



2017 financials of the Koch's dark money network

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Charles and David Koch maintain an extensive, powerful network of nonprofit organizations to further their libertarian and conservative ideological values.

Four nonprofits at the crux of the network — the Charles Koch Institute, Americans for Prosperity, Americans for Prosperity Foundation and Freedom Partners — bring in millions each year to further the Koch brothers' agendas.

The brothers, who own Koch Industries, are known for supporting conservative policies, such as President Donald Trump's 2017 tax policy overhaul and environmental regulation rollbacks.

Aside from the Charles Koch Institute, these groups made and spent less money last year compared to 2016, according to new tax returns obtained by the Center for Responsive Politics.

Despite prohibitions from making politics their primary purpose, many politically active 501(c) nonprofit organizations' spending follows a pattern of jumping during election years and dropping precipitously during off-years — giving the appearance of being political organizations without ever having to disclose who is funding their activities.

Charles Koch Institute

The Charles Koch Institute, the arm of the Koch network that funds educational and research programs, experienced a massive increase in revenue between 2016 and 2017. The Institute got a cash infusion of \$55 million in 2017, more than triple the \$16.9 million it made in 2016.

Even though the Institute is a public charity, it is behaving more like a private foundation relying on the whims of one donor or a small pool of donors and doesn't solicit donations from the public, said Brian Mittendorf, an accounting professor from Ohio State University.

It also means that as a 501(c)(3) public charity, the Institute's spending is more restricted compared to the Koch's other 501(c)s. The organization needs to focus on funding educational efforts rather than uplifting candidates or engaging in political activities, Mittendorf said.

Public charities are legally prohibited from any political activity outside of voter registration and engagement activities. Other commonly known dark money vehicles utilized by the Koch network, such as groups organized as social welfare nonprofits or other noncharitable 501(c) organizations, are allowed to engage in political activity so long as it is not their primary purpose.

While the group's revenue skyrocketed, the Charles Koch Institute expenses only increased slightly. The group spent \$27.8 million in 2017 and \$25.8 million in 2016.

A large chunk of the Institute's expenses — \$16.1 million — went toward employee salaries and benefits. The organization's new tax return shows that \$2.9 million went toward "occupancy" and \$1.9 million to travel.

The Charles Koch Institute also spent \$1 million on grants and other financial assistance to organizations. The Institute reported a \$422,071 grant given to "educational programs," and didn't provide any further details. The Cato Institute, a libertarian think tank, received a grant for \$98,000.

The highest paid employee at the Charles Koch Institute is Brian Hooks, the Institute's president. Hooks made \$594,933 in 2017, most of which was a \$375,000 bonus, according to the organization's tax return.

William Ruger — the organization's vice president of research and policy — made \$359,475 in 2017 and was the second-highest-paid employee.

The dark money group didn't report any political campaign spending, but it did spend \$27.8 million in support of efforts aligned with the organization's purpose.

Americans for Prosperity

Americans for Prosperity has functioned for years as the Koch brothers' primary hub for funding its web of conservative and libertarian political advocacy groups. It remains one of the country's most influential organizations on the right and has evolved to include a 501(c)(3) charitable foundation as well as a new super PAC arm that launched during the 2018 election.

The group organized strong opposition against combating global warming, expanding Medicaid, raising the minimum wage and protecting trade unions and collective bargaining.

Americans for Prosperity made \$57.5 million in 2017, down from \$64 million in 2016. The organization's expenses dipped as well in 2017 — to \$51.6 million — down from \$58.3 million the prior year, according to the nonprofit's tax return.

Most of the group's spending went toward employee salaries and benefits, totaling \$21.1 million. Americans for Prosperity also spent \$8.2 million on advertising and promotion and \$3.8 million on travel.

The dark money group — which did not report its donors for 2017 — gave out three grants in 2017. One went to the Arizona Free Enterprise Club for \$110,000. Another went to the Center for Independent Employees for \$18,000, and Spring Taxpayers received a grant for \$15,000.

In total, Americans for Prosperity reported spending \$304,331 on grants and "other assistance to domestic organizations."

Tim Phillips, the president of Americans for Prosperity, is the organization's highest paid salaried employee. Phillips made \$462,251 in 2017.

Americans for Prosperity's main contractor in 2017 was In Pursuit of LLC, with \$14.4 million payments listed in their new tax return. In Pursuit of LLC got an additional \$1.4 million from the

group's new super PAC arm, AFP Action, after it was launched to boost the network's spending capacity even further in the 2018 election cycle.

As a super PAC, AFP Action does not have the same restrictions as the group's 501(c) arms that cannot have politics as their primary purpose. In exchange for this freedom, however, the super PAC is required to disclose its donors.

In its first months of operation, AFP Action accrued a hefty spending record with over \$6.48 million flowing into 2018 elections since its first Federal Election Commission (FEC) filing in September on top of nearly \$9 million in political spending from the main Americans for Prosperity's main 501(c)(4) arm reported to the FEC during the 2018 election cycle.

The next highest paid employee is Chase Dowden, the senior vice president of state operations and grassroots strategies. He made \$208,805, and an additional \$89,487 for work he did for the Americans for Prosperity Foundation. A large chunk of his 2017 salary was a \$70,000 bonus.

Americans for Prosperity spent \$2.8 million on political activities for 2017 and reported no funds spent on lobbying.

The Americans for Prosperity Foundation — the charitable arm of Americans for Prosperity that has shared its offices and staff — made \$17.9 million in 2017, down from \$27.3 million in 2016. The group's expenses for 2017 totaled \$20.2 million, slightly lower than the \$23 million spent in 2016.

Half of the foundation's expenses — \$10.1 million — went toward employee salaries and benefits. Americans for Prosperity Foundation spent \$3.2 million

The foundation gave out two grants in 2017. Young Americans for Liberty received \$40,000 and SM Wright Foundation received \$32,000. Americans for Prosperity Foundation reported a total of \$284,100 was spent on grants and "other assistance to domestic organizations."

Christopher Fink, the president of Americans for Prosperity Foundation, was the organization's highest-paid employee in 2017, making \$351,349. Other employees also work for Americans for Prosperity and receive salaries from both groups, according to both groups' tax returns.

David Koch is the chairman for the foundation, but he is not paid.

Americans for Prosperity Foundation didn't report any political campaign spending, but the organization spent \$1 million on lobbying and \$20.2 million in support of efforts aligned with the organization's purpose.

Freedom Partners

Freedom Partners is another Koch-funded political advocacy group focused on free-market policies. The organization is structured like a 501(c)(6) chamber of commerce made up of dues-paying members and advocates for small government and limited regulation, a design that allows the group another means of skirting disclosure of its financiers' identities.

The group experienced a dip in revenue as well. The nonprofit brought in \$127.3 million in 2017, down from \$146.7 million in 2016, according to new tax returns obtained by CRP.

The organization reported that \$123.6 million of its revenue came from membership dues, and \$3 million came from “services and benefits.”

Freedom Partners’ expenses went from \$125 million in 2016 to \$115.2 million in 2017. Most of that went toward grants and employee salaries and benefits. The organization spent \$48 million on grants, and \$24.8 million went to employees.

Americans for Prosperity received \$47.5 million, by far the biggest grant given by Freedom Partners in 2017. That grant accounts for nearly all of Americans for Prosperity’s 2017 revenue. The organization also gave \$500,000 — the second largest grant — to Susan B. Anthony List.

The organization’s highest-paid employee in 2017 was Michael Lanzara, vice president of member relations. Lanzara made \$835,272, most of which was a \$600,000 bonus, according to the group’s tax return.

Robert Heaton, the CFO and treasurer of Freedom Partners, was the second highest paid employee, making \$414,555 in 2017.

Kelly Bulloch, one of the directors of Freedom Partners, made \$102,943 in 2017 for working an hour a week, according to tax returns.

In 2017, Freedom Partners told the IRS it spent \$1.6 million political campaign activities — an amount that matches the independent expenditures it reported to the FEC during that period. The organization didn’t report funding any lobbying efforts.

Like Americans for Prosperity, Freedom Partners also has a super PAC arm called Freedom Partners Action Fund.

Although Freedom Partners Action Fund reported spending over \$29.7 million on independent expenditures during the 2016 election cycle, it did not report any independent expenditures to the FEC whatsoever for 2018 elections. That’s not to say it closed shop though, as it still reported another \$8.8 million in other spending during that period.

The Koch network may be changing its face and money flow, but it appears to be still just as powerful as ever.