaneous	143	20	145	115	104
Meeting expenses	463	-	-	80	-
Equipment and equipment rental	51	12	60	33	42
In-kind contributions - services	-	-	-	15,960	-
Development and fundraising	-	-	-	-	-
Unsalable Inventory	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 184,152</b>	<b>\$ 14,155</b>	<b>\$ 179,260</b>	<b>\$ 100,592</b>	<b>\$ 138,039</b>

See accompanying notes to financial statements.

<b>Defense and National Security</b>	<b>Energy and Natural Resources Investigations</b>	<b>Whistleblower Protections</b>	<b>Financial Sector Oversight</b>	<b>Public Health Investigations</b>	<b>Government Oversight</b>
\$ 73,054	\$ 57,521	\$ 52,006	\$ 45,424	\$ 28,586	\$ 50,615
10,737	7,325	7,331	6,784	2,819	6,629
5,737	4,367	4,026	3,543	2,171	3,939
89,528	69,213	63,363	55,751	33,576	61,183
12,371	7,770	8,170	7,828	2,310	7,110
6,155	3,158	3,544	3,209	1,208	2,832
137	-	-	10,500	-	-
1,036	1,092	737	749	283	756
-	-	-	-	-	-
1,002	661	546	604	140	541
493	330	330	315	97	288
88	91	530	498	821	1,041
317	2,249	3,276	214	150	2,061
449	318	420	223	411	319
488	345	320	316	87	280
433	219	273	250	197	221
-	-	-	-	-	-
306	268	122	173	15	543
366	916	262	263	82	1,509
343	206	229	213	67	192
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	690	-	-
91	58	60	57	17	169
-	47	-	15	-	1,232
40	17	26	24	6	20
-	-	-	-	42,000	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>\$ 113,643</b>	<b>\$ 86,958</b>	<b>\$ 82,208</b>	<b>\$ 81,892</b>	<b>\$ 81,467</b>	<b>\$ 80,297</b>

See accompanying notes to financial statements.

**PROJECT ON GOVERNMENT OVERSIGHT, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009**

	<b>2010 (Continued)</b>			
	<b>Program Services (Continued)</b>			
	<b>Government Corruption</b>	<b>Inspector General</b>	<b>Government Secrecy</b>	<b>Congressional Oversight Training</b>
Personnel Costs:				
Salaries	\$ 35,468	\$ 39,642	\$ 31,249	\$ 16,810
Employee benefits (Notes 8 and 9)	5,644	4,397	3,968	3,231
Payroll taxes	2,774	3,035	2,395	1,339
<b>Total personnel costs</b>	<b>43,886</b>	<b>47,074</b>	<b>37,612</b>	<b>21,380</b>
Rent (Note 5)	6,646	4,247	4,263	4,235
Web / Internet	2,576	1,838	1,714	1,683
Consultant fees	15,769	9,375	-	-
Printing, copying and publishing	645	544	1,070	297
Accounting fees	-	-	-	-
Research materials and documents	544	257	295	306
Telephone	265	180	180	166
Travel	46	11	352	59
Outreach	138	235	198	69
Depreciation and amortization	124	355	172	33
Technology	282	160	173	169
Office supplies	207	131	127	150
Intern stipends	-	-	-	-
Membership and professional growth	205	47	339	82
Postage	228	182	166	17
Insurance	176	119	116	117
Filing fees	-	-	-	-
Bank and payroll fees	-	-	-	-
Legal fees	-	-	-	-
Maintenance, repairs and miscellaneous	48	32	32	31
Meeting expenses	-	-	-	1,845
Equipment and equipment rental	22	9	9	16
In-kind contributions - services	-	-	-	-
Development and fundraising	-	-	-	-
Unsalable Inventory	-	-	-	9,424
<b>TOTAL</b>	<b>\$ 71,807</b>	<b>\$ 64,796</b>	<b>\$ 46,818</b>	<b>\$ 40,079</b>

See accompanying notes to financial statements.



2009

Supporting Services							
Direct Lobbying	Total Program Services	General and Administrative	Development	Total Supporting Services	Total Expenses	Total Expenses	
\$ 27,863	\$ 836,138	\$ 56,268	\$ 117,320	\$ 173,588	\$ 1,009,726	\$ 918,400	
3,676	118,420	6,112	17,247	23,359	141,779	143,631	
2,175	65,075	4,301	9,145	13,446	78,521	71,044	
33,714	1,019,633	66,681	143,712	210,393	1,230,026	1,133,075	
3,879	133,702	8,902	19,823	28,725	162,427	161,615	
1,560	55,320	836	8,230	9,066	64,386	61,317	
-	50,817	-	-	-	50,817	41,626	
394	13,556	67	2,918	2,985	16,541	21,589	
-	-	17,632	-	17,632	17,632	17,660	
299	12,065	2	-	2	12,067	9,106	
154	5,407	565	802	1,367	6,774	10,015	
44	4,004	1,668	5,887	7,555	11,559	8,425	
93	10,793	200	10,446	10,646	21,439	7,684	
203	4,911	302	520	822	5,733	6,861	
158	5,386	353	800	1,153	6,539	13,481	
121	4,527	1,537	2,122	3,659	8,186	7,138	
-	-	-	-	-	-	2,000	
101	3,918	419	329	748	4,666	1,568	
98	6,117	17	2,559	2,576	8,693	7,557	
103	3,663	3,363	537	3,900	7,563	7,648	
-	-	-	5,040	5,040	5,040	4,820	
-	-	3,160	-	3,160	3,160	2,728	
-	690	8,378	-	8,378	9,068	570	
-	-	-	-	-	-	-	
28	1,150	916	420	1,336	2,486	2,234	
-	3,682	6,765	2,202	8,967	12,649	14,914	
12	399	27	58	85	484	4,771	
-	57,960	-	-	-	57,960	80,505	
-	-	-	-	-	-	56	
-	9,424	-	-	-	9,424	15	
<b>\$ 40,961</b>	<b>\$ 1,407,124</b>	<b>\$ 121,790</b>	<b>\$ 206,405</b>	<b>\$ 328,195</b>	<b>\$ 1,735,319</b>	<b>\$ 1,628,978</b>	

See accompanying notes to financial statements.

## PROJECT ON GOVERNMENT OVERSIGHT, INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 622,477	\$ 2,143,160
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,733	6,861
Unrealized gain on investments	(118,752)	(113,490)
Loss on disposal of fixed assets	-	2,953
(Increase) decrease in:		
Grants receivable	(284,082)	(257,054)
Inventory	9,558	(10,605)
Prepaid expenses	(25,506)	(5,231)
Increase (decrease) in:		
Accounts payable and accrued liabilities	2,161	9,905
Deferred rent	(5,419)	(652)
Accrued SEP contribution	<u>8,668</u>	<u>1,450</u>
Net cash provided by operating activities	<u>214,838</u>	<u>1,777,297</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(8,336)	(2,050)
Purchases of investments	<u>(317,174)</u>	<u>(10,931)</u>
Net cash used by investing activities	<u>(325,510)</u>	<u>(12,981)</u>
Net increase (decrease) in cash and cash equivalents	(110,672)	1,764,316
Cash and cash equivalents at beginning of year	<u>2,132,363</u>	<u>368,047</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 2,021,691</u></b>	<b><u>\$ 2,132,363</u></b>

**PROJECT ON GOVERNMENT OVERSIGHT, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**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 nonpartisan 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. These activities are funded primarily through contributions from foundations.

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, 2009, 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. Leasehold improvements are amortized over the life of the lease. POGO capitalizes all property and equipment with a cost of \$1,000 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, 2010

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

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, 2010, 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 consisted 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 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, 2010

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 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, 2010:

	<u>Cost</u>	<u>Market Value</u>
Vanguard Funds:		
Large-Cap Index Fund Admiral Shares	\$ 237,232	\$ 337,846
Small-Cap Value Index Fund	190,083	301,997
Global Equity Fund	<u>261,001</u>	<u>331,386</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 688,316</u></b>	<b><u>\$ 971,229</u></b>

3. **GRANTS RECEIVABLE**

As of December 31, 2010, contributors to POGO have made written promises to give totaling \$1,074,082. Grants due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 6%.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

3. GRANTS RECEIVABLE (Continued)

Grants are due as follows at December 31, 2010:

Less than one year	\$ 625,969
One to five years	<u>475,000</u>
Total	1,100,969
Less: Allowance to discount balance to present value	<u>(26,887)</u>
<b>GRANTS RECEIVABLE</b>	<b><u>\$ 1,074,082</u></b>

4. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2010:

Furniture and computers	\$ 74,131
Leasehold improvements	<u>5,223</u>
Total fixed assets	79,354
Less: Accumulated depreciation and amortization	<u>(65,536)</u>
<b>FIXED ASSETS, NET</b>	<b><u>\$ 13,818</u></b>

5. LEASE COMMITMENTS AND RELATED PARTY

Effective November 1, 2006, POGO entered into 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, 2010 totaled \$162,427, which included \$178,677 from straight-line rent expense, including other leasing, operating and real estate tax expenses, less \$16,250 of rental income from a sublessor.

Total future minimum lease payments required under the terms of this lease as of December 31, 2010 are as follows:

<b>Year Ended December 31, 2011</b>	<b><u>\$ 139,767</u></b>
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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 non-cancellable lease that expires October 31, 2007. This lease has been amended for the fourth time to continue for an additional year ending on October 31, 2011. Rental income during the year ended December 31, 2010 was \$16,250.

Total future minimum lease payments due under the terms of this lease as of December 31, 2010 are as follows:

<b>Year Ended December 31, 2011</b>	<b><u>\$ 14,212</u></b>
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PROJECT ON GOVERNMENT OVERSIGHT, INC.

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6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2010:

Program Restricted:	
Nuclear Weapons Security Investigations	\$ 30,000
Defense and National Security	73,333
Inspector General	33,334
Congressional Oversight Training	40,000
Beth Daley Memorial Fund	<u>19,261</u>
	195,928
Time Restricted	<u>1,730,196</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b><u>\$1,926,124</u></b>

7. 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:	
Nuclear Weapons Security Investigations	\$ 60,000
Livermore Nuclear Investigations	6,250
Defense and National Security	106,667
Inspector General	21,667
Congressional Oversight Training	<u>25,720</u>
	220,304
Passage of Time	<u>976,931</u>
<b>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b><u>\$1,197,235</u></b>

8. 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, 2010, POGO contributed 7% of each eligible employee's salary to the plan, which totaled \$60,118, and is reflected in employee benefits in the accompanying Statement of Functional Expenses.

9. 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 \$16,500. POGO does not contribute to the plan.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

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10. 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. On August 3, 2010, the appellate court granted POGO's appeal and remanded the case to the district court for a new trial. POGO is awaiting a new trial date from the district court.

11. 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, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Asset Category:</b>				
Vanguard Funds:				
Large-Cap Index Fund Admiral Shares	\$ 337,846	\$ -	\$ -	\$ 337,846
Small-Cap Value Index Fund	301,997	-	-	301,997
Global Equity Fund	<u>331,386</u>	<u>-</u>	<u>-</u>	<u>331,386</u>
<b>TOTAL</b>	<b><u>\$ 971,229</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 971,229</u></b>

12. SUBSEQUENT EVENTS

In preparing these financial statements, POGO has evaluated events and transactions for potential recognition or disclosure through March 29, 2011, the date the financial statements were issued.