

GOVERNMENT ACCOUNTABILITY PROJECT  
(a not-for-profit organization)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

## CONTENTS

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	2
Statements of activities and changes in net assets	3
Statements of cash flows	4
Notes to financial statements	5
Supplemental Information	10

Harold L. Mohn, Jr.  
James G. Z. Allen  
Emily K. Hardy  
H. Mark Alexander, Jr.  
R. Scott Handel  
(1964-2008)

Alice L. Orzechowski  
*Consultant*

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Government Accountability Project  
Washington, DC

We have audited the accompanying statements of financial position of the Government Accountability Project (GAP) (a not-for-profit corporation) as of December 31, 2008 and 2007, and the related statements of activities, changes in net assets, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of GAP's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the statements of financial position referred to above presents fairly, in all material respects, the financial position of GAP, as of December 31, 2008 and 2007, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*OAO Mohn & Allen, P.C.*

June 30, 2009

GOVERNMENT ACCOUNTABILITY PROJECT  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash	\$ 884,812	\$ 412,724
Investments	588	762
Fees and services receivable	29,026	13,815
Grants and contributions receivable	150,000	-
Employee advances	-	-
Prepaid expenses	20,515	21,986
Book inventory	1,862	1,908
Property and equipment, net	26,278	26,530
Deposits	5,695	9,286
TOTAL ASSETS	<u>\$ 1,118,776</u>	<u>\$ 487,011</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 150,517	\$ 94,507
Line of credit payable	100	50
Escrow client funds	16,212	20,361
Loans payable	25,500	25,500
TOTAL LIABILITIES	192,329	140,418
NET ASSETS		
Unrestricted	915,739	17,734
Temporarily restricted	10,707	328,859
TOTAL NET ASSETS	<u>926,447</u>	<u>346,593</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,118,776</u>	<u>\$ 487,011</u>

GOVERNMENT ACCOUNTABILITY PROJECT  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
CHANGES IN UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	\$ 583,632	\$ 863,221
Grants	1,876,321	956,833
Fees recognized	690,925	310,754
Rental income	-	10,470
Other income	636	2,770
Interest and dividends	7,848	1,134
Realized loss on investment and disposition of assets	(190)	(423)
TOTAL UNRESTRICTED SUPPORT AND REVENUE	3,159,172	2,144,759
NET ASSETS RELEASED FROM RESTRICTIONS	328,859	253,500
TOTAL UNRESTRICTED SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	3,488,031	2,398,259
EXPENSES		
Program services	2,061,297	1,761,230
Fundraising	447,053	479,971
General and administrative	81,675	103,721
TOTAL EXPENSES	2,590,025	2,344,922
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	898,006	53,337
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
SUPPORT		
Grants	10,707	328,859
TOTAL TEMPORARILY RESTRICTED SUPPORT	10,707	328,859
NET ASSETS RELEASED FROM RESTRICTIONS	(328,859)	(253,500)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(318,152)	75,359
INCREASE (DECREASE) IN NET ASSETS	579,854	128,696
NET ASSETS AT BEGINNING OF YEAR	346,593	217,897
NET ASSETS AT END OF YEAR	\$ 926,447	\$ 346,593

GOVERNMENT ACCOUNTABILITY PROJECT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 579,854	\$ 128,696
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	12,969	14,197
Loss on disposition of assets	-	-
(Increase) decrease in operating assets:		
Fees receivable	(15,211)	7,831
Grants receivable	(150,000)	139,867
Employee advances	-	800
Prepaid expenses	1,471	(13,712)
Inventory	46	(1,129)
Deposits	3,591	(1,326)
Increase (decrease) in operating liabilities:		
Accounts payable	56,010	(79,441)
Note Payable - Clark	-	(12,000)
Pension payable	-	-
Client escrow funds	(4,149)	(2,007)
NET CASH PROVIDED BY OPERATING ACTIVITIES	484,581	181,776
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(12,717)	(11,868)
Contributed investments	174	373
NET CASH (USED) BY INVESTING ACTIVITIES	(12,543)	(11,495)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments against line of credit	-	(29,189)
Proceeds from (payments on) line of credit	50	29,239
NET CASH PROVIDED BY/(USED) IN FINANCING ACTIVITIES	50	50
NET INCREASE IN CASH	472,088	170,331
CASH, BEGINNING OF YEAR	412,724	242,393
CASH, END OF YEAR	\$ 884,812	\$ 412,724

SUPPLEMENTAL INFORMATION:

Actual cash payments for interest	\$ 511	\$ 487
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GOVERNMENT ACCOUNTABILITY PROJECT  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION

Government Accountability Project (GAP) is a not-for-profit organization incorporated in 1984 in the District of Columbia. GAP's purpose is to protect the public interest and promote government and corporate accountability by advancing occupational free speech, defending whistle blowers, and empowering citizen activists. GAP is supported primarily by grants and individual contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of GAP are presented on the accrual basis of accounting. Under this method revenues are recognized when earned and expenses are recorded when incurred, without regard to the date of receipt or payment of cash.

Basis of Presentation

The financial statement presentation follows the recommendations of Financial Accounting Standards (SFAS) No. 117 - Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, GAP is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. GAP does not have any permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property, Equipment and Depreciation

Property and equipment are capitalized at cost. Donated property is recorded at market value at the time of receipt. Depreciation is provided over the estimated useful lives of the assets using the straight-line method over five to seven years. Assets costing over \$1,000 are capitalized.

Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among programs and support services based upon personnel time spent on these activities.

Income Taxes

GAP is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income tax under similar state income tax provisions.

GOVERNMENT ACCOUNTABILITY PROJECT  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Credit Risk

GAP maintains cash in bank deposit accounts, which, at times, may exceed federally insured limits. GAP has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash.

Inventory

GAP maintains an inventory of books held for resale. The inventory is valued at cost using the first-in, first-out method.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets 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 temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Investments

At times, GAP receives contributions of marketable securities. These contributions are reported at fair market value at the time they are received. GAP's policy is to sell all stocks and bonds when received.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

NOTE 3 - FURNITURE AND EQUIPMENT

Property and equipment consist of the following:

	2008	2007
Furniture and fixtures	\$ 7,828	\$ 7,828
Equipment	100,442	87,725
	108,270	95,553
Less: accumulated depreciation	(81,992)	(69,023)
	<u>\$ 26,278</u>	<u>\$ 26,530</u>



GOVERNMENT ACCOUNTABILITY PROJECT  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – LOAN PAYABLE AND RELATED PARTY TRANSACTION

In 1997, GAP received a non-interest bearing loan from Louis Clark, President, (then Executive Director), in the amount of \$40,000. The remaining balance due to Louis Clark at December 31, 2008 and 2007 was \$25,500, and is due on demand.

NOTE 5 – LINE OF CREDIT PAYABLE

GAP has a line of credit payable to Wachovia Bank. Interest is computed at prime plus 1%, and is payable monthly with principal payable on demand. Amounts payable at December 31, 2008 and 2007, were \$100 and \$50, respectively.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2008	2007
Corporate	\$ -	\$ 76,667
International	-	98,792
Enironmental	-	66,891
National security	-	23,333
Nuclear (Russia)	10,707	8,561
Public health	-	54,615
Other	-	-
	<u>\$ 10,707</u>	<u>\$ 328,859</u>

NOTE 7 – LEASE COMMITMENTS

GAP leases office space in two locations under two separate leases. The lease for office space in Washington D.C ends in October, 2010, and the lease for office space in Seattle ended in September, 2007. Total rent expense for these leases were \$140,432 and \$146,866 for the years ended December 31, 2008 and 2007, respectively.

GOVERNMENT ACCOUNTABILITY PROJECT  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – LEASE COMMITMENTS (CONTINUED)

The future minimum annual rental payments under the noncancellable-operating leases for D.C. are:

<u>Future Minimum Rental Payments</u>	
2009	\$ 116,274
2010	<u>100,104</u>
	<u>\$ 216,378</u>

GAP entered into a sublease agreement starting August, 2005, through September, 2007. Total rental income for the years ended December 31, 2008 and 2007, was \$-0- and \$10,470.

NOTE 8 – PENSION PLAN

Beginning in January of 2005, GAP employees were given the option to enroll in a qualified 403(b)(7) plan under which GAP deducts a percentage of the participant's income each pay period up to the legally allowed limit per the employee's election. The plan includes an employer's contribution of 3% of the employee's gross salary, immediately vested, with employer contributions beginning after six months for new employees. Pension expense for the years ending December 31, 2008 and 2007 was \$25,846 and, \$27,051, respectively.

## Supplemental Information

## GOVERNMENT ACCOUNTABILITY PROJECT

	2008			2007				
	Program Services	Fundraising	General & Administrative	Total	Program Services	Fundraising	General & Administrative	Total
Salaries	\$ 1,136,893	\$ 53,092	\$ 42,925	\$ 1,232,910	\$ 896,863	\$ 129,477	\$ 62,924	\$ 1,089,264
Employee benefits and taxes	285,576	14,037	15,999	315,612	264,129	36,240	20,610	320,979
Total salaries and benefits	1,422,469	67,129	58,924	1,548,522	1,160,992	165,717	83,534	1,410,243
Advertising	3,462	119	251	3,832				
Interest	484	13	14	511	420	40	27	487
Insurance - general	6,160	538	370	7,068	5,022	992	380	6,394
Contributions	35,000	-	-	35,000	-	-	-	-
Deposition and arbitration fees	924	44	47	1,015	3,748	361	157	4,266
Direct mail	-	236,782	-	236,782	-	149,931	-	149,931
Dues and subscriptions	5,543	155	241	5,939	6,070	554	212	6,836
Equipment rental and repairs	15,262	778	1,384	17,424	19,166	1,525	938	21,629
Lobbying expense	10,454	60	41	10,555	2,200	-	-	2,200
Miscellaneous	1,548	42	100	1,690	5,443	341	145	5,929
Office rent and storage	129,550	5,543	7,420	142,513	120,984	21,047	10,162	152,193
Office supplies and expense	34,707	430	484	35,621	26,822	14,470	1,059	42,351
Postage	5,412	870	219	6,501	7,134	2,035	259	9,428
Printing and newsletter	46,974	1,436	3,151	51,561	29,258	2,440	207	31,905
Professional fees	257,118	3,699	6,762	267,579	239,476	15,805	2,898	258,179
Telecanvassing	-	126,643	-	126,643	-	91,489	-	91,489
Telephone	20,622	1,471	1,340	23,433	24,670	2,316	1,169	28,155
Travel and meetings	52,639	1,301	927	54,867	97,044	10,247	1,819	109,110
Depreciation	12,969	-	-	12,969	12,781	661	755	14,197
TOTAL EXPENSES	\$ 2,061,297	\$ 447,053	\$ 81,675	\$ 2,590,025	\$ 1,761,230	\$ 479,971	\$ 103,721	\$ 2,344,922

See Notes to Consolidated Financial Statements.

GOVERNMENT ACCOUNTABILITY PROJECT  
STATEMENTS OF PROGRAM EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Government Employee					PROGRAM TOTAL		
	Corporate Campaign	Environmental	International	Homeland Security	Nuclear	Whistleblowers	Public Health	Hanford Challenge/Sponsored Projects
Salaries	\$ 171,792	\$ 28,128	\$ 131,076	\$ 180,008	\$ 11,672	\$ 335,739	\$ 102,098	\$ 176,380
Employee benefits and taxes	41,385	6,703	34,280	59,141	2,947	81,610	30,020	29,490
Total salaries and benefits	213,177	34,831	165,356	239,149	14,619	417,349	132,118	205,870
Advertising	698	95	482	457	75	1,248	407	-
Interest	61	16	43	54	21	256	33	-
Insurance - general	1,000	701	897	1,874	138	874	261	415
Contributions	-	-	-	-	-	-	-	35,000
Deposition and arbitration fees	133	290	487	1,572	(2,609)	714	337	924
Direct mail	-	-	-	-	-	-	-	-
Dues and subscriptions	629	100	477	859	40	2,188	463	787
Equipment rental and repairs	1,875	918	1,728	2,565	285	6,167	1,724	-
Lobbying expense	3,196	9	77	198	6,730	167	77	10,454
Miscellaneous	220	26	159	268	188	589	98	1,548
Office rent and storage	17,180	2,694	14,650	25,996	1,468	35,589	13,586	18,387
Office supplies and expense	1,364	308	1,154	1,979	887	8,538	950	19,527
Postage	877	75	607	836	33	2,614	370	-
Printing and newsletter	6,643	1,147	6,023	11,369	567	15,195	5,530	500
Professional fees	13,887	120,993	13,443	21,890	20,731	30,407	10,844	24,923
Telecanvassing	-	-	-	-	-	-	-	-
Telephone	2,593	589	2,786	4,607	351	7,385	2,311	-
Travel and meetings	3,161	2,243	9,829	6,412	600	5,586	2,288	22,520
Depreciation	-	-	-	-	-	12,969	-	-
TOTAL EXPENSES	\$ 266,694	\$ 165,035	\$ 218,198	\$ 320,085	\$ 44,124	\$ 547,835	\$ 171,397	\$ 327,929
								\$ 2,061,297