Atlas Economic Research Foundation
dba Atlas Network

Financial Statements
and Independent Auditors' Report

December 31, 2017 and 2016

Atlas Economic Research Foundation dba Atlas Network

Financial Statements
December 31, 2017 and 2016

Contents

ROGERS & COMPANY

Rogers & Company PLLC
Certified Public Accountants

8300 Boone Boulevard
Suite 600
Vienna, Virginia 22182

703.893.0300 voice
703.893.4070 facsimile
www.rogerspllc.com

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 statement of financial position as of December 31, 2017, the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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, 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.

Other Matter

The financial statements of the Organization as of December 31, 2016, were audited by other auditors whose report, dated November 16, 2017, expressed an unmodified opinion on those statements.

Rogers + Company PLLC

Vienna, Virginia
May 10, 2018

Atlas Economic Research Foundation dba Atlas Network

Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	$ 1,633,596	$ 1,638,888
Pledges receivable	1,534,535	3,550,912
Accounts receivable	22,212	16,793
Prepaid expenses	128,371	14,112
Total current assets	3,318,714	5,220,705
Long-term assets:		
Investments	2,700,003	801,213
Pledges receivable, long-term portion, net	1,391,438	2,309,889
Deposit	23,779	23,779
Property and equipment, net	48,588	32,573
Total long-term assets	4,163,808	3,167,454
Total assets	$ 7,482,522	$ 8,388,159
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 289,659	$ 114,076
Grants payable	948,546	259,764
Total liabilities	1,238,205	373,840
Net Assets		
Unrestricted	722,933	414,461
Temporarily restricted	5,521,384	7,599,858
Total net assets	6,244,317	8,014,319
Total liabilities and net assets	$ 7,482,522	$ 8,388,159

Atlas Economic Research Foundation dba Atlas Network

Statement of Activities
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Contributions	$ 4,810,782	$ 5,869,053	$ 10,679,835
Registration income	115,762	-	115,762
Miscellaneous income	1,856	-	1,856
Investment income	17,505	-	17,505
Released from restrictions	7,947,527	(7,947,527)	-
Total revenue and support	12,893,432	(2,078,474)	10,814,958
Expenses			
Program services	10,902,452	-	10,902,452
Supporting services:			
Management and general	561,785	-	561,785
Fundraising	1,120,723	-	1,120,723
Total supporting services	1,682,508	-	1,682,508
Total expenses	12,584,960	-	12,584,960
Change in Net Assets	308,472	(2,078,474)	(1,770,002)
Net Assets, beginning of year	414,461	7,599,858	8,014,319
Net Assets, end of year	$ 722,933	$ 5,521,384	$ 6,244,317

Atlas Economic Research Foundation dba Atlas Network

Statement of Activities
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Contributions	$ 7,068,707	$ 6,990,451	$ 14,059,158
Registration income	627,811	-	627,811
In-kind contributions	596,976	-	596,976
Miscellaneous income	39,683	-	39,683
Investment income	11,492	-	11,492
Stock donations	3,012	-	3,012
Released from restrictions	5,394,515	(5,394,515)	-
Total revenue and support	13,742,196	1,595,936	15,338,132
Expenses			
Program services	11,951,172	-	11,951,172
Supporting services:			
Management and general	521,911	-	521,911
Fundraising	1,105,045	-	1,105,045
Total supporting services	1,626,956	-	1,626,956
Total expenses	13,578,128	-	13,578,128
Change in Net Assets	164,068	1,595,936	1,760,004
Net Assets, beginning of year	250,393	6,003,922	6,254,315
Net Assets, end of year	$ 414,461	$ 7,599,858	$ 8,014,319

See accompanying notes.

Atlas Economic Research Foundation dba Atlas Network

Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	$ (1,770,002)	$ 1,760,004
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized loss (gain) on investments	1,606	(2,914)
Stock donations	-	(3,012)
Depreciation and amortization	18,134	18,964
Change in discount on pledges	(22,646)	7,551
Change in operating assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	2,957,474	(2,159,234)
Accounts receivable	(5,419)	13,252
Prepaid expenses	(114,259)	4,476
Deposit	-	10,041
Increase in:		
Accounts payable and accrued expenses	175,583	10,961
Grants payable	688,782	259,764
Net cash provided by (used in) operating activities	1,929,253	(80,147)
Cash Flows from Investing Activities		
Purchases of property and equipment	(34,149)	(9,078)
Disposal of property and equipment	-	1,858
Purchases of investments	(5,200,396)	(1,859,801)
Proceeds from sales of investments	3,300,000	2,701,527
Net cash (used in) provided by investing activities	(1,934,545)	834,506
Net (Decrease) Increase in Cash and Cash Equivalents	(5,292)	754,359
Cash and Cash Equivalents, beginning of year	1,638,888	884,529
Cash and Cash Equivalents, end of year	$ 1,633,596	$ 1,638,888

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 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 cultivating a highly effective and expansive network that inspires and incentivizes all committed individuals and organizations to achieve lasting impact.

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

- *Outreach and discovery* – spreading the Organization'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.

2. Summary of Significant Accounting Policies

<u>Basis of Accounting and Presentation</u>

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.

<u>Classification of Net Assets</u>

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of the Organization's operations.

- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of the Organization or by the passage of time.

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, 2017 and 2016, 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 is recorded on a straight-line basis. Equipment is depreciated over three years and furniture over ten years.

Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports contributions as temporarily 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, restrictions met in the same accounting period in which the related contribution was received are treated as unrestricted.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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.

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

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 $685,268 and $596,976 for the years ended December 31, 2017 and 2016, respectively.

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.

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation. These reclassifications have no effect on the change in net assets as previously reported.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (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.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets as well as improves information presented in financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective beginning in 2018.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 10, 2018, the date the financial statements were available to be issued.

3. Concentration of 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.

4. 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.

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
2017:				
Certificates of deposit	$ -	$ 2,698,192	$ -	$ 2,698,192
Mutual funds	1,811	-	-	1,811
Total investments	$ 1,811	$ 2,698,192	$ -	$ 2,700,003
2016:				
Certificates of deposit	$ -	$ 799,682	$ -	$ 799,682
Mutual funds	1,531	-	-	1,531
Total investments	$ 1,531	$ 799,682	$ -	$ 801,213

4. Investments and Fair Value Measurements (continued)

Investment income consists of the following for the years ended December 31:

	2017	2016
Interest and dividends	$ 19,111	$ 8,578
Realized and unrealized (loss) gain	(1,606)	2,914
Total investment income	$ 17,505	$ 11,492

5. Pledges Receivable

Pledges receivable are promised as follows at December 31:

	2017	2016
Due in less than one year	$ 1,534,535	$ 3,550,912
Due in one to five years	1,430,992	2,372,089
Total pledges receivable	2,965,527	5,923,001
Less: present-value discount	(39,554)	(62,200)
Pledges receivable, net	$ 2,925,973	$ 5,860,801

6. Property and Equipment

Property and equipment consists of the following at December 31:

	2017	2016
Furniture and equipment	$ 289,909	$ 273,964
Leasehold improvements	18,204	-
Software	33,421	33,421
Total property and equipment	341,534	307,385
Less: accumulated depreciation	(292,946)	(274,812)
Property and equipment, net	$ 48,588	$ 32,573

7. Temporarily Restricted Net Assets

Temporarily restricted net assets were restricted for the following purposes at December 31:

	2017	2016
Program restricted	$ 2,595,411	$ 1,739,057
Time restricted	2,925,973	5,860,801
Total temporarily restricted net assets	$ 5,521,384	$ 7,599,858

8. 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 will commence 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 $765,450 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 will be reflected as deferred rent and lease incentives in the statement of financial position starting in 2018, the year the lease commences.

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

2018	$ 31,008
2019	378,046
2020	388,449
2021	400,628
2022	411,158
Thereafter	2,911,999
Total future minimum lease payments	$ 4,521,288

9. Related Party Transactions

The Organization's former President was also the Chairman of the Board of Directors for a 50l(c)(3) organization that received grants in the amount of $5,000 from the Organization per year during both years ended December 31, 2017 and 2016. 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.

10. 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 years ended December 31, 2017 and 2016, 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.