

Atlas Economic Research Foundation

**Financial Statements for the Years Ended December 31, 2009 and 2008
and Independent Auditors' Report
Dated July 22, 2010**

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ATLAS ECONOMIC RESEARCH FOUNDATION

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HENDERSHOT, BURKHARDT & REED
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

Members of the Board of Directors
Atlas Economic Research Foundation
Washington, DC 20005

We have audited the accompanying statements of financial position of Atlas Economic Research Foundation ("Atlas") as of December 31, 2009 and 2008, 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 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 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, 2009 and 2008, 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 22, 2010

ATLAS ECONOMIC RESEARCH FOUNDATION

Statements of Financial Position

As of December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 3,104,814	\$ 1,811,534
Pledges Receivable	778,000	1,542,997
Accounts Receivable	67,978	56,493
Prepaid Expenses	<u>44,152</u>	<u>19,058</u>
Total Current Assets	3,994,944	3,430,082
Long Term Assets		
Pledges Receivable, non current	370,040	741,076
Investments	1,565	2,136,146
Furniture and Equipment, net	124,284	136,909
Deposits	<u>29,531</u>	<u>37,834</u>
Total Long Term Assets	<u>525,420</u>	<u>3,051,965</u>
TOTAL ASSETS	<u>\$ 4,520,364</u>	<u>\$ 6,482,047</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Grants Payable	\$ 862,318	\$ 720,000
Accounts Payable	94,791	85,050
Accrued Expenses	550	45,245
Capital Leases, current	<u>5,405</u>	<u>15,745</u>
Total Current Liabilities	963,064	866,040
Long Term Liabilities		
Security Deposit	18,970	-
Capital Leases, non current	<u>-</u>	<u>6,411</u>
Total Long Term Liabilities	<u>18,970</u>	<u>6,411</u>
TOTAL LIABILITIES	982,034	872,451
Net Assets		
Unrestricted		
General	481,617	963,569
Designated	<u>609,391</u>	<u>1,118,068</u>
Total Unrestricted	1,091,008	2,081,637
Temporarily Restricted	<u>2,447,322</u>	<u>3,527,959</u>
Total Net Assets	<u>3,538,330</u>	<u>5,609,596</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,520,364</u>	<u>\$ 6,482,047</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, 2009 and 2008

	2009		
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Totals</u>
REVENUE AND SUPPORT			
Contributions	\$ 3,959,805	\$ 1,218,220	\$ 5,178,025
In-Kind Contributions	257,147	-	257,147
Workshop, Program Fees, and Rental Income	203,808	-	203,808
Investment Income	24,190	-	24,190
Unrealized Gain/(Loss) on Investments	902	-	902
Loss on Disposal of Assets	(13,491)	-	(13,491)
Net Assets Released from Restriction	<u>2,298,857</u>	<u>(2,298,857)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	6,731,218	(1,080,637)	5,650,581
EXPENSES			
Program Services	6,774,761	-	6,774,761
Management and General	372,635	-	372,635
Fundraising	<u>574,451</u>	<u>-</u>	<u>574,451</u>
TOTAL EXPENSES	<u>7,721,847</u>	<u>-</u>	<u>7,721,847</u>
Change in Net Assets	(990,629)	(1,080,637)	(2,071,266)
Net Assets, Beginning of Year	<u>2,081,637</u>	<u>3,527,959</u>	<u>5,609,596</u>
Net Assets, End of Year	<u>\$ 1,091,008</u>	<u>\$ 2,447,322</u>	<u>\$ 3,538,330</u>
	2008		
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Totals</u>
REVENUE AND SUPPORT			
Contributions	\$ 3,638,334	\$ 2,762,631	\$ 6,400,965
In-Kind Contributions	96,164	-	96,164
Investment Income	92,680	-	92,680
Workshop, Program Fees, and Rental Income	91,167	-	91,167
Realized Gain/(Loss) on Investments	(4,493)	-	(4,493)
Unrealized Gain/(Loss) on Investments	4,638	-	4,638
Net Assets Released from Restriction	<u>913,986</u>	<u>(913,986)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	4,832,476	1,848,645	6,681,121
EXPENSES			
Program Services	5,401,256	-	5,401,256
Management and General	379,132	-	379,132
Fundraising	<u>458,694</u>	<u>-</u>	<u>458,694</u>
TOTAL EXPENSES	<u>6,239,082</u>	<u>-</u>	<u>6,239,082</u>
Change in Net Assets	(1,406,606)	1,848,645	442,039
Net Assets, Beginning of Year	<u>3,488,243</u>	<u>1,679,314</u>	<u>5,167,557</u>
Net Assets, End of Year	<u>\$ 2,081,637</u>	<u>\$ 3,527,959</u>	<u>\$ 5,609,596</u>

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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (2,071,266)	\$ 442,039
Adjustments to reconcile Change in Net Assets to Net Cash provided by (used in) Operating Activities:		
Depreciation and Amortization	44,088	22,951
Loss on Disposal of Fixed Assets	13,491	-
In-kind Contribution of Furniture and Equipment	-	(96,164)
Net Unrealized and Realized (Gains)/Losses	(902)	(145)
(Increase) decrease in Pledges Receivable	1,127,288	522,565
(Increase) decrease in Accounts Receivable	(2,740)	(34,071)
(Increase) decrease in Prepaid Expenses	(25,195)	(13,594)
(Increase) decrease in Deposits	8,403	(3,010)
Increase (decrease) in Grants Payable	142,318	720,000
Increase (decrease) in Accounts Payable	9,742	44,337
Increase (decrease) in Accrued Expenses	(44,695)	7,741
Increase (decrease) in Security Deposit Payable	<u>18,970</u>	<u>-</u>
NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES	(780,498)	1,612,649
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	2,137,000	5,680,512
Acquisition of Investments	(1,517)	(7,461,713)
Acquisition of Furniture and Equipment	<u>(44,954)</u>	<u>(3,822)</u>
NET CASH PROVIDED BY (USED BY) INVESTING ACTIVITIES	2,090,529	(1,785,023)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in Capital Lease	<u>(16,751)</u>	<u>(15,013)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(16,751)</u>	<u>(15,013)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	1,293,280	(187,387)
Cash and Cash Equivalents at Beginning of Year	<u>1,811,534</u>	<u>1,998,921</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,104,814</u>	<u>\$ 1,811,534</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, 2009

	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	\$ 514,184	\$ 645,590	\$ 1,573,247	\$ 2,733,021	\$ -	\$ -	\$ 2,733,021
Salaries, Payroll Taxes, and Benefits	397,379	521,103	132,754	1,051,236	215,178	352,415	1,618,829
Conferences, Meetings, and Travel	690,344	426,134	213,389	1,329,867	2,982	12,558	1,345,407
Contract Labor	170,415	454,964	220,603	845,982	10,698	9,944	866,624
Occupancy	119,767	149,019	143,019	411,805	46,137	35,861	493,803
Printing and Reproduction	43,939	59,379	27,867	131,185	758	61,542	193,485
Dues and Subscriptions	28,143	34,892	30,636	93,671	2,729	20,490	116,890
Professional Fees	255	16,780	226	17,261	39,266	1,605	58,132
Postage and Shipping	7,421	10,702	4,746	22,869	1,317	26,358	50,544
Supplies	10,230	22,516	9,655	42,401	1,492	3,500	47,393
Telephone	6,195	17,275	10,967	34,437	6,928	3,726	45,091
Depreciation	11,452	13,631	13,597	38,680	2,128	3,280	44,088
Miscellaneous	5,344	2,262	220	7,826	33,028	2,527	43,381
Direct Mail Expense	407	-	-	407	-	34,609	35,016
Taxes, Licenses, and Permits	175	6,807	164	7,146	1,299	4,962	13,407
Insurance	-	-	-	-	8,657	-	8,657
Website	203	6,384	380	6,967	38	1,074	8,079
	<u>203</u>	<u>6,384</u>	<u>380</u>	<u>6,967</u>	<u>38</u>	<u>1,074</u>	<u>8,079</u>
Totals	<u>\$ 2,005,853</u>	<u>\$ 2,387,438</u>	<u>\$ 2,381,470</u>	<u>\$ 6,774,761</u>	<u>\$ 372,635</u>	<u>\$ 574,451</u>	<u>\$ 7,721,847</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, 2008

	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	\$ 1,049,068	\$ 957,376	\$ 1,472,794	\$ 3,479,238	\$ -	\$ -	\$ 3,479,238
Salaries, Payroll Taxes, and Benefits	358,168	-	99,957	458,125	278,963	228,615	965,703
Conferences, Meetings, and Travel	563,758	14,851	153,587	732,196	5,468	12,269	749,933
Contract Labor	158,792	-	236,179	394,971	4,557	21,415	420,943
Occupancy	149,884	3,970	52	153,906	10,644	17,556	182,106
Printing and Reproduction	36,165	1,553	5,012	42,730	1,822	62,031	106,583
Postage and Shipping	14,192	96	3,307	17,595	1,122	48,421	67,138
Direct Mail Expense	-	-	-	-	-	54,511	54,511
Professional Fees	4,066	6,060	-	10,126	34,667	346	45,139
Supplies	30,562	-	208	30,770	2,064	3,446	36,280
Dues and Subscriptions	18,184	41	6,001	24,226	1,014	3,335	28,575
Telephone	16,266	56	3,009	19,331	3,859	2,231	25,421
Depreciation	19,862	-	-	19,862	1,398	1,691	22,951
Miscellaneous	2,474	2,235	45	4,754	14,542	73	19,369
Insurance	-	15	60	75	14,946	-	15,021
Website	25	-	12,459	12,484	2	2	12,488
Taxes, Licenses, and Permits	782	-	85	867	4,064	2,752	7,683
Totals	<u>\$ 2,422,248</u>	<u>\$ 986,253</u>	<u>\$ 1,992,755</u>	<u>\$ 5,401,256</u>	<u>\$ 379,132</u>	<u>\$ 458,694</u>	<u>\$ 6,239,082</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, 2009 and 2008

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 (IEs) who share its vision, and supporting their efforts to establish and grow organizations with the potential to advance the Atlas vision.
- Training IEs in non-profit management topics, so their own organizations can have a greater impact.
- Linking IEs to their peers and keeping them informed on one another’s work, via events, publications, and online resources.
- Disseminating the ideas of liberty to new audiences via foreign language programs, as a means of discovering new IEs.
- Alerting institutes to opportunities to attract new funding or to have an impact on issues that advance the Atlas vision.

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. 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 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, 2009 and 2008**

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. 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, 2009 or 2008.

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 \$44,088 and \$22,951 for the years ended December 31, 2009 and 2008, 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.

NOTE 3: FIXED ASSETS

A summary of Fixed Assets at December 31, 2009 and 2008 follows:

	<u>2009</u>	<u>2008</u>
Furniture and Equipment	\$172,104	\$192,809
Software	38,188	44,087
	<u>210,292</u>	<u>236,896</u>
Accumulated Depreciation	<u>(86,008)</u>	<u>(99,987)</u>
Total	<u>\$124,284</u>	<u>\$136,909</u>

**ATLAS ECONOMIC RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2009 and 2008**

NOTE 4: CAPITAL LEASES

Atlas leases software under a non-cancelable capital lease, expiring in 2010. Future minimum lease payments under capital leases are as follows:

Year Ending December 31 st	
2010	\$ <u>5,810</u>
Total minimum lease payments	5,810
Less amount representing interest	<u>400</u>
Present value of minimum lease payments	\$ <u>5,410</u>

NOTE 5: MANAGEMENT DESIGNATED NET ASSETS

Atlas reports income as "designated" if it is allocated by management for specific programs or purposes, despite the absence of a legal restriction. Designated net assets are valued at \$609,391 and \$1,118,068 at December 31, 2009 and 2008, respectively.

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

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

Program Activities:	<u>2009</u>	<u>2008</u>
Time Restricted	\$ 541,994	\$ 1,776,155
Specific Program Support	<u>1,905,328</u>	<u>1,751,804</u>
Total Temporarily Restricted Net Assets	<u>\$ 2,447,322</u>	<u>\$ 3,527,959</u>

NOTE 7: NET ASSETS RELEASED FROM RESTRICTIONS

	<u>2009</u>	<u>2008</u>
Net Assets released by disbursing funds in accordance with the donor restrictions	\$ 1,027,381	\$ 892,819
Net Assets released from time restrictions	<u>1,271,476</u>	<u>21,167</u>
Total funds released from restrictions	<u>\$ 2,298,857</u>	<u>\$ 913,986</u>

NOTE 8: 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.

ATLAS ECONOMIC RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2009 and 2008

NOTE 9: 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 10: 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 \$91,500 and \$10,000 in 2009 and 2008, respectively.

NOTE 11: ASSET TRANSFER AGREEMENT

In December 2008, Atlas signed an Asset Transfer Agreement with the Cato Institute, which transferred certain foreign language programs to Atlas. Because the programs were deficit-producing at the time of the transaction, the agreement included financial support from the Cato Institute over a three-year period and in-kind donations of office space, furniture, and equipment. In 2008, Atlas recorded a cash payment of \$1,000,000, a donation of furniture and equipment valued at \$96,164, and a pledge receivable for payments of \$750,000 (received in December 2009) and \$375,000 to be received in December 2010. In 2009, Atlas recorded the value of office space being contributed by the Cato Institute as an in-kind donation.

NOTE 12: EXPECTED NET DEFICIT IN 2009

Certain donations that Atlas recorded in 2008 and 2007 were intended to cover the costs of activities in 2009 and future years. For this reason, the net deficit recorded during 2009 was an expected result of having recorded income well in excess of expenses during 2008 and 2007 (\$442,039 and \$2,199,676, respectively).