

# **Atlas Economic Research Foundation**

**Financial Statements for the Years Ended December 31, 2004 and 2003  
and Independent Auditors' Report  
Dated June 20, 2005**

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Independent Auditors' Report

Board of Directors  
Atlas Economic Research Foundation  
2000 N. 14<sup>th</sup> Street, Suite 550  
Arlington, Virginia 22201

We have audited the accompanying statement of financial position of Atlas Economic Research Foundation ("Atlas") as of December 31, 2004 and 2003, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Atlas's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Atlas at December 31, 2004 and 2003, and the results of its operations, changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Hendershot, Burkhardt & Reed, CPAs  
June 20, 2005

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# ATLAS ECONOMIC RESEARCH FOUNDATION

## Statement of Financial Position As of December 31, 2004 and 2003

ASSETS	2004	2003
Current Assets		
Cash and Cash Equivalents	\$ 1,540,319	\$ 1,642,063
Pledges Receivable	503,255	521,000
Accounts Receivable	900	2,481
Prepaid Expenses	42,533	9,567
Total Current Assets	<u>2,087,007</u>	<u>2,175,111</u>
Long Term Assets		
Pledges Receivable, non current	436,737	864,234
Available for Sale Investments	375,252	352,742
Furniture and Equipment, net	22,193	25,823
Deposits	52,630	5,703
Total Long Term Assets	<u>886,812</u>	<u>1,248,502</u>
TOTAL ASSETS	<u>\$ 2,973,819</u>	<u>\$ 3,423,613</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 7,041	\$ 125,306
Accrued Expenses	28,691	21,480
Capital Leases, current	1,693	1,367
Total Current Liabilities	<u>37,425</u>	<u>148,153</u>
Long Term Liabilities		
Capital Leases, non current	4,876	6,569
Total Long Term Liabilities	<u>4,876</u>	<u>6,569</u>
TOTAL LIABILITIES	42,301	154,722
Net Assets		
Unrestricted		
General	579,256	626,398
Designated	166,513	286,437
Total Unrestricted	<u>745,769</u>	<u>912,835</u>
Temporarily Restricted	2,185,749	2,356,056
Permanently Restricted	-	-
Total Net Assets	<u>2,931,518</u>	<u>3,268,891</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,973,819</u>	<u>\$ 3,423,613</u>

See the accompanying Independent Auditors' Report and notes to the financial statements

**ATLAS ECONOMIC RESEARCH FOUNDATION**

**Statement of Activities**

**For the Years Ended December 31, 2004 and 2003**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>2004 Totals</u>	<u>2003 Totals</u>
<b>REVENUE AND SUPPORT</b>					
Contributions	\$ 1,150,247	\$ 1,684,434	\$ -	\$ 2,834,681	\$ 3,977,792
Investment Income	21,077	-	-	21,077	14,496
Unrealized Gain/(Loss) on Investments	(2,211)	-	-	(2,211)	2,408
Workshop, Program Fees, and Rental Income	39,577	3,000	-	42,577	10,593
Donated Goods	-	-	-	-	500
Net Assets Released from Restriction	<u>1,857,741</u>	<u>(1,857,741)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<b>\$ 3,066,431</b>	<b>\$ (170,307)</b>	<b>\$ -</b>	<b>\$ 2,896,124</b>	<b>\$ 4,005,789</b>
<b>EXPENSES</b>					
Program Services	\$ 2,882,764	\$ -	\$ -	\$ 2,882,764	\$ 2,483,479
Management and General	222,440	-	-	222,440	239,493
Fundraising	<u>128,293</u>	<u>-</u>	<u>-</u>	<u>128,293</u>	<u>148,885</u>
<b>TOTAL EXPENSES</b>	<b>\$ 3,233,497</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,233,497</b>	<b>\$ 2,871,857</b>
Change in Net Assets	\$ (167,066)	\$ (170,307)	\$ -	\$ (337,373)	\$ 1,133,932
Prior Period Adjustment	-	-	-	-	23,600
Net Assets, Beginning of Year	<u>912,835</u>	<u>2,356,056</u>	<u>-</u>	<u>3,268,891</u>	<u>2,111,359</u>
<b>Net Assets, End of Year</b>	<b>\$ <u>745,769</u></b>	<b>\$ <u>2,185,749</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>2,931,518</u></b>	<b>\$ <u>3,268,891</u></b>

See the accompanying Independent Auditors' Report and notes to the financial statements

# ATLAS ECONOMIC RESEARCH FOUNDATION

## Statement of Cash Flows

For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (337,373)	\$ 1,133,932
Adjustments to reconcile Change in Net Assets to Net Cash provided by (used in) Operating Activities:		
Prior Period Adjustment	-	23,600
Depreciation and Amortization	13,247	15,363
Donated Software	-	-
Contributed Stock	-	-
Net Unrealized and Realized (Gains)/Losses	2,211	6,072
(Increase) decrease in Pledges Receivable	444,242	(1,254,233)
(Increase) decrease in Accounts Receivable	2,580	1,717
(Increase) decrease in Prepaid Expenses	(32,966)	(5,617)
(Increase) decrease in Deposits	(46,926)	1,956
Increase (decrease) in Accrued Expenses	5,125	(2,614)
Increase (decrease) in Salary Payable	-	(21,243)
Increase (decrease) in Accounts Payable	<u>(116,180)</u>	<u>81,657</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(66,040)</b>	<b>(19,410)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Investment Sales	50,000	-
Acquisition of Investments	(75,000)	-
Acquisition of Furniture and Equipment	<u>(9,338)</u>	<u>(10,732)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(34,338)</b>	<b>(10,732)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in Capital Lease	<u>(1,367)</u>	<u>7,936</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(1,367)</u>	<u>7,936</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(101,745)	(22,205)
Cash and Cash Equivalents at Beginning of Year	<u>1,642,064</u>	<u>1,664,269</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,540,319</u>	<u>\$ 1,642,064</u>

See the accompanying Independent Auditors' Report and notes to the financial statements

**ATLAS ECONOMIC RESEARCH FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2004 and 2003**

**NOTE 1: ORGANIZATION**

Atlas Economic Research Foundation (“Atlas”) is a publicly supported, non-profit, educational organization established and incorporated in the State of Delaware in 1981. Its vision is to achieve a society of free and responsible individuals based upon private property rights, limited government under the rule of law, and the market order. The mission of Atlas is to discover, develop, and support intellectual entrepreneurs worldwide who have the potential to create independent public policy institutes and related programs that advance its vision; and, to provide ongoing support as such institutes and programs mature.

Atlas pursues its mission through several different methods, including:

- discovering intellectual entrepreneurs who share its vision
- developing and supporting intellectual entrepreneurs in the establishment and growth of organizations with the potential to advance the Atlas vision
- encouraging such people and such institutes to address policy issues which advance its vision
- supporting the dissemination of institutes’ work to current and potential opinion leaders
- encouraging and providing support for institute leaders and staffs to develop their management, leadership and fund-raising skills
- alerting institutes about potential funding opportunities
- informing institutes about the work of their colleagues through networking, publications, and conferences
- encouraging institutes to create a working environment that will attract intellectual entrepreneurs and retain talented staff

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

Contributions - Atlas reports gifts of cash and other assets as restricted support if they are received with donor or time stipulations that limit the use of the donated assets. When the donor or time restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Atlas reports gifts of furniture and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Atlas reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**ATLAS ECONOMIC RESEARCH FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2004 and 2003**

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont.)**

Promises to Give – Contributions are recognized when the donor makes a promise to give to Atlas that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are 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. Atlas uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There were no allowances as of December 31, 2004 or 2003.

Use of estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses.

Cash and Cash Equivalents - All highly liquid debt instruments purchased with maturity of three months or less are considered to be cash equivalents for purposes of the statement of cash flows.

Furniture, Equipment and Leasehold Improvements - Current purchases of furniture and equipment in excess of \$250 are recorded at cost. Items of furniture and equipment that are donated are recorded at their fair market value. Depreciation is taken on a straight-line basis. Equipment is depreciated over five years and furniture over ten years. Depreciation expense amounted to \$12,970 and \$15,363 for the years ended December 31, 2004 and 2003, respectively.

Leasehold improvements are recorded at cost and are amortized, on a straight-line basis, over the life of the lease. Leasehold improvements had been fully amortized as of December 31, 1999.

Investments – Atlas has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." SFAS No. 124 requires investments in marketable securities with readily determinable fair values and all investments in debt securities to be reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**ATLAS ECONOMIC RESEARCH FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2004 and 2003**

**NOTE 3: INVESTMENTS**

Long-term investments are stated at fair value and consist of U.S. Treasury notes and mutual funds. Fair values and unrealized gains (losses) of the U.S. Treasury notes at December 31, 2004 and 2003 are summarized as follows:

	<u>2004</u>	<u>2003</u>
Maturity Value	\$ 50,000	\$100,000
Fair Value	\$ 50,332	\$103,782
Current Year Unrealized Gains (Losses) and Amortization	\$ (3,171)	\$ 3,448

Fair values and unrealized gains (losses) of mutual funds at December 31, 2004 and 2003 are summarized as follows:

	<u>2004</u>	<u>2003</u>
Mutual Funds, Cost	\$325,000	\$250,000
Fair Market Value	<u>324,920</u>	<u>248,960</u>
Current Year Unrealized Gains (Losses)	<u>\$ 960</u>	<u>\$ (1,040)</u>

Municipal bonds with a fair value of \$200,000 were sold in 2003 with no realized gains or losses.

**NOTE 4: FIXED ASSETS**

A summary of Fixed Assets at December 31, 2004 and 2003 follows:

	<u>2004</u>	<u>2003</u>
Furniture and Equipment	\$ 110,434	\$101,095
Software	25,225	25,225
Leasehold Improvements	<u>37,519</u>	<u>37,519</u>
	173,178	163,839
Accumulated depreciation and amortization	<u>(150,985)</u>	<u>(138,016)</u>
	<u>\$ 22,193</u>	<u>\$ 25,823</u>



**ATLAS ECONOMIC RESEARCH FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2004 and 2003**

**NOTE 5: PLEDGES RECEIVABLE**

A significant portion of the pledges receivable consists of a \$2,000,000 restricted grant, pledged in 2003, to be paid over four years. The receivable portion of the grant was recorded at present value using a 5% discount rate. The purpose of the grant is to create an awards program designed to aid individuals and institutes that are making educational and public policy efforts to advance freedom. The details of the receivable are as follows:

Current pledge receivable	\$ 500,000
Long term pledge receivable	475,000
Discount on long term pledge receivable	<u>(38,263)</u>
Total pledge receivable as of December 31, 2004:	<u>\$ 936,737</u>

**NOTE 6: CAPITAL LEASES**

Atlas leases office equipment under non-cancelable capital leases, expiring in 2007 and 2008.

Future minimum lease payments under capital leases are as follows:

Year Ending December 31 <sup>st</sup>	
2005	\$ 3,516
2006	3,516
2007	2,796
2008	<u>892</u>
Total minimum lease payments	10,720
Less amount representing interest	<u>4,151</u>
Present value of minimum lease payments	<u>\$ 6,568</u>

**NOTE 7: TEMPORARILY RESTRICTED NET ASSETS**

The following temporarily restricted assets are available for the following purposes or periods:

Program Activities:	2004	2003
Time Restricted Support	\$ 436,737	\$ 864,234
Specific Program Support	<u>1,749,012</u>	<u>1,491,822</u>
Total Temporarily Restricted Net Assets	<u>\$2,185,749</u>	<u>\$2,356,056</u>

**ATLAS ECONOMIC RESEARCH FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2004 and 2003**

**NOTE 8: NET ASSETS RELEASED FROM RESTRICTIONS**

	<u>2004</u>	<u>2003</u>
Net Assets released by disbursing funds in accordance with the donor restrictions	\$ 993,507	\$ 951,726
Net Assets released from time restrictions	<u>864,234</u>	<u>-</u>
Total funds released from restrictions	<u>\$1,857,741</u>	<u>\$ 951,726</u>

**NOTE 9: PENSION PLAN**

Atlas maintains a 401(k) retirement plan covering substantially all full-time employees. Employees make pre-tax contributions for the purchase of retirement annuities.

**NOTE 10: TAX STATUS AND CONTRIBUTIONS**

Income Tax Status - Atlas is exempt from federal income tax for related purpose net income as described in Section 501 (c)(3) of the Internal Revenue Code. Accordingly, contributions to Atlas are deductible for federal income, estate, and gift tax purposes. In addition, Atlas has been classified by the Internal Revenue Service as a public charity and is not a private foundation.

**ATLAS ECONOMIC RESEARCH FOUNDATION**  
**Statement of Functional Expenses**  
**For the Years Ended December 31, 2004 and 2003**

	Unrestricted General	Designated	Temporarily Restricted	Total Program Services	Management and General	Fundraising	2004 Totals	2003 Totals
Fellowships and Grants	\$ 11,119	\$ 369,143	\$ 1,427,588	\$ 1,807,850	\$ -	\$ -	\$ 1,807,850	\$ 1,650,533
Salaries, Payroll Taxes, and Benefits	288,812	39,003	42,449	370,264	129,314	100,828	600,406	559,516
Conferences, Meetings, and Travel	151,722	33,190	97,746	282,658	2,893	5,393	290,944	195,458
Occupancy	64,269	1,375	17,404	83,048	21,815	12,581	117,444	111,049
Printing and Reproduction	62,546	794	47,475	110,815	3,469	1,514	115,798	48,664
Website	32	543	84,936	85,511	-	-	85,511	44,445
Contract Labor	1,684	42,339	18,054	62,077	3,215	1,112	66,404	120,857
Postage and Shipping	26,299	2,447	6,752	35,498	2,181	925	38,604	35,698
Professional Fees	1,163	-	6,685	7,848	24,737	228	32,813	32,624
Miscellaneous	358	150	2,106	2,614	16,247	-	18,861	6,510
Telephone	9,304	294	528	10,126	3,269	1,822	15,217	18,403
Depreciation	8,445	-	-	8,445	2,870	1,655	12,970	15,363
Dues and Subscriptions	7,996	-	941	8,937	1,141	1,017	11,095	12,204
Supplies	5,154	9	155	5,318	2,355	908	8,581	11,498
Insurance	-	-	-	-	7,562	-	7,562	5,447
Interest Expense	1,580	-	-	1,580	537	310	2,427	1,204
Taxes, Licenses, and Permits	-	175	-	175	835	-	1,010	2,384
<b>Totals</b>	<b>\$ 640,483</b>	<b>\$ 489,462</b>	<b>\$ 1,752,819</b>	<b>\$ 2,882,764</b>	<b>\$ 222,440</b>	<b>\$ 128,293</b>	<b>\$ 3,233,497</b>	<b>\$ 2,871,857</b>

See the accompanying Independent Auditors' Report and notes to the financial statements