

Atlas Economic Research Foundation

**Financial Statements for the Years Ended December 31, 2011 and 2010
and Independent Auditors' Report
Dated September 18, 2012**

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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
Washington, DC 20005

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We have audited the accompanying statements of financial position of Atlas Economic Research Foundation ("the Organization") as of December 31, 2011 and 2010, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's 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 Economic Research Foundation at December 31, 2011 and 2010, 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
September 18, 2012

ATLAS ECONOMIC RESEARCH FOUNDATION
Statements of Financial Position
As of December 31, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
Current Assets		
Cash and Cash Equivalents	\$ 733,728	\$ 946,389
Pledges Receivable	699,165	415,000
Accounts Receivable	26,185	52,911
Prepaid Expenses	47,718	44,344
Total Current Assets	<u>1,506,796</u>	<u>1,458,644</u>
Long Term Assets		
Investments	1,527,747	1,083,821
Furniture and Equipment, net	75,268	114,922
Pledges Receivable, non current	188,000	66,667
Deposits	40,231	88,097
Total Long Term Assets	<u>1,831,246</u>	<u>1,353,507</u>
TOTAL ASSETS	<u>\$ 3,338,042</u>	<u>\$ 2,812,151</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 228,250	\$ 301,829
Grants Payable	60,000	450,000
Total Current Liabilities	<u>288,250</u>	<u>751,829</u>
Long Term Liabilities		
Security Deposit	18,970	18,970
Total Long Term Liabilities	<u>18,970</u>	<u>18,970</u>
Total Liabilities	307,220	770,799
Net Assets		
Unrestricted		
General	100,664	369,414
Designated	22,244	36,350
Total Unrestricted	<u>122,908</u>	<u>405,764</u>
Temporarily Restricted	2,907,914	1,635,588
Total Net Assets	<u>3,030,822</u>	<u>2,041,352</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,338,042</u>	<u>\$ 2,812,151</u>

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

ATLAS ECONOMIC RESEARCH FOUNDATION

Statement of Activities

For the Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUE AND SUPPORT			
Contributions	\$ 6,111,018	\$ 2,646,875	\$ 8,757,893
Stock Donations	222,146	-	222,146
Workshop, Program Fees, and Rental Income	155,429	-	155,429
Investment Income	70,403	-	70,403
In-Kind Contributions	46,020	-	46,020
Miscellaneous Income	31,652	-	31,652
Realized Gain/(Loss) on Investments	(20,770)	-	(20,770)
Unrealized Gain/(Loss) on Investments	(106,288)	-	(106,288)
Net Assets Released from Restriction	<u>1,374,549</u>	<u>(1,374,549)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	7,884,159	1,272,326	9,156,485
EXPENSES			
Program Services	7,357,041	-	7,357,041
Management and General	368,528	-	368,528
Fundraising	<u>441,446</u>	<u>-</u>	<u>441,446</u>
TOTAL EXPENSES	<u>8,167,015</u>	<u>-</u>	<u>8,167,015</u>
Change in Net Assets	(282,856)	1,272,326	989,470
Net Assets, Beginning of Year	<u>405,764</u>	<u>1,635,588</u>	<u>2,041,352</u>
Net Assets, End of Year	<u>\$ 122,908</u>	<u>\$ 2,907,914</u>	<u>\$ 3,030,822</u>

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

ATLAS ECONOMIC RESEARCH FOUNDATION
Statement of Activities
For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUE AND SUPPORT			
Contributions	\$ 4,600,031	\$ 1,111,910	\$ 5,711,941
Workshop, Program Fees, and Rental Income	252,530	-	252,530
Unrealized Gain/(Loss) on Investments	102,660	-	102,660
Investment Income	48,325	-	48,325
Stock Donation	47,698	-	47,698
In-Kind Contributions	21,788	-	21,788
Realized Gain/(Loss) on Investments	19,378	-	19,378
Gain on Disposal of Assets	500	-	500
Net Assets Released from Restriction	<u>1,923,644</u>	<u>(1,923,644)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	7,016,554	(811,734)	6,204,820
EXPENSES			
Program Services	6,759,529	-	6,759,529
Management and General	368,890	-	368,890
Fundraising	<u>573,379</u>	<u>-</u>	<u>573,379</u>
TOTAL EXPENSES	<u>7,701,798</u>	<u>-</u>	<u>7,701,798</u>
Change in Net Assets	(685,244)	(811,734)	(1,496,978)
Net Assets, Beginning of Year	<u>1,091,008</u>	<u>2,447,322</u>	<u>3,538,330</u>
Net Assets, End of Year	<u>\$ 405,764</u>	<u>\$ 1,635,588</u>	<u>\$ 2,041,352</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 989,470	\$ (1,496,978)
Adjustments to reconcile Change in Net Assets to Net Cash provided by (used in) Operating Activities:		
Depreciation and Amortization	40,253	39,380
Stock Donations	(222,146)	(47,698)
Net Unrealized and Realized (Gains)/Losses	127,058	(122,038)
(Increase) decrease in Pledges Receivable	(405,498)	666,373
(Increase) decrease in Accounts Receivable	26,726	15,067
(Increase) decrease in Prepaid Expenses	(3,374)	(192)
(Increase) decrease in Deposits	47,866	(58,566)
Increase (decrease) in Grants Payable	(390,000)	(412,318)
Increase (decrease) in Accounts Payable	(73,579)	207,038
Increase (decrease) in Accrued Expenses	-	(550)
NET CASH PROVIDED BY/(USED BY) OPERATING ACTIVITIES	136,776	(1,210,482)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	609,665	1,619,408
Acquisition of Investments	(958,503)	(2,531,928)
Acquisition of Furniture and Equipment	(599)	(33,364)
Sale and Disposal of Furniture and Equipment	-	3,346
NET CASH USED BY INVESTING ACTIVITIES	(349,437)	(942,538)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in Capital Lease	-	(5,405)
NET CASH USED BY FINANCING ACTIVITIES	-	(5,405)
Net Increase/(Decrease) in Cash and Cash Equivalents	(212,661)	(2,158,425)
Cash and Cash Equivalents at Beginning of Year	<u>946,389</u>	<u>3,104,814</u>
Cash and Cash Equivalents at End of Year	<u>\$ 733,728</u>	<u>\$ 946,389</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, 2011

	Unrestricted General	Designated	Temporarily Restricted	Total Program Services	Management and General	Fundraising	Totals
Fellowships and Grants	\$ 31,089	\$ 424,171	\$ 2,782,979	\$ 3,238,239	\$ -	\$ -	\$ 3,238,239
Salaries, Payroll Taxes, and Benefits	863,633	277,331	38,369	1,179,333	230,096	318,340	1,727,769
Conferences, Meetings, and Travel	737,520	87,179	421,273	1,245,972	3,591	12,566	1,262,129
Contract Labor	161,647	400,955	170,894	733,496	-	5,000	738,496
Occupancy	124,175	86,113	228,488	438,776	25,892	27,799	492,467
Printing and Reproduction	47,667	25,132	57,106	129,905	1,775	27,851	159,531
Dues and Subscriptions	47,959	27,496	57,863	133,318	6,805	18,397	158,520
Professional Fees	7,368	11,338	15,215	33,921	49,621	5,873	89,415
Communications	26,321	11,343	17,329	54,993	2,853	2,276	60,122
Miscellaneous	8,369	1,811	6,925	17,105	27,566	1,419	46,090
Postage and Shipping	11,821	6,443	11,417	29,681	712	14,741	45,134
Supplies	14,189	8,385	15,382	37,956	2,707	2,341	43,004
Depreciation	10,337	6,900	19,024	36,261	1,816	2,176	40,253
Website	3,341	17,224	13,865	34,430	418	737	35,585
Taxes, Licenses, and Permits	1,835	8,097	3,723	13,655	352	1,930	15,937
Insurance	-	-	-	-	14,324	-	14,324
Totals	<u>\$ 2,097,271</u>	<u>\$ 1,399,918</u>	<u>\$ 3,859,852</u>	<u>\$ 7,357,041</u>	<u>\$ 368,528</u>	<u>\$ 441,446</u>	<u>\$ 8,167,015</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, 2010

	Unrestricted General	Designated	Temporarily Restricted	Total Program Services	Management and General	Fundraising	Totals
Fellowships and Grants	\$ 348,895	\$ 273,955	\$ 1,952,352	\$ 2,575,202	\$ -	\$ -	\$ 2,575,202
Salaries, Payroll Taxes, and Benefits	1,102,727	-	109,468	1,212,195	254,918	415,753	1,882,866
Conferences, Meetings, and Travel	623,636	8,909	472,337	1,104,882	6,156	12,402	1,123,440
Contract Labor	717,638	4,778	208,258	930,674	94	5,008	935,776
Occupancy	212,769	20,115	194,007	426,891	22,396	38,325	487,612
Dues and Subscriptions	86,852	5,159	64,221	156,232	5,743	20,591	182,566
Printing and Reproduction	73,945	5,478	78,016	157,439	2,271	13,705	173,415
Professional Fees	13,502	3,263	5,868	22,633	32,076	6,614	61,323
Supplies	25,048	2,905	16,033	43,986	2,127	2,602	48,715
Postage and Shipping	12,723	513	6,172	19,408	529	27,435	47,372
Miscellaneous	17,403	2,728	515	20,646	23,808	1,346	45,800
Communications	18,800	1,090	15,606	35,496	2,386	2,310	40,192
Depreciation	16,796	1,694	16,073	34,563	1,886	2,931	39,380
Direct Mail Expense	1,515	-	-	1,515	-	19,227	20,742
Taxes, Licenses, and Permits	12,051	614	2,145	14,810	482	4,251	19,543
Insurance	-	-	-	-	13,886	-	13,886
Website	1,467	179	1,311	2,957	132	879	3,968
Totals	\$ 3,285,767	\$ 331,380	\$ 3,142,382	\$ 6,759,529	\$ 368,890	\$ 573,379	\$ 7,701,798

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, 2011 and 2010

NOTE 1: ORGANIZATION

Atlas Economic Research Foundation (“the Organization”) is a publicly supported, non-profit, educational organization established and incorporated in the State of Delaware in 1981. The mission of the Organization is to strengthen the worldwide freedom movement by supporting individuals and organizations with the potential to champion our vision of a free, prosperous and peaceful society. The vision of the Organization is that there will be effective independent organizations in every country building a public consensus around the principles that foster freedom, economic opportunity, prosperity and peace. These principles include individual liberty and responsibility, property rights, free markets and limited government under the rule of law.

The Organization 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 Organization’s 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 Organization’s vision.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Contributions - The Organization 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. The Organization 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, the Organization 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, 2011 and 2010

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont.)

Promises to Give - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. 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. There were no allowances as of December 31, 2011 or 2010.

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 \$40,253 and \$39,380 for the years ended December 31, 2011 and 2010, respectively.

Investments - The Organization reports investments in marketable securities with readily determinable fair values and all investments in debt securities 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: PLEDGES RECEIVABLE

Pledges Receivable consist of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Pledges Receivable (Less than one year)	\$ 699,165	\$ 415,000
Pledges Receivable (One to five years)	200,000	70,000
Less unamortized discounts of 5%-6%	<u>(12,000)</u>	<u>(3,333)</u>
Net pledges receivable	<u>\$ 887,165</u>	<u>\$ 481,667</u>

ATLAS ECONOMIC RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2011 and 2010

NOTE 4: INVESTMENTS

Investments are carried at fair value based on quoted prices in active markets (all Level 1 measurements) and consist of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Mutual Funds	\$1,499,375	\$1,056,027
Bond	<u>28,372</u>	<u>27,794</u>
Total Investments	<u>\$1,527,747</u>	<u>\$1,083,821</u>

NOTE 5: FIXED ASSETS

A summary of fixed assets at December 31, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
Furniture and Equipment	\$205,562	\$204,963
Software	<u>33,421</u>	<u>33,421</u>
	238,983	238,384
Accumulated Depreciation	<u>(163,715)</u>	<u>(123,462)</u>
Total	<u>\$ 75,268</u>	<u>\$114,922</u>

NOTE 6: CAPITAL LEASE

The Organization leased software under a non-cancelable capital lease, which expired in 2010. The Organization made lease payments totaling \$5,405 in 2010.

NOTE 7: MANAGEMENT DESIGNATED NET ASSETS

The Organization 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 total \$22,244 and \$36,350 at December 31, 2011 and 2010, respectively.

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Specific Program Support	\$ 2,907,914	\$ 1,530,988
Time Restricted	<u>0</u>	<u>104,600</u>
Total Temporarily Restricted Net Assets	<u>\$ 2,907,914</u>	<u>\$ 1,635,588</u>

ATLAS ECONOMIC RESEARCH FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended December 31, 2011 and 2010

NOTE 9: NET ASSETS RELEASED FROM RESTRICTIONS

	<u>2011</u>	<u>2010</u>
Net Assets released by disbursing funds in accordance with the donor restrictions	\$ 1,269,949	\$ 1,422,650
Net Assets released from time restrictions	<u>104,600</u>	<u>500,994</u>
Total funds released from restrictions	<u>\$ 1,374,549</u>	<u>\$ 1,923,644</u>

NOTE 10: PENSION PLAN

The Organization maintained a 401(k) retirement plan covering substantially all full-time employees through 2011 into which employees made pre-tax contributions for the purchase of retirement annuities. This plan was discontinued in 2012.

NOTE 11: TAX STATUS AND CONTRIBUTIONS

The Organization 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 the Organization are deductible for federal income, estate, and gift tax purposes. In addition, the Organization has been classified by the Internal Revenue Service as a public charity and is not a private foundation.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2009, 2010, and 2011 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 12: RELATED PARTY TRANSACTIONS

The Organization's President is also the Chairman of the Board of Directors for a 501(c)(3) organization that received grants of \$5,000 and \$6,500 from the Organization in 2011 and 2010, respectively. In 2010, the related organization also received \$3,345 from the Organization in various other payments.

The Organization's CEO, President, and Executive Vice President sit on the board of a 501(c)(3) organization that received a grant of \$9,000 from the Organization in 2010.

NOTE 13: SUBSEQUENT EVENTS

Management evaluated events and transactions that occurred after the statement of financial position date for potential recognition and disclosure through September 18, 2012, the date on which the financial statements were available to be issued.