

Atlas Economic Research Foundation

**Financial Statements for the Years Ended December 31, 2006 and 2005
and Independent Auditors' Report
Dated April 13, 2007**

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ATLAS ECONOMIC RESEARCH FOUNDATION

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Independent Auditors' Report

Members of the Board of Directors
Atlas Economic Research Foundation
2000 North 14th Street, Suite 550
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We have audited the accompanying statements of financial position of Atlas Economic Research Foundation ("Atlas") as of December 31, 2006 and 2005, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of Atlas 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. 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 audits provide 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, 2006 and 2005, the changes in its net assets, its cash flows, and its functional expenses for the years then ended in conformity with accounting principles generally accepted in the United States.

Hendershot, Burkhardt, & Reed, CPAs

Hendershot, Burkhardt & Reed CPAs
April 13, 2007

ATLAS ECONOMIC RESEARCH FOUNDATION

Statements of Position

As of December 31, 2006 and 2005

ASSETS	<u>2006</u>	<u>2005</u>
Current Assets		
Cash and Cash Equivalents	\$ 1,877,517	\$ 1,778,655
Pledges Receivable	386,078	655,293
Accounts Receivable	116,085	811
Prepaid Expenses	<u>5,056</u>	<u>23,373</u>
Total Current Assets	2,384,736	2,458,132
Long Term Assets		
Pledges Receivable, non current	212,563	414,527
Available for Sale Investments	376,000	376,320
Furniture and Equipment, net	77,594	96,127
Deposits	<u>40,872</u>	<u>38,132</u>
Total Long Term Assets	<u>707,029</u>	<u>925,106</u>
 TOTAL ASSETS	 <u>\$ 3,091,765</u>	 <u>\$ 3,383,238</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 38,049	\$ 30,092
Accrued Expenses	31,957	36,713
Capital Leases, current	<u>16,709</u>	<u>12,207</u>
Total Current Liabilities	86,715	79,012
Long Term Liabilities		
Capital Leases, non current	<u>37,169</u>	<u>50,705</u>
Total Long Term Liabilities	<u>37,169</u>	<u>50,705</u>
 TOTAL LIABILITIES	 123,884	 129,717
Net Assets		
Unrestricted		
General	721,778	563,608
Designated	<u>17,047</u>	<u>284,448</u>
Total Unrestricted	738,825	848,056
Temporarily Restricted	2,229,056	2,405,465
Permanently Restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>2,967,881</u>	<u>3,253,521</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,091,765</u>	 <u>\$ 3,383,238</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, 2006 and 2005

	2006				2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUE AND SUPPORT								
Contributions	\$ 2,405,482	\$ 2,121,393	\$ -	\$ 4,526,875	\$ 1,742,296	\$ 2,366,450	\$ -	\$ 4,108,746
Investment Income	66,804	-	-	66,804	28,401	-	-	28,401
Unrealized Gain/(Loss) on Investments	320	-	-	320	1,320	-	-	1,320
Workshop, Program Fees, and Rental Income	39,285	-	-	39,285	47,697	150	-	47,847
Net Assets Released from Restriction	2,297,802	(2,297,802)	-	-	2,146,884	(2,146,884)	-	-
TOTAL REVENUE AND SUPPORT	4,809,693	(176,409)	-	4,633,284	3,966,598	219,716	-	4,186,314
EXPENSES								
Program Services	4,337,126	-	-	4,337,126	3,417,190	-	-	3,417,190
Management and General	263,565	-	-	263,565	226,642	-	-	226,642
Fundraising	318,233	-	-	318,233	220,479	-	-	220,479
TOTAL EXPENSES	4,918,924	-	-	4,918,924	3,864,311	-	-	3,864,311
Change in Net Assets	(109,231)	(176,409)	-	(285,640)	102,287	219,716	-	322,003
Net Assets, Beginning of Year	848,056	2,405,465	-	3,253,521	745,769	2,185,749	-	2,931,518
Net Assets, End of Year	\$ 738,825	\$ 2,229,056	\$ -	\$ 2,967,881	\$ 848,056	\$ 2,405,465	\$ -	\$ 3,253,521

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

ATLAS ECONOMIC RESEARCH FOUNDATION
Statements of Cash Flows
For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (285,640)	\$ 322,003
Adjustments to reconcile Change in Net Assets to Net Cash provided by (used in) Operating Activities:		
Depreciation and Amortization	24,930	15,372
Loss on Disposal of Fixed Assets	-	8,918
Net Unrealized and Realized (Gains)/Losses	320	(1,320)
(Increase) decrease in Pledges Receivable	471,179	(129,828)
(Increase) decrease in Accounts Receivable	(115,275)	89
(Increase) decrease in Prepaid Expenses	18,318	19,160
(Increase) decrease in Deposits	(2,740)	14,498
Increase (decrease) in Accounts Payable	7,957	23,051
Increase (decrease) in Accrued Expenses	<u>(4,756)</u>	<u>8,022</u>
NET CASH USED IN OPERATING ACTIVITIES	114,293	279,965
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Investment Sales	-	50,000
Acquisition of Investments	-	(50,000)
Acquisition of Furniture and Equipment	<u>(6,397)</u>	<u>(97,972)</u>
NET CASH USED IN INVESTING ACTIVITIES	(6,397)	(97,972)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in Capital Lease	<u>(9,034)</u>	<u>56,343</u>
NET CASH USED IN FINANCING ACTIVITIES	(9,034)	56,343
Net Increase/(Decrease) in Cash and Cash Equivalents	98,862	238,336
Cash and Cash Equivalents at Beginning of Year	<u>1,778,655</u>	<u>1,540,319</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,877,517</u>	<u>\$ 1,778,655</u>

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

ATLAS ECONOMIC RESEARCH FOUNDATION
Statement of Functional Expenses
For the Year Ended December 31, 2006

	Unrestricted	Designated	Temporarily	Total	Management	Fundraising	2006
	<u>General</u>	<u> </u>	<u>Restricted</u>	<u>Program Services</u>	<u>and General</u>	<u> </u>	<u>Totals</u>
Fellowships and Grants	\$ 83,250	\$ 1,001,884	\$ 1,554,729	\$ 2,639,863	\$ -	\$ -	\$ 2,639,863
Salaries, Payroll Taxes, and Benefits	309,406	60,814	78,300	448,520	215,544	175,329	839,393
Conferences, Meetings, and Travel	226,272	88,598	203,779	518,649	2,172	7,656	528,477
Direct Mail Expense	-	-	-	-	-	122,102	122,102
Printing and Reproduction	90,927	-	14,343	105,270	3,342	1,606	110,218
Occupancy	140,885	1,156	20,358	162,399	13	-	162,412
Professional Fees	51,269	-	5,472	56,741	26,797	-	83,538
Website	26,650	-	72,639	99,289	-	-	99,289
Postage and Shipping	15,809	267	2,113	18,189	889	2,007	21,085
Supplies	16,141	274	5,429	21,844	1,965	-	23,809
Contract Labor	1,835	9,488	170,402	181,725	-	3,250	184,975
Miscellaneous	11,309	1,428	1,399	14,136	1,593	176	15,905
Telephone	24,479	265	1,595	26,339	989	167	27,495
Depreciation	21,938	-	-	21,938	1,372	1,620	24,930
Dues and Subscriptions	7,126	485	5,051	12,662	1,118	3,617	17,397
Insurance	-	-	-	-	7,098	-	7,098
Interest Expense	9,562	-	-	9,562	508	703	10,773
Taxes, Licenses, and Permits	-	-	-	-	165	-	165
Totals	<u>\$ 1,036,858</u>	<u>\$ 1,164,659</u>	<u>\$ 2,135,609</u>	<u>\$ 4,337,126</u>	<u>\$ 263,565</u>	<u>\$ 318,233</u>	<u>\$ 4,918,924</u>

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

ATLAS ECONOMIC RESEARCH FOUNDATION
Statement of Functional Expenses
For the Year Ended December 31, 2005

	Unrestricted General	Designated	Temporarily Restricted	Total Program Services	Management and General	Fundraising	2005 Totals
Fellowships and Grants	\$ 4,000	\$ 387,852	\$ 1,709,204	\$ 2,101,056	\$ -	\$ -	\$ 2,101,056
Salaries, Payroll Taxes, and Benefits	309,139	58,518	100,481	468,138	143,597	127,285	739,020
Conferences, Meetings, and Travel	144,671	37,693	173,969	356,333	4,833	6,223	367,389
Printing and Reproduction	65,540	5,400	44,519	115,459	1,026	26,968	143,453
Occupancy	60,551	405	22,149	83,105	23,806	19,338	126,249
Professional Fees	1,408	-	68,166	69,574	14,770	352	84,696
Website	144	-	77,019	77,163	-	-	77,163
Postage and Shipping	23,584	1,107	10,860	35,551	2,822	20,350	58,723
Supplies	23,973	52	1,273	25,298	13,464	7,532	46,294
Contract Labor	539	14,168	7,795	22,502	535	1,322	24,359
Miscellaneous	9,469	1,742	7,203	18,414	4,402	420	23,236
Telephone	9,455	-	1,010	10,465	3,175	3,009	16,649
Depreciation	9,329	-	-	9,329	3,063	2,980	15,372
Dues and Subscriptions	12,317	-	929	13,246	748	1,100	15,094
Loss on Disposal of Fixed Assets	5,412	-	-	5,412	1,777	1,729	8,918
Insurance	874	-	-	874	6,431	279	7,584
Interest Expense	4,266	-	-	4,266	1,401	1,363	7,030
Taxes, Licenses, and Permits	717	-	288	1,005	792	229	2,026
Totals	\$ 685,388	\$ 506,937	\$ 2,224,865	\$ 3,417,190	\$ 226,642	\$ 220,479	\$ 3,864,311

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, 2006 and 2005

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, 2006 and 2005

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, 2006 or 2005.

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 \$500 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 \$24,930 and \$15,372 for the years ended December 31, 2006 and 2005, respectively.

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, 2006 and 2005**

NOTE 4: FIXED ASSETS

A summary of Fixed Assets at December 31, 2006 and 2005 follows:

	<u>2006</u>	<u>2005</u>
Furniture and Equipment	\$ 91,458	\$ 85,060
Software	<u>44,087</u>	<u>44,087</u>
	135,545	129,147
Accumulated depreciation	<u>(57,951)</u>	<u>(33,020)</u>
	<u>\$ 77,594</u>	<u>\$ 96,127</u>

NOTE 5: PLEDGES RECEIVABLE

A significant portion of the pledges receivable consists of a \$615,000 restricted grant, pledged in 2005, to be paid over three years. The receivable portion of the grant was recorded at present value using a 4% discount rate. The purpose of the grant is to aid in funding Atlas's North American Activities as well as to fund travel grants for leadership training and other grants to organizations approved by Atlas. The details of the receivable are as follows:

Current pledge receivable	\$ 205,000
Long term pledge receivable	205,000
Discount on long term pledge receivable	<u>(7,885)</u>
Total pledge receivable as of December 31, 2005:	<u>\$ 402,115</u>

NOTE 6: CAPITAL LEASES

Atlas leases office equipment and software under non-cancelable capital leases, expiring between 2007 and 2010. Future minimum lease payments under capital leases are as follows:

Year Ending December 31 st	
2007	24,367
2008	20,073
2009	18,191
2010	<u>6,777</u>
Total minimum lease payments	69,408
Less amount representing interest	<u>15,531</u>
Present value of minimum lease payments	<u>\$ 53,877</u>

**ATLAS ECONOMIC RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2006 and 2005**

NOTE 7: TEMPORARILY RESTRICTED NET ASSETS

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

Program Activities:	<u>2006</u>	<u>2005</u>
Time Restricted and Specific Program Support	\$ 714,564	\$ 1,064,527
Specific Program Support	<u>1,514,492</u>	<u>1,340,938</u>
Total Temporarily Restricted Net Assets	<u>\$ 2,229,056</u>	<u>\$ 2,405,465</u>

NOTE 8: NET ASSETS RELEASED FROM RESTRICTIONS

	<u>2006</u>	<u>2005</u>
Net Assets released by disbursing funds in accordance with the donor restrictions	\$ 1,826,623	\$ 1,710,147
Net Assets released from time restrictions and in accordance with donor restrictions	<u>471,179</u>	<u>436,737</u>
Total funds released from restrictions	<u>\$ 2,297,802</u>	<u>\$ 2,146,884</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.

NOTE 11: RELATED PARTY TRANSACTIONS

Atlas's President is also the Chairman of the Board of Directors for a 501(c)3 organization that received grants from Atlas in the amount of \$21,000 and \$20,500 in 2006 and 2005, respectively.

Atlas made rental payments in the amount of \$10,080 and \$12,960 in 2006 and 2005, respectively, for housing its guests in a town home leased by an Atlas employee.