

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2017**

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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 23, 2018. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

May 2, 2019

PROJECT ON GOVERNMENT OVERSIGHT, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash - Bank account	\$ 308,833	\$ 177,917
Cash - Money market	4,728,809	1,549,558
Investments (Note 2)	1,332,181	3,265,880
Accounts receivable	-	38,789
Grants receivable	738,086	1,613,742
Prepaid expenses	<u>92,957</u>	<u>87,934</u>
Total current assets	<u>7,200,866</u>	<u>6,733,820</u>
FIXED ASSETS, NET (Note 3)	<u>413,040</u>	<u>133,814</u>
NONCURRENT ASSETS		
Deposits	35,336	33,108
Grants receivable, net of current portion	<u>-</u>	<u>37,600</u>
Total noncurrent assets	<u>35,336</u>	<u>70,708</u>
TOTAL ASSETS	<u>\$ 7,649,242</u>	<u>\$ 6,938,342</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 91,234	\$ 61,415
Deferred rent (Note 4)	71,736	63,695
Accrued SEP contribution (Note 5)	<u>156,087</u>	<u>182,103</u>
Total current liabilities	319,057	307,213
LONG-TERM LIABILITIES - Deferred Rent (Note 4)	<u>168,408</u>	<u>240,144</u>
Total liabilities	<u>487,465</u>	<u>547,357</u>
NET ASSETS		
Without donor restrictions	6,220,226	4,073,113
With donor restrictions (Note 7)	<u>941,551</u>	<u>2,317,872</u>
Total net assets	<u>7,161,777</u>	<u>6,390,985</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,649,242</u>	<u>\$ 6,938,342</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Contributions	\$ 898,831	\$ 198,228	\$ 1,097,059	\$ 1,000,356
Grants	4,245,820	1,092,400	5,338,220	5,307,445
Interest and dividend income net of investment expenses (Note 2)	94,217	-	94,217	51,711
Realized and unrealized (loss) gain on investments (Note 2)	(99,959)	-	(99,959)	337,358
Contributed land and services	114,088	-	114,088	-
The Constitution Project (Note 12)	-	-	-	457,283
Other	80,857	-	80,857	71,779
Net assets released from donor restrictions (Note 8)	2,666,949	(2,666,949)	-	-
Total revenue and support	8,000,803	(1,376,321)	6,624,482	7,225,932
EXPENSES				
Program Services:				
Ethical, Effective and Accountable Government	1,808,111	-	1,808,111	1,781,487
Defending the Courts	512,271	-	512,271	3,326
Center for Defense Information	390,477	-	390,477	421,668
Congressional Oversight Initiative	368,502	-	368,502	437,640
Congressional Fellowship	313,941	-	313,941	-
Hurricane Harvey Relief	226,058	-	226,058	-
Transparency in Public Comments	209,544	-	209,544	-
Inspectors General Project	149,918	-	149,918	191,474
Private Prison/Immigration Detention	140,968	-	140,968	105,790
The Constitution Project	134,016	-	134,016	6,086
Defense Spending Transparency	123,862	-	123,862	19,548
DOD Revolving Door	112,958	-	112,958	35,153
Oversight Summit	107,068	-	107,068	-
Surveillance Oversight	74,735	-	74,735	-
EPA Oversight	73,667	-	73,667	-
Natural Resources and Public Lands	46,939	-	46,939	50,653
Election Security	29,211	-	29,211	-
Census Project	19,076	-	19,076	-
Lobbying	40,516	-	40,516	41,693
Nuclear Weapons Security Investigations	-	-	-	45,401
Total program services	4,881,838	-	4,881,838	3,139,919
Supporting Services:				
General and Administrative	429,052	-	429,052	252,073
Development	542,800	-	542,800	460,084
Total supporting services	971,852	-	971,852	712,157
Total expenses	5,853,690	-	5,853,690	3,852,076

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, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	<u>2018</u>			<u>2017</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Change in net assets before other item	\$ 2,147,113	\$ (1,376,321)	\$ 770,792	\$ 3,373,856
OTHER ITEM				
Transfer of net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,318</u>
Change in net assets	2,147,113	(1,376,321)	770,792	3,488,174
Net assets at beginning of year	<u>4,073,113</u>	<u>2,317,872</u>	<u>6,390,985</u>	<u>2,902,811</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,220,226</u>	<u>\$ 941,551</u>	<u>\$ 7,161,777</u>	<u>\$ 6,390,985</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

2018

Program Services

	Ethical, Effective and Accountable Government	Defending the Courts	Center for Defense Information	Congressional Oversight Initiative	Congressional Fellowship	Hurricane Harvey Relief	Transparency in Public Comments	Inspectors General Project
Personnel Costs:								
Salaries	\$ 1,208,088	\$ 196,131	\$ 253,569	\$ 164,153	\$ 76,735	\$ 164,020	\$ 19,172	\$ 88,186
Employee benefits (Note 6)	132,863	14,255	27,970	22,439	6,229	16,439	1,869	9,022
Payroll taxes	90,962	15,065	19,264	12,557	5,865	12,375	1,438	6,681
Total personnel costs	1,431,913	225,451	300,803	199,149	88,829	192,834	22,479	103,889
Rent (Note 4)	125,040	91,464	25,912	21,880	7,072	13,838	1,778	7,464
Printing and postage	12,670	2,000	22,250	1,290	371	1,446	180	1,203
Web/Internet	55,117	10,081	11,191	8,800	2,482	6,612	778	3,571
Outreach	74,653	25,783	13,057	10,777	3,490	1,618	977	3,778
Consultant fees	24,999	114,750	-	-	206,482	-	-	25,000
Depreciation and amortization	24,040	3,737	5,522	4,091	1,163	3,403	333	1,801
Research materials and documents	15,781	27,935	4,710	5,932	1,575	1,771	224	837
Technology	11,282	3,276	2,294	1,833	568	1,341	156	740
Travel	3,713	4,034	19	347	89	398	-	135
Legal fees	4,311	-	-	-	-	-	-	-
Accounting fees	-	-	-	-	-	-	-	-
Insurance	6,247	422	1,264	1,008	303	745	88	415
Fundraising events	-	-	-	-	-	-	-	-
Meeting expenses	1,159	1,058	280	50,664	355	92	-	110
Telephone	4,338	574	867	710	219	512	61	270
Bank and payroll fees	-	-	-	-	-	-	-	-
Maintenance, repairs and miscellaneous	1,280	99	236	184	59	158	18	81
Filing fees	-	-	-	-	-	-	-	-
Office supplies	922	27	119	272	64	92	13	30
Equipment and equipment rental	3,652	628	884	574	172	471	52	248
Membership and professional growth	2,143	84	34	28	10	192	31	10
Strategic review	1,831	12	383	347	114	157	26	86
Advertising and recruitment	-	-	-	-	-	-	-	-
Unsalable inventory	-	-	-	-	-	-	-	-
Grant expense	-	-	-	60,000	-	-	182,000	-
Taxes	3,020	856	652	616	524	378	350	250
Bad debt expense	-	-	-	-	-	-	-	-
TOTAL	\$ 1,808,111	\$ 512,271	\$ 390,477	\$ 368,502	\$ 313,941	\$ 226,058	\$ 209,544	\$ 149,918

	Private Prison/Immigration Detention	The Constitution Project	Defense Spending Transparency	DOD Revolving Door	Oversight Summit	Surveillance Oversight	EPA Oversight	Natural Resources and Public Lands	Election Security	Census Project
\$	76,852	\$ 21,893	\$ 84,790	\$ 83,518	\$ 50,635	\$ 58,608	\$ 56,205	\$ 34,892	\$ 24,767	\$ 14,566
	9,353	5,155	9,150	7,397	2,792	4,399	4,617	3,103	1,192	1,191
	5,947	1,555	6,385	6,248	3,663	4,323	4,229	2,657	1,798	1,105
	92,152	28,603	100,325	97,163	57,090	67,330	65,051	40,652	27,757	16,862
	9,388	2,512	8,899	5,204	243	1,814	2,627	2,054	83	715
	731	2,427	868	911	197	256	256	194	81	71
	4,127	80	3,803	2,846	20,895	1,657	1,686	1,207	280	545
	4,636	-	4,879	2,956	586	1,356	1,282	1,059	241	345
	23,438	-	-	-	-	-	-	-	-	-
	1,052	762	1,599	1,551	1,244	1,104	1,298	763	547	153
	961	-	1,099	658	96	293	393	274	40	100
	849	29	761	558	113	308	355	258	47	103
	2,027	-	-	-	1,051	27	-	14	-	-
	-	68,326	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	497	433	433	355	95	205	185	131	39	66
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	24,698	-	100	25	-	-
	327	-	303	218	49	106	119	87	20	34
	-	-	-	-	346	-	-	-	-	-
	103	99	88	78	25	44	40	29	10	13
	-	-	-	-	-	-	-	-	-	-
	38	27	65	19	144	-	9	8	-	-
	283	398	248	189	42	110	137	101	17	37
	12	84	147	6	-	-	6	5	-	-
	112	12	138	57	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	235	224	207	189	154	125	123	78	49	32
	-	30,000	-	-	-	-	-	-	-	-
\$	140,968	\$ 134,016	\$ 123,862	\$ 112,958	\$ 107,068	\$ 74,735	\$ 73,667	\$ 46,939	\$ 29,211	\$ 19,076

PROJECT ON GOVERNMENT OVERSIGHT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018 (Continued)					2017	
	Program Services (Continued)		Supporting Services			Total Expenses	Total Expenses
	Lobbying	Total Program Services	General and Administrative	Development	Total Supporting Services		
Personnel Costs:							
Salaries	\$ 28,848	\$ 2,705,628	\$ 214,014	\$ 261,291	\$ 475,305	\$ 3,180,933	\$ 2,265,531
Employee benefits (Note 6)	2,928	282,363	39,096	27,955	67,051	349,414	310,699
Payroll taxes	2,194	204,311	16,198	19,852	36,050	240,361	171,734
Total personnel costs	33,970	3,192,302	269,308	309,098	578,406	3,770,708	2,747,964
Rent (Note 4)	2,496	330,483	34,697	25,297	59,994	390,477	262,808
Printing and postage	152	47,554	8,133	14,571	22,704	70,258	126,805
Web/Internet	1,127	136,885	2,985	11,221	14,206	151,091	99,328
Outreach	1,185	152,658	-	123,922	123,922	276,580	213,533
Consultant fees	-	394,669	475	-	475	395,144	88,020
Depreciation and amortization	631	54,794	4,315	5,579	9,894	64,688	43,295
Research materials and documents	281	62,960	140	-	140	63,100	36,236
Technology	243	25,114	3,539	2,283	5,822	30,936	33,983
Travel	-	11,854	1,624	1,595	3,219	15,073	16,042
Legal fees	-	72,637	7,860	-	7,860	80,497	385
Accounting fees	-	-	20,752	-	20,752	20,752	17,107
Insurance	127	13,058	5,626	1,269	6,895	19,953	16,949
Fundraising events	-	-	-	33,452	33,452	33,452	12,441
Meeting expenses	-	78,541	914	9	923	79,464	51,584
Telephone	87	8,901	932	1,005	1,937	10,838	9,841
Bank and payroll fees	-	346	12,361	-	12,361	12,707	10,088
Maintenance, repairs and miscellaneous	24	2,668	24,889	2,534	27,423	30,091	8,786
Filing fees	-	-	1,279	4,151	5,430	5,430	4,943
Office supplies	11	1,860	4,749	176	4,925	6,785	5,216
Equipment and equipment rental	82	8,325	287	370	657	8,982	621
Membership and professional growth	4	2,796	10,332	5,009	15,341	18,137	2,196
Strategic review	28	3,303	282	352	634	3,937	15,532
Advertising and recruitment	-	-	12,856	-	12,856	12,856	1,541
Unsalable inventory	-	-	-	-	-	-	2,957
Grant expense	-	242,000	-	-	-	242,000	23,875
Taxes	68	8,130	717	907	1,624	9,754	-
Bad debt expense	-	30,000	-	-	-	30,000	-
TOTAL	\$ 40,516	\$ 4,881,838	\$ 429,052	\$ 542,800	\$ 971,852	\$ 5,853,690	\$ 3,852,076

PROJECT ON GOVERNMENT OVERSIGHT, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 770,792	\$ 3,488,174
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	64,688	43,295
Realized and unrealized loss (gain) on investments (Note 2)	99,959	(337,358)
Decrease (increase) in:		
Accounts receivable	38,789	(6,313)
Grants receivable	913,256	(1,432,134)
Inventory	-	2,957
Prepaid expenses	(5,023)	3,004
Deposits	(2,228)	(9,318)
Increase (decrease) in:		
Accounts payable and accrued liabilities	29,819	(45,767)
Deferred rent (Note 4)	(63,695)	(55,849)
Accrued SEP contribution (Note 5)	<u>(26,016)</u>	<u>131,128</u>
Net cash provided by operating activities	<u>1,820,341</u>	<u>1,781,819</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(343,914)	-
Purchase of investments	(752,909)	(849,109)
Proceeds from the sale of investments	<u>2,586,649</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>1,489,826</u>	<u>(849,109)</u>
Net increase in cash and cash equivalents	3,310,167	932,710
Cash and cash equivalents at beginning of year	<u>1,727,475</u>	<u>794,765</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,037,642</u>	<u>\$ 1,727,475</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Donated Investments	<u>\$ 117,848</u>	<u>\$ 118,279</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Project On Government Oversight (POGO) is a nonpartisan independent watchdog that investigates and exposes waste, corruption, abuse of power, and when the Government fails to serve the public or silences those who report wrongdoing.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

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, 2017, 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.

Money market accounts are insured up to \$500,000 by the Securities Investor Protection Corporation (SIPC).

Investments -

Investments are recorded at their readily determinable fair value. Interest and dividend income net of investment expenses, and realized and unrealized gains and losses are shown separately in the Statement of Activities and Change in Net Assets.

Investments acquired by gift are recorded at their fair value at the date of the gift. POGO's policy is to liquidate all gifts of investments as soon as possible after the gift.

Accounts and grants receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. 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.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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, 2018 totaled \$64,688.

Income taxes -

POGO is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. Beginning January 1, 2018, it is subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees. The amount of the tax for the year ended December 31, 2018 totaled \$9,754, and is reflected under "Taxes" in the Statement of Functional Expenses. POGO is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2018, 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 -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor or grantor restrictions are recorded as net assets without donor restrictions. Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions or grants restricted by donors or grantors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor or grantor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

Contributions and grants -

Contributions and grants received without donor restrictions and with donor restrictions are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as net assets with donor restriction in the accompanying financial statements.

Contributed land and services -

Contributed land and services consist of contributed land, investigative research, training, merger advice and legal services. Contributed land 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. Expenses are allocated on a basis of time and effort.

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.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. POGO has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. POGO has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

POGO plans to adopt the new ASUs at the respective required implementation dates.

Reclassification -

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

The reclassifications are primarily due to the adoption of Accounting Standards Update 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$4,073,113 are now classified as without donor restrictions. Net assets previously classified as temporarily restricted net assets in the amount of \$2,317,872 are now classified as with donor restrictions.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. INVESTMENTS

The table below summarizes, by level within the fair value hierarchy, POGO's investments as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Mutual funds - stocks	\$ 568,034	\$ -	\$ -	\$ 568,034
Mutual funds - bonds	<u>764,147</u>	<u>-</u>	<u>-</u>	<u>764,147</u>
TOTAL	<u>\$ 1,332,181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,332,181</u>

Included in investment loss, net, are the following for the year ended December 31, 2018:

Interest and dividends	\$ 94,234
Unrealized gain	76,172
Realized loss	(176,131)
Investment expenses provided by external investment advisors	<u>(17)</u>
TOTAL INVESTMENT LOSS, NET OF INVESTMENT EXPENSES	<u>\$ (5,742)</u>

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 and there were no transfers between levels in the fair value hierarchy during the year ended December 31, 2018.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. INVESTMENTS (Continued)

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by POGO are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by POGO are deemed to be actively traded.

3. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2018:

Land	\$	24,500
Furniture and computers		128,674
Website		282,277
Leasehold improvements		<u>351,441</u>
Total fixed assets		786,892
Less: Accumulated depreciation and amortization		<u>(373,852)</u>
FIXED ASSETS, NET	\$	<u>413,040</u>

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, 2018 totaled \$390,477.

The Constitution Project had previously entered into a lease agreement for office space, commencing February 1, 2013 and expiring November 30, 2018. Following the folding of The Constitution Project into POGO during December 2017, POGO was committed to pay the remaining rent until the expiration of the lease.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

4. LEASE COMMITMENTS AND RELATED PARTY TRANSACTIONS (Continued)

There was no rental income during the year ended December 31, 2018. During 2017, 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. All sublessors ended their agreements with POGO and moved out by December 2017.

Total future minimum lease payments are as follows:

Year Ending December 31,

2019	\$ 329,717
2020	337,960
2021	<u>346,409</u>
	<u>\$ 1,014,086</u>

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, 2018, POGO contributed 7% of each eligible employee's salary to the Plan, which totaled \$156,127. This is accrued in the accompanying Statement of Financial Position and is included in employee benefits in the accompanying Statement of Functional Expenses.

6. RETIREMENT PLAN

POGO sponsors a 403(b) retirement plan that is available to employees who meet certain eligibility requirements. Each employee may contribute up to \$18,500. POGO does not contribute to the Plan.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2018:

Subject to expenditure for specified purpose:

Congressional Oversight Initiative	\$ 131,551
Web Portal	60,000
Defending the Courts	250,000
The Constitution Project, Election Security and Surveillance Oversight	<u>65,000</u>

Total program restricted	506,551
Subject to passage of time	<u>435,000</u>

TOTAL NET ASSETS WITH DONOR RESTRICTIONS \$ 941,551

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

8. NET ASSETS RELEASED FROM RESTRICTIONS

The following net assets with donor restrictions were released from donor restrictions for the year ended December 31, 2018, by incurring expenses, which satisfied the restricted purposes specified by the donors or passage of time:

Purpose restrictions accomplished:	
Ethical, Effective and Accountable Government	\$ 5,302
Center for Defense Information	203,535
Congressional Oversight Initiative	313,418
Hurricane Harvey Relief	300,000
Natural Resources and Public Lands	30,000
Transparency in Public Comments	200,000
Defense Spending Transparency	100,000
Defending the Courts	500,000
The Constitution Project, Election Security and Surveillance Oversight	<u>219,694</u>
Total program restricted	1,871,949
Timing restrictions accomplished	<u>795,000</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 2,666,949</u>

9. LIQUIDITY

Financial assets available for use within one year of the Statement of Financial Position, comprise the following at December 31, 2018:

Cash and cash equivalents	\$ 5,037,642
Investments	1,332,181
Grants receivable	738,086
Less: Donor restricted assets	<u>(941,551)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURE WITHIN ONE YEAR	<u>\$ 6,166,358</u>

POGO has a policy to structure its financial assets to be available and liquid as its obligations become due. In general, cash is available to meet the upcoming year's needs for general expenditures.

10. 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.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

10. POGO ACTION, INC. (Continued)

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.

11. 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 \$272,713 for the year ended December 31, 2018.

12. THE CONSTITUTION PROJECT

The Constitution Project (TCP) determined in 2017 that it could more effectively achieve its mission by folding into another independent organization. TCP approached POGO, and POGO's Board voted to take TCP's staff, activities, assets and liabilities. An agreement was entered into on October 31, 2017 to this effect.

TCP's Board voted to dissolve on December 31, 2017 and folded into POGO, resulting in revenue and transfer of net assets to POGO of \$457,283 and \$114,318, respectively. POGO now houses TCP and continues to work on promoting bipartisan consensus on constitutional rights and values.

13. SUBSEQUENT EVENTS

In preparing these financial statements, POGO has evaluated events and transactions for potential recognition or disclosure through May 2, 2019, the date the financial statements were issued.