

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2014**

PROJECT ON GOVERNMENT OVERSIGHT, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2015, with Summarized Financial Information for 2014	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2015, with Summarized Financial Information for 2014	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2015, with Summarized Financial Information for 2014	6 - 8
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2015, with Summarized Financial Information for 2014	9
NOTES TO FINANCIAL STATEMENTS	10 - 16

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, 2015, 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, 2015, 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 650 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRFCA.COM

Report on Summarized Comparative Information

We have previously audited POGO's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2015. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

April 12, 2016

PROJECT ON GOVERNMENT OVERSIGHT, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,184,864	\$ 1,401,792
Investments (Notes 2 and 11)	1,479,379	1,114,715
Accounts receivable	2,888	3,085
Grants receivable	641,423	42,773
Inventory	3,066	-
Prepaid expenses	<u>85,870</u>	<u>67,867</u>
Total current assets	<u>3,397,490</u>	<u>2,630,232</u>
FIXED ASSETS, NET	<u>227,134</u>	<u>267,810</u>
NONCURRENT ASSETS		
Deposits	23,790	23,790
Grants receivable, net of current portion and present value discount	<u>56,400</u>	<u>-</u>
Total noncurrent assets	<u>80,190</u>	<u>23,790</u>
TOTAL ASSETS	<u>\$ 3,704,814</u>	<u>\$ 2,921,832</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 106,767	\$ 43,765
Deferred rent (Note 5)	38,753	38,753
Accrued SEP contribution (Note 6)	<u>37,674</u>	<u>39,752</u>
Total current liabilities	183,194	122,270
LONG-TERM LIABILITIES - Deferred Rent	<u>363,501</u>	<u>398,738</u>
Total liabilities	<u>546,695</u>	<u>521,008</u>
NET ASSETS		
Unrestricted	1,393,782	1,181,448
Temporarily restricted (Note 8)	<u>1,764,337</u>	<u>1,219,376</u>
Total net assets	<u>3,158,119</u>	<u>2,400,824</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,704,814</u>	<u>\$ 2,921,832</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	<u>2015</u>			<u>2014</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Contributions	\$ 320,328	\$ 244,540	\$ 564,868	\$ 455,187
Grants	470,349	2,449,460	2,919,809	1,980,775
Interest and dividend income	29,072	-	29,072	20,274
Unrealized (loss) gain on investments	(62,226)	-	(62,226)	78,459
Contributed services	18,000	-	18,000	33,218
Publications and other income	145	-	145	1,472
Other	-	93,252	93,252	51,092
Net assets released from donor restrictions (Note 9)	<u>2,242,291</u>	<u>(2,242,291)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>3,017,959</u>	<u>544,961</u>	<u>3,562,920</u>	<u>2,620,477</u>
EXPENSES				
Program Services:				
Congressional Oversight Initiative	532,252	-	532,252	229,099
Government Accountability	479,388	-	479,388	536,691
CDI/Straus Military Reform Project	430,998	-	430,998	350,862
Contract Oversight	248,950	-	248,950	265,865
Energy and Natural Resources Investigations	188,648	-	188,648	153,235
Public Health Investigations	150,193	-	150,193	74,006
Nuclear Weapons Security Investigations	132,146	-	132,146	172,546
Whistleblower Protections	107,578	-	107,578	168,758
Inspectors General Project	53,211	-	53,211	-
Direct and Grassroots Lobbying	30,545	-	30,545	50,131
Financial Sector Oversight	-	-	-	79,911
Total program services	<u>2,353,909</u>	<u>-</u>	<u>2,353,909</u>	<u>2,081,104</u>
Supporting Services:				
General and Administrative	157,020	-	157,020	151,271
Development	294,696	-	294,696	308,466
Total supporting services	<u>451,716</u>	<u>-</u>	<u>451,716</u>	<u>459,737</u>
Total expenses	<u>2,805,625</u>	<u>-</u>	<u>2,805,625</u>	<u>2,540,841</u>
Change in net assets	212,334	544,961	757,295	79,636
Net assets at beginning of year	<u>1,181,448</u>	<u>1,219,376</u>	<u>2,400,824</u>	<u>2,321,188</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,393,782</u>	<u>\$ 1,764,337</u>	<u>\$ 3,158,119</u>	<u>\$ 2,400,824</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

	2015			
	Program Services			
	Congressional Oversight Initiative	Government Accountability	CDI/Straus Military Reform Project	Contract Oversight
Personnel Costs:				
Salaries	\$ 252,154	\$ 293,284	\$ 235,039	\$ 160,719
Employee benefits	16,037	19,061	16,436	11,832
Payroll taxes	19,407	22,403	18,816	12,343
Total personnel costs	287,598	334,748	270,291	184,894
Rent	34,581	43,617	37,545	28,306
Printing and postage	42,183	20,975	46,776	12,582
Web/Internet	38,790	13,123	48,001	8,524
Outreach	5,921	443	262	195
Consultant fees	9,086	43,559	1,120	-
Depreciation and amortization	7,757	8,846	7,739	5,525
Contributed services	-	-	-	-
Research materials and documents	7,974	4,417	3,793	3,282
Technology	2,060	2,168	1,902	1,350
Travel	345	1,077	2,038	256
Legal fees	-	-	-	-
Accounting fees	-	-	-	-
Insurance	1,707	2,003	1,749	1,249
Fundraising events	-	-	-	-
Meeting expenses	25,491	95	4,601	-
Telephone	1,483	1,742	1,461	1,046
Bank and payroll fees	-	-	-	-
Maintenance, repairs and miscellaneous	232	277	194	145
Filing fees	-	-	-	-
Office supplies	815	792	426	242
Equipment and equipment rental	975	886	820	552
Membership and professional growth	129	620	2,280	802
Grant expense	65,125	-	-	-
TOTAL	\$ 532,252	\$ 479,388	\$ 430,998	\$ 248,950

See accompanying notes to financial statements.

Energy and Natural Resources Investigations	Public Health Investigations	Nuclear Weapons Security Investigations	Whistleblower Protections	Inspectors General Project	Direct and Grassroots Lobbying	Total Program Services
\$ 124,095	\$ 94,679	\$ 86,254	\$ 71,490	\$ 37,765	\$ 18,677	\$ 1,374,156
7,297	4,147	6,355	4,421	2,305	1,610	89,501
8,996	7,468	6,693	4,766	2,521	1,446	104,859
140,388	106,294	99,302	80,677	42,591	21,733	1,568,516
18,010	5,500	16,519	10,853	5,401	4,503	204,835
8,298	7,303	5,222	4,384	1,651	1,570	150,944
5,108	3,128	4,254	3,139	1,363	1,043	126,473
6,690	76	114	3,063	41	21	16,826
-	4,000	-	-	-	-	57,765
3,513	2,188	2,868	1,999	921	715	42,071
-	18,000	-	-	-	-	18,000
1,705	1,104	1,454	980	499	324	25,532
877	608	688	467	227	160	10,507
1,952	717	16	325	5	11	6,742
-	-	-	-	-	-	-
-	-	-	-	-	-	-
785	495	655	454	207	154	9,458
-	-	-	-	-	-	-
31	-	-	510	-	-	30,728
662	405	549	380	176	134	8,038
-	-	-	-	-	-	-
95	47	84	50	29	19	1,172
-	-	-	-	-	-	-
158	108	93	81	30	35	2,780
376	220	208	216	70	123	4,446
-	-	120	-	-	-	3,951
-	-	-	-	-	-	65,125
\$ 188,648	\$ 150,193	\$ 132,146	\$ 107,578	\$ 53,211	\$ 30,545	\$ 2,353,909

PROJECT ON GOVERNMENT OVERSIGHT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

	2015 (Continued)			2014	
	Supporting Services				
	General and Administrative	Development	Total Supporting Services	Total Expenses	Total Expenses
Personnel Costs:					
Salaries	\$ 75,281	\$ 147,128	\$ 222,409	\$ 1,596,565	\$ 1,449,644
Employee benefits	14,464	10,298	24,762	114,263	125,653
Payroll taxes	5,596	11,309	16,905	121,764	111,212
Total personnel costs	95,341	168,735	264,076	1,832,592	1,686,509
Rent	11,585	24,124	35,709	240,544	228,442
Printing and postage	9,924	61,609	71,533	222,477	179,448
Web/Internet	76	6,790	6,866	133,339	88,310
Outreach	-	885	885	17,711	68,529
Consultant fees	-	5,500	5,500	63,265	51,600
Depreciation and amortization	2,275	4,779	7,054	49,125	47,471
Contributed services	-	-	-	18,000	31,454
Research materials and documents	-	-	-	25,532	25,192
Technology	561	1,090	1,651	12,158	19,628
Travel	1,149	5,116	6,265	13,007	16,453
Legal fees	4,231	-	4,231	4,231	16,053
Accounting fees	14,800	-	14,800	14,800	14,112
Insurance	4,233	1,077	5,310	14,768	13,588
Fundraising events	-	8,684	8,684	8,684	10,713
Meeting expenses	180	48	228	30,956	10,601
Telephone	429	905	1,334	9,372	8,888
Bank and payroll fees	7,774	-	7,774	7,774	6,357
Maintenance, repairs and miscellaneous	3,684	145	3,829	5,001	6,322
Filing fees	-	4,761	4,761	4,761	4,214
Office supplies	353	305	658	3,438	2,821
Equipment and equipment rental	113	74	187	4,633	2,610
Membership and professional growth	312	69	381	4,332	1,526
Grant expense	-	-	-	65,125	-
	\$ 157,020	\$ 294,696	\$ 451,716	\$ 2,805,625	\$ 2,540,841

PROJECT ON GOVERNMENT OVERSIGHT, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 757,295	\$ 79,636
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	49,125	47,471
Unrealized loss (gain) on investments	62,226	(78,459)
Donated investments	(1,826)	-
(Increase) decrease in:		
Accounts receivable	197	(858)
Grants receivable	(655,050)	240,172
Inventory	(3,066)	860
Prepaid expenses	(18,003)	(38,919)
Other assets	-	(1,100)
Increase (decrease) in:		
Accounts payable and accrued liabilities	63,002	4,602
Deferred rent	(35,237)	(28,084)
Accrued SEP contribution	<u>(2,078)</u>	<u>5,331</u>
Net cash provided by operating activities	<u>216,585</u>	<u>230,652</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(8,449)	(17,715)
Purchase of investments	(426,890)	(18,740)
Proceeds from the sale of investments	<u>1,826</u>	<u>-</u>
Net cash used by investing activities	<u>(433,513)</u>	<u>(36,455)</u>
Net (decrease) increase in cash and cash equivalents	(216,928)	194,197
Cash and cash equivalents at beginning of year	<u>1,401,792</u>	<u>1,207,595</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,184,864</u>	<u>\$ 1,401,792</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Donated Securities	<u>\$ 125,284</u>	<u>\$ 110,824</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Project on Government Oversight, Inc. (POGO) is a non-profit organization, incorporated under the laws of the District of Columbia and located in the United States of America. Founded in 1981, POGO is a non-partisan, independent watchdog, that champions good government reforms. POGO's investigations into corruption, misconduct and conflicts of interest achieve a more effective, accountable, open and ethical federal government.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with POGO's financial statements for the year ended December 31, 2014, 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.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are shown separately in the Statement of Activities and Change in Net Assets.

Accounts and grants receivable -

Accounts receivable approximate fair value. Management considers all amounts to be fully collectible within one year. 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 are stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years, with no salvage value. Leasehold improvements are amortized over the life of the lease. POGO capitalizes all property and equipment with a cost of \$2,000 or more. The cost of maintenance and repairs is recorded as expenses as incurred. Depreciation and amortization expense for the year ended December 31, 2015 totaled \$49,125.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

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, 2015, 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 -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of POGO and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of POGO and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor.

Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Contributed services -

Contributed services consisted of contributed investigative research services. Contributed services are recorded at their fair market value as of the date of the gift.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

POGO invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Fair value 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.

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 at December 31, 2015:

	<u>Cost</u>	<u>Market Value</u>
Vanguard Mutual Funds:		
Large-Cap Index Fund Admiral Shares	\$ 364,195	\$ 512,820
Small-Cap Value Index Fund	332,943	439,232
Global Equity Fund	<u>484,318</u>	<u>527,327</u>
TOTAL INVESTMENTS	<u>\$ 1,181,456</u>	<u>\$ 1,479,379</u>

3. **GRANTS RECEIVABLE**

As of December 31, 2015, contributors to POGO have made written promises to give totaling \$701,423. Grants due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 6%.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

3. GRANTS RECEIVABLE (Continued)

Grants are due as follows at December 31, 2015:

Less than one year	\$ 641,423
One to five years	<u>60,000</u>
Total	701,423
Less: Allowance to discount balance to present value	<u>(3,600)</u>
GRANTS RECEIVABLE, NET	<u>\$ 697,823</u>

4. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2015:

Furniture and computers	\$ 108,877
Computer equipment	1,125
Leasehold improvements	<u>351,441</u>
Total fixed assets	461,443
Less: Accumulated depreciation and amortization	<u>(234,309)</u>
FIXED ASSETS, NET	<u>\$ 227,134</u>

5. 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 amended lease provides for a tenant improvement allowance for the build-out of the new space, office moving expenses and office equipment; the amount received for these items is charged to deferred rent in the accompanying Statement of Financial Position.

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, 2015 totaled \$285,111, which together with \$44,567 of rental income from sublessors, resulted in net rent expense of \$240,544.

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.

Rental income in December 2015 was \$3,621 monthly and is based on fair market value.

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

5. LEASE COMMITMENTS AND RELATED PARTY TRANSACTIONS (Continued)

Total future minimum lease payments required under the terms of this lease as of December 31, 2015 are as follows:

Year Ending December 31,

2016	\$ 300,547
2017	313,829
2018	321,675
2019	329,716
2020	337,960
Thereafter	<u>346,409</u>
	<u>\$ 1,950,136</u>

Total future minimum lease payments due under the terms of the subleases as of December 31, 2015, are as follows:

Year Ending December 31, 2016	<u>\$ 35,556</u>
--------------------------------------	-------------------------

6. 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, 2015, POGO contributed 3% of each eligible employee's salary to the plan, which totaled \$37,674. This is accrued in the accompanying Statement of Financial Position and is included in employee benefits in the accompanying Statement of Functional Expenses.

7. 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 \$18,000. POGO does not contribute to the plan.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2015:

Program Restricted:	
Nuclear Weapons Security Investigations	\$ 25,000
Energy and Natural Resources Investigations	40,000
Congressional Oversight Initiative	531,771
Inspectors General Project	363,832
Beth Daley Memorial Fund	14,321
CDI/Straus Military Reform Project	<u>283,765</u>
Total Program Restricted	1,258,689
Time Restricted	<u>505,648</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 1,764,337</u>

PROJECT ON GOVERNMENT OVERSIGHT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

9. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions for the year ended December 31, 2015, by incurring expenses, which satisfied the restricted purposes specified by the donors or passage of time:

Program Restricted:	
Nuclear Weapons Security Investigations	\$ 50,000
Energy and Natural Resources Investigations	61,575
Inspectors General Project	14,553
Congressional Oversight Initiative	501,631
Beth Daley Memorial Fund	30,504
CDI/Straus Military Reform Project	<u>430,998</u>
Total Program Restricted	1,089,261
Passage of Time	<u>1,153,030</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ <u>2,242,291</u>

10. 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 \$156,287 for the year ended December 31, 2015.

11. FAIR VALUE MEASUREMENT

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, 2015

11. FAIR VALUE MEASUREMENT (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2015.

Mutual funds - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

The table below summarizes, by level within the fair value hierarchy, POGO's investments as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Vanguard Mutual Funds:				
Large-Cap Index Fund Admiral Shares	\$ 512,820	\$ -	\$ -	\$ 512,820
Small-Cap Value Index Fund	439,232	-	-	439,232
Global Equity Fund	<u>527,327</u>	<u>-</u>	<u>-</u>	<u>527,327</u>
TOTAL	<u>\$ 1,479,379</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,479,379</u>

12. SUBSEQUENT EVENTS

In preparing these financial statements, POGO has evaluated events and transactions for potential recognition or disclosure through April 12, 2016, the date the financial statements were issued.