

**Atlas Economic Research Foundation  
dba Atlas Network**

Financial Statements  
and Independent Auditors' Report

December 31, 2018 and 2017

**Atlas Economic Research Foundation dba Atlas Network**

Financial Statements  
December 31, 2018 and 2017

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Atlas Economic Research Foundation  
dba Atlas Network

We have audited the accompanying financial statements of Atlas Economic Research Foundation dba Atlas Network (“the Organization”), which comprise the statements of financial position as of December 31, 2018 and 2017; the related statements of activities, functional 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor’s Responsibility*

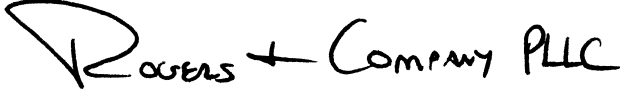
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 present fairly, in all material respects, the financial position of the Organization as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, flowing style.

Vienna, Virginia  
April 18, 2019

## Atlas Economic Research Foundation dba Atlas Network

### Statements of Financial Position December 31, 2018 and 2017

	2018	2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,455,366	\$ 1,633,596
Pledges receivable	2,840,870	1,534,535
Accounts receivable	15,800	22,212
Prepaid expenses	244,203	128,371
Total current assets	4,556,239	3,318,714
Long-term assets:		
Investments	2,948,325	2,700,003
Pledges receivable, long-term portion, net	3,441,973	1,391,438
Deposit	62,016	23,779
Trademarks	25,089	-
Property and equipment, net	707,665	48,588
Total long-term assets	7,185,068	4,163,808
Total assets	\$ 11,741,307	\$ 7,482,522
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 552,011	\$ 289,659
Grants payable	400,828	948,546
Deferred rent and lease incentives	865,853	-
Total liabilities	1,818,692	1,238,205
<b>Net Assets</b>		
Without donor restrictions	1,384,183	722,933
With donor restrictions	8,538,432	5,521,384
Total net assets	9,922,615	6,244,317
Total liabilities and net assets	\$ 11,741,307	\$ 7,482,522

See accompanying notes.

## Atlas Economic Research Foundation dba Atlas Network

### Statement of Activities For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>			
Contributions	\$ 5,793,716	\$ 9,976,601	\$ 15,770,317
Registration income	85,028	-	85,028
Miscellaneous income	58,884	-	58,884
Investment income, net	53,516	-	53,516
Released from restrictions	6,959,553	(6,959,553)	-
Total revenue and support	<u>12,950,697</u>	<u>3,017,048</u>	<u>15,967,745</u>
<b>Expenses</b>			
Program services	10,222,143	-	10,222,143
Supporting services:			
Management and general	621,136	-	621,136
Fundraising	1,446,168	-	1,446,168
Total supporting services	<u>2,067,304</u>	<u>-</u>	<u>2,067,304</u>
Total expenses	<u>12,289,447</u>	<u>-</u>	<u>12,289,447</u>
<b>Change in Net Assets</b>	661,250	3,017,048	3,678,298
<b>Net Assets, beginning of year</b>	<u>722,933</u>	<u>5,521,384</u>	<u>6,244,317</u>
<b>Net Assets, end of year</b>	<u>\$ 1,384,183</u>	<u>\$ 8,538,432</u>	<u>\$ 9,922,615</u>

See accompanying notes.

**Atlas Economic Research Foundation dba Atlas Network**

Statement of Activities  
For the Year Ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and Support</b>			
Contributions	\$ 4,810,782	\$ 5,869,053	\$ 10,679,835
Registration income	115,762	-	115,762
Miscellaneous income	1,856	-	1,856
Investment income, net	17,505	-	17,505
Released from restrictions	<u>7,947,527</u>	<u>(7,947,527)</u>	<u>-</u>
Total revenue and support	<u>12,893,432</u>	<u>(2,078,474)</u>	<u>10,814,958</u>
<b>Expenses</b>			
Program services	10,734,481	-	10,734,481
Supporting services:			
Management and general	599,535	-	599,535
Fundraising	<u>1,250,944</u>	<u>-</u>	<u>1,250,944</u>
Total supporting services	<u>1,850,479</u>	<u>-</u>	<u>1,850,479</u>
Total expenses	<u>12,584,960</u>	<u>-</u>	<u>12,584,960</u>
<b>Change in Net Assets</b>	308,472	(2,078,474)	(1,770,002)
<b>Net Assets, beginning of year</b>	<u>414,461</u>	<u>7,599,858</u>	<u>8,014,319</u>
<b>Net Assets, end of year</b>	<u>\$ 722,933</u>	<u>\$ 5,521,384</u>	<u>\$ 6,244,317</u>

*See accompanying notes.*

**Atlas Economic Research Foundation dba Atlas Network**

Statement of Functional Expenses  
For the Year Ended December 31, 2018

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Fellowships and grants	\$ 4,983,878	\$ 1,074	\$ 2,500	\$ 4,987,452
Conferences, meetings, and travel	2,106,057	12,360	111,428	2,229,845
Salaries, payroll taxes, and benefits	1,875,557	485,507	894,879	3,255,943
Professional fees	372,003	75,935	124,407	572,345
Advertising	85,398	2,920	53,798	142,116
Occupancy	352,575	17,252	40,167	409,994
Office expenses	363,374	18,374	200,096	581,844
Bank service charges	27,844	688	1,634	30,166
Depreciation and amortization	20,085	962	2,239	23,286
Insurance	8,599	5,015	758	14,372
Miscellaneous	26,773	1,049	14,262	42,084
<b>Total Expenses</b>	<b>\$ 10,222,143</b>	<b>\$ 621,136</b>	<b>\$ 1,446,168</b>	<b>\$ 12,289,447</b>



**Atlas Economic Research Foundation dba Atlas Network**

Statement of Functional Expenses  
For the Year Ended December 31, 2017

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Fellowships and grants	\$ 5,370,968	\$ 1,367	\$ 2,853	\$ 5,375,188
Conferences, meetings, and travel	1,577,153	3,566	39,627	1,620,346
Salaries, payroll taxes, and benefits	1,917,790	459,822	788,294	3,165,906
Professional fees	749,714	53,338	148,316	951,368
Advertising	84,951	1,715	24,078	110,744
Occupancy	276,203	11,097	27,609	314,909
Office expenses	657,949	65,076	208,666	931,691
Bank service charges	27,890	349	727	28,966
Depreciation and amortization	15,965	702	1,467	18,134
Insurance	7,198	2,073	661	9,932
Miscellaneous	48,700	430	8,646	57,776
<b>Total Expenses</b>	<b>\$ 10,734,481</b>	<b>\$ 599,535</b>	<b>\$ 1,250,944</b>	<b>\$ 12,584,960</b>

**Atlas Economic Research Foundation dba Atlas Network**

Statements of Cash Flows  
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 3,678,298	\$ (1,770,002)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized loss on investments	1,840	1,606
Depreciation and amortization	23,286	18,134
Change in discount on pledges	97,823	(22,646)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	(3,454,693)	2,957,474
Accounts receivable	6,412	(5,419)
Prepaid expenses	(115,832)	(114,259)
Deposit	(38,237)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	262,352	175,583
Grants payable	(547,718)	688,782
Deferred rent and lease incentives	865,853	-
Net cash provided by operating activities	<u>779,384</u>	<u>1,929,253</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(682,363)	(34,149)
Capitalization of trademarks	(25,089)	-
Purchases of investments	(4,545,162)	(5,200,396)
Proceeds from sales of investments	4,295,000	3,300,000
Net cash used in investing activities	<u>(957,614)</u>	<u>(1,934,545)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(178,230)	(5,292)
<b>Cash and Cash Equivalents, beginning of year</b>	<u>1,633,596</u>	<u>1,638,888</u>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 1,455,366</u>	<u>\$ 1,633,596</u>

*See accompanying notes.*

# Atlas Economic Research Foundation dba Atlas Network

Notes to Financial Statements  
December 31, 2018 and 2017

## 1. Nature of Operations

The Atlas Economic Research Foundation dba Atlas Network (“the Organization”) is a publicly supported, nonprofit, educational foundation established and incorporated in Delaware in 1981.

The Organization increases opportunity and prosperity by strengthening a global network of independent civil society organizations that promote individual freedom and remove barriers to human flourishing.

To pursue its mission, the Organization undertakes programs in three categories:

- *Coach* – provides world-class training and mentoring to inspire professionalism and improve performance among its independent partners.
- *Compete* – offers grant and prize competitions that fuel its partners’ efforts to achieve extraordinary outcomes.
- *Celebrate* – fosters camaraderie and stokes ambitions among its partners by celebrating their greatest accomplishments through its events and media outreach.

## 2. Summary of Significant Accounting Policies

### Basis of Accounting and Presentation

The Organization’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions.

### Classification of Net Assets

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

## Atlas Economic Research Foundation dba Atlas Network

Notes to Financial Statements  
December 31, 2018 and 2017

### 2. Summary of Significant Accounting Policies (continued)

#### Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase.

#### Pledges Receivable

Pledges receivable represent unconditional amounts committed to the Organization. The Organization 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. Management believes that all pledges receivable are collectible at December 31, 2018 and 2017, and accordingly, no allowance for uncollectible accounts has been established.

#### Investments

Investments are recorded at fair value based on quoted market prices. Realized and unrealized gains and losses are reported as a component of investment income in the accompanying statements of activities.

#### Property and Equipment

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 and amortization is recorded on a straight-line basis. Equipment is depreciated over three years and furniture over ten years. Leasehold improvements are amortized over the life of the associated lease, which is ten and a half years.

#### Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions are reported as net assets without donor restrictions if the restrictions are met in the same period as received.

## Atlas Economic Research Foundation dba Atlas Network

Notes to Financial Statements  
December 31, 2018 and 2017

### 2. Summary of Significant Accounting Policies (continued)

#### Revenue Recognition (continued)

Registration income is recognized at the time of the event. Revenue from all other sources is recognized when earned.

#### Donated Services

Donated services meeting the criteria for recognition under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Revenue Recognition – Contributions Received*, are recognized at fair value at the time of receipt. These services benefit the general programs and consist primarily of advertising, and legal and professional services. The value of these donated services is included in the financial statements as both revenue and expense in the amounts of \$471,710 and \$685,268 for the years ended December 31, 2018 and 2017, respectively.

#### Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### Change in Accounting Principle

On August 18, 2016, the FASB issued Accounting Standards Update (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. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. The implementation had no impact on previously reported net assets.

## Atlas Economic Research Foundation dba Atlas Network

Notes to Financial Statements  
December 31, 2018 and 2017

### 2. Summary of Significant Accounting Policies (continued)

#### Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2020.

#### Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 18, 2019, the date the financial statements were available to be issued.

### 3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 1,455,366
Pledges receivable due in less than one year	2,840,870
Accounts receivable	15,800
Investments	2,948,325
Less: restricted by donors with purpose and time restrictions	<u>(5,096,459)</u>
Total available for general expenditures	<u>\$ 2,163,902</u>

The Organization has a goal to maintain financial assets, which consist of cash and short term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$2,000,000. As part of this liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments, including certificates of deposit.

## Atlas Economic Research Foundation dba Atlas Network

Notes to Financial Statements  
December 31, 2018 and 2017

### 4. Concentrations of Risk

#### Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and cash equivalents, and investments. The Organization maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Organization has not experienced any credit losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

#### Revenue Risk

For the years ended December 31, 2018 and 2017, a substantial portion of the Organization's revenue was generated from a few donors. For the year ended December 31, 2018, \$7,424,830 was received from three donors, and for the year ended December 31, 2017, \$2,898,271 was received from one donor. These contributions approximate 46% and 27% of the Organization's total operating revenue and support for the years ended December 31, 2018 and 2017, respectively.

### 5. Investments and Fair Value Measurements

The Organization follows FASB ASC 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

## Atlas Economic Research Foundation dba Atlas Network

Notes to Financial Statements  
December 31, 2018 and 2017

### 5. Investments and Fair Value Measurements (continued)

In general, and where applicable, the Organization uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments. Certificates of deposit are generally valued at original cost plus accrued interest, which approximates fair value and yields a Level 2 input.

The following table presents the Organization's fair value hierarchy for those investments measured on a recurring basis at December 31:

	Level 1	Level 2	Level 3	Total
<u>2018:</u>				
Certificates of deposit	\$ -	\$ 2,946,610	\$ -	\$ 2,946,610
Mutual funds – equities	1,715	-	-	1,715
Total investments	\$ 1,715	\$ 2,946,610	\$ -	\$ 2,948,325
<u>2017:</u>				
Certificates of deposit	\$ -	\$ 2,698,192	\$ -	\$ 2,698,192
Mutual funds – equities	1,811	-	-	1,811
Total investments	\$ 1,811	\$ 2,698,192	\$ -	\$ 2,700,003

Net investment income consists of the following for the years ended December 31:

	2018	2017
Interest and dividends	\$ 55,469	\$ 19,233
Realized and unrealized loss	(1,840)	(1,606)
Investment management fees	(113)	(122)
Total investment income, net	\$ 53,516	\$ 17,505



## Atlas Economic Research Foundation dba Atlas Network

Notes to Financial Statements  
December 31, 2018 and 2017

### 6. Pledges Receivable

Pledges receivable are promised as follows at December 31:

	2018	2017
Due in less than one year	\$ 2,840,870	\$ 1,534,535
Due in one to five years	3,579,350	1,430,992
Total pledges receivable	6,420,220	2,965,527
Less: present-value discount	(137,377)	(39,554)
Pledges receivable, net	\$ 6,282,843	\$ 2,925,973

### 7. Property and Equipment

Property and equipment consists of the following at December 31:

	2018	2017
Furniture and equipment	\$ 50,739	\$ 289,909
Leasehold improvements	725,398	18,204
Software	-	33,421
Total property and equipment	776,137	341,534
Less: accumulated depreciation	(68,472)	(292,946)
Property and equipment, net	\$ 707,665	\$ 48,588

### 8. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes at December 31:

	2018	2017
Program restricted	\$ 3,767,629	\$ 3,294,778
Time restricted	4,770,803	2,226,606
Total net assets with donor restrictions	\$ 8,538,432	\$ 5,521,384

## Atlas Economic Research Foundation dba Atlas Network

Notes to Financial Statements  
December 31, 2018 and 2017

### 9. Commitments – Office Lease

During 2017, the Organization entered into an agreement to lease office space in Arlington, Virginia under the terms of an operating lease that commenced on June 1, 2018 and is set to expire on May 31, 2029. The terms of the lease contain provisions for a free rent period and future rent increases of 2.75% per year. In addition, the Organization was provided a build-out allowance totaling \$680,400 as another incentive to lease the office space. Other lease provisions include the Organization's proportionate share of real estate taxes and operating expenses, which are not included in base rental payments.

The effects of the scheduled rent increases and incentives will be recognized over the life of the lease on a straight-line basis. The difference between the rent expense recorded and the required lease payments is reflected as deferred rent and lease incentives in the accompanying statements of financial position.

In addition, the Organization rents meeting space in Washington, D.C. under the terms of an operating lease that has a one-year term and is set to expire on May 14, 2019. The Organization has the option to renew the lease on an annual basis if it elects to do so. The terms of the lease contain base rentals of \$1,500 payable monthly.

Occupancy expense totaled \$409,994 and \$314,909 for the years ended December 31, 2018 and 2017, respectively.

Future minimum lease payments are as follows for the years ending December 31:

2019	\$	385,020
2020		386,958
2021		396,632
2022		406,548
2023		416,711
Thereafter		<u>2,165,747</u>
Total future minimum lease payments	\$	<u><u>4,157,616</u></u>

### 10. Related Party Transactions

The Organization's former President was also the Chairman of the Board of Directors for a 501(c)(3) organization that received grants in the amount of \$5,000 from the Organization during both years ended December 31, 2018 and 2017.

## **Atlas Economic Research Foundation dba Atlas Network**

Notes to Financial Statements  
December 31, 2018 and 2017

### **10. Related Party Transactions (continued)**

The President left the Organization in December 2017. The Organization complied with its normal procurement and monitoring procedures in entering and evaluating the grantees' performance under these agreements.

### **11. Methods Used for Allocation of Expenses from Management and General Activities**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

### **12. Income Taxes**

The Organization is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code (IRC). For the year ended December 31, 2018, the Organization generated unrelated business income from taxable transportation fringe benefits of approximately \$26,000 and the estimated tax expense is approximately \$5,700. For the year ended December 31, 2017, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded. Contributions to the Organization are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management has evaluated the Organization's tax positions and concluded that the financial statements do not include any uncertain tax positions.