

– IRS 990 ANALYSIS –

**NFIB AND NFIB LEGAL CENTER SEE SPIKE IN BIG SECRET CASH  
AS THEY MOUNT CHALLENGE TO HEALTH CARE LAW**

*Based on analysis of IRS 990 filings from the National Federation of Independent Business (NFIB)  
and NFIB Small Business Legal Center for 2009-2011*

*June 26, 2012*

**SUMMARY FINDINGS**

- Over 2010-2011, NFIB and its Small Business Legal Center took in more than \$10 million from just 10 contributions, all in the six figures. Over \$8.5 million of that money came from just 4 contributions, each more than \$1 million. For comparison, in 2009, NFIB's biggest contribution from an outside source was \$21,000 and the Legal Center's was \$7,500.
- While NFIB portrays its Legal Center as having 10,000 regular donors, the 990s show a single contribution of \$1.15 million in 2010 and another of \$2.04 million in 2011 more than covered its big payments to independent contractors for legal services and PR in each year since it joined the ACA lawsuit (and comprised half of the Legal Center's total revenue in 2010 and two thirds in 2011).
- In 2010, NFIB received a contribution of \$3.7 million from Crossroads GPS. In 2011, the biggest contribution to the NFIB Legal Center was \$2.04 million and the biggest contribution to NFIB was \$1.65 million. The sum of these two contributions – \$3.69 million – is very close to the \$3.7 million received from Crossroads GPS in 2010 (in fact, within a 1 percent difference).
- These big contributions dwarf NFIB's average membership dues contribution (estimated on the order of \$230 based on NFIB's reported dues revenue and stated membership numbers).

## DETAILED 990 ANALYSIS (WITH SOURCES)

*Original 990 filings for NFIB and the NFIB Legal Center for 2009-2011, including schedule Bs with incoming contribution amounts (not posted on Guidestar), are available here: <http://bit.ly/MrZDII>*

**Over 2010-2011, NFIB and its Small Business Legal Center took in more than \$10 million from just 10 contributions, all in the six figures. This represented a major spike in big contributions over 2009. The timing coincides with NFIB's move to challenge the health care law:**

- NFIB and the NFIB Small Business Legal Center received more than \$10 million (\$10.4 million) from 10 six-figure contributions over 2010-2011. Of that, \$8.5 million came from 4 contributions of \$1 million or more (amounts of these contributions were: \$3.7 million, \$2.04 million, \$1.65 million, and \$1.15 million).

*(sources: 2010-2011 schedule Bs for NFIB and NFIB Legal Center)*

- For comparison, in 2009 NFIB and the NFIB Small Business Legal Center received no six-figure contributions from outside sources. NFIB's biggest reported contribution from an outside source (not one of its affiliated entities) in 2009 was \$21,000, and the Legal Center's was \$7,500. (NFIB reported one contribution of \$258,730 in 2009, but this matches exactly a transfer from NFIB's SAFE Trust PAC; the Legal Center reported a contribution of \$427,060 in 2009, but this matches a transfer from NFIB's Young Entrepreneur Foundation. So these contributions are from affiliated entities, not outside sources.)

*(sources: 2009 schedule Bs for NFIB and NFIB Legal Center; cross reference with gifts/grants/contributions from related organizations on 2009 schedule Rs, Transactions with Related Organizations, to identify and cross off transfers from affiliated organizations)*

**While NFIB portrays its Legal Center as having 10,000 regular donors, the 990s show a single contribution of \$1.15 million in 2010 and one of \$2.04 million in 2011 more than covered its big payments to independent contractors for legal services and PR in each year since it joined the ACA lawsuit (and comprised half of the Legal Center's total revenue in 2010 and two thirds in 2011):**

- In 2010, the Legal Center received a contribution of \$1.15 million. In the same year, it paid \$1,073,242 to Baker & Hostetler for legal services. This \$1.15 million contribution accounted for more than half of the Legal Center's total revenue in 2010 (\$2.2 million).

*(sources: contribution listed on schedule B of 2010 Legal Center 990; compensation of highest paid independent contractors listed on schedule O, page 75 of PDF; for total revenue, see page 1, line 12)*

- In 2011, the Legal Center received a contribution of \$2.04 million. That year, it paid \$1,240,730 to Jones Day for legal services, \$401,756 to Randy E Barnett for legal services, and \$203,701 to Creative Response Concepts for public relations – about \$1.8 million combined. This \$2.04 million contribution accounted for close to two thirds of the Legal Center’s total revenue in 2011 (\$3.1 million).

*(sources: contribution listed on schedule B of 2011 Legal Center 990; compensation of highest paid independent contractors listed on schedule O, page 64 of PDF; for total revenue, see page 1, line 12)*

- These numbers paint a very different picture from how NFIB likes to portray the funding sources for the Legal Center, as it did in a recent story in the Wall Street Journal: “The group’s legal center, which brought the lawsuit, is a separate non-profit entity operating within the organization that is supported by roughly 10,000 regular donors, Mr. Danner told the Wall Street Journal in March. In recent years, at least some were motivated to donate by the health-care law challenge, he said.”

*(source: [Wall Street Journal: Lawmakers Question Small-Business Group's Funding](#))*

**In 2010, NFIB received a contribution of \$3.7 million from Crossroads GPS. In 2011, the biggest contribution to the NFIB Legal Center was \$2.04 million and the biggest contribution to NFIB was \$1.65 million. The sum of these two contributions – \$3.69 million – is very close to the \$3.7 million received from Crossroads GPS in 2010 (in fact, within a 1 percent difference):**

- NFIB reported an incoming contribution of \$3.7 million on its 2010 IRS 990 filing. Crossroads GPS disclosed that it was the source of this contribution on its own 990 filing in April 2012 (for the period June 1, 2010 through May 31, 2011). Out of a dozen grants Crossroads GPS made to conservative groups, the one to NFIB was the second largest, and more than 8 of the others combined.

*(sources: schedule Bs for NFIB and NFIB Legal center; Crossroads GPS 990 filing, see page 39 here: <https://www.propublica.org/documents/item/339122-crossroads-gps-990-2010>)*

- In 2011, the biggest contributions to the two entities were \$2.04 million to the Legal Center and \$1.65 million to NFIB. The sum of these two contributions is \$3.69 million. This amount is within a 1 percent difference from the \$3.7 million Crossroads GPS gave to NFIB in 2010. The Crossroads GPS 990 filing that reported the original \$3.7 million covered June 1, 2010 through May 31, 2011. It is unlikely Crossroads GPS will file its next 990 (covering the rest of 2011 and into 2012) until late this year or next April.

(sources: 2010 and 2011 schedule Bs for NFIB and NFIB Legal Center; Crossroads GPS 990 filing, page 1, section A here: <https://www.propublica.org/documents/item/339122-crossroads-gps-990-2010>)

- Fred Barnes, executive editor of the Weekly Standard, made the first public mention of the original \$3.7 million from Crossroads GPS to NFIB in 2010 in an op-ed in the Wall Street Journal on December 28, 2011 (the piece mis-identified the source of the money as American Crossroads, the super PAC, instead of Crossroads GPS, the c-4). In this piece, Mr. Barnes wrote that Crossroads GPS CEO Steven Law decided the trial run at “funding the right” in 2010 that included the \$3.7 million to NFIB was money well spent. This would suggest a high probability that Crossroads GPS has continued to invest in this strategy of funding groups like NFIB.

(source:

<http://online.wsj.com/article/SB10001424052970204464404577118421897506502.html>)

**These big contributions dwarf NFIB’s average membership dues contribution (estimated on the order of \$230 based on NFIB’s reported dues revenue and stated membership numbers):**

- NFIB reported \$80.4 million in membership dues in 2010, and claims about 350,000 members. Based on these figures, the average membership dues contribution is \$230.
- Based on this calculation, the Crossroads GPS contribution of \$3.7 million in 2010 was more than the average dues contribution 16,000 times over. This multiplier is more than the membership numbers NFIB claims in many states; based on a quick review of online quotes and stories, examples include: Tennessee, where the organization is headquartered (10,000), Michigan (10,000), Illinois (11,000), New York (10,000).