

Atlas Economic Research Foundation

**Financial Statements for the Years Ended December 31, 2010 and 2009
and Independent Auditors' Report
Dated September 6, 2011**

**Hendershot, Burkhardt & Reed, CPAs
7525 Presidential Lane, Manassas, Virginia 20109
Telephone (703) 361-1592 Fax (703) 361-0836**

ATLAS ECONOMIC RESEARCH FOUNDATION

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HENDERSHOT, BURKHARDT & REED
CERTIFIED PUBLIC ACCOUNTANTS

7525 Presidential Lane, Manassas, Virginia 20109
Telephone (703) 361-1592 Fax (703) 361-0836

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 ("the Organization") as of December 31, 2010 and 2009, 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, 2010 and 2009, 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 6, 2011

ATLAS ECONOMIC RESEARCH FOUNDATION
Statements of Financial Position
As of December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 946,389	\$ 3,104,814
Pledges Receivable	415,000	778,000
Accounts Receivable	52,911	67,978
Prepaid Expenses	<u>44,344</u>	<u>44,152</u>
Total Current Assets	1,458,644	3,994,944
Long Term Assets		
Pledges Receivable, non current	66,667	370,040
Investments	1,083,821	1,565
Furniture and Equipment, net	114,922	124,284
Deposits	<u>88,097</u>	<u>29,531</u>
Total Long Term Assets	<u>1,353,507</u>	<u>525,420</u>
TOTAL ASSETS	<u><u>\$ 2,812,151</u></u>	<u><u>\$ 4,520,364</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Grants Payable	\$ 450,000	\$ 862,318
Accounts Payable	301,829	94,791
Accrued Expenses	-	550
Capital Leases, current	<u>-</u>	<u>5,405</u>
Total Current Liabilities	751,829	963,064
Long Term Liabilities		
Security Deposit	<u>18,970</u>	<u>18,970</u>
Total Long Term Liabilities	<u>18,970</u>	<u>18,970</u>
Total Liabilities	770,799	982,034
Net Assets		
Unrestricted		
General	369,414	481,617
Designated	<u>36,350</u>	<u>609,391</u>
Total Unrestricted	405,764	1,091,008
Temporarily Restricted	<u>1,635,588</u>	<u>2,447,322</u>
Total Net Assets	<u>2,041,352</u>	<u>3,538,330</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,812,151</u></u>	<u><u>\$ 4,520,364</u></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>	Temporarily <u>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

Statement of Activities

For the Year Ended December 31, 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><u>\$ 1,091,008</u></u>	<u><u>\$ 2,447,322</u></u>	<u><u>\$ 3,538,330</u></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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,496,978)	\$ (2,071,266)
Adjustments to reconcile Change in Net Assets to Net Cash provided by (used in) Operating Activities:		
Depreciation and Amortization	39,380	44,088
Stock Donation	(47,698)	-
Net Unrealized and Realized (Gains)/Losses	(122,038)	(902)
Loss on Disposal of Fixed Assets	-	13,491
(Increase) decrease in Pledges Receivable	666,373	1,127,288
(Increase) decrease in Accounts Receivable	15,067	(2,740)
(Increase) decrease in Prepaid Expenses	(192)	(25,195)
(Increase) decrease in Deposits	(58,566)	8,403
Increase (decrease) in Grants Payable	(412,318)	142,318
Increase (decrease) in Accounts Payable	207,038	9,742
Increase (decrease) in Accrued Expenses	(550)	(44,695)
Increase (decrease) in Security Deposit Payable	<u>-</u>	<u>18,970</u>
NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES	(1,210,482)	(780,498)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	1,619,408	2,137,000
Acquisition of Investments	(2,531,928)	(1,517)
Sale and Disposal of Furniture and Equipment	3,346	-
Acquisition of Furniture and Equipment	<u>(33,364)</u>	<u>(44,954)</u>
NET CASH PROVIDED BY (USED BY) INVESTING ACTIVITIES	(942,538)	2,090,529
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in Capital Lease	<u>(5,405)</u>	<u>(16,751)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(5,405)</u>	<u>(16,751)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(2,158,425)	1,293,280
Cash and Cash Equivalents at Beginning of Year	<u>3,104,814</u>	<u>1,811,534</u>
Cash and Cash Equivalents at End of Year	<u>\$ 946,389</u>	<u>\$ 3,104,814</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 <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	\$ 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	<u>\$ 3,285,767</u>	<u>\$ 331,380</u>	<u>\$ 3,142,382</u>	<u>\$ 6,759,529</u>	<u>\$ 368,890</u>	<u>\$ 573,379</u>	<u>\$ 7,701,798</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>	Designated	Temporarily <u>Restricted</u>	Total <u>Program Services</u>	Management <u>and General</u>	Fundraising	<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
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

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. 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 the Organization 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.

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, 2010 and 2009**

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, 2010 or 2009.

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 \$39,380 and \$44,088 for the years ended December 31, 2010 and 2009, 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: FIXED ASSETS

A summary of fixed assets at December 31, 2010 and 2009 follows:

	<u>2010</u>	<u>2009</u>
Furniture and Equipment	\$204,963	\$172,104
Software	<u>33,421</u>	<u>38,188</u>
	238,384	210,292
Accumulated Depreciation	<u>(123,462)</u>	<u>(86,008)</u>
Total	<u>\$114,922</u>	<u>\$124,284</u>

**ATLAS ECONOMIC RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009**

NOTE 4: 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 5: 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 are valued at \$36,350 and \$609,391 at December 31, 2010 and 2009, respectively.

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

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

Program Activities:	<u>2010</u>	<u>2009</u>
Time Restricted	\$ 104,600	\$ 541,994
Specific Program Support	<u>1,530,988</u>	<u>1,905,328</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,635,588</u>	<u>\$ 2,447,322</u>

NOTE 7: NET ASSETS RELEASED FROM RESTRICTIONS

	<u>2010</u>	<u>2009</u>
Net Assets released by disbursing funds in accordance with the donor restrictions	\$ 1,422,650	\$ 1,027,381
Net Assets released from time restrictions	<u>500,994</u>	<u>1,271,476</u>
Total funds released from restrictions	<u>\$ 1,923,644</u>	<u>\$ 2,298,857</u>

NOTE 8: PENSION PLAN

The Organization 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 - 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.

ATLAS ECONOMIC RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

NOTE 10: 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 \$6,500 and \$91,500 from the Organization in 2010 and 2009, 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 11: ASSET TRANSFER AGREEMENT

In December 2008, the Organization signed an Asset Transfer Agreement with the Cato Institute, which transferred certain foreign language programs to the Organization. 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, the Organization 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 (received in December 2010). In 2009, the Organization recorded the value of office space being contributed by the Cato Institute as an in-kind donation.

NOTE 12: EXPECTED NET DEFICIT IN 2009 AND 2010

Certain donations that the Organization recorded in 2008 and 2007 were intended to cover the costs of activities in 2009 and future years. For this reason, the net deficits recorded during 2010 and 2009 were an expected result of having recorded income well in excess of expenses during 2008 and 2007 (\$442,039 and \$2,199,676, respectively).