

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2019**

PROJECT ON GOVERNMENT OVERSIGHT, INC.

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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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 2, 2020. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

May 7, 2021

PROJECT ON GOVERNMENT OVERSIGHT, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash - Bank account	\$ 95,003	\$ 94,610
Cash - Money market	3,046,565	2,324,652
Investments (Note 2)	5,269,242	4,324,322
Accounts receivable	-	33,977
Grants receivable, net of allowance for doubtful accounts of \$6,250 in 2020	110,634	493,062
Prepaid expenses	<u>112,640</u>	<u>96,774</u>
Total current assets	<u>8,634,084</u>	<u>7,367,397</u>
FIXED ASSETS, NET (Note 3)	<u>177,681</u>	<u>333,023</u>
NONCURRENT ASSETS		
Grants receivable, net of current portion	50,000	-
Deposit	<u>25,405</u>	<u>25,405</u>
Total noncurrent assets	<u>75,405</u>	<u>25,405</u>
TOTAL ASSETS	<u>\$ 8,887,170</u>	<u>\$ 7,725,825</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 129,003	\$ 95,337
Deferred rent (Note 4)	88,428	79,979
Accrued SEP contribution (Note 5)	<u>292,470</u>	<u>148,880</u>
Total current liabilities	509,901	324,196
LONG-TERM LIABILITIES - Deferred Rent (Note 4)	<u>-</u>	<u>88,428</u>
Total liabilities	<u>509,901</u>	<u>412,624</u>
NET ASSETS		
Without donor restrictions	8,077,385	6,914,325
With donor restrictions (Note 7)	<u>299,884</u>	<u>398,876</u>
Total net assets	<u>8,377,269</u>	<u>7,313,201</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,887,170</u>	<u>\$ 7,725,825</u>

See accompanying notes to financial statements.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Grants	\$ 4,140,000	\$ 1,507,000	\$ 5,647,000	\$ 4,756,500
Contributions	875,869	224,364	1,100,233	1,053,072
Contributed services	927,741	-	927,741	235,840
Realized and unrealized gain on investments (Note 2)	891,155	-	891,155	64,535
Interest and dividend income (Note 2)	91,451	-	91,451	149,398
Other	67,495	-	67,495	17,359
Net assets released from donor restrictions (Note 8)	<u>1,830,356</u>	<u>(1,830,356)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>8,824,067</u>	<u>(98,992)</u>	<u>8,725,075</u>	<u>6,276,704</u>
EXPENSES				
Program Services:				
Ethical, Effective and Accountable Government	1,912,626	-	1,912,626	2,311,984
The Constitution Project	1,677,658	-	1,677,658	-
Covid-19 Relief Oversight	1,231,430	-	1,231,430	1,155,397
Center for Defense Information	725,487	-	725,487	662,444
Congressional Oversight Initiative	535,404	-	535,404	406,937
Election Integrity	282,331	-	282,331	-
Census Project	86,996	-	86,996	142,510
FOIA Litigation	28,636	-	28,636	10,042
Anti-Corruption Data Coalition	13,981	-	13,981	-
Audit Reform	8,527	-	8,527	-
Lobbying	56,208	-	56,208	115,614
Whistleblower Portal	-	-	-	136,925
Congressional Fellowship	-	-	-	135,487
National Security Inspectors General	-	-	-	76,439
Hurricane Harvey Relief	-	-	-	69,277
Total program services	<u>6,559,284</u>	<u>-</u>	<u>6,559,284</u>	<u>5,223,056</u>
Supporting Services:				
General and Administrative Development	541,554	-	541,554	451,877
	<u>560,169</u>	<u>-</u>	<u>560,169</u>	<u>450,347</u>
Total supporting services	<u>1,101,723</u>	<u>-</u>	<u>1,101,723</u>	<u>902,224</u>
Total expenses	<u>7,661,007</u>	<u>-</u>	<u>7,661,007</u>	<u>6,125,280</u>
Change in net assets	1,163,060	(98,992)	1,064,068	151,424
Net assets at beginning of year	<u>6,914,325</u>	<u>398,876</u>	<u>7,313,201</u>	<u>7,161,777</u>
NET ASSETS AT END OF YEAR	<u>\$ 8,077,385</u>	<u>\$ 299,884</u>	<u>\$ 8,377,269</u>	<u>\$ 7,313,201</u>

See accompanying notes to financial statements.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020				
	Program Services				
	The Constitution Project				
	Ethical, Effective and Accountable Government	Defending the Courts	General	TOTAL	Covid-19 Relief Oversight
Personnel costs:					
Salaries	\$ 1,228,813	\$ 78,810	\$ 381,873	\$ 460,683	\$ 477,702
Employee benefits	200,110	12,512	60,286	72,798	59,774
Payroll taxes	101,770	6,502	31,282	37,784	37,890
Total personnel costs	1,530,693	97,824	473,441	571,265	575,366
Legal fees	-	839,035	88,706	927,741	-
Web/Internet	49,084	2,651	13,965	16,616	550,758
Outreach	17,027	524	2,592	3,116	2,091
Rent (Note 4)	143,168	8,443	40,861	49,304	20,111
Depreciation and amortization	64,691	3,702	18,623	22,325	15,022
Printing and postage	22,405	3,727	7,585	11,312	9,313
Grant expense	-	-	-	-	50,000
Research materials and documents	15,224	38,166	2,762	40,928	2,394
Bad debt expense	-	-	-	-	-
Consultant fees	35,202	19,500	-	19,500	-
Technology	18,801	1,120	5,410	6,530	3,560
Insurance	6,520	401	1,935	2,336	1,820
Accounting fees	-	-	-	-	-
Meeting expenses	1,005	-	-	-	-
Maintenance, repairs and miscellaneous	556	30	138	168	27
Bank and payroll fees	-	-	-	-	-
Telephone	4,227	242	1,193	1,435	921
Advertising and recruitment	-	-	-	-	-
Membership and professional growth	1,202	250	730	980	-
Filing fees	-	-	-	-	-
Office supplies	127	3	15	18	3
Fundraising events	-	3,500	-	3,500	-
Equipment and equipment rental	2,626	16	71	87	44
Travel	68	497	-	497	-
TOTAL EXPENSES	\$ 1,912,626	\$ 1,019,631	\$ 658,027	\$ 1,677,658	\$ 1,231,430

See accompanying notes to financial statements.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	2020 (Continued)									
	Program Services (Continued)									
	Center for Defense Information			Congressional Oversight Initiative						
	Defense Civic Engagement	General	TOTAL	Transition Integrity	General	TOTAL	Election Integrity	Census Project	FOIA Litigation	Anti- Corruption Data Coalition
Personnel costs:										
Salaries	\$ 28,629	\$ 435,143	\$463,772	\$ 35,725	\$ 188,415	\$ 224,140	\$ 70,962	\$ 57,204	\$ 7,165	\$ 12,961
Employee benefits	1,618	70,120	71,738	1,483	31,763	33,246	10,000	11,813	659	-
Payroll taxes	2,336	36,486	38,822	3,059	15,614	18,673	5,748	4,672	581	1,020
Total personnel costs	32,583	541,749	574,332	40,267	235,792	276,059	86,710	73,689	8,405	13,981
Legal fees	-	-	-	-	-	-	-	-	20,231	-
Web/Internet	853	13,883	14,736	32	7,359	7,391	1,718	1,642	-	-
Outreach	16,169	2,846	19,015	140,000	1,439	141,439	183,868	836	-	-
Rent (Note 4)	3,197	41,376	44,573	-	24,004	24,004	4,996	4,914	-	-
Depreciation and amortization	1,255	21,819	23,074	956	10,372	11,328	2,078	3,311	-	-
Printing and postage	384	31,229	31,613	-	3,252	3,252	1,361	891	-	-
Grant expense	-	-	-	-	50,000	50,000	-	-	-	-
Research materials and documents	192	3,566	3,758	-	4,290	4,290	409	359	-	-
Bad debt expense	-	-	-	-	-	-	-	-	-	-
Consultant fees	-	-	-	-	-	-	-	235	-	-
Technology	337	6,154	6,491	-	2,883	2,883	701	656	-	-
Insurance	110	2,035	2,145	-	1,036	1,036	305	242	-	-
Accounting fees	-	-	-	-	-	-	-	-	-	-
Meeting expenses	-	133	133	-	12,777	12,777	-	-	-	-
Maintenance, repairs and miscellaneous	13	145	158	-	86	86	15	17	-	-
Bank and payroll fees	-	-	-	-	-	-	-	-	-	-
Telephone	90	1,339	1,429	-	629	629	159	158	-	-
Advertising and recruitment	-	-	-	-	-	-	-	-	-	-
Membership and professional growth	3,493	25	3,518	-	-	-	-	5	-	-
Filing fees	-	-	-	-	-	-	-	-	-	-
Office supplies	-	14	14	-	189	189	1	1	-	-
Fundraising events	-	-	-	-	-	-	-	-	-	-
Equipment and equipment rental	5	73	78	-	41	41	10	40	-	-
Travel	93	327	420	-	-	-	-	-	-	-
TOTAL EXPENSES	\$ 58,774	\$ 666,713	\$725,487	\$ 181,255	\$ 354,149	\$ 535,404	\$ 282,331	\$ 86,996	\$ 28,636	\$ 13,981

See accompanying notes to financial statements.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	2020 (Continued)						2019	
	Program Services (Continued)			Supporting Services			Total Expenses	Total Expenses
	Audit Reform	Lobbying	Total Program Services	General and Administrative	Development	Total Supporting Services	Total Expenses	Total Expenses
Personnel costs:								
Salaries	\$ 7,039	\$ 38,072	\$ 3,048,513	\$ 263,758	\$ 344,310	\$ 608,068	\$ 3,656,581	\$ 3,435,467
Employee benefits	557	5,985	466,680	45,146	51,702	96,848	563,528	360,058
Payroll taxes	560	3,097	250,617	22,257	28,075	50,332	300,949	278,404
Total personnel costs	8,156	47,154	3,765,810	331,161	424,087	755,248	4,521,058	4,073,929
Legal fees	-	-	947,972	76	-	76	948,048	243,954
Web/Internet	12	1,271	643,228	39,468	20,169	59,637	702,865	200,071
Outreach	-	269	367,661	-	18,846	18,846	386,507	181,881
Rent (Note 4)	-	3,874	294,944	28,935	32,085	61,020	355,964	351,673
Depreciation and amortization	359	1,728	143,916	13,463	16,783	30,246	174,162	149,621
Printing and postage	-	762	80,909	9,886	27,862	37,748	118,657	166,602
Grant expense	-	-	100,000	-	-	-	100,000	85,000
Research materials and documents	-	278	67,640	179	59	238	67,878	64,453
Bad debt expense	-	-	-	56,248	-	56,248	56,248	-
Consultant fees	-	-	54,937	-	-	-	54,937	360,009
Technology	-	525	40,147	3,666	4,191	7,857	48,004	57,857
Insurance	-	201	14,605	10,168	1,603	11,771	26,376	19,035
Accounting fees	-	-	-	17,722	-	17,722	17,722	17,500
Meeting expenses	-	-	13,915	-	339	339	14,254	51,792
Maintenance, repairs and miscellaneous	-	12	1,039	9,268	2,443	11,711	12,750	10,195
Bank and payroll fees	-	-	-	5,967	5,325	11,292	11,292	10,998
Telephone	-	126	9,084	895	986	1,881	10,965	11,098
Advertising and recruitment	-	-	-	9,133	-	9,133	9,133	9,279
Membership and professional growth	-	-	5,705	717	483	1,200	6,905	8,577
Filing fees	-	-	-	-	4,713	4,713	4,713	4,698
Office supplies	-	1	354	4,066	109	4,175	4,529	5,811
Fundraising events	-	-	3,500	-	-	-	3,500	24,658
Equipment and equipment rental	-	7	2,933	49	56	105	3,038	4,217
Travel	-	-	985	487	30	517	1,502	12,372
TOTAL EXPENSES	\$ 8,527	\$ 56,208	\$ 6,559,284	\$ 541,554	\$ 560,169	\$ 1,101,723	\$ 7,661,007	\$ 6,125,280

See accompanying notes to financial statements.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,064,068	\$ 151,424
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	174,162	149,621
Realized gain on investments	(891,155)	(64,535)
Change in allowance for doubtful accounts	6,250	-
Receipt of contributed securities	(146,563)	(118,221)
Proceeds from the sale of contributed securities	146,563	118,221
Decrease (increase) in:		
Accounts receivable	33,977	(33,977)
Grants receivable	326,178	245,024
Prepaid expenses	(15,866)	(3,817)
Deposits	-	9,931
Increase (decrease) in:		
Accounts payable and accrued liabilities	33,666	4,103
Deferred rent (Note 4)	(79,979)	(71,737)
Accrued SEP contribution (Note 5)	<u>143,590</u>	<u>(7,207)</u>
Net cash provided by operating activities	<u>794,891</u>	<u>378,830</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(18,820)	(69,604)
Purchases of investments	(7,662,923)	(3,566,652)
Sales/transfers out of investments	<u>7,609,158</u>	<u>639,046</u>
Net cash used by investing activities	<u>(72,585)</u>	<u>(2,997,210)</u>
Net increase (decrease) in cash and cash equivalents	722,306	(2,618,380)
Cash and cash equivalents at beginning of year	<u>2,419,262</u>	<u>5,037,642</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,141,568</u>	<u>\$ 2,419,262</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Founded in 1981, 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. POGO champions reforms to achieve a more effective, ethical, and accountable Federal government that safeguards constitutional principles.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with 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, 2019, 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, and realized and unrealized gains are shown separately in the accompanying Statement of Activities and Change in Net Assets.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Investments (continued) -

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. Grants receivable that are expected to be collected in future years are recorded at fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor.

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.

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, 2020 totaled \$174,162.

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, 2020, 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.

Grants and contributions -

The majority of POGO's activities are supported by grants and contributions from foundations, individuals and other private entities. These awards are for various activities performed by POGO. Grants and contributions are recognized in the appropriate category of net assets in the period received. POGO performs an analysis of the individual grant and contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For grants and contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Grants and contributions qualifying as contributions that are unconditional and have 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.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Grants and contributions (continued) -

Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grants and contributions qualifying as conditional contributions contain a right of return from obligation provision that limits POGO on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. POGO did not have any unrecognized conditional awards as of December 31, 2020.

Contributed services -

Contributed services consisted of pro bono legal services provided by several law firms who drafted amicus briefs filed in federal court on behalf of POGO, and provided research and drafting support for a forthcoming report. Contributed services are recognized as revenue and expense (no net effect to the change in net assets) in the Statement of Activities and Change in Net Assets. 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.

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.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

Fair value measurement (continued) -

POGO accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact POGO's operations. The overall potential impact is unknown at this time.

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.

New accounting pronouncement not yet adopted -

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still 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.

2. **INVESTMENTS**

Investments consisted of the following as of December 31, 2020:

	<u>Fair Value</u>
Mutual funds - equities	\$ 3,906,728
Exchange traded funds	1,112,137
Certificates of deposit	<u>250,377</u>
TOTAL INVESTMENTS	<u>\$ 5,269,242</u>

Included in investment income are the following:

Interest and dividend income	\$ 91,451
Realized and unrealized gain on investments	<u>891,155</u>
TOTAL INVESTMENT INCOME	<u>\$ 982,606</u>

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**NOTES TO FINANCIAL STATEMENTS
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2. INVESTMENTS (Continued)

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 were no transfers between levels in the fair value hierarchy during the year ended December 31, 2020. Transfers between levels are recorded at the end of the reporting period, if applicable. There have been no changes in the methodologies used as of December 31, 2020.

- *Mutual funds* - 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.
- Exchange traded funds - Valued at the closing price reported on the active market in which the individual funds are traded.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.

The table below summarizes, by level within the fair value hierarchy, POGO's investments as of December 31, 2020:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds - equities	\$ 3,906,728	\$ -	\$ -	\$ 3,906,728
Exchange traded funds	1,112,137	-	-	1,112,137
Certificates of deposit	<u>-</u>	<u>250,377</u>	<u>-</u>	<u>250,377</u>
TOTAL	<u>\$ 5,018,865</u>	<u>\$ 250,377</u>	<u>\$ -</u>	<u>\$ 5,269,242</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS
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3. **FIXED ASSETS**

Fixed assets consisted of the following at December 31, 2020:

Land	\$	24,500
Furniture and computers		118,326
Website		358,382
Leasehold improvements		<u>351,441</u>
Total fixed assets		852,649
Less: Accumulated depreciation and amortization		<u>(674,968)</u>
FIXED ASSETS, NET	\$	<u>177,681</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.

During 2021, POGO entered into a licensing agreement for the use of shared office space in Washington, D.C. The agreement will commence on September 1, 2021 and will expire on August 31, 2023. Per the terms of the agreement, POGO will have access to fifteen workstations at a monthly rate of \$785 per workstation, increasing at an annual rate not to exceed 3%.

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, 2020 totaled \$355,964. The deferred rent liability at December 31, 2020 totaled \$88,428.

Total future minimum lease payments are as follows:

Year Ending December 31,

2021	\$	393,509
2022		142,713
2023		<u>97,026</u>
	\$	<u>633,248</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**NOTES TO FINANCIAL STATEMENTS
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5. PENSION PLAN

POGO maintains a simplified employee pension plan for all eligible employees. Employer contributions are discretionary, subject to annual approval of the Board of Directors of POGO. For the year ended December 31, 2020, POGO contributed 10% of each eligible employee's salary to the Plan, which totaled \$292,470. This 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 \$19,500. 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, 2020:

Subject to expenditure for specified purpose:	
Audit Reform	\$ 66,381
Transition Integrity	<u>108,503</u>
Subtotal	174,884
Subject to passage of time	<u>125,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 299,884</u>

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:	
Audit Reform	\$ 8,618
Transition Integrity	181,497
Center for Defense Information	221,259
Congressional Oversight Initiative	30,000
Census Project	30,000
Defense Civic Engagement	33,877
COVID-19 - CARES Oversight	882,000
The Constitution Project	<u>3,105</u>
Total program restricted	1,390,356
Timing restrictions accomplished	<u>440,000</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 1,830,356</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

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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	\$ 3,141,568
Investments	5,269,242
Grants receivable, net of allowance for doubtful accounts	<u>110,634</u>
Subtotal financial assets available within one year	8,521,444
Less: Donor restricted funds	<u>(229,884)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURE WITHIN ONE YEAR** **\$ 8,291,560**

POGO has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2020, POGO had financial assets equal to approximately thirteen 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.

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 \$47,447 for the year ended December 31, 2020, comprising \$42,738 program expenses and \$4,709 development expenses.

12. CONTRIBUTED SERVICES

During the year ended December 31, 2020, POGO was the beneficiary of donated services which allowed POGO to provide greater resources toward various programs. To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended December 31, 2020.

Donated Legal Services **\$ 927,741**

The following program has benefited from these donated services:

The Constitution Project **\$ 927,741**

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**NOTES TO FINANCIAL STATEMENTS
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13. SUBSEQUENT EVENTS

In preparing these financial statements, POGO has evaluated events and transactions for potential recognition or disclosure through May 7, 2021, the date the financial statements were issued.