

AMERICANS FOR PROSPERITY  
(A Subsidiary of Americans for  
Prosperity Foundation)

Financial Statements  
With Independent Auditors' Report

December 31, 2017 and 2016

**AMERICANS FOR PROSPERITY**  
(A Subsidiary of Americans for Prosperity Foundation)

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Americans for Prosperity  
Arlington, Virginia

We have audited the accompanying financial statements of Americans for Prosperity, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses 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.

***Auditors' 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 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 Americans for Prosperity as of December 31, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



New York, New York  
June 14, 2018

# AMERICANS FOR PROSPERITY

(A Subsidiary of Americans for Prosperity Foundation)

## Statements of Financial Position

	December 31,	
	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 12,717,751	\$ 9,772,364
Other receivable	23,900	2,507
Prepaid expenses and other assets	352,896	583,329
Due from subsidiary	2,315,622	455,639
Total current assets	<u>15,410,169</u>	<u>10,813,839</u>
Property and equipment—net	<u>96,174</u>	<u>262,725</u>
Total Assets	<u>\$ 15,506,343</u>	<u>\$ 11,076,564</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,693,013	\$ 1,887,241
Due to subsidiary	-	2,266,383
Total current liabilities	<u>2,693,013</u>	<u>4,153,624</u>
Net assets		
Unrestricted	12,689,659	6,799,234
Temporarily restricted	123,671	123,706
Total net assets	<u>12,813,330</u>	<u>6,922,940</u>
Total Liabilities and Net Assets	<u>\$ 15,506,343</u>	<u>\$ 11,076,564</u>

See notes to financial statements

**AMERICANS FOR PROSPERITY**  
(A Subsidiary of Americans for Prosperity Foundation)

**Statements of Activities**

	Year Ended December 31,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Contributions	\$ 56,766,336	\$ 229,834	\$ 56,996,170	\$ 63,675,304	\$ 69,625	\$ 63,744,929
Contributed services and gift-in-kind	25,374,514	-	25,374,514	9,502,934	-	9,502,934
Registration fees	210	-	210	97,572	-	97,572
Miscellaneous income	582,515	-	582,515	179,775	-	179,775
<b>Total Support and Revenue</b>	<b>82,723,575</b>	<b>229,834</b>	<b>82,953,409</b>	<b>73,455,585</b>	<b>69,625</b>	<b>73,525,210</b>
<b>RECLASSIFICATION</b>						
Net assets released from restriction by satisfaction of program restrictions	229,869	(229,869)	-	69,625	(69,625)	-
<b>EXPENSES</b>						
Program services						
National activities	24,828,730	-	24,828,730	21,874,679	-	21,874,679
State chapter activities	34,770,505	-	34,770,505	33,386,286	-	33,386,286
	<b>59,599,235</b>	<b>-</b>	<b>59,599,235</b>	<b>55,260,965</b>	<b>-</b>	<b>55,260,965</b>
Supporting activities						
Management and general	13,620,140	-	13,620,140	5,628,792	-	5,628,792
Fundraising and membership development	3,843,644	-	3,843,644	6,919,357	-	6,919,357
	<b>17,463,784</b>	<b>-</b>	<b>17,463,784</b>	<b>12,548,149</b>	<b>-</b>	<b>12,548,149</b>
<b>Total Expenses</b>	<b>77,063,019</b>	<b>-</b>	<b>77,063,019</b>	<b>67,809,114</b>	<b>-</b>	<b>67,809,114</b>
Change in Net Assets	5,890,425	(35)	5,890,390	5,716,096	-	5,716,096
Net Assets, Beginning of Year	6,799,234	123,706	6,922,940	1,083,138	123,706	1,206,844
<b>Net Assets, End of Year</b>	<b>\$ 12,689,659</b>	<b>\$ 123,671</b>	<b>\$ 12,813,330</b>	<b>\$ 6,799,234</b>	<b>\$ 123,706</b>	<b>\$ 6,922,940</b>

See notes to financial statements

**AMERICANS FOR PROSPERITY**  
(A Subsidiary of Americans for Prosperity Foundation)

**Statements of Cash Flows**

	Year Ended December 31,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,890,390	\$ 5,716,096
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	166,551	214,848
Change in		
Other receivable	(21,393)	37,737
Prepaid expenses and other assets	230,433	116,087
Accounts payable	805,772	658,818
Due to/from subsidiary, net	(4,126,366)	(1,914,769)
Net Cash Provided by Operating Activities	2,945,387	4,828,817
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	-	(5,500)
Net Cash Used for Investing Activities	-	(5,500)
Net Change in Cash and Cash Equivalents	2,945,387	4,823,317
Cash and Cash Equivalents, Beginning of Year	9,772,364	4,949,047
Cash and Cash Equivalents, End of Year	\$ 12,717,751	\$ 9,772,364

See notes to financial statements

**AMERICANS FOR PROSPERITY**  
(A Subsidiary of Americans for Prosperity Foundation)

**Statement of Functional Expenses**

Year Ended December 31, 2017

	Program Services			Supporting Services			Total Expense
	National Activities	State Chapter Activities	Total Program Services	Management and General	Fundraising and Membership Development	Total Supporting Services	
Communications, ads, media	\$ 237,217	\$ 7,525,277	\$ 7,762,494	\$ 78,685	\$ 403,732	\$ 482,417	\$ 8,244,911
Salaries, benefits and payroll taxes	6,319,132	12,829,147	19,148,279	2,686,381	1,415,690	4,102,071	23,250,350
Printing, duplication	5,156	82,565	87,721	813	22,272	23,085	110,806
Professional fees, consulting	16,262,708	7,746,444	24,009,152	8,387,028	811,192	9,198,220	33,207,372
Postage, courier, overnight	86,565	923,178	1,009,743	7,856	370,354	378,210	1,387,953
Meetings, conferences and events	359,808	348,344	708,152	26,819	320,704	347,523	1,055,675
Travel	1,104,707	2,340,162	3,444,869	180,582	227,960	408,542	3,853,411
Computers/IT service	42,857	67,825	110,682	18,539	16,991	35,530	146,212
Legal and audit fees	77,031	2,777	79,808	261,445	-	261,445	341,253
Honoraria	19,980	10,455	30,435	-	-	-	30,435
Contributions/sponsorship	15,682	162,128	177,810	2,857	3,061	5,918	183,728
Taxes, licenses and fees	58	-	58	10,366	1,725	12,091	12,149
Miscellaneous	9,853	13,910	23,763	4,295	1,531	5,826	29,589
Telecommunications	76,038	121,554	197,592	698,344	12,568	710,912	908,504
Bank and other fees	8,588	14,297	22,885	4,519	61,084	65,603	88,488
Subscriptions and publications	60,773	25,944	86,717	28,739	23,355	52,094	138,811
List rental	77	850	927	60	123,127	123,187	124,114
Other payroll related expenses	937	30,738	31,675	1,680	907	2,587	34,262
Office and equipment maintenance	22,164	44,705	66,869	18,951	6,703	25,654	92,523
Office supplies and expense	36,076	280,481	316,557	20,210	8,677	28,887	345,444
Occupancy	8,302	2,000,041	2,008,343	1,139,465	2,304	1,141,769	3,150,112
Membership	1,589	24,626	26,215	12,834	714	13,548	39,763
Depreciation	55,107	75,027	130,134	27,855	8,562	36,417	166,551
Gifts and grants	18,325	100,030	118,355	1,817	431	2,248	120,603
<b>Total Functional Expenses</b>	<b>\$ 24,828,730</b>	<b>\$ 34,770,505</b>	<b>\$ 59,599,235</b>	<b>\$ 13,620,140</b>	<b>\$ 3,843,644</b>	<b>\$ 17,463,784</b>	<b>\$ 77,063,019</b>

See notes to financial statements

**AMERICANS FOR PROSPERITY**  
(A Subsidiary of Americans for Prosperity Foundation)

**Statement of Functional Expenses**

Year Ended December 31, 2016

	Program Services			Supporting Services			Total Expense
	National Activities	State Chapter Activities	Total Program Services	Management and General	Fundraising and Membership Development	Total Supporting Services	
Communications, ads, media	\$ 1,751,009	\$ 6,188,335	\$ 7,939,344	\$ 168,573	\$ 1,389,434	\$ 1,558,007	\$ 9,497,351
Salaries, benefits and payroll taxes	4,023,493	13,229,366	17,252,859	4,601,732	2,689,088	7,290,820	24,543,679
Printing, duplication	1,755,629	3,147,626	4,903,255	8,132	8,533	16,665	4,919,920
Professional fees, consulting	7,105,954	520,103	7,626,057	36,682	7,868	44,550	7,670,607
Postage, courier, overnight	3,188,194	1,902,655	5,090,849	71,823	855,644	927,467	6,018,316
Meetings, conferences and events	1,191,413	574,046	1,765,459	22,905	250,915	273,820	2,039,279
Travel	1,215,903	2,428,492	3,644,395	147,615	629,503	777,118	4,421,513
Computers/IT service	105,797	117,640	223,437	116,874	14,130	131,004	354,441
Legal and audit fees	111,690	152,797	264,487	221,444	345,729	567,173	831,660
Honoraria	29,600	48,761	78,361	-	93,000	93,000	171,361
Contributions/sponsorship	13,000	101,627	114,627	-	-	-	114,627
Taxes, licenses and fees	30,341	60,560	90,901	5,991	9,755	15,746	106,647
Miscellaneous	20,663	45,423	66,086	2,932	6,676	9,608	75,694
Telecommunications	151,110	1,706,125	1,857,235	30,311	52,499	82,810	1,940,045
Bank and other fees	11,711	26,838	38,549	4,976	72,690	77,666	116,215
Subscriptions and publications	44,762	33,462	78,224	4,989	12,986	17,975	96,199
List rental	29	-	29	-	129,460	129,460	129,489
Other payroll related expenses	2,649	17,478	20,127	3,772	919	4,691	24,818
Office and equipment maintenance	44,753	18,348	63,101	4,738	3,340	8,078	71,179
Office supplies and expense	99,356	319,347	418,703	34,071	32,352	66,423	485,126
Occupancy	901,375	1,898,706	2,800,081	129,103	288,307	417,410	3,217,491
Equipment leasing and other rental	3,714	10,986	14,700	1,061	1,194	2,255	16,955
Membership	4,336	14,430	18,766	2,404	3,605	6,009	24,775
Depreciation	60,496	126,290	186,786	8,612	19,450	28,062	214,848
Gifts and grants	7,702	696,845	704,547	52	2,280	2,332	706,879
<b>Total Functional Expenses</b>	<b>\$ 21,874,679</b>	<b>\$ 33,386,286</b>	<b>\$ 55,260,965</b>	<b>\$ 5,628,792</b>	<b>\$ 6,919,357</b>	<b>\$ 12,548,149</b>	<b>\$ 67,809,114</b>

See notes to financial statements



**AMERICANS FOR PROSPERITY**  
(A Subsidiary of Americans for Prosperity Foundation)

**Notes to Financial Statements**

December 31, 2017 and 2016

1. NATURE OF ORGANIZATION

Americans for Prosperity (AFP) was incorporated on March 10, 2004. AFP is a nationwide organization of citizen leaders committed to greater economic growth, opportunity, and prosperity through strong ethical foundations, government restraint and private sector productivity, economic freedom and competition. AFP mobilizes citizens to advance economic freedom. AFP's support comes primarily from individual and business donors.

AFP is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. AFP is liable for income taxes on unrelated business income. There was no taxable net unrelated business income for the years ended December 31, 2017 and 2016. Accordingly, no provision for income taxes has been made in these financial statements.

AFP is a subsidiary of Americans for Prosperity Foundation (AFPF) and is required to be consolidated with AFPF due to AFPF's ability to appoint AFP's board. Because of this, these financial statements are included in separately issued consolidated financial statements of Americans for Prosperity Foundation and Subsidiary.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**ESTIMATES**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.

**CASH AND CASH EQUIVALENTS**

For purposes of reporting cash flows, AFP considers all highly liquid instruments with a maturity of three months or less to be cash equivalents. Accounts are insured up to \$250,000 by the FDIC. At December 31, 2017 and 2016, the cash accounts exceeded FDIC insured limits by approximately \$12,268,000 and \$9,402,000, respectively. However, AFP has not experienced any losses on these accounts and does not believe it is exposed to any significant risk.

AFP maintained a segregated bank account as required by the Federal Elections Commission for its express advocacy and lobbying activity. This account had balances of \$706,886 and \$1,388,105 at December 31, 2017 and 2016, respectively, and is included in cash and cash equivalents on the statements of financial position.

**AMERICANS FOR PROSPERITY**  
(A Subsidiary of Americans for Prosperity Foundation)

**Notes to Financial Statements**

December 31, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued

**PROPERTY, EQUIPMENT, AND DEPRECIATION**

Individual items over \$1,000 and bulk purchases totaling over \$5,000 are capitalized as property and equipment and are reported at cost, or if donated, at fair market value on the date of donation. AFP reports donations of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Assets reported as property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, generally three to ten years.

**SUPPORT, REVENUE, AND RECLASSIFICATIONS**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a stipulated time restriction ends or a purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**CONTRIBUTED SERVICES**

AFP recognizes contributed support for services received at the fair value of those services and that meet generally accepted accounting principles reporting requirements. These contributed services consist of donated accounting services, human resources services, and media and technology services. For the years ended December 31, 2017 and 2016, AFP reported \$25,374,514 and \$9,502,934, respectively, of contributed services that met reporting standards and are reported in the statements of functional expenses as components of the following:

	Year Ended December 31,	
	2017	2016
Communications, ads, media	\$ 12,150	\$ 170,500
Professional fees, consulting and IT services	23,302,143	7,184,151
Insurance	2,060,221	2,148,283
	\$ 25,374,514	\$ 9,502,934

Many volunteers have contributed numerous hours of administrative, maintenance and fundraising services to AFP. However, these hours do not meet the requirements to be recorded as revenue and expense under the *Contributions* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

**AMERICANS FOR PROSPERITY**  
(A Subsidiary of Americans for Prosperity Foundation)

**Notes to Financial Statements**

December 31, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued

**FUNCTIONAL ALLOCATION OF EXPENSES**

AFP allocates its expenses on a functional basis among its various programs, management and general, and fundraising and membership development. Expenses that can be identified with a specific program, management and general, and fundraising and membership development are allocated directly according to their natural expenditure classification. Other expenses that are common to both program functions and supporting services are based on time studies performed by management. Additionally, expenses charged to supporting service categories have been allocated to program categories based on time studies performed by management.

**ADVERTISING**

AFP utilizes print, radio and television ads to increase their activist base and bring their mission to the public. These costs are expensed as incurred and totaled \$8,244,911 and \$9,497,351 for the years ended December 31, 2017 and 2016, respectively. These costs are charged directly to the program they benefit.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of:

	December 31,	
	2017	2016
Software	\$ 444,250	\$ 444,250
Hardware	270,023	270,023
Office furniture	96,147	96,147
Office equipment	36,022	36,022
	846,442	846,442
Accumulated depreciation	(750,268)	(583,717)
	\$ 96,174	\$ 262,725

Depreciation expense for the years ended December 31, 2017 and 2016, was \$166,551 and \$214,848, respectively.

**AMERICANS FOR PROSPERITY**  
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**Notes to Financial Statements**

December 31, 2017 and 2016

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following state chapter activities:

	December 31,	
	2017	2016
Michigan	\$ 2,886	\$ 2,886
New York	-	35
Oregon	120,785	120,785
	\$ 123,671	\$ 123,706

5. LINE OF CREDIT

AFP had an available unsecured line of credit of up to \$750,000 with variable interest rates at the Bank's Prime Rate plus 1% (4.75% at December 31, 2016). There were no draws on the line as of or during the years ended December 31, 2017 and 2016. The line expired on October 14, 2017.

6. RELATED ORGANIZATION

AFP operates under a subsidiary agreement with Americans for Prosperity Foundation (AFPF). The agreement addresses shared personnel, shared office space and facilities, and shared overhead costs. The shared expenses are allocated based on direct compensation and actual usage plus an appropriate markup. In accordance with the agreement, the balance due to or from AFPF is settled on a monthly basis. If the balance is not settled, interest accrues on the outstanding balance at six-percent per month with a one-percent penalty. Occupancy and administrative expenses allocated to AFP from AFPF totaled \$2,532,178 and \$27,723,533 for the years ended December 31, 2017 and 2016, respectively. Salaries and administrative expenses allocated to AFPF from AFP totaled \$4,971,035 and \$-0- for years ended December 31, 2017 and 2016, respectively. The total due to AFPF from AFP as of December 31, 2017 and 2016, was \$-0- and \$2,266,383, respectively. The total due from AFPF to AFP as of December 31, 2017 and 2016, was \$2,315,622 and \$455,639, respectively.

7. DONOR CONCENTRATION

During the years ended December 31, 2017 and 2016, AFP received 86% and 81% of its total support from five donors, respectively.

8. DIRECT MAIL COSTS

During the years ended December 31, 2017 and 2016, AFP incurred fundraising direct mail costs of \$783,814 and \$2,181,389, respectively. These costs have been reported as part of fundraising and membership development expenses.

9. DISREGARDED ENTITY

AFP is the sole owner of an LLC, which is a disregarded entity for tax purposes. As such, any activity in the LLC or assets owned by the LLC is recorded in the accompanying financial statements.

**AMERICANS FOR PROSPERITY**  
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**Notes to Financial Statements**

December 31, 2017 and 2016

**10. STATE CHAPTER ACTIVITIES**

Expenses by state chapter are as follows:

	Year Ended December 31,	
	2017	2016
Alaska	\$ 430,237	\$ 456,667
Arizona	1,040,880	683,714
Arkansas	423,792	832,648
California	-	113,210
Colorado	1,201,755	1,348,637
Florida	2,854,528	5,149,750
Georgia	383,986	361,982
Illinois	406,361	761,086
Indiana	2,816,069	793,371
Iowa	576,162	862,373
Kansas	975,674	778,907
Kentucky	468,582	884,620
Louisiana	510,605	675,948
Maine	480	25,690
Michigan	612,589	985,084
Minnesota	227,599	280,482
Mississippi	353,213	189,842
Missouri	2,032,916	858,490
Montana	410,579	502,265
Nebraska	328,890	364,170
Nevada	1,079,689	856,503
New Hampshire	361,067	464,025
New Jersey	265,838	366,537
New Mexico	580,676	-
North Carolina	1,080,489	2,048,262
North Dakota	105,396	59,872
Ohio	1,617,388	1,051,610
Oklahoma	432,139	560,752
Pennsylvania	868,351	2,745,911
South Carolina	255,767	306,048
South Dakota	341,655	1,108,243
Tennessee	526,819	755,347
Texas	1,990,671	1,208,541
Utah	474,293	400,384
Virginia	5,559,895	1,507,160
Washington	18,614	5
West Virginia	261,193	370,925
Wisconsin	2,895,668	2,667,225
	<u>\$ 34,770,505</u>	<u>\$ 33,386,286</u>

**AMERICANS FOR PROSPERITY**  
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**Notes to Financial Statements**

December 31, 2017 and 2016

**11. COMMITMENTS**

AFP recognizes rent expense on a straight-line basis during the term of its leases, with the difference between rent expense recognized and rent payments made reported as deferred rent liability in the statements of financial position.

AFP maintains operating leases for office space for state chapters in multiple states. Monthly rents range from \$1,180 to \$3,960. Leases expire at various dates through 2023. Minimum base lease payments for future years are as follows:

<u>Year Ended December 31,</u>	
2018	\$ 255,632
2019	188,857
2020	141,120
2021	110,317
2022	77,915
2023	<u>35,928</u>
	<u>\$ 809,769</u>

Total state chapter lease expenses were approximately \$791,300 and \$-0- for the years ended December 31, 2017 and 2016, respectively.

**12. RETIREMENT PLAN**

AFPF maintains a defined contribution 401(k) plan covering substantially all AFP full-time permanent employees. AFP matches 100% of the first 3% an employee contributes and 50% of the next 2% an employee contributes. Employer contributions for the years ended December 31, 2017 and 2016, were \$372,635 and \$410,707, respectively.

**13. CONTINGENCY**

AFP is subject to claims, legal proceedings, and investigations of matters that arise in the ordinary course of operations. In the opinion of management, all such matters are adequately covered by insurance or by accruals and, if not so covered, are without merit and will be vigorously contested or are of such kind or involve such amounts as would not have a significant effect on the financial position or results of operations of AFP if disposed of unfavorably.

**14. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 14, 2018, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.