

**GOVERNMENT ACCOUNTABILITY
PROJECT**

(a not-for-profit corporation)

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**



WILLIAMS, STEARNS AND ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Government Accountability Project
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of the Government Accountability Project (GAP) (a not-for-profit corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, functional expenses for program services expenses and cash flows for the years 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.

Auditors' 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 presents fairly, in all material respects, the financial position of the Government Accountability Project, as of December 31, 2018 and 2017, and the changes in their net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

William, Stearns and Associate, P.C.

April 30, 2019

**GOVERNMENT ACCOUNTABILITY PROJECT
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Assets		
Cash and cash equivalents	\$ 268,690	\$ 728,791
Investments	991,826	526,221
GAP Litigation Funds	178,113	294,974
Interest and dividends receivable	4,837	4,837
Fees and services receivable	23,206	24,279
Prepaid expenses	35,826	38,386
Deposits	3,959	3,959
Total current assets	<u>1,506,457</u>	<u>1,621,447</u>
Property and equipment, net	<u>49,510</u>	<u>30,396</u>
Total assets	<u><u>1,555,967</u></u>	<u><u>1,651,843</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	101,985	122,066
Lines of credit payable	-	150
Leases payable - current	8,999	8,122
Escrow client funds	29,305	24,391
Total current liabilities	<u>140,289</u>	<u>154,729</u>
Leases payable - non-current	<u>1,752</u>	<u>10,751</u>
Total liabilities	<u>142,041</u>	<u>165,480</u>
Net Assets		
Without donor restrictions	844,959	1,131,103
With donor restrictions	<u>568,967</u>	<u>355,260</u>
Total net assets	<u>1,413,926</u>	<u>1,486,363</u>
Total liabilities and net assets	<u><u>1,555,967</u></u>	<u><u>1,651,843</u></u>

The Independent Auditors' Report and accompanying notes are integral parts
of the financial statements.

**GOVERNMENT ACCOUNTABILITY PROJECT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities:			
Contributions	\$ 530,531	\$ 74,217	\$ 604,748
Grants	585,592	1,426,000	2,011,592
Fees recognized	180,000	-	180,000
40th Anniversary gala, net of expenses	(15,686)	-	(15,686)
Other income	12,765	-	12,765
Total revenue and support before releases	<u>1,293,202</u>	<u>1,500,217</u>	<u>2,793,419</u>
Net assets released from restrictions	<u>1,286,510</u>	<u>(1,286,510)</u>	<u>-</u>
Total revenue and support	<u>2,579,712</u>	<u>213,707</u>	<u>2,793,419</u>
Expenses:			
Program services	<u>2,247,558</u>	<u>-</u>	<u>2,247,558</u>
Supporting services:			
Fundraising	149,892	-	149,892
General and administrative	408,899	-	408,899
Total supporting services	<u>558,791</u>	<u>-</u>	<u>558,791</u>
Total expenses	<u>2,806,349</u>	<u>-</u>	<u>2,806,349</u>
Change in net assets from operating activities	<u>(226,637)</u>	<u>213,707</u>	<u>(12,930)</u>
Non-operating activities:			
Interest and dividend income	41,492	-	41,492
Interest expense	(1,732)	-	(1,732)
Investment return, net	(99,267)	-	(99,267)
Change in net assets from non-operating activities	<u>(59,507)</u>	<u>-</u>	<u>(59,507)</u>
Change in net assets	(286,144)	213,707	(72,437)
Net assets - beginning	<u>1,131,103</u>	<u>355,260</u>	<u>1,486,363</u>
Net assets - ending	<u>844,959</u>	<u>568,967</u>	<u>1,413,926</u>

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of the financial statements.

**GOVERNMENT ACCOUNTABILITY PROJECT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities:			
Contributions	\$ 563,032	\$ -	\$ 563,032
Grants	434,180	1,890,000	2,324,180
Fees recognized	53,500	-	53,500
Other income	15,660	-	15,660
Total revenue and support before releases	<u>1,066,372</u>	<u>1,890,000</u>	<u>2,956,372</u>
Net assets released from restrictions	<u>2,118,908</u>	<u>(2,118,908)</u>	<u>-</u>
Total revenue and support	<u>3,185,280</u>	<u>(228,908)</u>	<u>2,956,372</u>
Expenses:			
Program services	<u>1,875,346</u>	<u>-</u>	<u>1,875,346</u>
Supporting services:			
Fundraising	221,020	-	221,020
General and administrative	<u>297,377</u>	<u>-</u>	<u>297,377</u>
Total supporting services	<u>518,397</u>	<u>-</u>	<u>518,397</u>
Total expenses	<u>2,393,743</u>	<u>-</u>	<u>2,393,743</u>
Change net assets from operating activities	<u>791,537</u>	<u>(228,908)</u>	<u>562,629</u>
Non-operating activities:			
Interest and dividend income	18,080	-	18,080
Interest expense	(2,680)	-	(2,680)
Investment return, net	<u>8,099</u>	<u>-</u>	<u>8,099</u>
Change in net assets from nonoperating activities	<u>23,499</u>	<u>-</u>	<u>23,499</u>
Change in net assets	815,036	(228,908)	586,128
Net assets - beginning	<u>316,067</u>	<u>584,168</u>	<u>900,235</u>
Net assets - ending	<u>1,131,103</u>	<u>355,260</u>	<u>1,486,363</u>

The Independent Auditors' Report and accompanying notes are integral parts
of the financial statements.

GOVERNMENT ACCOUNTABILITY PROJECT
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017				
	Program Services	Fundraising	General and Administrative	Total	Program Services	Fundraising	General and Administrative	Total
Salaries	\$1,041,671	\$ 54,884	\$ 231,754	\$ 1,328,309	\$ 823,747	\$ 49,156	\$ 167,640	\$ 1,040,543
Employees benefits and taxes	262,820	9,366	62,090	334,276	197,891	10,872	33,495	242,258
Total salaries and benefits	1,304,491	64,250	293,844	1,662,585	1,021,638	60,028	201,135	1,282,801
Advertising	872	12	84	968	2,173	97	183	2,453
Board expenses	490	11	60	561	82	11	16	109
Insurance - general	10,986	484	2,773	14,243	6,356	589	1,352	8,297
Deposition and arbitration fees	89,738	-	-	89,738	22,873	941	2,774	26,588
Depreciation	10,930	473	2,895	14,298	6,962	426	3,480	10,868
Direct mail	16,922	23,609	3,747	44,278	55,498	88,416	9,764	153,678
Dues and subscriptions	12,495	203	1,472	14,170	7,070	1,740	985	9,795
Equipment rental and repairs	14,344	854	3,674	18,872	15,553	1,200	745	17,498
Loss on disposal of equipment	-	-	-	-	2,411	147	1,204	3,762
Miscellaneous	9,695	317	1,908	11,920	2,324	204	1,343	3,871
Newsletter costs	24,257	982	5,500	30,739	41,817	2,741	8,316	52,874
Office rent and storage	115,465	4,933	29,481	149,879	123,034	8,401	19,564	150,999
Office supplies and expense	12,238	463	2,756	15,457	23,267	887	2,306	26,460
Postage and delivery	498	224	478	1,200	3,953	365	866	5,184
Professional services	561,458	51,005	49,998	662,461	490,848	39,977	38,095	568,920
Telecanvassing	7,046	239	2,523	9,808	7,726	13,310	969	22,005
Telephone and internet	15,988	711	3,967	20,666	14,148	765	1,838	16,751
Travel and meetings	39,645	1,122	3,739	44,506	27,613	775	2,442	30,830
Total expenses	2,247,558	149,892	408,899	2,806,349	1,875,346	221,020	297,377	2,393,743

The Independent Auditors' Report and accompanying notes are integral parts of the financial statements.

GOVERNMENT ACCOUNTABILITY PROJECT
STATEMENT OF FUNCTIONAL EXPENSES FOR PROGRAM SERVICES EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Environmental and Energy (includes Nuclear)	International	National Security	Public Health & Corporate/ Government Accountability	Program Services Total
Salaries	\$ 99,811	\$ 48,954	\$ 60,034	\$ 832,872	\$ 1,041,671
Employees benefits and taxes	33,951	8,826	9,893	210,150	262,820
Total salaries and benefits	133,762	57,780	69,927	1,043,022	1,304,491
Advertising	35	10	14	813	872
Board expenses	37	10	12	431	490
Insurance - general	1,352	398	492	8,744	10,986
Deposition and arbitration fees	5,699	1,582	2,069	80,388	89,738
Depreciation	1,264	374	466	8,826	10,930
Direct mail	1,815	515	540	14,052	16,922
Dues and subscriptions	939	219	580	10,757	12,495
Equipment rental and repairs	1,861	466	523	11,494	14,344
Loss on disposal of equipment	-	-	-	-	-
Miscellaneous	1,144	286	359	7,906	9,695
Newsletter costs	2,890	777	990	19,600	24,257
Office rent and storage	14,193	4,028	4,489	92,755	115,465
Office supplies and expense	1,285	381	416	10,156	12,238
Postage and delivery	250	108	83	57	498
Professional services	80,226	74,505	57,763	348,964	561,458
Telecanvassing	731	207	226	5,882	7,046
Telephone and internet	2,039	613	648	12,688	15,988
Travel and meetings	1,819	9,367	606	27,853	39,645
Total expenses	251,341	151,626	140,203	1,704,388	2,247,558

The Independent Auditors' Report and accompanying notes are integral parts of the financial statements.

GOVERNMENT ACCOUNTABILITY PROJECT
STATEMENT OF FUNCTIONAL EXPENSES FOR PROGRAM SERVICES EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Environmental and Energy (includes Nuclear)	International	National Security	Public Health & Corporate/ Government Accountability	Program Services Total
Salaries	\$ 51,930	\$ 40,855	\$ 79,874	\$ 651,088	\$ 823,747
Employees benefits and taxes	12,839	12,849	20,806	151,397	197,891
Total salaries and benefits	<u>64,769</u>	<u>53,704</u>	<u>100,680</u>	<u>802,485</u>	<u>1,021,638</u>
Advertising	80	67	184	1,842	2,173
Board expenses	7	4	3	68	82
Insurance - general	661	310	222	5,163	6,356
Deposition and arbitration fees	1,055	2,113	1,314	18,391	22,873
Depreciation	652	299	72	5,939	6,962
Direct mail	3,516	2,801	4,255	44,926	55,498
Dues and subscriptions	353	208	365	6,144	7,070
Equipment rental and repairs	883	1,163	1,068	12,439	15,553
Loss on disposal of equipment	226	104	25	2,056	2,411
Miscellaneous	328	161	170	1,665	2,324
Newsletter costs	3,007	1,890	2,735	34,185	41,817
Office rent and storage	8,618	7,414	9,118	97,884	123,034
Office supplies and expense	904	686	1,013	20,664	23,267
Postage and delivery	219	225	371	3,138	3,953
Professional services	99,461	90,013	15,802	285,572	490,848
Telecanvassing	577	681	586	5,882	7,726
Telephone and internet	947	1,017	1,235	10,949	14,148
Travel and meetings	1,168	3,438	1,703	21,304	27,613
Total expenses	<u>187,431</u>	<u>166,298</u>	<u>140,921</u>	<u>1,380,696</u>	<u>1,875,346</u>

The Independent Auditors' Report and accompanying notes are integral parts of the financial statements.

**GOVERNMENT ACCOUNTABILITY PROJECT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

INCREASE IN CASH AND EQUIVALENTS

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Cash received from members and customers	\$ 2,842,586	\$ 2,953,676
Interest and dividends received	41,492	18,080
Interest paid	(1,732)	(2,680)
Cash paid to suppliers and employees	<u>(2,880,282)</u>	<u>(2,443,521)</u>
Net cash provided by operating activities	<u>2,064</u>	<u>525,555</u>
Cash Flows from Investing Activities		
Purchase of investments	(541,423)	(235,119)
Proceeds from sale of investments	120,942	-
Purchase of property and equipment	<u>(33,412)</u>	<u>(14,204)</u>
Net cash used by investing activities	<u>(453,893)</u>	<u>(249,323)</u>
Cash Flows from Financing Activities		
Payments on lines of credit	(150)	(48,149)
Proceeds from lines of credit	-	48,149
Payments on equipment leases payable	(8,122)	(6,041)
Payments on loans payable	<u>-</u>	<u>(60,000)</u>
Net cash used by financing activities	<u>(8,272)</u>	<u>(66,041)</u>
Net Increase (Decrease) in Cash and Equivalents	(460,101)	210,191
Cash and Equivalents, beginning	<u>728,791</u>	<u>518,600</u>
Cash and Equivalents, ending	<u><u>268,690</u></u>	<u><u>728,791</u></u>

The Independent Auditors' Report and accompanying notes are integral parts
of the financial statements.

**GOVERNMENT ACCOUNTABILITY PROJECT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

	<u>2018</u>	<u>2017</u>
Change in Net Assets	<u>\$ (72,437)</u>	<u>\$ 586,128</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	14,298	10,868
Unrealized (gain) loss on investments	99,267	(8,099)
Donated stock	(27,530)	(2,620)
Loss on disposal of fixed assets	-	3,762
Changes in assets and liabilities:		
Decrease (increase) in:		
Fees and services receivable	1,073	(76)
Prepaid expenses	2,560	(30,140)
Increase (decrease) in:		
Accounts payable and accrued expenses	(20,081)	(27,310)
Escrow client funds	<u>4,914</u>	<u>(6,958)</u>
Total adjustments	<u>74,501</u>	<u>(60,573)</u>
Net Cash Provided by Operating Activities	<u><u>2,064</u></u>	<u><u>525,555</u></u>

The Independent Auditors' Report and accompanying notes are integral parts
of the financial statements.

**GOVERNMENT ACCOUNTABILITY PROJECT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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.

2. Summary of Significant Accounting Policies

Accounting Basis

GAP presents its financial statements on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-For-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of GAP or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

**GOVERNMENT ACCOUNTABILITY PROJECT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

2. Summary of Significant Accounting Policies (Continued)

Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of donated assets.

When restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to GAP's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. GAP has adjusted the presentation of these statements accordingly. The ASU had been applied retrospectively to all periods presented.

**GOVERNMENT ACCOUNTABILITY PROJECT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

2. Summary of Significant Accounting Policies (Continued)

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. GAP's operating costs have been allocated between program, management and general and fundraising expenses based on direct identification when possible, and allocation if a single expenditure benefits more than one program or function. Accordingly, certain costs have been allocated among the programs and services benefited based on estimates of time spent by each employee on that program or service. Such allocations are determined by management on an equitable basis.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

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 three to seven years. Assets costing over \$1,000 are capitalized.

Income Taxes

GAP qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not considered to be a private foundation within the meaning of Section 509(a) of the Code. Contributions to GAP are tax deductible to donors under Section 170 of the Internal Revenue Code. GAP is required to report unrelated business income to the IRS and the District of Columbia taxing authority. GAP did not have any unrelated business income for the years ended December 31, 2018 and 2017.

See Independent Auditors' Report.

**GOVERNMENT ACCOUNTABILITY PROJECT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

2. Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

GAP has adopted the accounting of uncertainty in income taxes as required by the Income Taxes Topic (Topic 740) of the FASB Accounting Standards Codification. Topic 740 requires GAP to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is more than fifty percent likely of being realized upon ultimate settlement, which could result in GAP recording a tax liability that would reduce GAP's net assets.

Management has analyzed GAP's tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open tax years (2015-2017), or expected to be taken in their 2018 tax return. GAP is not aware of any tax positions for which it believes that there is a reasonable possibility that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

Cash and Cash Equivalents

For financial statement purposes, GAP considers all bank cash accounts and bank money market accounts to be cash and cash equivalents.

Concentration of Credit Risk

GAP maintains cash deposits with various banks. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. GAP had bank deposits at one institution that exceeded the FDIC insurance level by \$-0- and \$459,715 at December 31, 2018 and 2017, respectively. GAP has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash.

**GOVERNMENT ACCOUNTABILITY PROJECT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

2. Summary of Significant Accounting Policies (Continued)

Investments

At times, GAP receives contributions of marketable securities. The contributions are reported at fair market value at the time they are received. GAP's policy is to evaluate the stocks and bonds upon receipt and determine if GAP should retain or sell the investments. During 2011, GAP received an estate bequest contribution of fixed income bonds. GAP maintained these fixed income bonds as investments as of December 31, 2018 and 2017. During 2018 and 2017, GAP received donated stock with a fair market value of \$27,530 and \$2,620, respectively. GAP still held these securities as of December 31, 2018. (See Notes 3 and 4.)

Reclassifications

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

Fees and Services Receivable

Fees and services receivable are reported at their outstanding balances.

Management periodically evaluates the adequacy of the allowance for doubtful accounts by considering past receivables loss experience, known and inherent risks in the fees and services receivable population, adverse situations that may affect an entity's ability to pay, and current economic conditions.

Management determined the allowance for doubtful accounts balance as of December 31, 2018 and 2017 should be \$-0- and \$24,034, respectively.

During the year ended December 31, 2018, old accounts receivable of \$24,034 were offset against allowance for doubtful accounts of \$24,034.

During the year ended December 31, 2017, there were no bad debt write offs and no adjustments to allowance for doubtful accounts.

**GOVERNMENT ACCOUNTABILITY PROJECT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

3. Fair Value Measurements

Financial Accounting Standards Board Codification 820, "Fair Value Measurements and Disclosures" establishes a framework for measuring fair value, and expands disclosures about fair value measurements, and establishes a hierarchy for valuation inputs.

The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Fair value measurement is reported in one of three levels which are determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1 – inputs are based on unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – inputs are generally unobservable and typically reflect managements' estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

GAP's investments are categorized as Level 1 because they are all publically traded. Other assets and liabilities are of a short term nature and the carrying amount approximates fair value.

**GOVERNMENT ACCOUNTABILITY PROJECT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

4. Investments

Investments are carried at quoted market value of securities. Investments are composed of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
INVESTMENTS		
Corporate stocks	\$ 463,965	\$ 7,368
Fixed income bonds	282,435	292,337
Money market funds	<u>245,426</u>	<u>226,516</u>
Total investments	<u>991,826</u>	<u>526,221</u>
RETURN ON INVESTMENTS		
Total market value of investments	\$ 991,826	\$ 526,221
Cost of investments	<u>(1,080,285)</u>	<u>(515,413)</u>
Unrealized gain (loss), end of year	(88,459)	10,808
Unrealized gain (loss), beginning of year	<u>10,808</u>	<u>2,709</u>
Unrealized gain (loss), current year	(99,267)	8,099
Realized gain (loss)	<u>-</u>	<u>-</u>
Total net gain (loss)	(99,267)	8,099
Interest and dividends	<u>41,492</u>	<u>18,080</u>
TOTAL RETURN (LOSS) ON INVESTMENTS	<u>(57,775)</u>	<u>26,179</u>

5. Property and Equipment

Property and equipment consist of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Furniture and fixtures	\$ 29,229	\$ 4,072
Equipment	<u>63,628</u>	<u>55,373</u>
	92,857	59,445
Less: accumulated depreciation	<u>(43,347)</u>	<u>(29,049)</u>
Property and equipment, net	<u>49,510</u>	<u>30,396</u>

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5. Property and Equipment (Continued)

During 2017, GAP disposed of fixed assets with a cost basis of \$65,497 and accumulated depreciation of \$61,735 which resulted in a loss on disposal of \$3,762.

6. Lines of Credit Payable

GAP has a \$50,000 line of credit with Wells Fargo Bank. Interest is computed at prime plus 1% and is payable monthly with principal payable on demand. Amounts payable at December 31, 2018 and 2017 were \$-0- and \$150, respectively. During 2018, \$150 was repaid and \$-0- was drawn on this line of credit. During 2017, \$48,149 was repaid on this line of credit and \$48,149 was drawn on this line of credit.

7. Net Assets – With Donor Restrictions:

Donor restricted net assets are restricted for the passage of time as of December 31, 2017 and 2018.

8. Liquidity

Government Accountability Project's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and equivalents	\$ 268,690	\$728,791
Investments	991,826	526,221
GAP Litigations Funds	178,113	294,974
Interest and dividends receivable	4,837	4,837
Fees and services receivable	23,206	24,279
Prepaid expenses	35,826	38,386
Deposits	<u>3,959</u>	<u>3,959</u>
	<u>1,506,457</u>	<u>1,621,447</u>

As part of GAP's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, GAP has a line of credit available in the amount of \$50,000, which it can draw upon.

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9. Lease Commitments

GAP leases office space in Washington, D.C. The four-year lease was to terminate on October 31, 2017. As of April 25, 2017, the lease was extended for a period of five years commencing on November 1, 2017 and terminating on October 31, 2022 with monthly payments of \$12,025 and provides for annual 3% rent increases. Total rent expense for this lease was \$146,244 and \$147,843 for the years ended December 31, 2018 and 2017, respectively.

As of December 31, 2018, the future minimum annual rental payments under the non-cancellable-operating lease for D.C. are:

Future Minimal Rental Payments

2019	\$149,370
2020	153,851
2021	158,466
2022	<u>135,340</u>
Total	<u>597,027</u>

10. 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 up to 5% of the employee's gross salary, depending on level of employee deferral %, immediately vested, with employer contributions beginning after six months for new employees. Pension expense for the years ending December 31, 2018 and 2017 was \$47,391 and \$24,130, respectively.

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11. GAP Litigation Funds

In September 2013, GAP established a Restricted Earmarked Fund Account (EFA) in the amount of \$100,000 with FJC, a Foundation of Philanthropic Funds (Foundation). The Foundation agrees that the assets will be invested and held in a money market account offered by one of the Foundations' independent fund managers. GAP retains the right to make written instructions with respect to distributions from the EFA to GAP. A fee of 15 basis points annually, based on the average daily value of the assets held in each EFA, is assessed quarterly to provide for costs of program administration.

During 2018, distributions from the fund were authorized totaling \$80,000 and the fund earned \$992 of interest and paid \$164 of fees. The fund had a balance of \$1,243 as of December 31, 2018.

During 2017, there were no distributions from the original fund and the fund earned \$277 of interest and paid \$79 of fees. The original fund had a balance of \$80,415 as of December 31, 2017.

During 2015, a second fund was established in the amount of \$185,000 with the Foundation and under the same terms as the original fund.

During 2017, the fund was replenished in the amount of \$17,500 and this second fund earned \$1,269 of interest and paid \$349 of fees. During 2018, distributions from the fund were authorized totaling \$40,263 and this second fund earned interest income of \$3,089 and paid \$515 of fees. This second fund had a balance of \$176,870 and \$214,559 as of December 31, 2018 and 2017.

12. Escrow Client Funds

Clients pay GAP amounts per agreements to begin work on their cases. As GAP incurs expenses on these cases, GAP can draw down on these funds. GAP deposits amounts into a trust cash account when amounts are received and sets up a client trust payable account for each client. The total in the trust cash account of \$29,305 and \$24,391 as of December 31, 2018 and 2017, respectively, agrees with the total of all client trust payables accounts at the end of the years.

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13. Capital Leases

During 2017, GAP leased computer equipment under capital leases with a recorded cost basis of \$24,914. The equipment and related liability under the capital leases were recorded at the present value of the future payments due under the leases. The related liability under the capital leases for the year ended December 31, 2018 and 2017 was \$10,751 and \$18,873, respectively.

Future minimum lease payments under capital leases are:

December 31

2019	\$8,999
2020	<u>1,752</u>
Total Capital Leases Payable – Equipment	10,751
Less: current portion payable	<u>(8,999)</u>
Total non-current portion payable	<u>1,752</u>

The accumulated depreciation on the leased equipment totaled \$14,420 and \$6,135 at December 31, 2018 and 2017, respectively.

14. Contract Commitments

On January 11, 2019, GAP signed an agreement with a vendor for public relations strategy and media relations services for a monthly fee of \$6,500. The contract expires December 31, 2019.

On July 25, 2017, GAP signed a copier lease for a term of 63 months for a monthly fee of \$865. The lease expires October 25, 2022.

On June 19, 2018, GAP signed a contract for newsletter services of which approximately \$12,000 remains to be paid in 2019.

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15. Non-Cash Transactions

During 2018 and 2017, GAP received donations of stock with a market value of \$27,530 and \$2,620, respectively, at the time of the donation.

During 2017, GAP disposed of fixed assets with a cost of \$65,497 and accumulated depreciation of \$61,735 which resulted in a loss on disposal of \$3,762.

During 2017, GAP signed two capital leases for computer equipment totaling \$24,914.

16. Concentrations

GAP received a substantial portion of its revenue from six and seven contributors, in 2018 and 2017, respectively. For the years ended December 31, 2018 and 2017, GAP received revenue of approximately \$1,630,000 or 58% and \$1,755,000 or 59%, respectively, of GAP's total revenue and support.

17. Subsequent Events

As required by the Subsequent Events topic (Topic 855) of the FASB Accounting Standards Codification, GAP has evaluated the impact of its financial statements and disclosures of certain transactions occurring subsequent to its year-end through April 30, 2019, which is the date GAP's financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.