

Return of Organization Exempt From Income Tax

2006

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Open to Public Inspection

Department of the Treasury Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements

A For the 2006 calendar year, or tax year beginning, 2006, and ending

B Check if applicable: Address change, Name change, Initial return, Final return, Amended return, Application pending. C Name of organization: Americans for Prosperity, 1726 M Street, NW, Tenth Floor, Washington DC 20036. D Employer Identification Number: 75-3148958. E Telephone number: (202) 349-5880. F Accounting method: Accrual.

Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

H and I are not applicable to section 527 organizations. H (a) Is this a group return for affiliates? No. H (b) If 'Yes,' enter number of affiliates. H (c) Are all affiliates included? No. H (d) Is this a separate return filed by an organization covered by a group ruling? No.

G Web site: N/A

J Organization type (check only one): [X] 501(c) 4 (insert no) [] 4947(a)(1) or [] 527

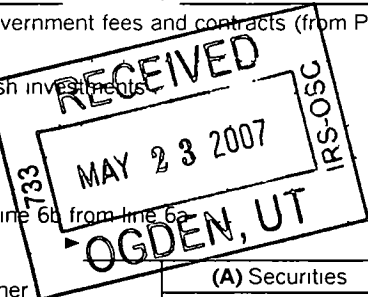
K Check here [] if the organization is not a 509(a)(3) supporting organization and its gross receipts are normally not more than \$25,000. A return is not required, but if the organization chooses to file a return, be sure to file a complete return.

I Group Exemption Number. M Check [] if the organization is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF).

L Gross receipts Add lines 6b, 8b, 9b, and 10b to line 12: 3,429,610.

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See the instructions.)

Table with columns for Revenue, Expenses, and Assets. Rows include: 1 Contributions, gifts, grants... 2 Program service revenue... 3 Membership dues... 4 Interest on savings... 5 Dividends... 6a Gross rents... 7 Other investment income... 8a Gross amount from sales of assets... 9 Special events... 10a Gross sales of inventory... 11 Other revenue... 12 Total revenue... 13 Program services... 14 Management and general... 15 Fundraising... 16 Payments to affiliates... 17 Total expenses... 18 Excess or (deficit) for the year... 19 Net assets at beginning... 20 Other changes... 21 Net assets at end of year.



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Part II Statement of Functional Expenses All organizations must complete column (A) Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22a Grants paid from donor advised funds (attach sch) (cash \$ _____ non-cash \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/>	22a				
22b Other grants and allocations (att sch) (cash \$ <u>35,000.</u> non-cash \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/>	22b	35,000.	35,000.		
23 Specific assistance to individuals (attach schedule)	23				
24 Benefits paid to or for members (attach schedule)	24				
25a Compensation of current officers, directors, key employees, etc listed in Part V-A (attach sch) See L-25a Stmt	25a	59,809.	54,545.	719.	4,545.
b Compensation of former officers, directors, key employees, etc listed in Part V-B (attach sch)	25b				
c Compensation and other distributions, not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) (attach schedule)	25c				
26 Salaries and wages of employees not included on lines 25a, b, and c	26	167,402.	163,684.	2,515.	1,203.
27 Pension plan contributions not included on lines 25a, b, and c	27				
28 Employee benefits not included on lines 25a - 27	28	11,339.	10,769.	245.	325.
29 Payroll taxes	29	15,318.	13,623.	1,578.	117.
30 Professional fundraising fees	30				
31 Accounting fees	31	6,132.	132.	6,000.	0.
32 Legal fees	32	44,835.	40,645.	72.	4,118.
33 Supplies	33	17,578.	13,811.	1,705.	2,062.
34 Telephone	34	10,920.	10,266.	327.	327.
35 Postage and shipping	35	444,662.	331,577.	69.	113,016.
36 Occupancy	36	25,322.	22,241.	1,540.	1,541.
37 Equipment rental and maintenance	37				
38 Printing and publications	38	338,615.	276,663.	399.	61,553.
39 Travel	39	21,140.	21,140.	0.	0.
40 Conferences, conventions, and meetings	40	12,221.	12,221.	0.	0.
41 Interest	41				
42 Depreciation, depletion, etc (attach schedule)	42				
43 Other expenses not covered above (itemize)					
a <u>Communications, ads, media</u>	43a	918,550.	918,550.	0.	0.
b <u>Consulting</u>	43b	649,639.	528,670.	239.	120,730.
c <u>Insurance</u>	43c	3,315.	2,893.	155.	267.
d <u>List rental</u>	43d	66,113.	63,335.	445.	2,333.
e <u>Other operational expenses</u>	43e	15,386.	9,060.	713.	5,613.
f <u>Registration fees</u>	43f	5,131.	2,144.	60.	2,927.
g _____	43g				
44 Total functional expenses. Add lines 22a through 43g. (Organizations completing columns (B) - (D), carry these totals to lines 13 - 15)	44	2,868,427.	2,530,969.	16,781.	320,677.

Joint Costs. Check if you are following SOP 98-2

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? Yes No
 If 'Yes,' enter (i) the aggregate amount of these joint costs \$ _____, (ii) the amount allocated to Program services \$ _____, (iii) the amount allocated to Management and general \$ _____, and (iv) the amount allocated to Fundraising \$ _____

Part III Statement of Program Service Accomplishments

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

What is the organization's primary exempt purpose? <u>Educate and mobilize to achieve growth, opportunity and prosperity</u> All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)	Program Service Expenses (Required for 501(c)(3) and (4) organizations and 4947(a)(1) trusts, but optional for others.)
a <u>State chapters and National office - mobilize citizens to acheive fiscal and regulatory restraint by state governments, and a return of the Federal government to its Constitutional limits. State chapters are located in GA, IL, KS, MI, MO, NJ, NC, ND, OH, OK, SC, SD, TX, VA, WI.</u> (Grants and allocations \$ <u>35,000.</u>) If this amount includes foreign grants, check here <input type="checkbox"/>	2,530,969.
b _____ _____ _____ _____ _____ (Grants and allocations \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/>	
c _____ _____ _____ _____ _____ (Grants and allocations \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/>	
d _____ _____ _____ _____ _____ (Grants and allocations \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/>	
e Other program services (Grants and allocations \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/>	
f Total of Program Service Expenses (should equal line 44, column (B), Program services) <input type="checkbox"/>	2,530,969.

Part IV Balance Sheets (See the instructions.)

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only

		(A) Beginning of year		(B) End of year
ASSETS	45 Cash – non-interest-bearing	234,055.	45	955,412.
	46 Savings and temporary cash investments		46	
	47 a Accounts receivable	47 a		
	b Less: allowance for doubtful accounts	47 b		47 c
	48 a Pledges receivable	48 a		
	b Less: allowance for doubtful accounts	48 b		48 c
	49 Grants receivable			49
	50 a Receivables from current and former officers, directors, trustees, and key employees (attach schedule)			50 a
	b Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) (attach schedule)			50 b
	51 a Other notes and loans receivable (attach schedule)	51 a		
	b Less: allowance for doubtful accounts	51 b		51 c
	52 Inventories for sale or use			52
	53 Prepaid expenses and deferred charges	52,909.	53	1,401.
	54 a Investments – publicly-traded securities	▶ <input type="checkbox"/> Cost <input type="checkbox"/> FMV		54 a
	b Investments – other securities (attach sch)	▶ <input type="checkbox"/> Cost <input type="checkbox"/> FMV		54 b
	55 a Investments – land, buildings, & equipment basis	55 a		
	b Less: accumulated depreciation (attach schedule)	55 b		55 c
	56 Investments – other (attach schedule)			56
	57 a Land, buildings, and equipment basis	57 a		
b Less: accumulated depreciation (attach schedule)	57 b		57 c	
58 Other assets, including program-related investments (describe ▶ _____)			58	
59 Total assets (must equal line 74) Add lines 45 through 58	286,964.	59	956,813.	
LIABILITIES	60 Accounts payable and accrued expenses	34,163.	60	38,423.
	61 Grants payable		61	
	62 Deferred revenue		62	
	63 Loans from officers, directors, trustees, and key employees (attach schedule)		63	
	64 a Tax-exempt bond liabilities (attach schedule)		64 a	
	b Mortgages and other notes payable (attach schedule)		64 b	
	65 Other liabilities (describe ▶ <u>See Line 65 Stmt</u>)	158,609.	65	263,015.
	66 Total liabilities. Add lines 60 through 65	192,772.	66	301,438.
NET ASSETS OR FUND BALANCES	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.			
	67 Unrestricted	33,367.	67	611,649.
	68 Temporarily restricted	60,825.	68	43,726.
	69 Permanently restricted		69	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74			
	70 Capital stock, trust principal, or current funds		70	
	71 Paid-in or capital surplus, or land, building, and equipment fund		71	
	72 Retained earnings, endowment, accumulated income, or other funds		72	
	73 Total net assets or fund balances. Add lines 67 through 69 or lines 70 through 72 (Column (A) must equal line 19 and column (B) must equal line 21)	94,192.	73	655,375.
	74 Total liabilities and net assets/fund balances. Add lines 66 and 73	286,964.	74	956,813.

Part IV-A Reconciliation of Revenue per Audited Financial Statements with Revenue per Return (See the instructions.)

a	Total revenue, gains, and other support per audited financial statements	a	3,429,610.
b	Amounts included on line a but not on Part I, line 12		
	1 Net unrealized gains on investments	b1	
	2 Donated services and use of facilities	b2	
	3 Recoveries of prior year grants	b3	
	4 Other (specify) _____	b4	
	Add lines b1 through b4	b	
c	Subtract line b from line a	c	3,429,610.
d	Amounts included on Part I, line 12, but not on line a:		
	1 Investment expenses not included on Part I, line 6b	d1	
	2 Other (specify) _____	d2	
	Add lines d1 and d2	d	
e	Total revenue (Part I, line 12) Add lines c and d	e	3,429,610.

Part IV-B Reconciliation of Expenses per Audited Financial Statements with Expenses per Return

a	Total expenses and losses per audited financial statements	a	2,868,427.
b	Amounts included on line a but not on Part I, line 17		
	1 Donated services and use of facilities	b1	
	2 Prior year adjustments reported on Part I, line 20	b2	
	3 Losses reported on Part I, line 20	b3	
	4 Other (specify) _____	b4	
	Add lines b1 through b4	b	
c	Subtract line b from line a	c	2,868,427.
d	Amounts included on Part I, line 17, but not on line a:		
	1 Investment expenses not included on Part I, line 6b	d1	
	2 Other (specify) _____	d2	
	Add lines d1 and d2	d	
e	Total expenses (Part I, line 17) Add lines c and d	e	2,868,427.

Part V-A Current Officers, Directors, Trustees, and Key Employees (List each person who was an officer, director, trustee, or key employee at any time during the year even if they were not compensated.) (See the instructions.)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if not paid, enter -0-)	(D) Contributions to employee benefit plans and deferred compensation plans	(E) Expense account and other allowances
Michael Wigley 1726 M St, NW Washington, DC	Director 5	0.	0.	0.
Art Pope 1726 M St, NW Washington, DC	Director 5	0.	0.	0.
James C. Miller, III 1726 M St, NW Washington, DC	Director 5	0.	0.	0.
Michelle Korsmo 1726 M St, NW Washington, DC	Sec/Treas 10	13,813.	549.	0.
Tim Phillips 1726 M St, NW Washington, DC	President 10	44,947.	500.	0.

Part VI Other Information (continued)		Yes	No
82 a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?		X
	b If 'Yes,' you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.)		
	82 b		
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	X	
	b Did the organization comply with the disclosure requirements relating to <i>quid pro quo</i> contributions?	X	
84 a	Did the organization solicit any contributions or gifts that were not tax deductible?	X	
	b If 'Yes,' did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	X	
85	501(c)(4), (5), or (6) organizations		
	a Were substantially all dues nondeductible by members?	X	
	b Did the organization make only in-house lobbying expenditures of \$2,000 or less?	N/A	
	If 'Yes' was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.		
	c Dues, assessments, and similar amounts from members	85 c	N/A
	d Section 162(e) lobbying and political expenditures	85 d	N/A
	e Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices	85 e	N/A
	f Taxable amount of lobbying and political expenditures (line 85d less 85e)	85 f	N/A
	g Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?	85 g	N/A
	h If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?	85 h	N/A
86	501(c)(7) organizations. Enter:		
	a Initiation fees and capital contributions included on line 12	86 a	N/A
	b Gross receipts, included on line 12, for public use of club facilities	86 b	N/A
87	501(c)(12) organizations Enter:		
	a Gross income from members or shareholders	87 a	N/A
	b Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.)	87 b	N/A
88 a	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If 'Yes,' complete Part IX.	88 a	X
	b At any time during the year, did the organization, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If 'Yes,' complete Part XI.	88 b	X
89 a	501(c)(3) organizations Enter: Amount of tax imposed on the organization during the year under: section 4911 <input type="checkbox"/> _____, section 4912 <input type="checkbox"/> _____, section 4955 <input type="checkbox"/> _____		
	b 501(c)(3) and 501(c)(4) organizations Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If 'Yes,' attach a statement explaining each transaction.	89 b	X
	c Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 <input type="checkbox"/> _____ 0.		
	d Enter: Amount of tax on line 89c, above, reimbursed by the organization <input type="checkbox"/> _____		
	e All organizations At any time during the tax year, was the organization a party to a prohibited tax shelter transaction?	89 e	X
	f All organizations Did the organization acquire a direct or indirect interest in any applicable insurance contract?	89 f	X
	g For supporting organizations and sponsoring organizations maintaining donor advised funds Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	89 g	X
90 a	List the states with which a copy of this return is filed <input type="checkbox"/> <u>All except DE, HI, ID, IN, IA, MT, NE, NV, SD, TX, VT, WY</u>		
	b Number of employees employed in the pay period that includes March 12, 2006 (See instructions)	90 b	20
91 a	The books are in care of <input type="checkbox"/> <u>The Organization</u> Telephone number <input type="checkbox"/> <u>(202) 349-5880</u> Located at <input type="checkbox"/> <u>1726 M Street, NW, 10th Floor, Washington, DC</u> ZIP + 4 <input type="checkbox"/> <u>20036</u>		
	b At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? If 'Yes,' enter the name of the foreign country <input type="checkbox"/> _____	91 b	X
	See the instructions for exceptions and filing requirements for Form TD F 90-22.1 , Report of Foreign Bank and Financial Accounts		

Part VI Other Information (continued)

c At any time during the calendar year, did the organization maintain an office outside of the United States? Yes No
91 c

If 'Yes,' enter the name of the foreign country _____

92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 - Check here
 and enter the amount of tax-exempt interest received or accrued during the tax year 92 | _____

Part VII Analysis of Income-Producing Activities (See the instructions.)

Note: Enter gross amounts unless otherwise indicated

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue					
a _____					
b _____					
c _____					
d _____					
e _____					
f Medicare/Medicaid payments					
g Fees & contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings & temporary cash invmnts			14	9,164.	
96 Dividends & interest from securities					
97 Net rental income or (loss) from real estate					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from pers prop					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue a _____					
b _____					
c _____					
d _____					
e _____					
104 Subtotal (add columns (B), (D), and (E))				9,164.	
105 Total (add line 104, columns (B), (D), and (E))					9,164.

Note: Line 105 plus line 1e, Part I, should equal the amount on line 12, Part I

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See the instructions.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)
▼	N/A

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See the instructions.) N/A

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See the instructions.)

a Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No

b Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No

Note: If 'Yes' to (b), file Form 8870 and Form 4720 (see instructions)

Part XI Information Regarding Transfers To and From Controlled Entities. Complete only if the organization is a controlling organization as defined in section 512(b)(13).

106 Did the reporting organization make any transfers to a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity

				N/A	
				Yes	No
	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer	
a	-----				
b	-----				
c	-----				
Totals					

107 Did the reporting organization receive any transfers from a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity

				N/A	
				Yes	No
	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer	
a	-----				
b	-----				
c	-----				
Totals					

108 Did the organization have a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, and annuities described in question 107 above?

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature of officer: Timothy R. Phillips Date: 5/15/07

Type or print name and title: Timothy R. Phillips

Paid Preparer's Use Only

Preparer's signature: [Signature] Date: 5/14/07 Check if self-employed:

Firm's name (or yours if self-employed), address, and ZIP + 4: Douglas Corey & Associates, PC
6601 Little River Trnkp, Suite 440
Alexandria VA 22312-1303

EIN: _____ Phone no: _____

Name as Shown on Return
Americans for Prosperity

Employer Identification No
75-3148958

Compensation

Name	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
Michelle Korsmo	13,813.	13,121.	692.	0.
Tim Phillips	44,947.	40,452.	0.	4,495.
Total Compensation Received	58,760.	53,573.	692.	4,495.

Contributions to Employee Benefit Plans & Deferred Compensation Plans

Name	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
Michelle Korsmo	549.	522.	27.	0.
Tim Phillips	500.	450.	0.	50.
Total Contributions to Employee Benefit Plans & Deferred Compensation Plans	1,049.	972.	27.	50.

Expense Account and Other Allowances

Name	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
Total Expense Account and Other Allowances				
Total to Part II, Line 25a ▶	59,809.	54,545.	719.	4,545.

Form 990, Page 4, Part IV, Line 65

Other Liabilities Statement

Line 65 - Other Liabilities:	Beginning of Year	End of Year
Due to affiliate (net)	158,609.	263,015.
Total	<u>158,609.</u>	<u>263,015.</u>

Explanation Statement

Form/Line: Form 990, Part V-A line 75cExplanation of: Receipt of Compensation from Other Companies

Americans for Prosperity (AFP) shares employees and various administrative expenses with Americans for Prosperity Foundation (AFPF), EIN 52-1527294, a 501(c)(3) organization. The entities have an understood affiliation agreement, whereby common employees allocate time spent to each entity and administrative expenses are allocated to each entity based on use. AFP reimburses AFPF for their share of the expenses or salaries paid by AFPF. Following is a schedule of compensation and benefits paid by AFPF for their share of salaries:

<u>Ed Frank</u>	<u>\$94,040</u>	<u>benefits \$4,627</u>
<u>Michelle Korsmo</u>	<u>\$166,187</u>	<u>benefits \$4,028</u>
<u>Tim Phillips</u>	<u>\$184,863</u>	<u>benefits \$3,551</u>

Supporting Statement of:

Form 990 p 2/Line 22b cash

Description	Amount
Americans for Tax Reform	10,000.
IL Coalition for Jobs Growth and Prosperity	25,000.
Total	<u>35,000.</u>