

# **Atlas Economic Research Foundation**

**Financial Statements for the Years Ended December 31, 2007 and 2006  
and Independent Auditors' Report  
Dated July 29, 2008**

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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  
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We have audited the accompanying statements of financial position of Atlas Economic Research Foundation ("Atlas") as of December 31, 2007 and 2006, 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, 2007 and 2006, 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  
July 29, 2008

**ATLAS ECONOMIC RESEARCH FOUNDATION**  
**Statements of Position**  
**As of December 31, 2007 and 2006**

ASSETS	<u>2007</u>	<u>2006</u>
Current Assets		
Cash and Cash Equivalents	\$ 1,998,921	\$ 1,877,517
Pledges Receivable	2,840,623	386,078
Accounts Receivable	21,167	116,085
Prepaid Expenses	<u>5,464</u>	<u>5,056</u>
Total Current Assets	4,866,175	2,384,736
Long Term Assets		
Pledges Receivable, non current	5,271	212,563
Available for Sale Investments	354,800	376,000
Furniture and Equipment, net	59,874	77,594
Deposits	<u>34,823</u>	<u>40,872</u>
Total Long Term Assets	<u>454,768</u>	<u>707,029</u>
 TOTAL ASSETS	 <u>\$ 5,320,943</u>	 <u>\$ 3,091,765</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 40,713	\$ 38,049
Accrued Expenses	48,354	31,957
Capital Leases, current	<u>14,759</u>	<u>16,709</u>
Total Current Liabilities	103,826	86,715
Long Term Liabilities		
Capital Leases, non current	<u>22,410</u>	<u>37,169</u>
Total Long Term Liabilities	<u>22,410</u>	<u>37,169</u>
 TOTAL LIABILITIES	 126,236	 123,884
Net Assets		
Unrestricted		
General	3,043,249	721,778
Designated	<u>472,144</u>	<u>17,047</u>
Total Unrestricted	3,515,393	738,825
Temporarily Restricted	1,679,314	2,229,056
Permanently Restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>5,194,707</u>	<u>2,967,881</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 5,320,943</u>	 <u>\$ 3,091,765</u>

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

**ATLAS ECONOMIC RESEARCH FOUNDATION**  
**Statements of Activities**  
**For the Years Ended December 31, 2007 and 2006**

	2007			2006		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
<b>REVENUE AND SUPPORT</b>						
Contributions	\$ 4,911,078	\$ 1,889,498	\$ 6,800,576	\$ 2,405,482	\$ 2,121,393	\$ 4,526,875
Investment Income	93,058	-	93,058	66,804	-	66,804
Workshop, Program Fees, and Rental Income	64,258	-	64,258	39,285	-	39,285
Realized Gain/(Loss) on Investments	(4,737)	-	(4,737)	-	-	-
Unrealized Gain/(Loss) on Investments	(21,200)	-	(21,200)	320	-	320
Net Assets Released from Restriction	2,439,240	(2,439,240)	-	2,297,802	(2,297,802)	-
<b>TOTAL REVENUE AND SUPPORT</b>	7,481,697	(549,742)	6,931,955	4,809,693	(176,409)	4,633,284
<b>EXPENSES</b>						
Program Services	3,981,006	-	3,981,006	4,337,126	-	4,337,126
Management and General	315,206	-	315,206	263,565	-	263,565
Fundraising	408,917	-	408,917	318,233	-	318,233
<b>TOTAL EXPENSES</b>	4,705,129	-	4,705,129	4,918,924	-	4,918,924
Change in Net Assets	2,776,568	(549,742)	2,226,826	(109,231)	(176,409)	(285,640)
Net Assets, Beginning of Year	738,825	2,229,056	2,967,881	848,056	2,405,465	3,253,521
<b>Net Assets, End of Year</b>	\$ 3,515,393	\$ 1,679,314	\$ 5,194,707	\$ 738,825	\$ 2,229,056	\$ 2,967,881

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, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 2,226,826	\$ (285,640)
Adjustments to reconcile Change in Net Assets to Net Cash provided by (used in) Operating Activities:		
Depreciation and Amortization	24,342	24,930
Net Unrealized and Realized (Gains)/Losses	21,200	320
(Increase) decrease in Pledges Receivable	(2,247,252)	471,179
(Increase) decrease in Accounts Receivable	95,419	(115,275)
(Increase) decrease in Prepaid Expenses	(910)	18,318
(Increase) decrease in Deposits	6,048	(2,740)
Increase (decrease) in Accounts Payable	2,664	7,957
Increase (decrease) in Accrued Expenses	<u>16,397</u>	<u>(4,756)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	144,734	114,293
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Furniture and Equipment	<u>(6,622)</u>	<u>(6,397)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(6,622)	(6,397)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in Capital Lease	<u>(16,708)</u>	<u>(9,034)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(16,708)</u>	<u>(9,034)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	121,404	98,862
Cash and Cash Equivalents at Beginning of Year	<u>1,877,517</u>	<u>1,778,655</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,998,921</u>	<u>\$ 1,877,517</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, 2007**

	Unrestricted <u>General</u>	<u>Designated</u>	Temporarily <u>Restricted</u>	Total <u>Program Services</u>	Management <u>and General</u>	<u>Fundraising</u>	<u>Totals</u>
Fellowships and Grants	\$ 33,714	\$ 520,667	\$ 1,620,640	\$ 2,175,021	\$ -	\$ -	\$ 2,175,021
Salaries, Payroll Taxes, and Benefits	442,523	31,654	93,522	567,699	243,979	235,275	1,046,953
Contract Labor	84,803	26,460	307,135	418,398	5,913	7,909	432,220
Conferences, Meetings, and Travel	187,571	17,562	198,513	403,646	2,227	11,396	417,269
Occupancy	126,684	756	13,308	140,748	11,588	13,003	165,339
Direct Mail	-	-	-	-	-	96,414	96,414
Printing and Reproduction	73,745	-	7,133	80,878	1,361	6,419	88,658
Website	-	-	72,669	72,669	-	-	72,669
Supplies	30,269	-	1,951	32,220	5,496	3,075	40,791
Postage and Shipping	19,115	-	3,075	22,190	1,483	10,243	33,916
Dues and Subscriptions	9,600	-	2,991	12,591	6,245	14,000	32,836
Professional Fees	2,909	-	1,725	4,634	23,480	1,308	29,422
Depreciation	20,597	-	-	20,597	1,630	2,115	24,342
Telephone	16,665	-	947	17,612	1,608	1,980	21,200
Taxes, Licenses, and Permits	4,421	-	698	5,119	1,994	5,167	12,280
Miscellaneous	6,485	-	499	6,984	960	613	8,557
Insurance	-	-	-	-	7,242	-	7,242
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,242</u>	<u>-</u>	<u>7,242</u>
Totals	<u>\$ 1,059,101</u>	<u>\$ 597,099</u>	<u>\$ 2,324,806</u>	<u>\$ 3,981,006</u>	<u>\$ 315,206</u>	<u>\$ 408,917</u>	<u>\$ 4,705,129</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 <u>General</u>	Designated	Temporarily <u>Restricted</u>	Total <u>Program Services</u>	Management <u>and General</u>	Fundraising	<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
Contract Labor	1,835	9,488	170,402	181,725	-	3,250	184,975
Occupancy	140,885	1,156	20,358	162,399	13	-	162,412
Direct Mail Expense	-	-	-	-	-	122,102	122,102
Printing and Reproduction	90,927	-	14,343	105,270	3,342	1,606	110,218
Website	26,650	-	72,639	99,289	-	-	99,289
Professional Fees	51,269	-	5,472	56,741	26,797	-	83,538
Telephone	24,479	265	1,595	26,339	989	167	27,495
Depreciation	21,938	-	-	21,938	1,372	1,620	24,930
Supplies	16,141	274	5,429	21,844	1,965	-	23,809
Postage and Shipping	15,809	267	2,113	18,189	889	2,007	21,085
Dues and Subscriptions	7,126	485	5,051	12,662	1,118	3,617	17,397
Miscellaneous	11,309	1,428	1,399	14,136	1,593	176	15,905
Interest Expense	9,562	-	-	9,562	508	703	10,773
Insurance	-	-	-	-	7,098	-	7,098
Taxes, Licenses, and Permits	-	-	-	-	165	-	165
<b>Totals</b>	<b><u>\$ 1,036,858</u></b>	<b><u>\$ 1,164,659</u></b>	<b><u>\$ 2,135,609</u></b>	<b><u>\$ 4,337,126</u></b>	<b><u>\$ 263,565</u></b>	<b><u>\$ 318,233</u></b>	<b><u>\$ 4,918,924</u></b>

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, 2007 and 2006**

**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, 2007 and 2006**

**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, 2007 or 2006.

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 \$24,342 and \$24,930 for the years ended December 31, 2007 and 2006, 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, 2007 and 2006**

**NOTE 4: FIXED ASSETS**

A summary of Fixed Assets at December 31, 2007 and 2006 follows:

	<u>2007</u>	<u>2006</u>
Furniture and Equipment	\$ 96,113	\$ 91,458
Software	<u>44,087</u>	<u>44,087</u>
	140,200	135,545
Accumulated depreciation	<u>(80,326)</u>	<u>(57,951)</u>
	<u>\$ 59,874</u>	<u>\$ 77,594</u>

**NOTE 5: PLEDGES RECEIVABLE**

A significant portion of the pledges receivable consists of an unrestricted \$2,442,046 bequest.

**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 <sup>st</sup>	
2008	20,083
2009	18,191
2010	<u>6,777</u>
Total minimum lease payments	45,051
Less amount representing interest	<u>7,882</u>
Present value of minimum lease payments	<u>\$ 37,169</u>

**NOTE 7: TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2007</u>	<u>2006</u>
Program Activities:		
Time Restricted and Specific Program Support	\$ 21,167	\$ 714,564
Specific Program Support	<u>1,658,147</u>	<u>1,514,492</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,679,314</u>	<u>\$ 2,229,056</u>

**ATLAS ECONOMIC RESEARCH FOUNDATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Years Ended December 31, 2007 and 2006**

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

	<u>2007</u>	<u>2006</u>
Net Assets released by disbursing funds in accordance with the donor restrictions	\$ 2,234,006	\$ 1,826,623
Net Assets released from time restrictions and in accordance with donor restrictions	<u>115,234</u>	<u>471,179</u>
Total funds released from restrictions	<u>\$ 2,439,240</u>	<u>\$ 2,297,802</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 \$10,000 and \$21,000 in 2007 and 2006, respectively.

Atlas made rental payments in the amount of 2006 for housing its guests in a town home leased by an Atlas employee. No payments were made in 2007.