

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

PROJECT ON GOVERNMENT OVERSIGHT, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2019, with Summarized Financial Information for 2018	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2019, with Summarized Financial Information for 2018	5 - 6
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2019, with Summarized Financial Information for 2018	7 - 9
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2019, with Summarized Financial Information for 2018	10
NOTES TO FINANCIAL STATEMENTS	11 - 19



CPAs & ADVISORS

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, 2019, 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, 2019, 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.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRFCPA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Report on Summarized Comparative Information

We have previously audited POGO's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 2, 2019. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

April 2, 2020

PROJECT ON GOVERNMENT OVERSIGHT, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash - Bank account	\$ 93,784	\$ 308,833
Cash - Money market	2,325,478	4,728,809
Investments (Note 2)	4,324,322	1,332,181
Accounts receivable	33,977	-
Grants receivable	493,062	738,086
Prepaid expenses	<u>96,774</u>	<u>92,957</u>
Total current assets	<u>7,367,397</u>	<u>7,200,866</u>
FIXED ASSETS, NET (Note 3)	<u>333,023</u>	<u>413,040</u>
NONCURRENT ASSETS		
Deposits	<u>25,405</u>	<u>35,336</u>
TOTAL ASSETS	<u>\$ 7,725,825</u>	<u>\$ 7,649,242</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 95,337	\$ 91,234
Deferred rent (Note 4)	79,979	71,736
Accrued SEP contribution (Note 5)	<u>148,880</u>	<u>156,087</u>
Total current liabilities	324,196	319,057
LONG-TERM LIABILITIES - Deferred Rent (Note 4)	<u>88,428</u>	<u>168,408</u>
Total liabilities	<u>412,624</u>	<u>487,465</u>
NET ASSETS		
Without donor restrictions	6,914,325	6,220,226
With donor restrictions (Note 7)	<u>398,876</u>	<u>941,551</u>
Total net assets	<u>7,313,201</u>	<u>7,161,777</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,725,825</u>	<u>\$ 7,649,242</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Grants	\$ 4,080,272	\$ 676,228	\$ 4,756,500	\$ 5,338,220
Contributions	791,639	261,433	1,053,072	1,097,059
Contributed land and services	235,840	-	235,840	114,088
Interest and dividend income, net of investment expenses (Note 2)	149,398	-	149,398	94,217
Realized and unrealized gain (loss) on investments (Note 2)	64,535	-	64,535	(99,959)
Other	17,359	-	17,359	80,857
Net assets released from donor restrictions (Note 8)	<u>1,480,336</u>	<u>(1,480,336)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>6,819,379</u>	<u>(542,675)</u>	<u>6,276,704</u>	<u>6,624,482</u>
EXPENSES				
Program Services:				
Ethical, Effective and Accountable Government	2,259,978	-	2,259,978	1,808,111
The Constitution Project	933,617	-	933,617	721,022
Center for Defense Information	662,444	-	662,444	627,297
Congressional Oversight Initiative	406,937	-	406,937	368,502
Detention Oversight	221,780	-	221,780	140,968
Census Project	142,510	-	142,510	19,076
Whistleblower Portal	136,925	-	136,925	-
Congressional Fellowship	135,487	-	135,487	313,941
Lobbying	115,614	-	115,614	40,516
National Security Inspectors General	76,439	-	76,439	-
Hurricane Harvey Relief	69,277	-	69,277	226,058
Public Lands	52,006	-	52,006	46,939
FOIA Litigation	10,042	-	10,042	-
Transparency in Public Comments	-	-	-	209,544
Inspectors General Project	-	-	-	149,918
Oversight Summit	-	-	-	107,068
EPA Oversight	-	-	-	73,667
Election Security	-	-	-	29,211
Total program services	<u>5,223,056</u>	<u>-</u>	<u>5,223,056</u>	<u>4,881,838</u>
Supporting Services:				
General and Administrative	451,877	-	451,877	429,052
Development	<u>450,347</u>	<u>-</u>	<u>450,347</u>	<u>542,800</u>
Total supporting services	<u>902,224</u>	<u>-</u>	<u>902,224</u>	<u>971,852</u>
Total expenses	<u>6,125,280</u>	<u>-</u>	<u>6,125,280</u>	<u>5,853,690</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	<u>2019</u>			<u>2018</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Change in net assets	\$ 694,099	\$ (542,675)	\$ 151,424	\$ 770,792
Net assets at beginning of year	<u>6,220,226</u>	<u>941,551</u>	<u>7,161,777</u>	<u>6,390,985</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,914,325</u>	<u>\$ 398,876</u>	<u>\$ 7,313,201</u>	<u>\$ 7,161,777</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019							
	Program Services							
	Ethical, Effective and Accountable Government	The Constitution Project				Center for Defense Information		
Defending the Courts		General	Surveillance Oversight	TOTAL	General	DOD Ethics	Defense Spending Transparency	
Personnel costs:								
Salaries	\$ 1,436,072	\$ 174,460	\$ 145,750	\$ 107,836	\$ 428,046	\$ 346,922	\$ 29,789	\$ 18,036
Employee benefits	139,655	19,542	12,696	11,362	43,600	34,135	2,722	1,719
Payroll taxes	115,821	14,151	11,793	8,748	34,692	28,047	2,405	1,464
Total Personnel Costs	1,691,548	208,153	170,239	127,946	506,338	409,104	34,916	21,219
Rent	147,667	21,385	11,842	12,330	45,556	34,687	2,293	1,744
Printing and postage	44,129	3,448	3,784	2,413	9,645	40,910	585	134
Web/Internet	74,074	9,348	7,446	5,466	22,259	15,332	1,297	1,200
Outreach	52,226	9,675	6,290	3,030	18,995	10,195	10,741	151
Consultant fees	98,136	-	-	-	-	3,000	-	-
Depreciation and amortization	64,443	7,812	6,684	4,202	18,699	14,393	434	334
Research materials and documents	13,829	36,622	1,585	883	39,089	2,754	173	114
Technology	24,484	3,382	2,110	2,094	7,586	5,960	547	336
Travel	1,927	3,126	76	461	3,663	706	-	-
Legal fees	80	235,840	-	-	235,840	-	-	-
Accounting fees	-	-	-	-	-	-	-	-
Insurance	6,370	859	627	498	1,983	1,477	106	62
Fundraising events	-	-	18,141	-	18,141	-	-	-
Meeting expenses	2,209	505	601	885	1,992	440	34	20
Telephone	4,844	633	385	347	1,364	999	59	49
Bank and payroll fees	-	-	-	-	-	-	-	-
Maintenance, repairs and miscellaneous	1,187	159	100	93	351	262	14	15
Filing fees	-	-	-	-	-	-	-	-
Office supplies	823	80	69	31	180	162	23	-
Equipment and equipment rental	2,235	247	941	54	1,242	175	16	3
Membership and professional growth	4,767	242	452	-	694	441	-	-
Advertising and recruitment	-	-	-	-	-	-	-	-
Grant expense	25,000	-	-	-	-	-	-	-
Strategic review	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-	-	-
TOTAL EXPENSES	\$ 2,259,978	\$ 541,516	\$ 231,372	\$ 160,733	\$ 933,617	\$ 540,997	\$ 51,238	\$ 25,381

See accompanying notes to financial statements.

Program Services (continued)										
Center for Defense Information (continued)										
DOD Revolving Door	Defense Civic Engagement	TOTAL	Congressional Oversight Initiative	Detention Oversight	Census Project	Whistleblower Portal	Congressional Fellowship	National Security Inspectors General	Hurricane Harvey Relief	
\$ 21,977	\$ 5,468	\$ 422,191	\$ 201,111	\$ 126,498	\$ 64,357	\$ 72,183	\$ 19,500	\$ 53,408	\$ 18,999	
3,730	226	42,531	21,943	10,958	10,402	5,653	458	5,455	2,658	
1,766	430	34,112	17,833	10,231	6,224	5,871	-	4,309	1,546	
27,473	6,124	498,834	240,887	147,687	80,983	83,707	19,958	63,172	23,203	
5,421	-	44,145	23,031	7,986	6,723	5,072	1,022	5,859	3,896	
123	-	41,752	3,552	2,535	1,540	743	8	281	117	
1,560	-	19,389	9,778	4,479	4,734	4,122	237	2,149	39,051	
970	-	22,057	5,825	3,201	1,883	38,526	184	950	718	
-	-	3,000	-	45,063	42,000	-	113,610	-	-	
1,939	-	17,099	9,902	4,547	2,028	2,996	274	2,385	1,243	
375	-	3,417	4,283	717	596	374	67	418	478	
487	-	7,330	3,665	1,788	1,224	828	69	773	315	
-	-	706	123	2,767	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
168	-	1,813	942	420	273	223	29	202	126	
-	-	-	-	-	-	-	-	-	-	
9	-	503	43,630	69	111	14	-	30	-	
124	-	1,231	678	337	201	230	20	154	89	
-	-	-	-	-	-	-	-	-	-	
29	-	320	185	82	52	77	4	43	24	
-	-	-	-	-	-	-	-	-	-	
20	-	204	359	42	24	-	4	13	11	
8	-	203	97	60	58	13	1	10	6	
-	-	441	-	-	80	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	60,000	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
\$ 38,706	\$ 6,124	\$ 662,444	\$ 406,937	\$ 221,780	\$ 142,510	\$ 136,925	\$ 135,487	\$ 76,439	\$ 69,277	

PROJECT ON GOVERNMENT OVERSIGHT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019 (continued)							2018	
	Program Services (continued)				Supporting Services			Total Expenses	Total Expenses
	Public Lands	FOIA Litigation	Lobbying	Total Program Services	General and Administrative	Development	Total Supporting Services		
Personnel costs:									
Salaries	\$ 38,006	\$ 2,493	\$ 43,875	\$ 2,926,739	\$ 258,229	\$ 250,499	\$ 508,728	\$ 3,435,467	\$ 3,180,933
Employee benefits	3,752	81	4,124	291,270	43,065	25,723	68,788	360,058	349,414
Payroll taxes	3,079	154	3,560	237,432	20,583	20,389	40,972	278,404	240,361
Total Personnel Costs	44,837	2,728	51,559	3,455,441	321,877	296,611	618,488	4,073,929	3,770,708
Rent	3,632	-	4,217	298,806	25,548	27,319	52,867	351,673	390,477
Printing and postage	85	-	885	105,272	17,777	43,553	61,330	166,602	70,258
Web/Internet	1,581	-	1,898	183,751	3,816	12,504	16,320	200,071	151,091
Outreach	332	-	1,274	146,171	76	35,634	35,710	181,881	276,580
Consultant fees	-	-	52,500	354,309	5,700	-	5,700	360,009	395,144
Depreciation and amortization	390	-	1,824	125,830	11,615	12,176	23,791	149,621	64,688
Research materials and documents	248	-	318	63,834	619	-	619	64,453	63,100
Technology	643	-	720	49,425	4,231	4,201	8,432	57,857	30,936
Travel	-	-	-	9,186	2,511	675	3,186	12,372	15,073
Legal fees	-	7,314	-	243,234	720	-	720	243,954	80,497
Accounting fees	-	-	-	-	17,500	-	17,500	17,500	20,752
Insurance	116	-	187	12,684	5,206	1,145	6,351	19,035	19,953
Fundraising events	-	-	-	18,141	-	6,517	6,517	24,658	33,452
Meeting expenses	46	-	25	48,629	2,679	484	3,163	51,792	79,464
Telephone	67	-	135	9,350	776	972	1,748	11,098	10,838
Bank and payroll fees	-	-	-	-	10,898	100	10,998	10,998	12,707
Maintenance, repairs and miscellaneous	18	-	37	2,380	4,971	2,844	7,815	10,195	30,091
Filing fees	-	-	-	-	850	3,848	4,698	4,698	5,430
Office supplies	5	-	12	1,677	4,045	89	4,134	5,811	6,785
Equipment and equipment rental	6	-	23	3,954	132	131	263	4,217	8,982
Membership and professional growth	-	-	-	5,982	1,051	1,544	2,595	8,577	18,137
Advertising and recruitment	-	-	-	-	9,279	-	9,279	9,279	12,856
Grant expense	-	-	-	85,000	-	-	-	85,000	242,000
Strategic review	-	-	-	-	-	-	-	-	3,937
Taxes	-	-	-	-	-	-	-	-	9,754
Bad debt expense	-	-	-	-	-	-	-	-	30,000
TOTAL EXPENSES	\$ 52,006	\$ 10,042	\$ 115,614	\$ 5,223,056	\$ 451,877	\$ 450,347	\$ 902,224	\$ 6,125,280	\$ 5,853,690

See accompanying notes to financial statements.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 151,424	\$ 770,792
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	149,621	64,688
Realized and unrealized (gain) loss on investments (Note 2)	(64,535)	99,959
(Increase) decrease in:		
Accounts receivable	(33,977)	38,789
Grants receivable	245,024	913,256
Prepaid expenses	(3,817)	(5,023)
Deposits	9,931	(2,228)
Increase (decrease) in:		
Accounts payable and accrued liabilities	4,103	29,819
Deferred rent (Note 4)	(71,737)	(63,695)
Accrued SEP contribution (Note 5)	<u>(7,207)</u>	<u>(26,016)</u>
Net cash provided by operating activities	<u>378,830</u>	<u>1,820,341</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(69,604)	(343,914)
Purchases of investments	(3,566,652)	(752,909)
Transfers out of investments	<u>639,046</u>	<u>2,586,649</u>
Net cash (used) provided by investing activities	<u>(2,997,210)</u>	<u>1,489,826</u>
Net (decrease) increase in cash and cash equivalents	(2,618,380)	3,310,167
Cash and cash equivalents at beginning of year	<u>5,037,642</u>	<u>1,727,475</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,419,262</u>	<u>\$ 5,037,642</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Donated Investments	<u>\$ 118,221</u>	<u>\$ 117,848</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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 of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor 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 restricted by donors 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-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 donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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, 2018, from which the summarized information was derived.

New accounting pronouncements adopted -

During 2019, POGO adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way POGO recognized revenue; however, the presentation and disclosures of revenue have been enhanced. POGO has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

New accounting pronouncements adopted (continued) -

Also during 2019, POGO adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. POGO adopted the ASU using a modified prospective basis.

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 paid to external investment advisors, and realized and unrealized gains and losses are shown separately in the accompanying 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.

Fixed assets -

Fixed assets purchased in excess of \$2,000 are capitalized and 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.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Fixed assets (continued) -

Leasehold improvements are amortized over the remaining life of the lease.

The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2019 totaled \$149,621.

Income taxes -

POGO is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. POGO is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2019, 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.

Revenue -

Gifts, including unconditional pledges, grants and contributions are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Conditional promises to give are not recognized until the condition on which they depend are substantially met. Contributions and grants qualifying as contributions are recorded by POGO upon notification of the contribution and grant award and satisfaction of all conditions, if applicable.

Contributions and grants are classified as net assets with donor restrictions when use of the contribution or grant funds is limited to specific programmatic areas or is designated for use in future periods. 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 restrictions in the accompanying financial statements. Contributions and grants received in advance of incurring the related expenses are recorded as "net assets with donor restrictions".

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.

For the year ended December 31, 2019, contributed services revenue of \$235,840 consisted entirely of pro bono legal services provided by several law firms who drafted amicus briefs filed in the U.S. Supreme Court on behalf of POGO. The related legal expense was recorded as an expense to The Constitution Project.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

**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. Expenses directly attributed to a specific functional area of POGO are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated 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.

New accounting pronouncement not yet adopted -

FASB issued ASU 2019-01, *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 non public entities beginning after December 15, 2020. Early adoption is permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

POGO plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

2. INVESTMENTS

Investments consisted of the following as of December 31, 2019:

	<u>Fair Value</u>
Mutual Funds - Bonds	\$ <u>4,324,322</u>
Included in investment income, net, are the following:	
Interest and dividend income	\$ 150,648
Unrealized gain on investments	64,535
Investment expenses provided by external investment advisors	<u>(1,250)</u>
TOTAL INVESTMENT INCOME, NET OF INVESTMENT EXPENSES	\$ <u>213,933</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.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. INVESTMENTS (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2019.

Transfers between levels are recorded at the end of the reporting period, if applicable.

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.

The table below summarizes, by level within the fair value hierarchy, POGO's investments as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Mutual Funds - Bonds	\$ <u>4,324,322</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,324,322</u>

3. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2019:

Land	\$ 24,500
Furniture and computers	124,508
Website construction in progress	18,148
Website	321,414
Leasehold improvements	<u>351,441</u>
Total fixed assets	840,011
Less: Accumulated depreciation and amortization	<u>(506,988)</u>
FIXED ASSETS, NET	\$ <u>333,023</u>

4. LEASE COMMITMENTS

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.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

4. LEASE COMMITMENTS (Continued)

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, 2019 totaled \$351,673. The deferred rent liability at December 31, 2019 totaled \$168,407.

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.

Total future minimum lease payments are as follows:

Year Ending December 31,

2020	\$	337,960
2021		<u>346,409</u>
	\$	<u>684,369</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, 2019, POGO contributed 5% of each eligible employee's salary to the Plan, which totaled \$148,960. 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 \$19,000. 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, 2019:

Subject to expenditure for specified purpose: Center for Defense Information	\$	8,876
Subject to passage of time		<u>390,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$	<u><u>398,876</u></u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

8. NET ASSETS RELEASED FROM RESTRICTIONS

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

Purpose restrictions accomplished:	
The Constitution Project	\$ 385,383
Center for Defense Information	296,402
Congressional Oversight Initiative	161,551
Census Project	142,000
Public Lands	25,000
Immigration Reform	25,000
Web Portal	<u>60,000</u>
Total program restricted	1,095,336
Timing restrictions accomplished	<u>385,000</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 1,480,336</u>

9. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 2,419,262
Investments	4,324,322
Accounts receivable	33,977
Grants receivable	<u>493,062</u>
Subtotal financial assets available within one year	7,270,623
Less: Donor restricted funds	<u>(8,876)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURE WITHIN ONE YEAR	<u>\$ 7,261,747</u>

POGO has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2019, POGO has financial assets equal to approximately fourteen months of operating expenses.

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, 2019**

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 \$153,863 for the year ended December 31, 2019, comprising \$104,230 program expenses and \$49,633 development expenses.

12. SUBSEQUENT EVENTS

In preparing these financial statements, POGO has evaluated events and transactions for potential recognition or disclosure through April 2, 2020, the date the financial statements were issued.