

Atlas Economic Research Foundation

**Financial Statements for the Years Ended December 31, 2012 and 2011
and Independent Auditors' Report
Dated June 12, 2013**

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

ATLAS ECONOMIC RESEARCH FOUNDATION

Table of Contents

Independent Auditors' Report	1-2
Statements of Financial Position	3
2012 Statement of Activities	4
2011 Statement of Activities	5
Statements of Cash Flows	6
2012 Statement of Functional Expenses	7
2011 Statement of Functional Expenses	8
Notes to the Financial Statements	9-12



Independent Auditors' Report

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

Audit Services:

Government Services
A-133 Audits
ERISA Audits
Not-For-Profits
Commercial Audits
Financial Reviews

Tax Services:

Tax Planning
Tax Preparation
Estates & Trusts
Offer-in-Compromise
Installment Agreements

Accounting Services:

Bookkeeping
Month-end Accounting
Compilations

Business Services:

Business Consulting
Business Plans

We have audited the accompanying financial statements of Atlas Economic Research Foundation ("the Organization"), which comprise the statements of financial position as of December 31, 2012 and 2011, and 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 control 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Atlas Economic Research Foundation as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hendershot, Burkhardt & Associates, CPAs

Hendershot, Burkhardt & Associates

Manassas, Virginia

June 12, 2013

ATLAS ECONOMIC RESEARCH FOUNDATION

Statements of Financial Position As of December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,348,167	\$ 733,728
Pledges Receivable	907,041	699,165
Accounts Receivable	24,354	26,185
Prepaid Expenses	<u>7,691</u>	<u>47,718</u>
Total Current Assets	2,287,253	1,506,796
Long Term Assets		
Investments	1,242,498	1,527,747
Furniture and Equipment, net	63,255	75,268
Pledges Receivable, non current	298,232	188,000
Deposits	<u>49,130</u>	<u>40,231</u>
Total Long Term Assets	<u>1,653,115</u>	<u>1,831,246</u>
TOTAL ASSETS	<u><u>\$ 3,940,368</u></u>	<u><u>\$ 3,338,042</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 206,704	\$ 228,250
Grants Payable	<u>82,333</u>	<u>60,000</u>
Total Current Liabilities	289,037	288,250
Long Term Liabilities		
Security Deposit	<u>-</u>	<u>18,970</u>
Total Long Term Liabilities	<u>-</u>	<u>18,970</u>
Total Liabilities	289,037	307,220
Net Assets		
Unrestricted		
General	87,442	100,664
Designated	<u>19,696</u>	<u>22,244</u>
Total Unrestricted	107,138	122,908
Temporarily Restricted	<u>3,544,193</u>	<u>2,907,914</u>
Total Net Assets	<u>3,651,331</u>	<u>3,030,822</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,940,368</u></u>	<u><u>\$ 3,338,042</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, 2012

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Totals</u>
REVENUE AND SUPPORT			
Contributions	\$ 5,792,079	\$ 2,402,440	\$ 8,194,519
In-Kind Contributions	214,478	-	214,478
Workshop, Program Fees, and Rental Income	140,208	-	140,208
Unrealized Gain/(Loss) on Investments	122,684	-	122,684
Investment Income	53,606	-	53,606
Stock Donations	31,687	-	31,687
Miscellaneous Income	13,592	-	13,592
Realized Gain/(Loss) on Investments	3,224	-	3,224
Net Assets Released from Restriction	<u>1,766,161</u>	<u>(1,766,161)</u>	<u>-</u>
 TOTAL REVENUE AND SUPPORT	 8,137,719	 636,279	 8,773,998
EXPENSES			
Program Services	7,216,914	-	7,216,914
Management and General	395,785	-	395,785
Fundraising	<u>540,790</u>	<u>-</u>	<u>540,790</u>
 TOTAL EXPENSES	 <u>8,153,489</u>	 <u>-</u>	 <u>8,153,489</u>
Change in Net Assets	(15,770)	636,279	620,509
Net Assets, Beginning of Year	<u>122,908</u>	<u>2,907,914</u>	<u>3,030,822</u>
 Net Assets, End of Year	 <u>\$ 107,138</u>	 <u>\$ 3,544,193</u>	 <u>\$ 3,651,331</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
Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 620,509	\$ 989,470
Adjustments to reconcile Change in Net Assets to Net Cash provided by (used in) Operating Activities:		
Depreciation and Amortization	27,440	40,253
Stock Donations	(31,687)	(222,146)
Net Unrealized and Realized (Gains)/Losses	(122,684)	127,058
(Increase) decrease in Pledges Receivable	(318,108)	(405,498)
(Increase) decrease in Accounts Receivable	1,831	26,726
(Increase) decrease in Prepaid Expenses	40,027	(3,374)
(Increase) decrease in Deposits	(8,899)	47,866
Increase (decrease) in Grants Payable	22,333	(390,000)
Increase (decrease) in Accounts Payable	(21,546)	(73,579)
Increase (decrease) in Security Deposit	<u>(18,970)</u>	<u>-</u>
NET CASH PROVIDED BY/(USED BY) OPERATING ACTIVITIES	190,246	136,776
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	988,788	609,665
Acquisition of Investments	(549,168)	(958,503)
Acquisition of Furniture and Equipment	<u>(15,427)</u>	<u>(599)</u>
NET CASH USED BY INVESTING ACTIVITIES	424,193	(349,437)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	614,439	(212,661)
Cash and Cash Equivalents at Beginning of Year	<u>733,728</u>	<u>946,389</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,348,167</u>	<u>\$ 733,728</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, 2012

	Unrestricted General	Designated	Temporarily Restricted	Total Program Services	Management and General	Fundraising	Totals
Fellowships and Grants	\$ 89,814	\$ 395,464	\$ 3,035,306	\$ 3,520,584	\$ -	\$ -	\$ 3,520,584
Salaries, Payroll Taxes, and Benefits	784,011	202,724	111,459	1,098,194	260,693	324,928	1,683,815
Conferences, Meetings, and Travel	764,841	19,723	330,184	1,114,748	4,421	33,050	1,152,219
Contract Labor	133,325	218,829	302,660	654,814	19,720	61,554	736,088
Occupancy	94,020	41,031	181,905	316,956	17,339	25,562	359,857
Printing and Reproduction	161,834	11,878	73,688	247,400	2,116	27,654	277,170
Dues and Subscriptions	43,868	10,448	31,356	85,672	2,538	9,419	97,629
Postage and Shipping	6,456	9,648	15,127	31,231	972	34,055	66,258
Professional Fees	8,379	-	-	8,379	36,667	10,945	55,991
Miscellaneous	13,729	1,868	1,970	17,567	32,382	6,177	56,126
Communications	9,902	11,475	16,580	37,957	3,258	2,250	43,465
Supplies	17,486	5,114	14,699	37,299	1,395	2,169	40,863
Depreciation	7,200	3,151	13,937	24,288	1,332	1,820	27,440
Website	4,672	4,827	12,326	21,825	864	1,207	23,896
Insurance	-	-	-	-	12,088	-	12,088
Totals	\$ 2,139,537	\$ 936,180	\$ 4,141,197	\$ 7,216,914	\$ 395,785	\$ 540,790	\$ 8,153,489

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 <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	\$ 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	\$ 2,097,271	\$ 1,399,918	\$ 3,859,852	\$ 7,357,041	\$ 368,528	\$ 441,446	\$ 8,167,015

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, 2012 and 2011

NOTE 1: ORGANIZATION

The Atlas Economic Research Foundation (“the Organization”), also known as the Atlas Network, is a publicly supported, non- profit, educational organization established and incorporated in the State of Delaware in 1981.

The Organization works toward a vision of a free, prosperous, peaceful world where limited governments defend the rule of law, private property, and free markets. Its mission is to strengthen the worldwide freedom movement by identifying, training, and supporting individuals with the potential to found and develop effective independent organizations that promote the Atlas vision in every country.

To pursue its mission, Atlas undertakes programs in four categories:

Outreach and Discovery: Spreading Atlas’s principles and finding future leaders in parts of the world where the ideas of liberty are in scarce supply.

Training: Providing practical instruction on best management practices and strategic thinking.

Grants and Awards: Providing critical seed funding to start-ups, and rewarding excellence among top think tanks.

Networking and Collaboration: Creating social capital, and using economies of scale, to advance the ideas of liberty.

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, 2012 and 2011

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, 2012 or 2011.

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 three years and furniture over ten years. Depreciation expense amounted to \$27,440 and \$40,253 for the years ended December 31, 2012 and 2011, 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Pledges Receivable (Less than one year)	\$ 907,041	\$ 699,165
Pledges Receivable (One to five years)	315,000	200,000
Less unamortized discounts of 5%	<u>(16,768)</u>	<u>(12,000)</u>
Net pledges receivable	<u>\$1,205,273</u>	<u>\$ 887,165</u>

ATLAS ECONOMIC RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2012 and 2011

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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Mutual Funds	\$1,212,744	\$1,499,375
Bond	<u>29,754</u>	<u>28,372</u>
Total Investments	<u>\$1,242,498</u>	<u>\$1,527,747</u>

NOTE 5: FIXED ASSETS

A summary of fixed assets at December 31, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>
Furniture and Equipment	\$220,989	\$205,562
Software	<u>33,421</u>	<u>33,421</u>
	254,410	238,983
Accumulated Depreciation	<u>(191,155)</u>	<u>(163,715)</u>
Total	<u>\$ 63,255</u>	<u>\$ 75,268</u>

NOTE 6: 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 \$19,696 and \$22,244 at December 31, 2012 and 2011, respectively.

NOTE 7: TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2012</u>	<u>2011</u>
Specific Program Support	\$ 3,257,431	\$ 2,907,914
Time Restricted	<u>286,762</u>	<u>0</u>
Total Temporarily Restricted Net Assets	<u>\$ 3,544,193</u>	<u>\$ 2,907,914</u>

ATLAS ECONOMIC RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2012 and 2011

NOTE 8: NET ASSETS RELEASED FROM RESTRICTIONS

	<u>2012</u>	<u>2011</u>
Net Assets released by disbursing funds in accordance with the donor restrictions	\$ 1,766,161	\$ 1,269,949
Net Assets released from time restrictions	<u>0</u>	<u>104,600</u>
Total funds released from restrictions	<u>\$ 1,766,161</u>	<u>\$ 1,374,549</u>

NOTE 9: 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 10: 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 2010, 2011, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 11: 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 \$19,198 and \$5,000 from the Organization in 2012 and 2011, respectively.

The Organization's CEO, President, and Executive Vice President sit on the board of a 501(c)(3) organization that received a grant of \$500 from the Organization in 2012.

NOTE 12: SUBSEQUENT EVENTS

Management evaluated events and transactions that occurred after the statement of financial position date for potential recognition and disclosure through June 12, 2013, the date on which the financial statements were available to be issued.