Atlas Economic Research Foundation

Financial Statements for the Years Ended December 31, 2008 and 2007
and Independent Auditors’ Report
Dated July 14, 2009

Hendershot, Burkhardt & Reed, CPAs
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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
1201 L Street NW
Washington, DC 20005

We have audited the accompanying statements of financial position of Atlas Economic Research Foundation ("Atlas") as of December 31, 2008 and 2007, 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, 2008 and 2007, 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 14, 2009
### ATLAS ECONOMIC RESEARCH FOUNDATION

**Statements of Position**

**As of December 31, 2008 and 2007**

#### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$1,811,534</td>
<td>$1,998,921</td>
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<tr>
<td>Pledges Receivable</td>
<td>1,542,997</td>
<td>2,802,623</td>
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<td>Accounts Receivable</td>
<td>56,493</td>
<td>21,167</td>
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<tr>
<td>Prepaid Expenses</td>
<td>19,058</td>
<td>5,464</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>3,430,082</td>
<td>4,828,175</td>
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<tr>
<td><strong>Long Term Assets</strong></td>
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<td></td>
</tr>
<tr>
<td>Pledges Receivable, non current</td>
<td>741,076</td>
<td>5,271</td>
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<tr>
<td>Investments</td>
<td>2,136,146</td>
<td>354,800</td>
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<tr>
<td>Furniture and Equipment, net</td>
<td>136,909</td>
<td>59,874</td>
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<td>Deposits</td>
<td>37,834</td>
<td>34,823</td>
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<td><strong>Total Long Term Assets</strong></td>
<td>3,051,965</td>
<td>454,768</td>
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<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$6,482,047</td>
<td>$5,282,943</td>
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</table>

#### LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants Payable</td>
<td>$720,000</td>
<td>$</td>
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<tr>
<td>Accounts Payable</td>
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<td>40,713</td>
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<tr>
<td>Accrued Expenses</td>
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<td>37,504</td>
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<td>Capital Leases, current</td>
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<td>14,759</td>
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<tr>
<td><strong>Total Current Liabilities</strong></td>
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<td>92,976</td>
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<tr>
<td><strong>Long Term Liabilities</strong></td>
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<tr>
<td>Capital Leases, non current</td>
<td>6,411</td>
<td>22,410</td>
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<td><strong>Total Long Term Liabilities</strong></td>
<td>6,411</td>
<td>22,410</td>
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<td><strong>TOTAL LIABILITIES</strong></td>
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<td><strong>Net Assets</strong></td>
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<tr>
<td>Unrestricted</td>
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<tr>
<td>General</td>
<td>963,569</td>
<td>3,016,099</td>
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<td>Designated</td>
<td>1,118,068</td>
<td>472,144</td>
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<tr>
<td><strong>Total Unrestricted</strong></td>
<td>2,081,637</td>
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<tr>
<td>Temporarily Restricted</td>
<td>3,527,959</td>
<td>1,679,314</td>
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<tr>
<td><strong>Total Net Assets</strong></td>
<td>5,609,596</td>
<td>5,167,557</td>
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</tbody>
</table>

**TOTAL LIABILITIES AND NET ASSETS**

$6,482,047 $5,282,943

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, 2008 and 2007

## REVENUE AND SUPPORT

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$3,638,334</td>
<td>$2,762,631</td>
<td>$6,400,965</td>
<td>$4,911,078</td>
<td>$1,889,498</td>
<td>$6,800,576</td>
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<td>In-Kind Contributions</td>
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<td>-</td>
<td>96,164</td>
<td>93,058</td>
<td>-</td>
<td>93,058</td>
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<td>Investment Income</td>
<td>92,680</td>
<td>92,680</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Workshop, Program Fees, and Rental Income</td>
<td>91,167</td>
<td>-</td>
<td>91,167</td>
<td>64,258</td>
<td>-</td>
<td>64,258</td>
</tr>
<tr>
<td>Realized Gain/(Loss) on Investments</td>
<td>(4,493)</td>
<td>(4,493)</td>
<td>(4,737)</td>
<td>(4,737)</td>
<td></td>
<td></td>
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<tr>
<td>Unrealized Gain/(Loss) on Investments</td>
<td>4,618</td>
<td>-</td>
<td>4,638</td>
<td>(21,200)</td>
<td>-</td>
<td>(21,200)</td>
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<tr>
<td>Net Assets Released from Restriction</td>
<td>913,986</td>
<td>(913,986)</td>
<td>-</td>
<td>2,439,240</td>
<td>(2,439,240)</td>
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<tr>
<td>TOTAL REVENUE AND SUPPORT</td>
<td>4,832,416</td>
<td>1,848,645</td>
<td>6,681,121</td>
<td>7,481,697</td>
<td>(549,742)</td>
<td>6,931,955</td>
</tr>
</tbody>
</table>

## EXPENSES

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Program Services</td>
<td>5,401,256</td>
<td>-</td>
<td>5,401,256</td>
<td>4,019,006</td>
<td>-</td>
<td>4,019,006</td>
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<tr>
<td>Management and General</td>
<td>379,112</td>
<td>-</td>
<td>379,132</td>
<td>304,256</td>
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<td>304,256</td>
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<tr>
<td>Fundraising</td>
<td>458,694</td>
<td>-</td>
<td>458,694</td>
<td>408,917</td>
<td>-</td>
<td>408,917</td>
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<tr>
<td>TOTAL EXPENSES</td>
<td>6,239,082</td>
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<td>6,239,082</td>
<td>4,732,279</td>
<td>-</td>
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</table>

## Change in Net Assets

<table>
<thead>
<tr>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Net Assets, Beginning of Year</td>
<td>3,488,243</td>
<td>1,679,314</td>
<td>5,167,557</td>
<td>738,825</td>
<td>2,229,056</td>
<td>2,967,881</td>
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<tr>
<td>Net Assets, End of Year</td>
<td>$2,081,637</td>
<td>$3,527,959</td>
<td>$5,609,956</td>
<td>$3,488,243</td>
<td>$1,679,314</td>
<td>$5,167,557</td>
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</tbody>
</table>

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

3
### CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Net Assets</td>
<td>$442,039</td>
<td>$2,199,676</td>
</tr>
<tr>
<td>Adjustments to reconcile Change in Net Assets to Net Cash provided by (used in) Operating Activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>22,951</td>
<td>24,342</td>
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<tr>
<td>In-kind Contribution of Furniture and Equipment</td>
<td>(96,164)</td>
<td>-</td>
</tr>
<tr>
<td>Net Unrealized and Realized (Gains)/Losses</td>
<td>(145)</td>
<td>21,200</td>
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<tr>
<td>(Increase) decrease in Pledges Receivable</td>
<td>522,565</td>
<td>(2,209,252)</td>
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<tr>
<td>(Increase) decrease in Accounts Receivable</td>
<td>(34,071)</td>
<td>95,419</td>
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<tr>
<td>(Increase) decrease in Prepaid Expenses</td>
<td>(13,594)</td>
<td>(910)</td>
</tr>
<tr>
<td>(Increase) decrease in Deposits</td>
<td>(3,010)</td>
<td>6,048</td>
</tr>
<tr>
<td>Increase (decrease) in Grants Payable</td>
<td>720,000</td>
<td>-</td>
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<tr>
<td>Increase (decrease) in Accrual Payable</td>
<td>44,337</td>
<td>2,664</td>
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<tr>
<td>Increase (decrease) in Accrued Expenses</td>
<td>7,741</td>
<td>5,547</td>
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<tr>
<td><strong>NET CASH PROVIDED BY OPERATING ACTIVITIES</strong></td>
<td>1,612,649</td>
<td>144,734</td>
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### CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of Investments</td>
<td>5,680,512</td>
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<tr>
<td>Acquisition of Investments</td>
<td>(7,461,713)</td>
<td>-</td>
</tr>
<tr>
<td>Acquisition of Furniture and Equipment</td>
<td>(3,822)</td>
<td>(6,622)</td>
</tr>
<tr>
<td><strong>NET CASH USED IN INVESTING ACTIVITIES</strong></td>
<td>(1,785,023)</td>
<td>(6,622)</td>
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### CASH FLOWS FROM FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase (decrease) in Capital Lease</td>
<td>(15,013)</td>
<td>(16,708)</td>
</tr>
<tr>
<td><strong>NET CASH USED IN FINANCING ACTIVITIES</strong></td>
<td>(15,013)</td>
<td>(16,708)</td>
</tr>
<tr>
<td>Net Increase/(Decrease) in Cash and Cash Equivalents</td>
<td>(187,387)</td>
<td>121,404</td>
</tr>
<tr>
<td>Cash and Cash Equivalents at Beginning of Year</td>
<td>1,998,921</td>
<td>1,877,517</td>
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<tr>
<td>Cash and Cash Equivalents at End of Year</td>
<td>$1,811,554</td>
<td>$1,998,921</td>
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</table>

See the accompanying Independent Auditors' Report and notes to the financial statements.
<table>
<thead>
<tr>
<th>Category</th>
<th>Unrestricted</th>
<th>Designated</th>
<th>Temporarily Restricted</th>
<th>Total Program Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>1,049,068</td>
<td>957,376</td>
<td>1,472,794</td>
<td>3,479,238</td>
<td>-</td>
<td>-</td>
<td>3,479,238</td>
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<tr>
<td>Salaries, Payroll Taxes, and Benefits</td>
<td>358,168</td>
<td>-</td>
<td>99,957</td>
<td>458,125</td>
<td>278,963</td>
<td>228,615</td>
<td>965,703</td>
</tr>
<tr>
<td>Conferences, Meetings, and Travel</td>
<td>563,758</td>
<td>14,851</td>
<td>153,587</td>
<td>732,196</td>
<td>5,468</td>
<td>12,269</td>
<td>749,933</td>
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<tr>
<td>Contract Labor</td>
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<td>-</td>
<td>236,179</td>
<td>394,971</td>
<td>4,557</td>
<td>21,415</td>
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<td>Occupancy</td>
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<td>52</td>
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<td>10,644</td>
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<td>Printing and Reproduction</td>
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<td>1,553</td>
<td>5,012</td>
<td>42,730</td>
<td>1,822</td>
<td>62,031</td>
<td>106,583</td>
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<td>Postage and Shipping</td>
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<td>3,307</td>
<td>17,595</td>
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<td>67,138</td>
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<td>Direct Mail Expense</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>54,511</td>
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<td>Professional Fees</td>
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<td>6,060</td>
<td>-</td>
<td>10,126</td>
<td>34,667</td>
<td>346</td>
<td>45,139</td>
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<tr>
<td>Supplies</td>
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<td>-</td>
<td>208</td>
<td>30,770</td>
<td>2,064</td>
<td>3,446</td>
<td>36,280</td>
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<td>Dues and Subscriptions</td>
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<td>6,001</td>
<td>24,226</td>
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<td>3,335</td>
<td>28,575</td>
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<td>Telephone</td>
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<td>3,009</td>
<td>19,331</td>
<td>3,859</td>
<td>2,231</td>
<td>25,421</td>
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<td>19,862</td>
<td>-</td>
<td>-</td>
<td>19,862</td>
<td>1,398</td>
<td>1,691</td>
<td>22,951</td>
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<td>Miscellaneous</td>
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<td>4,754</td>
<td>14,542</td>
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<td>19,369</td>
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<td>Insurance</td>
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<td>15,021</td>
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<td>Website</td>
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<td>-</td>
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<td>12,484</td>
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<td>12,486</td>
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<td>Taxes, Licenses, and Permits</td>
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<td>85</td>
<td>867</td>
<td>4,064</td>
<td>2,752</td>
<td>7,683</td>
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<td><strong>Totals</strong></td>
<td><strong>2,422,248</strong></td>
<td><strong>986,253</strong></td>
<td><strong>1,992,755</strong></td>
<td><strong>5,401,256</strong></td>
<td><strong>379,132</strong></td>
<td><strong>458,694</strong></td>
<td><strong>6,239,082</strong></td>
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</tbody>
</table>
# ATLAS ECONOMIC RESEARCH FOUNDATION
## Statement of Functional Expenses
### For the Year Ended December 31, 2007

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th></th>
<th>Temporarily</th>
<th>Total</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General</td>
<td>Designated</td>
<td>Restricted</td>
<td>Program Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fellowships and Grants</td>
<td>$33,714</td>
<td>$520,667</td>
<td>$1,620,640</td>
<td>$2,175,021</td>
<td></td>
<td>$-</td>
<td>$-</td>
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<tr>
<td>Salaries, Payroll Taxes, and Benefits</td>
<td>442,523</td>
<td>31,654</td>
<td>93,522</td>
<td>567,699</td>
<td>233,129</td>
<td>235,275</td>
<td>1,036,103</td>
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<tr>
<td>Conferences, Meetings, and Travel</td>
<td>225,571</td>
<td>17,562</td>
<td>198,513</td>
<td>441,646</td>
<td>2,227</td>
<td>11,396</td>
<td>455,269</td>
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<tr>
<td>Contract Labor</td>
<td>84,803</td>
<td>26,460</td>
<td>307,135</td>
<td>418,398</td>
<td>5,913</td>
<td>7,909</td>
<td>432,220</td>
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<td>Occupancy</td>
<td>126,684</td>
<td>756</td>
<td>13,308</td>
<td>140,748</td>
<td>11,588</td>
<td>13,003</td>
<td>165,339</td>
</tr>
<tr>
<td>Direct Mail</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>96,414</td>
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<tr>
<td>Printing and Reproduction</td>
<td>73,745</td>
<td>-</td>
<td>7,133</td>
<td>80,878</td>
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<td>6,419</td>
<td>88,658</td>
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<td>Website</td>
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<td>72,669</td>
<td>72,669</td>
<td>-</td>
<td>-</td>
<td>72,669</td>
</tr>
<tr>
<td>Supplies</td>
<td>30,269</td>
<td>-</td>
<td>1,951</td>
<td>32,220</td>
<td>5,496</td>
<td>3,075</td>
<td>40,791</td>
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<tr>
<td>Postage and Shipping</td>
<td>19,115</td>
<td>-</td>
<td>3,075</td>
<td>22,190</td>
<td>1,483</td>
<td>10,243</td>
<td>33,916</td>
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<tr>
<td>Dues and Subscriptions</td>
<td>9,600</td>
<td>-</td>
<td>2,991</td>
<td>12,591</td>
<td>6,245</td>
<td>14,000</td>
<td>32,836</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>2,909</td>
<td>-</td>
<td>1,725</td>
<td>4,634</td>
<td>23,480</td>
<td>1,308</td>
<td>29,422</td>
</tr>
<tr>
<td>Depreciation</td>
<td>20,597</td>
<td>-</td>
<td>-</td>
<td>20,597</td>
<td>1,630</td>
<td>2,115</td>
<td>24,342</td>
</tr>
<tr>
<td>Telephone</td>
<td>16,665</td>
<td>-</td>
<td>947</td>
<td>17,612</td>
<td>1,608</td>
<td>1,980</td>
<td>21,200</td>
</tr>
<tr>
<td>Taxes, Licenses, and Permits</td>
<td>4,421</td>
<td>-</td>
<td>698</td>
<td>5,119</td>
<td>1,994</td>
<td>5,167</td>
<td>12,280</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>6,485</td>
<td>-</td>
<td>499</td>
<td>6,984</td>
<td>960</td>
<td>613</td>
<td>8,557</td>
</tr>
<tr>
<td>Insurance</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,242</td>
<td>-</td>
<td>7,242</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$1,097,101</td>
<td>$597,099</td>
<td>$2,324,806</td>
<td>$4,019,006</td>
<td>$304,356</td>
<td>$408,917</td>
<td>$4,732,279</td>
</tr>
</tbody>
</table>

See the accompanying Independent Auditors' Report and notes to the financial statements.
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.
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, 2008 or 2007.

**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 $22,951 and $24,342 for the years ended December 31, 2008 and 2007, 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, 2008 and 2007 follows:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and Equipment</td>
<td>$192,809</td>
<td>$ 96,113</td>
</tr>
<tr>
<td>Software</td>
<td>44,087</td>
<td>44,087</td>
</tr>
<tr>
<td></td>
<td>236,896</td>
<td>140,200</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(99,987)</td>
<td>(80,326)</td>
</tr>
<tr>
<td>Total</td>
<td>$136,909</td>
<td>$ 59,874</td>
</tr>
</tbody>
</table>

NOTE 4: 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 31st

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>18,191</td>
</tr>
<tr>
<td>2010</td>
<td>6,777</td>
</tr>
</tbody>
</table>

Total minimum lease payments 24,968
Less amount representing interest 2,812

Present value of minimum lease payments $22,156

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 $1,118,068 and 472,144 at December 31, 2008 and 2007, respectively.

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

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

<table>
<thead>
<tr>
<th>Program Activities:</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Restricted</td>
<td>$1,776,155</td>
<td>$ 21,167</td>
</tr>
<tr>
<td>Specific Program Support</td>
<td>1,751,804</td>
<td>1,658,147</td>
</tr>
<tr>
<td>Total Temporarily Restricted Net Assets</td>
<td>$3,527,959</td>
<td>$1,679,314</td>
</tr>
</tbody>
</table>
NOTE 7: **NET ASSETS RELEASED FROM RESTRICTIONS**

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets released by disbursing funds in accordance with the donor restrictions</td>
<td>$ 892,819</td>
<td>$ 2,234,006</td>
</tr>
<tr>
<td>Net Assets released from time restrictions and in accordance with donor restrictions</td>
<td>21,167</td>
<td>115,234</td>
</tr>
<tr>
<td>Total funds released from restrictions</td>
<td>$ 913,986</td>
<td>$ 2,449,240</td>
</tr>
</tbody>
</table>

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.

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 $10,000 and $10,000 in 2008 and 2007, respectively.

NOTE 11: **ASSET TRANSFER AGREEMENT**

In December 2008, Atlas signed an Asset Transfer Agreement with the Cato Institute, which transferred certain Cato programs to Atlas where they now operate as the Atlas Global Initiative for Free Trade, Peace, and Prosperity. 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 and $375,000 to be received in December 2009 and December 2010, respectively. The value of the office space being contributed by Cato will be recorded as in-kind income as it is received during 2009.
NOTE 12: PRIOR PERIOD ADJUSTMENTS

The 2007 financial statements have been restated to correct two errors. The first correction concerns the recognition of an in-kind expense of $38,000 for which the related income had been booked as receivable in 2006. The second correction concerns employee benefit payments of $10,850 being recorded as expenses in 2007 rather than as reductions of liability.

The corrections had the following effects on the financial statements:

On the 2007 statement of financial position:
- the line item Pledges Receivable is $38,000 less than previously reported.
- the line item Accrued Expenses is $10,850 less than previously reported.

On the 2007 statement of functional expenses:
- the line item Conferences, Meetings, and Travel and the classification Unrestricted General Programs are $38,000 more than previously reported.
- the line item Salary, Payroll Taxes, and Benefits and the classification Management and General are $10,850 less than previously reported.

On the 2007 statement of activities:
- the changes in net assets and the net assets, end of year are $27,150 less than previously reported.