

INTERNATIONAL ASSOCIATION OF FIREFIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES

REPORT ON AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

for the year ended September 30, 2012

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
International Association of Fire Fighters and its Subsidiary and Affiliates
Washington, DC

We have audited the accompanying consolidated statement of financial position of the International Association of Fire Fighters (IAFF) (a nonprofit organization) and its subsidiary and affiliates (the Association) as of September 30, 2012, and the related consolidated statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Association as of September 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2013 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Renner and Company, CPA, P.C.

January 31, 2013

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
September 30, 2012

	<u>ASSETS</u>						<u>LIABILITIES AND NET ASSETS</u>				
	<u>Unrestricted</u>	<u>Pension</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>		<u>Unrestricted</u>	<u>Pension</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>CURRENT ASSETS</u>						<u>CURRENT LIABILITIES</u>					
Cash and cash equivalents	\$ 7,613,790	\$ 95,400	\$ 5,560,690	\$ -	\$ 13,269,880	Accounts payable	\$ 2,630,257	\$ -	\$ -	\$ -	\$ 2,630,257
Investments	14,096,252	-	-	-	14,096,252	Accrued expenses					
Accounts receivable, net	1,774,320	240,133	-	-	2,014,453	Salaries and benefits	198,162	-	-	-	198,162
Grants receivable	2,412,577	-	-	-	2,412,577	Leave and severance	3,078,366	-	-	-	3,078,366
Financial assistance loans, net	309,560	-	-	-	309,560	Accrued pension liability	-	2,966,701	-	-	2,966,701
Prepaid expenses	469,450	-	-	-	469,450	Deferred rent	55,143	-	-	-	55,143
Inventories	107,279	-	-	-	107,279	Deferred revenue	588,676	-	-	-	588,676
						Capital lease obligation	39,326	-	-	-	39,326
<u>TOTAL CURRENT ASSETS</u>	<u>\$ 26,783,228</u>	<u>\$ 335,533</u>	<u>\$ 5,560,690</u>	<u>\$ -</u>	<u>\$ 32,679,451</u>	<u>TOTAL CURRENT LIABILITIES</u>	<u>\$ 6,589,930</u>	<u>\$ 2,966,701</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,556,631</u>
<u>PROPERTY, net</u>	<u>\$ 793,947</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 793,947</u>	<u>LONG-TERM LIABILITIES</u>					
<u>OTHER ASSETS</u>						Accrued pension liability, net of current	\$ -	\$ 24,034,520	\$ -	\$ -	\$ 24,034,520
Financial assistance loans, net	\$ 481,070	\$ -	\$ -	\$ -	\$ 481,070	Deferred rent	1,244,454	-	-	-	1,244,454
Other investments - United Unions, Inc	2,088,645	-	-	-	2,088,645	Capital lease obligation, net of current	3,529	-	-	-	3,529
Collections - Memorials	-	-	-	423,953	423,953	Deferred compensation liability	3,035,870	-	-	-	3,035,870
Deferred compensation investments	3,035,870	-	-	-	3,035,870	Rabbi Trust liability	-	4,157,910	-	-	4,157,910
Rabbi Trust assets	-	4,157,910	-	-	4,157,910	<u>TOTAL LONG-TERM LIABILITIES</u>	<u>\$ 4,283,853</u>	<u>\$ 28,192,430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,476,283</u>
<u>TOTAL OTHER ASSETS</u>	<u>\$ 5,605,585</u>	<u>\$ 4,157,910</u>	<u>\$ -</u>	<u>\$ 423,953</u>	<u>\$ 10,187,448</u>	<u>TOTAL LIABILITIES</u>	<u>\$ 10,873,783</u>	<u>\$ 31,159,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,032,914</u>
						<u>COMMITMENTS</u>					
						<u>NET ASSETS</u>					
						Unrestricted	\$ 22,308,977	\$ (26,665,688)	\$ -	\$ -	\$ (4,356,711)
						Temporarily Restricted	-	-	5,560,690	-	5,560,690
						Permanently Restricted	-	-	-	423,953	423,953
						<u>TOTAL NET ASSETS</u>	<u>\$ 22,308,977</u>	<u>\$ (26,665,688)</u>	<u>\$ 5,560,690</u>	<u>\$ 423,953</u>	<u>\$ 1,627,932</u>
<u>TOTAL ASSETS</u>	<u>\$ 33,182,760</u>	<u>\$ 4,493,443</u>	<u>\$ 5,560,690</u>	<u>\$ 423,953</u>	<u>\$ 43,660,846</u>	<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 33,182,760</u>	<u>\$ 4,493,443</u>	<u>\$ 5,560,690</u>	<u>\$ 423,953</u>	<u>\$ 43,660,846</u>

See accompanying Independent Auditors' Report and Notes.

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES
for the year ended September 30, 2012

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Unrestricted	Pension			
<u>SUPPORT AND REVENUE</u>					
Per capita tax	\$ 34,899,175	\$ -	\$ 5,343,509	\$ -	\$ 40,242,684
Conference and seminar registration fees	2,114,464	-	-	-	2,114,464
Contributions	1,118,236	-	2,131,934	-	3,250,170
Royalties	2,357,171	-	-	-	2,357,171
Grants	6,600,241	-	-	-	6,600,241
Reimbursed legal expenses	405,640	-	-	-	405,640
Initiation, reinstatement and charter fees	129,644	-	-	-	129,644
Proceeds from sales	115,664	-	-	-	115,664
Investment income	704,146	-	14,389	-	718,535
Other revenues	1,423,763	-	-	-	1,423,763
Net assets released from restrictions	6,863,858	-	(6,863,858)	-	-
<u>TOTAL SUPPORT AND REVENUE</u>	<u>\$ 56,732,002</u>	<u>\$ -</u>	<u>\$ 625,974</u>	<u>\$ -</u>	<u>\$ 57,357,976</u>
<u>EXPENSES</u>					
Program	\$ 41,155,137	\$ 3,813,228	\$ -	\$ -	\$ 44,968,365
Management and general	12,529,840	1,132,593	-	-	13,662,433
Fundraising	71,288	-	-	-	71,288
<u>TOTAL EXPENSES</u>	<u>\$ 53,756,265</u>	<u>\$ 4,945,821</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,702,086</u>
CHANGE IN NET ASSETS BEFORE CHANGE IN CUMULATIVE FOREIGN CURRENCY TRANSLATION AND INCOME TAXES	\$ 2,975,737	\$ (4,945,821)	\$ 625,974	\$ -	\$ (1,344,110)
<u>INCOME TAXES</u>	(174,088)	-	-	-	(174,088)
CHANGE IN CUMULATIVE FOREIGN CURRENCY TRANSLATION	90,537	-	67,224	-	157,761
CHANGE IN NET ASSETS BEFORE INCREMENTAL EFFECT OF DEFINED BENEFIT PLAN	\$ 2,892,186	\$ (4,945,821)	\$ 693,198	\$ -	\$ (1,360,437)
INCREMENTAL EFFECT ON NET ASSETS OF DEFINED BENEFIT PLAN	-	(4,755,542)	-	-	(4,755,542)
<u>CHANGE IN NET ASSETS</u>					
Unrestricted	\$ 2,892,186	\$ (9,701,363)	\$ -	\$ -	\$ (6,809,177)
Temporarily restricted	-	-	693,198	-	693,198
Permanently restricted	-	-	-	-	-
<u>TOTAL CHANGE IN NET ASSETS</u>	<u>\$ 2,892,186</u>	<u>\$ (9,701,363)</u>	<u>\$ 693,198</u>	<u>\$ -</u>	<u>\$ (6,115,979)</u>
<u>NET ASSETS, beginning of year</u>	<u>19,416,791</u>	<u>(16,964,325)</u>	<u>4,867,492</u>	<u>423,953</u>	<u>7,743,911</u>
<u>NET ASSETS, end of year</u>	<u>\$ 22,308,977</u>	<u>\$(26,665,688)</u>	<u>\$ 5,560,690</u>	<u>\$ 423,953</u>	<u>\$ 1,627,932</u>

See accompanying Independent Auditors' Report and Notes.

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended September 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from operations	
Support and revenue	\$ 56,591,069
Investment income	547,953
Total cash received by operations	<u>\$ 57,139,022</u>

Cash used in operations	
Payments to program recipients, employees, and suppliers	\$ 58,487,837
Interest paid	8,611
Income taxes paid	129,946
Total cash disbursed by operations	<u>\$ 58,626,394</u>

NET CASH USED BY OPERATING ACTIVITIES \$ (1,487,372)

CASH FLOWS FROM INVESTING ACTIVITIES

Financial assistance loans repayments received	\$ 666,941
New financial assistance loans made	(211,916)
Purchase of investments	(2,543,777)
Proceeds from redemption of investments	4,005,734
Purchase of property and leasehold improvements	<u>(386,163)</u>

NET CASH PROVIDED BY INVESTING ACTIVITIES \$ 1,530,819

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on capital lease	<u>\$ (39,872)</u>
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NET INCREASE IN CASH \$ 3,575

CASH AND CASH EQUIVALENTS, beginning of year 13,266,305

CASH AND CASH EQUIVALENTS, end of year \$ 13,269,880

See accompanying Independent Auditors' Report and Notes.

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended September 30, 2012

RECONCILIATION OF CHANGE IN NET ASSETS TO NET
CASH USED BY OPERATING ACTIVITIES

<u>CHANGE IN NET ASSETS</u>	<u>\$ (6,115,979)</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES	
Depreciation and amortization	\$ 259,418
Unrealized gains on investments	(170,582)
Incremental effect of defined benefit plan	<u>4,755,542</u>
<u>NET ADJUSTMENTS</u>	<u>\$ 4,844,378</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH	
<u>ASSETS</u>	
Receivables	\$ (48,372)
Prepaid expense	(214,138)
Inventories	<u>151,435</u>
	<u>\$ (111,075)</u>
<u>LIABILITIES</u>	
Accounts payable	\$ (1,177,231)
Accrued expenses	414,684
Accrued pension liabilities	857,104
Promises to give	(230,234)
Deferred rent	7,510
Deferred revenue	<u>23,471</u>
	<u>\$ (104,696)</u>
<u>NET CHANGES IN ASSETS AND LIABILITIES</u>	<u>\$ (215,771)</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>\$ (1,487,372)</u>

See accompanying Independent Auditors' Report and Notes.

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended September 30, 2012

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The International Association of Fire Fighters (IAFF) is a labor union whose primary mission is to represent its members in disputes and negotiations with the state and local governments for which the members are employed. Primary sources of revenue are per capita tax paid by members, grants and contributions.

The IAFF Financial Corporation is a wholly-owned subsidiary of the Association organized and incorporated as of December 10, 2001 under the laws of the State of Delaware. It is primarily engaged in working through service vendors to provide financial services, investment options, college finance programs, and insurance protection to professional fire fighters and government employees. It is located in Washington, DC.

The International Association of Fire Fighters Burn Foundation was created in 1982 to promote and provide support for the establishment and continuation of burn treatment centers and their related purposes of burn injury-related research and burn prevention through education. The Foundation has also established an annual burn survivor camp which provides a means of direct outreach to burn victims. The Foundation was dissolved during 2012 and all its activities were assumed by the International Association of Fire Fighters Foundation.

The John P. Redmond Memorial Foundation was organized for the purpose of research and curative processes for elimination, prevention and correction of occupational diseases of fire fighters. The Foundation hosts a biannual symposium, providing an educational forum for fire fighters and an inducement for involving medical personnel, fitness experts, and occupational safety and health experts in the problems associated with fire fighting. The Foundation was dissolved during 2012 and all its activities were assumed by the International Association of Fire Fighters Foundation.

The International Association of Fire Fighters Disaster Relief Fund was organized for the purpose of providing aid to fire fighters who suffered during large natural disasters. Following the tragic events of September 11, 2001, the Fund took on the additional role of sponsoring memorial and/or funeral services for fallen fire fighters. The Fund was dissolved during 2012 and all its activities were assumed by the International Association of Fire Fighters Foundation.

The IAFF Fallen Fire Fighter Memorial Fund, Inc. was organized for the purpose of completing and maintaining memorials that honor fire fighters killed in the line of duty. Furthermore, the Fund holds annual memorial observances to honor fallen fire fighters. The Fund was dissolved during 2012 and all its activities were assumed by the International Association of Fire Fighters Foundation.

See Independent Auditors' Report.

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended September 30, 2012

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The W.H. "Howie" McClennan Scholarship Fund was organized as a trust by the International Association of Fire Fighters on December 23, 1977. The Fund is recognized as a private foundation for tax purposes. It provides education-related financial aid to the children of fire fighters killed in the line of duty.

The IAFF FIREPAC Educational-Treasury was organized as a Political Action Committee on April 30, 2001. The Committee was formed to raise the federal government's conscience level about fire fighter staffing, labor issues, safety, and equipment. Its contributions have helped prevent station closings, secure federal funding for fire fighting, and train members to become active in local government policies.

The International Association of Fire Fighters Foundation was organized on August 2, 2010. Its mission is to support IAFF members and their families in their time of need, promote fire and burn prevention, advocate for fire fighter health and safety and provide public education on how to prevent and recover from traumatic events.

Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of IAFF, its wholly-owned subsidiary, and its affiliates. All material inter-entity accounts, transactions, and profits or losses are eliminated in consolidation.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting. Revenues are recognized in the period in which they are earned; expenses are recognized in the period in which they are incurred.

Translation Costs

All amounts in the consolidated financial statements are stated in U.S. dollars. The Association has substantial activity denominated in Canadian dollars. Accordingly, all amounts denominated in Canadian dollars have been translated to U.S. dollars by applying the translation rate for assets and liabilities at September 30, 2012 of 101.64% and by applying the average translation rate for revenue and expenses for the year ended September 30, 2012 of 99.23%. Changes in the foreign currency translation rate subsequent to September 30, 2012 may materially affect unsettled foreign currency transactions as of that date. The Association does not reflect those effects in these financial statements.

See Independent Auditors' Report.

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended September 30, 2012

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid debt instruments with original maturities of three months or less.

Investments

Investments consist of certificates of deposit having initial maturities of more than three months and an open-ended mutual fund that invests primarily in construction loans, mortgages, or mortgage-backed securities. These investments are carried at fair value. Fair values are based on quoted market prices in active markets. Changes in fair value are included in investment income.

The open-ended mutual fund is exposed to various risks such as market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Accounts Receivable

Accounts receivable for the Association arise primarily from per capita tax due from local affiliates located in the U.S. and Canada, registrations and supply sales revenue that have been earned but not received as of September 30, 2012. Management reviews accounts receivable to determine collectability. An amount of \$106,931 has been estimated as an allowance for doubtful accounts as of September 30, 2012. This estimate is based on historical collectability of accounts receivable.

Financial Assistance Loans

Financial assistance are unsecured loans to provide members and locals financial assistance in conjunction with job actions, disciplinary actions against union officers for union-related activities, employer's refusal to implement an arbitration award, and such other occurrences as may be considered bona fide emergencies by the Executive Board of the Association. The loans are noninterest-bearing with repayments made primarily over thirty-six to sixty (36 - 60) months. The Executive Board reviews loans to members and locals to determine collectability. As of September 30, 2012, \$6,161 was estimated as an allowance for doubtful accounts, based on historical analysis of loans not collected in previous years.

Other Investments

The investment in United Unions, Inc., of which the Association owns 13.433%, is accounted for under the cost method.

See Independent Auditors' Report.

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended September 30, 2012

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Investments (Continued)

The investment in the IAFF Financial Corporation, of which the Association owns 100% and over which it exercises complete influence of operating and accounting policies, is consolidated.

Deferred Compensation Investments

Deferred compensation funds are invested in equity and debt securities which are carried at fair market value.

Inventories

Inventories consist of items held for sale to the Association's affiliates and are valued at the lower of cost or market value. Cost is determined using the first-in, first-out method. Cost of goods sold includes shipping and handling charges. Profits on sales of certain specialty inventory items are contributed to the Association Firepac Education Fund unless otherwise specified by the local making the purchase.

Property and Depreciation

Property and equipment are recorded at cost. All of the Association's acquisitions with a cost greater than \$5,000 are capitalized at cost; similarly, all acquisitions made by the Association's subsidiary and affiliates with a cost greater than \$500 are capitalized at cost. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets or, where applicable, the terms of the leases, whichever are shorter. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation or amortization, and any gain or loss is reflected in income. Significant renewals and betterments are capitalized. Maintenance and repairs are expensed as incurred.

Collections - Memorials

The IAFF Fallen Fire Fighter Memorial Fund, Inc. capitalizes its collections. Acquisitions are capitalized at cost if purchased, or at appraised or fair value at date of acquisition if received by donations. All maintenance costs incurred in relation to these collections and in excess of \$1,000 are capitalized. Gains and losses on disposals of donated collections are recorded based on the presence or absence of donor restrictions placed on items at the date of donation.

See Independent Auditors' Report.

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended September 30, 2012

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classes of Assets

To ensure the observance of limitations and restrictions placed on the use of resources available to the Association, the Association has divided its resources available for various purposes into classes established according to their nature and purpose. The net assets of the Association are classified as follows:

Unrestricted Net Assets include operating net assets which are available for the general operations of the Association, as well as Board designated net assets set aside for future use.

Temporarily Restricted Net Assets include net assets which are subject to donor-imposed restrictions for support of a particular program activity. The Association has established five Political Action Committees for the purpose of contributing funds to state and federal candidates. The use of these funds is restricted to purposes described in Federal Election Commission regulations and various state statutes, and the Association has no immediate or future claims to these assets.

Permanently Restricted Net Assets include net assets related to the collections owned by the Association. The corpus of the fund is to be maintained at the cost of these collections.

Revenue Recognition

The Association recognizes per capita tax as revenue during the period in which it accrues. Actual receipts in advance of the period to which they relate are reflected as deferred revenue. Interest and other revenue are recognized as accrued to the Association.

Grants and contracts are reported as revenue as allowable expenses are incurred. Funds received prior to being expended are reported as refundable advances and expenses incurred for which reimbursement has not been received are reported as receivables.

Advertising costs

Advertising costs are expensed as they are incurred. Total advertising expense for the year ended September 30, 2012 was \$393,031.

Income Taxes

IAFF is exempt from federal income taxes under Section 501(c)(5) of the Internal Revenue Code. However, the Association is subject to tax on net income generated by activities considered to be unrelated business income. As of September 30, 2012, the Association has no accrued tax liability.

See Independent Auditors' Report.

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended September 30, 2012

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The IAFF Financial Corporation, a for profit subsidiary of the Association, is subject to federal income and District of Columbia franchise taxes. Income taxes are provided on income regardless of when such taxes are payable. Current tax and deferred tax assets and liabilities are recorded in accordance with enacted tax laws and rates. The amounts of deferred tax assets and liabilities at the end of each period are determined using the tax rates expected to be in effect when taxes are actually paid or recovered. Future tax benefits are recognized to the extent that realization of such benefits is more likely than not. As of September 30, 2012, IAFF Financial Corporation has no deferred tax asset or liability. Income tax expense for the year ended September 30, 2012 was \$174,088.

The Association's affiliates, the International Association of Fire Fighters Burn Foundation, the John P. Redmond Memorial Foundation, the International Association of Fire Fighters Disaster Relief Fund, the IAFF Fallen Fire Fighter Memorial Fund, Inc., and the International Association of Fire Fighters Foundation, are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as publicly-supported organizations. However, the affiliates are subject to tax on income generated by unrelated business activities as provided for in the tax law. To date, these organizations have not engaged in such activities.

The W.H. "Howie" McClennan Scholarship Fund is a Section 501(c)(3) exempt private foundation under the Internal Revenue Code and is subject to excise tax based on investment income.

The IAFF FIREPAC Educational Treasury is a section 527 exempt political organization under the Internal Revenue Code and is subject to excise tax based on investment income. The committee is subject to tax on income generated by unrelated business activities as outlined in the tax law. To date, the committee has not engaged in such activities.

The Association's and its subsidiary's and affiliates' Business Income Tax returns (Form 990 and Form 1120) for 2010, 2011, and 2012 are subject to examination by the Internal Revenue Service (IRS), generally for three years after they are filed.

Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

See Independent Auditors' Report.

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended September 30, 2012

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates (Continued)

Government Contracts and Grants

The Association participates in federal grant programs which are subject to financial and compliance audits by the federal agencies or their representatives. As such, there is a possibility that questioned costs might result from such an audit in the future. Management estimates that there are no material unallowable costs.

Accounts Receivable and Financial Assistance Loans Receivable

Management's estimate of the collectibility of receivables is based on their understanding of the facts and circumstances of each account.

Translation Costs

Management estimates that there are no material foreign currency translation rate change that could materially affect unsettled foreign currency transactions after year end based on understanding of exchange rate between U.S. dollars and Canadian dollars.

Expense Allocation

Expenses are charged directly to programs in general categories based on specific identification. Indirect expenses have been allocated to programs, general and administrative, and fundraising expenses based on level of effort.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at September 30, 2012 consisted of the following:

Checking - U.S.	\$ 7,384,236
Checking - Canada	4,308,750
Money market funds	1,575,629
Petty cash	1,265
	<u>\$ 13,269,880</u>

The Association maintains its cash and cash equivalent balances at several different financial institutions in the United States and Canada. As of September 30, 2012, cash and cash equivalents not insured by FDIC or CDIC were \$13,032,871.

See Independent Auditors' Report.

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended September 30, 2012

3. INVESTMENTS

Investments at September 30, 2012 consisted of the following:

AFL-CIO Housing Trust - United Unions reserve	\$ 1,209,766
AFL-CIO Housing Trust accounts - Other	10,351,873
Certificates of deposit - U.S.	2,534,613
	<u>\$ 14,096,252</u>

Investment income for the year ended September 30, 2012 consisted of the following:

Interest and dividends - U.S.	\$ 529,194
Interest and dividends - Canada	18,759
Unrealized gains (losses)	170,582
	<u>\$ 718,535</u>

4. FAIR VALUE MEASUREMENTS

The Association records investments based on fair value on a recurring basis. Financial accounting and reporting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The standards emphasize that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the standards established a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within level 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level 3 of the hierarchy).

Level 1 inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

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INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended September 30, 2012

4. FAIR VALUE MEASUREMENTS (Continued)

Level 3 inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Association's assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets or liabilities.

The following summarizes investments, measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of September 30, 2012 and 2011:

	September 30, 2012			Fair Value
	Level 1	Level 2	Level 3	
AFL-CIO Housing Trust				
United Unions reserve	\$ -	\$ 1,209,766	\$ -	\$ 1,209,766
AFL-CIO Housing Trust				
Other	-	10,351,873	-	10,351,873
Certificates of deposit - U.S.	-	2,534,613	-	2,534,613
	<u>\$ -</u>	<u>\$ 14,096,252</u>	<u>\$ -</u>	<u>\$ 14,096,252</u>
	September 30, 2011			Fair Value
	Level 1	Level 2	Level 3	
AFL-CIO Housing Trust				
United Unions reserve	\$ -	\$ 1,148,250	\$ -	\$ 1,148,250
AFL-CIO Housing Trust				-
Other	-	9,788,791	-	9,788,791
Certificates of deposit - U.S.	-	2,514,186	-	2,514,186
Certificates of deposit - Canada	-	1,936,400	-	1,936,400
	<u>\$ -</u>	<u>\$ 15,387,627</u>	<u>\$ -</u>	<u>\$ 15,387,627</u>

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INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended September 30, 2012

5. ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2012 consisted of the following:

Per capita tax - U.S.	\$ 1,204,888
Per capita tax - Canada	62,592
Royalty	353,809
Other	500,096
	\$ 2,121,385
Less: Provision for doubtful accounts	(106,931)
	\$ 2,014,453

6. PROPERTY AND EQUIPMENT

A summary of information related to property and depreciation for the year ended September 30, 2012 is as follows:

	Estimated useful life (years)	Cost	Accumulated depreciation	Depreciation expense
Furniture and equipment	5 - 10	\$ 1,468,233	\$ 992,403	\$ 157,215
Equipment under capital leases	4 - 5	372,135	331,475	47,333
Leasehold improvements	10	837,718	560,261	54,870
		\$ 2,678,086	\$ 1,884,139	\$ 259,418

7. COLLECTIONS - MEMORIALS

The IAFF Fallen Fire Fighter Memorial Fund, Inc. has title to and maintains two memorial statues and two memorial walls-of-honor. All memorials are held for public exhibition and are preserved by the IAFF Fallen Fire Fighter Memorial Fund. The cost of these collections is as follows:

Memorial statues	\$ 313,355
Memorial walls-of-honor	110,598
	\$ 423,953

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INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended September 30, 2012

8. PENSION PLANS

The Association has pension plans covering substantially all employees. All current and future retirement contributions on behalf of principal officers are now made pursuant to an Officer's Non-Qualified Retirement Plan and Officers' Supplemental Benefits Plan (Rabbi Trust). The assets of the Rabbi Trust Fund are subject to the general creditors of the Association.

In addition to the non-qualified Rabbi Trust Fund, which is the plan for principal officers, the Association also maintains two qualified defined benefit plans, the Staff Representatives' Pension Plan and the Employees' Pension Plan. Plan benefits are based on years of service and employees' compensation. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

In accordance with accounting principles generally accepted in the United States of America, the Association recognizes the funding position of its plans (the difference between the fair value of plan assets and the projected benefit obligation) in the accompanying consolidated statement of financial position. The Association recognized a non-operating expense of \$4,778,749, which has been separately reported in the consolidated statements of activities as a decrease in unrestricted net assets.

It is the Association's policy to invest pension plan assets in a diversified portfolio consisting of an array of stocks, debt securities, and money market funds through the use of Alliance Investments commingled pools.

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INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended September 30, 2012

8. PENSION PLANS (Continued)

The following is a summary of the defined benefit plans as of September 30, 2012 as provided by the Association's consulting actuary.

	<u>Rabbi Trust</u>	<u>Staff Representatives</u>	<u>Employees</u>	<u>Total</u>
Change in projected benefit obligation				
Projected benefit obligation, beginning of the year	\$ 5,486,368	\$ 45,651,590	\$ 22,372,087	\$ 73,510,045
Service cost	392,662	1,621,440	1,542,328	3,556,430
Interest cost	266,760	2,237,801	1,107,577	3,612,138
Benefits paid	(302,333)	(1,824,378)	(385,650)	(2,512,361)
Expenses paid	(14,292)	(340,877)	(164,208)	(519,377)
Actuarial (gain) loss	870,368	7,058,564	2,635,972	10,564,904
Projected benefit obligation, end of the year	<u>\$ 6,699,533</u>	<u>\$ 54,404,140</u>	<u>\$ 27,108,106</u>	<u>\$ 88,211,779</u>
Change in plan assets				
Fair value of plan assets, beginning of the year	\$ 3,950,683	\$ 35,261,052	\$ 12,909,735	\$ 52,121,470
Actual return on plan assets	223,852	5,680,639	2,129,957	8,034,448
Employer contributions	300,000	2,513,622	1,300,000	4,113,622
Benefits and expenses paid	(316,625)	(2,192,499)	(549,858)	(3,058,982)
Fair value of plan assets end of the year	<u>\$ 4,157,910</u>	<u>\$ 41,262,814</u>	<u>\$ 15,789,834</u>	<u>\$ 61,210,558</u>
Funded status - benefit obligation in excess of plan assets	<u>\$ 2,541,623</u>	<u>\$ 13,141,326</u>	<u>\$ 11,318,272</u>	<u>\$ 27,001,221</u>
Accumulated benefit obligation	<u>\$ 6,699,533</u>	<u>\$ 54,404,140</u>	<u>\$ 27,108,106</u>	<u>\$ 88,211,779</u>
Component of net periodic pension costs				
Service cost - benefits earned	\$ 392,662	\$ 1,621,440	\$ 1,542,328	\$ 3,556,430
Interest cost	266,760	2,237,801	1,107,577	3,612,138
Expected return on plan assets	(335,001)	(3,004,401)	(1,129,580)	(4,468,982)
Net amortization and deferral	284,373	1,612,490	349,372	2,246,235
Total net periodic pension cost	<u>\$ 608,794</u>	<u>\$ 2,467,330</u>	<u>\$ 1,869,697</u>	<u>\$ 4,945,821</u>

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INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended September 30, 2012

8. PENSION PLANS (Continued)

	<u>Rabbi Trust</u>	<u>Staff Representatives</u>	<u>Employees</u>
Weighted-average assumptions			
Discount rate	4.50%	4.50%	4.50%
Average compensation increase	3.00%	3.00%	3.00%
Expected rate of return on plan assets	8.50%	8.50%	8.50%

The expected return on plan assets was determined by the Association together with its investment advisors. The rate is based primarily on expectations of future returns for the plan's investments, based on target asset allocations. Additionally, the historical returns on comparable equity and fixed income investments are considered in the estimate of the expected rate.

The Association's target allocation is as follows. These rates are estimated and are subject to change based upon future actions taken by the Board of Trustees.

	<u>Rabbi Trust</u>	<u>Staff Representatives</u>	<u>Employees</u>
Cash equivalents	0% - 5%	0% - 10%	0% - 10%
Selected equity pool	0%	45% - 55%	45% - 55%
Fixed income pool	95% - 100%	40% - 50%	40% - 50%

The table below presents the balances of pension assets measured at fair value on a recurring basis, as of September 30, 2012.

	Fair value			Total
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Plan Assets				
Cash equivalents	\$ 154,978	\$ -	\$ -	\$ 154,978
U.S. government securities	8,239,443	-	-	8,239,443
Municipal bonds	404,759	-	-	404,759
Common stocks	31,662,867	-	-	31,662,867
Corporate bonds	13,002,396	-	-	13,002,396
Pooled funds	3,407,650	-	-	3,407,650
AFL-CIO investment trust	-	4,053,246	-	4,053,246
Total plan assets measured at fair value	<u>\$ 56,872,093</u>	<u>\$ 4,053,246</u>	<u>\$ -</u>	<u>\$ 60,925,339</u>
Net receivables				285,219
				<u>\$ 61,210,558</u>

See Independent Auditors' Report.

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended September 30, 2012

8. PENSION PLANS (Continued)

The following is a schedule of benefits expected to be paid in each of the next five years, and in aggregate for the five fiscal years thereafter as of September 30, 2012. The expected benefit payments shown below are based on the same assumptions used to determine the Projected Benefit Obligation as of September 30, 2012, and includes benefits attributable to estimated future employee service.

	Rabbi Trust	Staff Representatives	Employees	Total
2013	\$ 302,333	\$ 2,159,917	\$ 504,451	\$ 2,966,701
2014	317,121	2,206,249	542,285	3,065,655
2015	332,353	2,369,665	547,592	3,249,610
2016	348,041	2,468,046	621,817	3,437,904
2017	364,200	2,533,752	647,783	3,545,735
2018 - 2022	2,080,877	14,582,453	4,215,732	20,879,062
	<u>\$ 3,744,925</u>	<u>\$ 26,320,082</u>	<u>\$ 7,079,660</u>	<u>\$ 37,144,667</u>

During the next fiscal year, the Association expects to collectively contribute approximately \$5,521,000 to the defined benefit pension plans.

The Association also has a deferred compensation plan, a 457(b) retirement plan, covering eligible employees who choose to participate. Contributions to the plan are amounts deferred from the participating employees' salary and are limited to the lesser of the applicable dollar amount as defined in Code Section 457(e)(15)(A) or 100% of the participants' includible compensation.

In addition to the defined benefit plans and deferred compensation plan, the Association also has an employee 401(k) plan that allows eligible employees to defer from their salaries an amount equal to a percentage of the contributing participants' compensation from 1 to 15 percent in increments of 1 percent. The Association matches up to 2% of qualified compensation for all employees who elect to defer.

Pension expenses related to the various pension plans for the year ended September 30, 2012 are as follows:

Defined benefit plans	
Officers- Rabbi Trust	\$ 608,794
Staff Representatives	2,467,330
Employees	1,869,697
	<u>\$ 4,945,821</u>
Other pension expense	
401(k) match and administrative costs	\$ 221,220
Canadian pension benefit payments	13,953
	<u>\$ 5,180,994</u>

See Independent Auditors' Report.

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended September 30, 2012

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available as of September 30, 2012 for the following purposes:

	Balance at September 30, 2011	Revenue and Support	Released	Balance at September 30, 2012
IAFF PAC	\$ 4,867,492	\$ 7,128,321	\$ (6,763,873)	\$ 5,231,940
Burn Foundation - Research	-	15,000	-	15,000
Burn Foundation - Burn Camp	-	13,735	(13,735)	-
McClennan Scholarship Fund	-	400,000	(86,250)	313,750
	<u>\$ 4,867,492</u>	<u>\$ 7,557,056</u>	<u>\$ (6,863,858)</u>	<u>\$ 5,560,690</u>

10. DONATED PROPERTY

The City of Colorado Springs granted to the IAFF Fallen Fire Fighter Memorial Fund, Inc. a park license for its use of city land on which the memorials stand. Should the Fund ever misuse or abandon the land, it would be responsible for the costs incurred to restore the land to its original state. The term of this license ends August 30, 2013. At that date, the license may be renewed for an additional twenty-five years. As of September 30, 2012, it is the Fund's intention to renew this license. The value of this donated property has not been reflected in the financial statements.

11. COMMITMENTS AND CONTINGENCIES

Office Lease, related party

The Association leases office space in Washington, D.C. The Association is a partial owner of the leased building as described in Note 1. The lease, which expires in 2018, provides for annual escalations in base rental payments. Rent expense is recognized on a straight-line basis over the term of the lease. Total rent expense for the year ended September 30, 2012 was \$2,300,638.

At September 30, 2012, future minimum lease payments under this operating lease are as follows:

2013	\$ 2,151,075
2014	2,215,607
2015	2,282,075
2016	2,350,538
2017	2,421,054
2018	2,280,178
	<u>\$ 13,700,527</u>

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INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended September 30, 2012

11. COMMITMENTS AND CONTINGENCIES (Continued)

IAFF subleases one thousand square feet of its current space to its wholly owned subsidiary, the IAFF Financial Corporation. The lease term began April 1, 2005, and will continue on a month-to-month basis until the rental rate of \$4,000 monthly is renegotiated. IAFF Financial Corporation paid the Association a total of \$51,000 in sublease payments, which the Association recognized as other income during the year ending September 30, 2012.

As a partial owner of the leased office space, if the landlord (United Unions, Inc.) receives rents that are insufficient to meet the debt service requirements and other obligations on the building, the Association will pay its pro-rata share (13.433%) of the amount necessary to meet such debt service requirements and other obligations. These additional payments will be recognized as additional investment capital contributions.

Capital leases

The Association has entered into lease agreements for office equipment that are classified as capital leases. The assets and liabilities under the capital lease were recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over their related lease term.

Payments under the capital leases are due as follows:

	<u>Total Payment</u>	<u>Interest Portion</u>	<u>Net</u>
2013	\$ 42,826	\$ 3,500	\$ 39,326
2014	3,569	40	3,529
	<u>\$ 46,395</u>	<u>\$ 3,540</u>	<u>\$ 42,855</u>

Guarantor responsibilities

During the 2007 fiscal year, the Association, as an owner of United Unions, Inc., became a co-guarantor of a loan agreement with SunTrust Bank, N.A. As of September 30, 2012, the Association is contingently liable for its share (25.98%) of United Unions, Inc.'s remaining principal balance of \$952,710. This loan bears an annual interest rate of 6.2%. United Unions, Inc. is making payments of \$66,171, including principal and interest, until December 2013, the maturity date.

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INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended September 30, 2012

11. COMMITMENTS AND CONTINGENCIES (Continued)

Government Contracts and Grants

The Association participated in federal grant programs, which are subject to financial and compliance audits by federal agencies or their representatives. Management does not anticipate any significant adjustments as a result of such an audit.

Letter of Credit

The Association has an open letter of credit in the amount of \$2,606,000 to secure pension costs in Canada. As of September 30, 2012, no amount has been drawn and no interest has been incurred on the letter of credit.

Future Meeting Sites

The Association has entered into agreements with hotels for future conventions and meetings. In the event of the cancellation of these agreements on September 30, 2012, the maximum cancellation penalty would be \$2,821,212. Subsequent to year end, the Association had satisfied the terms of several of these contracts in the amount of \$333,364.

12. CONDITIONAL GRANT

The Association has been awarded federal grants, which are conditioned upon the organizations' progression on various programs. The remaining amount to be received for these promises at September 30, 2012 was \$2,825,520.

13. SIGNIFICANT SOURCES OF REVENUE

A significant portion of the Association's support and revenue was provided by per capita tax. For the year ended September 30, 2012, gross revenue from per capita tax was \$40,242,684, which approximates 70% of the consolidated gross support and revenue.

See Independent Auditors' Report.

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended September 30, 2012

14. SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 31, 2013, the date the financial statements were available to be issued.

Dissolution of Affiliates

During the year ended September 30, 2012, the Association adopted plans of *Winding-Up, Distribution of Assets and Dissolution* of the W.H. "Howie" McClennan Scholarship Fund.

All liabilities of the W.H. "Howie" McClennan Scholarship Fund will be satisfied by its assets or be settled by the International Association of Firefighters. Final release of any funds set aside as reserve funds following final dissolution of the Fund will be contributed to the International Association of Fire Fighters Foundation. The International Association of Fire Fighters Foundation will continue to perform the missions of the dissolved fund. The Association is still in the process of the dissolution as of September 30, 2012.

See Independent Auditors' Report.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

The Board of Trustees
International Association of Fire Fighters and its Subsidiary and Affiliates
Washington, DC

We have audited the consolidated financial statements of the International Association of Fire Fighters (IAFF) and its subsidiary and affiliates (the Association) as of and for the year ended September 30, 2012, and have issued our report thereon dated January 31, 2013, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating statement of financial position, consolidating statement of activities, and consolidating schedule of expenses by entity are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, therefore, we express no opinion on it.

Renner and Company, CPA, P.C.

January 31, 2013

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
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CONSOLIDATING STATEMENT OF FINANCIAL POSITION
September 30, 2012

ASSETS

	International Association of Fire Fighters Foundation								Total	Eliminating Entries	Consolidated Balance
	IAFF	IAFF Financial Corporation	International Association of Fire Fighters Foundation	International Association of Fire Fighters Burn Foundation	John P. Redmond Memorial Foundation	International Association of Fire Fighters Disaster Relief Fund	IAFF Fallen Fire Fighter Memorial Fund, Inc	W.H. "Howie" McClennan Scholarship Fund			
CURRENT ASSETS											
Cash and cash equivalents	\$ 11,355,444	\$ 1,254,168	\$ 546,400	\$ 104,433	\$ -	\$ -	\$ 312	\$ 9,123	\$ 13,269,880	\$ -	\$ 13,269,880
Investments	13,088,242	-	-	-	96,313	-	422,701	488,996	14,096,252	-	14,096,252
Accounts receivable, net	1,650,668	353,809	2,967	4,551	1,284	-	1,174	-	2,014,453	-	2,014,453
Grants receivable	2,007,930	-	-	404,647	-	-	-	-	2,412,577	-	2,412,577
Financial assistance loans, net	309,560	-	-	-	-	-	-	-	309,560	-	309,560
Prepaid expenses	465,907	3,543	-	-	-	-	-	-	469,450	-	469,450
Inventories	89,986	-	17,293	-	-	-	-	-	107,279	-	107,279
Interfund receivables	13,265,448	-	772,878	-	118,526	234,751	-	316,649	14,708,252	(14,708,252)	-
TOTAL CURRENT ASSETS	\$ 42,233,185	\$ 1,611,520	\$ 1,339,538	\$ 513,631	\$ 216,123	\$ 234,751	\$ 424,187	\$ 814,768	\$ 47,387,703	\$ (14,708,252)	\$ 32,679,451
PROPERTY, net	\$ 685,468	\$ 86,191	\$ 11,310	\$ 10,978	\$ -	\$ -	\$ -	\$ -	\$ 793,947	\$ -	\$ 793,947
OTHER ASSETS											
Financial assistance loans, net	\$ 481,070	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 481,070	\$ -	\$ 481,070
Other investments											
IAFF Financial Corporation	89,368	-	-	-	-	-	-	-	89,368	(89,368)	-
United Unions, Inc	2,088,645	-	-	-	-	-	-	-	2,088,645	-	2,088,645
Collections - Memorials	-	-	-	-	-	-	423,953	-	423,953	-	423,953
Deferred compensation investments	3,035,870	-	-	-	-	-	-	-	3,035,870	-	3,035,870
Rabbi Trust assets	4,157,910	-	-	-	-	-	-	-	4,157,910	-	4,157,910
TOTAL OTHER ASSETS	\$ 9,852,863	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 423,953	\$ -	\$ 10,276,816	\$ (89,368)	\$ 10,187,448
TOTAL ASSETS	\$ 52,771,516	\$ 1,697,711	\$ 1,350,848	\$ 524,609	\$ 216,123	\$ 234,751	\$ 848,140	\$ 814,768	\$ 58,458,466	\$ (14,797,620)	\$ 43,660,846

See Independent Auditors' Report on Supplementary Information.

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
September 30, 2012

LIABILITIES AND NET ASSETS

	International Association of Fire Fighters Foundation									Eliminating Entries	Consolidated Balance
	IAFF	IAFF Financial Corporation	International Association of Fire Fighters Foundation	International Association of Fire Fighters Burn Foundation	John P. Redmond Memorial Foundation	International Association of Fire Fighters Disaster Relief Fund	IAFF Fallen Fire Fighter Memorial Fund, Inc	W.H. "Howie" McClellan Scholarship Fund	Total		
<u>CURRENT LIABILITIES</u>											
Accounts payable	\$ 2,123,205	\$ 95,823	\$ 162,459	\$ 19,883	\$ -	\$ 57,976	\$ 170,911	\$ -	\$ 2,630,257	\$ -	\$ 2,630,257
Accrued expenses											
Salaries and benefits	182,977	15,185	-	-	-	-	-	-	198,162	-	198,162
Leave and severance	3,035,077	43,289	-	-	-	-	-	-	3,078,366	-	3,078,366
Accrued pension liability	2,966,701	-	-	-	-	-	-	-	2,966,701	-	2,966,701
Deferred rent	55,143	-	-	-	-	-	-	-	55,143	-	55,143
Deferred revenue	588,676	-	-	-	-	-	-	-	588,676	-	588,676
Capital lease obligation	39,326	-	-	-	-	-	-	-	39,326	-	39,326
Interfund payables	12,174,498	187,703	792,387	489,853	506,750	-	464,006	93,055	14,708,252	(14,708,252)	-
TOTAL CURRENT LIABILITIES	\$ 21,165,603	\$ 342,000	\$ 954,846	\$ 509,736	\$ 506,750	\$ 57,976	\$ 634,917	\$ 93,055	\$ 24,264,883	\$ (14,708,252)	\$ 9,556,631
<u>LONG-TERM LIABILITIES</u>											
Accrued pension liability, net of current	\$ 24,034,520	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,034,520	\$ -	\$ 24,034,520
Deferred rent, net of current	1,244,454	-	-	-	-	-	-	-	1,244,454	-	1,244,454
Capital lease obligation, net of current	3,529	-	-	-	-	-	-	-	3,529	-	3,529
Deferred compensation liability	3,035,870	-	-	-	-	-	-	-	3,035,870	-	3,035,870
Rabbi Trust liability	4,157,910	-	-	-	-	-	-	-	4,157,910	-	4,157,910
TOTAL LONG-TERM LIABILITIES	\$ 32,476,283	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,476,283	\$ -	\$ 32,476,283
TOTAL LIABILITIES	\$ 53,641,886	\$ 342,000	\$ 954,846	\$ 509,736	\$ 506,750	\$ 57,976	\$ 634,917	\$ 93,055	\$ 56,741,166	\$ (14,708,252)	\$ 42,032,914
<u>EQUITY</u>											
Common stock	\$ -	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ (5)	\$ -
Paid-in capital	-	89,363	-	-	-	-	-	-	89,363	(89,363)	-
TOTAL EQUITY	\$ -	\$ 89,368	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,368	\$ (89,368)	\$ -
<u>NET ASSETS</u>											
Unrestricted	\$ (6,102,310)	\$ 1,266,343	\$ 396,002	\$ (127)	\$ (290,627)	\$ 176,775	\$ (210,730)	\$ 407,963	\$ (4,356,711)	\$ -	\$ (4,356,711)
Temporarily restricted	5,231,940	-	-	15,000	-	-	-	313,750	5,560,690	-	5,560,690
Permanently restricted	-	-	-	-	-	-	423,953	-	423,953	-	423,953
TOTAL NET ASSETS/EQUITY	\$ (870,370)	\$ 1,266,343	\$ 396,002	\$ 14,873	\$ (290,627)	\$ 176,775	\$ 213,223	\$ 721,713	\$ 1,627,932	\$ -	\$ 1,627,932
TOTAL LIABILITIES AND NET ASSETS/EQUITY	\$ 52,771,516	\$ 1,697,711	\$ 1,350,848	\$ 524,609	\$ 216,123	\$ 234,751	\$ 848,140	\$ 814,768	\$ 58,458,466	\$ (14,797,620)	\$ 43,660,846

See Independent Auditors' Report on Supplementary Information.

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES
for the year ended September 30, 2012

	International Association of Fire Fighters Foundation								Total	Eliminating Entries	Consolidated Balance
	IAFF	IAFF Financial Corporation	International Association of Fire Fighters Foundation	International Association of Fire Fighters Burn Foundation	John P. Redmond Memorial Foundation	International Association of Fire Fighters Disaster Relief Fund	IAFF Fallen Fire Fighter Memorial Fund, Inc.	W.H. "Howie" McClennan Scholarship Fund			
SUPPORT AND REVENUE											
Per capita tax	\$ 40,242,684	\$ -	\$ -	\$ -	\$ 134,512	\$ -	\$ -	\$ -	\$ 40,377,196	\$ (134,512)	\$ 40,242,684
Conference and seminar registration fees	2,512,119	-	-	-	16,500	-	-	-	2,528,619	(414,155)	2,114,464
Contributions	4,272,525	-	156,514	308,263	558	2,867	3,048	401,721	5,145,496	(1,895,326)	3,250,170
Royalties	594,976	1,585,439	81,418	45,616	43,004	-	66	6,652	2,357,171	-	2,357,171
Grants	5,886,610	-	-	713,631	-	-	-	-	6,600,241	-	6,600,241
Reimbursed legal expenses	405,640	-	-	-	-	-	-	-	405,640	-	405,640
Initiation, reinstatement and charter fees	129,644	-	-	-	-	-	-	-	129,644	-	129,644
Proceeds from sales	66,284	-	109,380	-	-	-	-	-	175,664	(60,000)	115,664
Investment income	679,074	3,621	(180)	(193)	4,948	500	5,576	25,189	718,535	-	718,535
Other revenues	1,934,598	101,708	-	39	43,000	-	-	-	2,079,345	(655,582)	1,423,763
TOTAL SUPPORT AND REVENUE	\$ 56,724,154	\$ 1,690,768	\$ 347,132	\$ 1,067,356	\$ 242,522	\$ 3,367	\$ 8,690	\$ 433,562	\$ 60,517,551	\$ (3,159,575)	\$ 57,357,976
EXPENSES											
Program	\$ 45,227,258	\$ 1,265,249	\$ 263,456	\$ 804,513	\$ 35,325	\$ 17,500	\$ 428,389	\$ 86,250	\$ 48,127,940	\$ (3,159,575)	\$ 44,968,365
Management and general	13,433,258	-	50,767	155,026	6,804	73	16,283	222	13,662,433	-	13,662,433
Fundraising	-	-	17,586	53,702	-	-	-	-	71,288	-	71,288
TOTAL EXPENSES	\$ 58,660,516	\$ 1,265,249	\$ 331,809	\$ 1,013,241	\$ 42,129	\$ 17,573	\$ 444,672	\$ 86,472	\$ 61,861,661	\$ (3,159,575)	\$ 58,702,086
CHANGE IN NET ASSETS/EQUITY BEFORE CHANGE IN CUMULATIVE FOREIGN CURRENCY TRANSLATION AND INCOME TAXES	\$ (1,936,362)	\$ 425,519	\$ 15,323	\$ 54,115	\$ 200,393	\$ (14,206)	\$ (435,982)	\$ 347,090	\$ (1,344,110)	\$ -	\$ (1,344,110)
INCOME TAXES	-	(174,088)	-	-	-	-	-	-	(174,088)	-	(174,088)
CHANGE IN CUMULATIVE FOREIGN CURRENCY TRANSLATION	157,761	-	-	-	-	-	-	-	157,761	-	157,761
CHANGE IN NET ASSETS BEFORE INCREMENTAL EFFECT OF DEFINED BENEFIT PLAN	\$ (1,778,601)	\$ 251,431	\$ 15,323	\$ 54,115	\$ 200,393	\$ (14,206)	\$ (435,982)	\$ 347,090	\$ (1,360,437)	\$ -	\$ (1,360,437)
INCREMENTAL EFFECT ON NET ASSETS OF DEFINED BENEFIT PLAN	(4,755,542)	-	-	-	-	-	-	-	(4,755,542)	-	(4,755,542)
CHANGE IN NET ASSETS	\$ (6,534,143)	\$ 251,431	\$ 15,323	\$ 54,115	\$ 200,393	\$ (14,206)	\$ (435,982)	\$ 347,090	\$ (6,115,979)	\$ -	\$ (6,115,979)
NET ASSETS/EQUITY, beginning of year	5,663,773	1,104,280	(120,775)	11,610	177,127	(64,585)	686,751	375,098	7,833,279	(89,368)	7,743,911
EQUITY TRANSFERS	-	-	501,454	(50,852)	(668,147)	255,566	(37,546)	(475)	-	-	-
NET ASSETS/EQUITY, end of year	\$ (870,370)	\$ 1,355,711	\$ 396,002	\$ 14,873	\$ (290,627)	\$ 176,775	\$ 213,223	\$ 721,713	\$ 1,717,300	\$ (89,368)	\$ 1,627,932

See Independent Auditors' Report on Supplementary Information.

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES

CONSOLIDATING SCHEDULE OF EXPENSES BY ENTITY
for the year ended September 30, 2012

	International Association of Fire Fighters Foundation										Eliminating Entries	Consolidated Balance
	IAFF	IAFF Financial Corporation	International Association of Fire Fighters Foundation	International Association of Fire Fighters Burn Foundation	John P. Redmond Memorial Foundation	International Association of Fire Fighters Disaster Relief Fund	IAFF Fallen Fire Fighter Memorial Fund, Inc	W.H. "Howie" McClellan Scholarship Fund	Total			
Salaries	\$ 14,080,032	\$ 278,578	\$ 11,461	\$ 94,073	\$ -	\$ -	\$ (3,599)	\$ -	\$ 14,460,545	\$ (100,575)	\$ 14,359,970	
Employee reimbursements	2,264,297	22,979	2,562	76,406	-	-	3,829	-	2,370,073	-	2,370,073	
Employee benefits	3,796,362	23,897	-	-	-	-	-	-	3,820,259	-	3,820,259	
Accounting and audit	112,772	19,489	-	-	-	-	-	-	132,261	-	132,261	
Advertising	392,400	360,000	-	631	-	-	-	-	753,031	(360,000)	393,031	
Aid to affiliates	348,666	-	-	-	-	-	-	-	348,666	-	348,666	
Audio/visual expense	422,802	-	3,025	5,166	7	-	1,470	-	432,470	-	432,470	
Awards	42,250	-	148	2,038	-	17,500	-	-	61,936	-	61,936	
Bad debt expense	31,336	-	-	-	-	-	-	-	31,336	-	31,336	
Board expenses	-	3,757	-	-	-	-	-	-	3,757	-	3,757	
Computer	671,664	-	7,513	85	-	-	-	-	679,262	-	679,262	
Consultants	5,741,412	162,473	43,302	494,027	42,029	-	75,082	-	6,558,325	(12,000)	6,546,325	
Convention expenses	3,858,522	-	-	-	-	-	-	-	3,858,522	(60,000)	3,798,522	
Cost of sales	350,598	-	73,556	-	-	-	-	-	424,154	-	424,154	
Depreciation and amortization	225,872	21,104	4,059	-	-	-	8,383	-	259,418	-	259,418	
Dinners and honoraria	157,376	-	-	-	-	-	-	-	157,376	-	157,376	
Donations	225,110	69,000	29,752	16,692	-	-	-	-	340,554	(69,000)	271,554	
Dues and subscriptions	331,431	-	5,330	23,993	-	-	-	-	360,754	-	360,754	
Grants	-	-	-	-	-	-	-	86,250	86,250	-	86,250	
Insurance and bonding	227,833	11,902	-	-	-	-	-	-	239,735	-	239,735	
Interest expense	8,611	-	-	-	-	-	-	-	8,611	-	8,611	
Journal and publication expenses	1,278,304	-	-	-	-	-	-	-	1,278,304	-	1,278,304	
Legal services	2,263,284	34,924	541	-	-	-	-	-	2,298,749	-	2,298,749	
Marketing and promotion expenses	33,844	161,687	7,805	36,910	-	-	-	-	240,246	(131,000)	109,246	
Miscellaneous expenses	225,149	799	105,561	14,022	93	73	981	-	346,678	(81)	346,597	
Office expense and supplies	278,937	1,358	8,019	8,321	-	-	1,930	-	298,565	-	298,565	
Office machine rental and maintenance	93,064	-	-	(503)	-	-	7,780	-	100,341	-	100,341	
Penalties	4,175	-	-	-	-	-	-	-	4,175	-	4,175	
Pension expense	4,949,441	23,064	-	-	-	-	-	-	4,972,505	-	4,972,505	
Affiliations per capita tax	2,565,829	-	-	-	-	-	-	-	2,565,829	-	2,565,829	
Political contributions	7,580,012	-	-	-	-	-	-	-	7,580,012	(2,240,481)	5,339,531	
Postage and freight	351,713	1,575	769	5,126	-	-	137	-	359,320	-	359,320	
Printing and copying	584,376	1,195	21,382	29,484	-	-	-	-	636,437	-	636,437	
Participant expense	-	-	-	86,836	-	-	-	-	86,836	-	86,836	
Redmond Fund contribution	134,430	-	-	-	-	-	-	-	134,430	(134,430)	-	
Rent	2,298,959	51,000	-	-	-	-	1,679	-	2,351,638	(51,000)	2,300,638	
Seminars	1,499,946	-	-	64,445	-	-	343,850	-	1,908,241	-	1,908,241	
Taxes - payroll	993,360	9,955	-	-	-	-	-	-	1,003,315	-	1,003,315	
Taxes - income taxes	-	174,088	-	-	-	-	-	-	174,088	-	174,088	
Taxes - other	70,100	-	-	-	-	-	-	222	70,322	-	70,322	
Telephone and utilities	226,431	6,513	-	2,329	-	-	3,150	-	238,423	(1,008)	237,415	
FAS 158 adjustment	4,755,542	-	-	-	-	-	-	-	4,755,542	-	4,755,542	
Fringe pool	(60,184)	-	7,024	53,160	-	-	-	-	-	-	-	
Total expenses	\$ 63,416,058	\$ 1,439,337	\$ 331,809	\$ 1,013,241	\$ 42,129	\$ 17,573	\$ 444,672	\$ 86,472	\$ 66,791,291	\$ (3,159,575)	\$ 63,631,716	

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