

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 |



OAO Mohn & Allen, PC

Certified Public Accountants

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

25 East Patrick Street | Frederick, MD 21701-5671 | 301.695.1040 ph | 301.695.1098 fx
8811 Colesville Road, Suite 5 | Silver Spring, MD 20910-4327 | 301.562.0303 ph | 301.562.4111 fx
2911-E Olney-Sandy Spring Road | Olney, MD 20832 | 301.260.9770 ph | 301.260.9772 fx

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

| | 2008 | 2007 |
|---|---------------------|-------------------|
| 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 | \$ 1,118,776 | \$ 487,011 |
| 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 | 926,447 | 346,593 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,118,776 | \$ 487,011 |

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) |
| | 484,581 | 181,776 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of furniture and equipment | (12,717) | (11,868) |
| Contributed investments | 174 | 373 |
| | (12,543) | (11,495) |
| NET CASH (USED) BY INVESTING ACTIVITIES | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments against line of credit | - | (29,189) |
| Proceeds from (payments on) line of credit | 50 | 29,239 |
| | 50 | 50 |
| NET CASH PROVIDED BY/(USED) IN FINANCING ACTIVITIES | | |
| | 472,088 | 170,331 |
| NET INCREASE IN CASH | | |
| 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 |

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:

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

| | <u>2008</u> | <u>2007</u> |
|-------------------|------------------|-------------------|
| 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
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

See Notes to Consolidated Financial Statements.

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

| | Corporate Campaign | Environmental | Interracial | Homeland Security | Nuclear | Whistleblowers | Public Health | Harford Challenge/Sponsored Projects | PROGRAM TOTAL |
|---------------------------------|--------------------|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|--------------------------------------|---------------------|
| Salaries | \$ 171,792 | \$ 28,128 | \$ 131,076 | \$ 180,008 | \$ 11,672 | \$ 335,739 | \$ 102,098 | \$ 176,380 | \$ 1,136,893 |
| Employee benefits and taxes | 41,385 | 6,703 | 34,280 | 59,141 | 2,947 | 81,610 | 30,020 | 29,490 | 285,576 |
| Total salaries and benefits | 213,177 | 34,831 | 165,356 | 239,149 | 14,619 | 417,349 | 132,118 | 205,870 | 1,422,469 |
| Advertising | 698 | 95 | 482 | 457 | 75 | 1,248 | 407 | - | 3,462 |
| Interest | 61 | 16 | 43 | 54 | 21 | 256 | 33 | - | 484 |
| Insurance - general | 1,000 | 701 | 897 | 1,874 | 138 | 874 | 261 | 415 | 6,160 |
| Contributions | - | - | - | - | - | - | - | 35,000 | 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 | 5,543 |
| Equipment rental and repairs | 1,875 | 918 | 1,728 | 2,565 | 285 | 6,167 | 1,724 | - | 15,262 |
| 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 | 129,550 |
| Office supplies and expense | 1,364 | 308 | 1,154 | 1,979 | 887 | 8,538 | 950 | 19,527 | 34,707 |
| Postage | 877 | 75 | 607 | 836 | 33 | 2,614 | 370 | - | 5,412 |
| Printing and newsletter | 6,643 | 1,147 | 6,023 | 11,369 | 567 | 15,195 | 5,530 | 500 | 46,974 |
| Professional fees | 13,887 | 120,993 | 13,443 | 21,890 | 20,731 | 30,407 | 10,844 | 24,923 | 257,118 |
| Telecanvassing | - | - | - | - | - | - | - | - | - |
| Telephone | 2,593 | 589 | 2,786 | 4,607 | 351 | 7,385 | 2,311 | - | 20,622 |
| Travel and meetings | 3,161 | 2,243 | 9,829 | 6,412 | 600 | 5,586 | 2,288 | 22,520 | 52,639 |
| Depreciation | - | - | - | - | - | 12,969 | - | - | 12,969 |
| TOTAL EXPENSES | \$ 266,694 | \$ 165,035 | \$ 218,198 | \$ 320,085 | \$ 44,124 | \$ 547,835 | \$ 171,397 | \$ 327,929 | \$ 2,061,297 |

See Notes to Consolidated Financial Statements.