

**INTERNATIONAL ASSOCIATION OF FIREFIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION**

Year Ended September 30, 2014

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INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of International Association of Fire Fighters (a nonprofit organization) and its subsidiary and affiliates (the Association), which comprise the consolidated statement of financial position as of September 30, 2014, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of International Association of Fire Fighters and its subsidiary and affiliates (the Association) as of September 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2015 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, and 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* in considering the Association's internal control over financial reporting and compliance.

Renner & Company, CPA, PC

Alexandria, Virginia
January 22, 2015

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
September 30, 2014

ASSETS						LIABILITIES AND NET ASSETS					
	Unrestricted		Temporarily	Permanently			Unrestricted		Temporarily	Permanently	
	Unrestricted	Pension	Restricted	Restricted	Total		Unrestricted	Pension	Restricted	Restricted	Total
CURRENT ASSETS						CURRENT LIABILITIES					
Cash and cash equivalents	\$ 6,408,619	\$ -	\$ 5,531,788	\$ -	\$11,940,407	Accounts payable	\$ 3,104,203	\$ -	\$ -	\$ -	\$ 3,104,203
Investments	13,825,725	-	-	-	13,825,725	Accrued expenses					
Accounts receivable, net	2,277,468	-	-	-	2,277,468	Salaries and benefits	317,783	-	-	-	317,783
Grants receivable	1,762,844	-	-	-	1,762,844	Leave and severance	3,262,392	-	-	-	3,262,392
Financial assistance loans, net	150,435	-	-	-	150,435	Accrued pension liability	-	3,375,263	-	-	3,375,263
Prepaid expenses	1,576,294	-	-	-	1,576,294	Deferred rent	186,144	-	-	-	186,144
Inventories	78,649	-	-	-	78,649	Deferred revenue	559,018	-	-	-	559,018
						Deferred tax liability	83,038	-	-	-	83,038
						Capital lease obligation	118,825	-	-	-	118,825
TOTAL CURRENT ASSETS	26,080,034	-	5,531,788	-	31,611,822						
PROPERTY, net	3,293,977	-	-	-	3,293,977	TOTAL CURRENT LIABILITIES	7,631,403	3,375,263	-	-	11,006,666
OTHER ASSETS						LONG-TERM LIABILITIES					
Financial assistance loans, net	358,787	-	-	-	358,787	Accrued pension liability, net of current	-	26,278,484	-	-	26,278,484
Other investments - United Unions, Inc.	2,088,645	-	-	-	2,088,645	Deferred rent, net of current	938,635	-	-	-	938,635
Collections - Memorials	-	-	-	423,953	423,953	Capital lease obligation, net of current	217,554	-	-	-	217,554
Deferred compensation investments	3,145,503	-	-	-	3,145,503	Deferred compensation liability	3,146,421	-	-	-	3,146,421
Rabbi Trust assets	-	4,212,742	-	-	4,212,742	Rabbi Trust liability	-	4,212,742	-	-	4,212,742
Goodwill	150,000	-	-	-	150,000						
						TOTAL LONG-TERM LIABILITIES	4,302,610	30,491,226	-	-	34,793,836
TOTAL OTHER ASSETS	5,742,935	4,212,742	-	423,953	10,379,630	TOTAL LIABILITIES	11,934,013	33,866,489	-	-	45,800,502
						COMMITMENTS					
						NET ASSETS					
						Unrestricted	23,182,933	(29,653,747)	-	-	(6,470,814)
						Temporarily Restricted	-	-	5,531,788	-	5,531,788
						Permanently Restricted	-	-	-	423,953	423,953
						TOTAL NET ASSETS (DEFICIT)	23,182,933	(29,653,747)	5,531,788	423,953	(515,073)
TOTAL ASSETS	\$35,116,946	\$ 4,212,742	\$ 5,531,788	\$ 423,953	\$45,285,429	TOTAL LIABILITIES AND NET ASSETS	\$35,116,946	\$ 4,212,742	\$ 5,531,788	\$ 423,953	\$45,285,429

See notes to Consolidated Financial Statements.

**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES**

**CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended September 30, 2014**

	Unrestricted		Temporarily	Permanently	Total
	Unrestricted	Pension	Restricted	Restricted	
SUPPORT AND REVENUE					
Per capita tax	\$ 36,419,330	\$ -	\$ 5,631,260	\$ -	\$ 42,050,590
Conference and seminar registration fees	2,381,401	-	-	-	2,381,401
Contributions	1,430,433	-	1,643,914	-	3,074,347
Royalties	2,711,252	-	-	-	2,711,252
Grants	7,206,485	-	-	-	7,206,485
Reimbursed legal expenses	232,000	-	-	-	232,000
Initiation, reinstatement and charter fees	165,960	-	-	-	165,960
Proceeds from sales	43,848	-	-	-	43,848
Investment income	472,950	-	3,882	-	476,832
Other revenues	907,388	-	-	-	907,388
Net assets released from restrictions	7,085,695	-	(7,085,695)	-	-
TOTAL SUPPORT AND REVENUE	59,056,742	-	193,361	-	59,250,103
EXPENSES					
Program	44,339,162	3,991,701	-	-	48,330,863
Management and general	11,920,416	1,132,434	-	-	13,052,850
Fundraising	14,376	-	-	-	14,376
TOTAL EXPENSES	56,273,954	5,124,135	-	-	61,398,089
CHANGE IN NET ASSETS BEFORE CHANGE IN CUMULATIVE FOREIGN CURRENCY TRANSLATION AND INCOME TAXES	2,782,788	(5,124,135)	193,361	-	(2,147,986)
INCOME TAXES	(101,527)	-	-	-	(101,527)
CHANGE IN CUMULATIVE FOREIGN CURRENCY TRANSLATION	(320,137)	-	-	-	(320,137)
CHANGE IN NET ASSETS BEFORE INCREMENTAL EFFECT OF DEFINED BENEFIT PLAN	2,361,124	(5,124,135)	193,361	-	(2,569,650)
INCREMENTAL EFFECT ON NET ASSETS OF DEFINED BENEFIT PLAN	-	(4,324,167)	-	-	(4,324,167)
CHANGE IN NET ASSETS					
Unrestricted	2,361,124	(9,448,302)	-	-	(7,087,178)
Temporarily restricted	-	-	193,361	-	193,361
Permanently restricted	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	2,361,124	(9,448,302)	193,361	-	(6,893,817)
NET ASSETS, beginning of year	24,140,823	(23,524,459)	5,338,427	423,953	6,378,744
EQUITY TRANSFERS	(3,319,014)	3,319,014	-	-	-
NET ASSETS, end of year	\$ 23,182,933	\$ (29,653,747)	\$ 5,531,788	\$ 423,953	\$ (515,073)

See notes to Consolidated Financial Statements.

**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES**

**CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended September 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from operations	
Support and revenue	\$ 59,241,344
Investment income	342,721

Total cash received by operations	<u>59,584,065</u>
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Cash used in operations	
Payments to program recipients, employees, and suppliers	60,154,697
Interest paid	232,424
Income taxes paid	213,622

Total cash disbursed by operations	<u>60,600,743</u>
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NET CASH USED BY OPERATING ACTIVITIES	<u>(1,016,678)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Financial assistance loans repayments received	256,847
New financial assistance loans made	(268,336)
Purchase of investments	(2,401,115)
Proceeds from redemption of investments	1,764,281
Purchase of property and leasehold improvements	(1,879,027)
Purchase of Sun Mountain Media, LLC	(200,000)
Deferred compensation plan investment activity	918

NET CASH USED BY INVESTING ACTIVITIES	<u>(2,726,432)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES

Payments on capital leases	<u>(110,640)</u>
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NET DECREASE IN CASH	(3,853,750)
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CASH AND CASH EQUIVALENTS, beginning of year	<u>15,794,157</u>
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CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 11,940,407</u></u>
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NON-CASH INVESTING ACTIVITIES

Unrealized loss in market value of investments	\$ 134,111
Decrease in investment value	<u>(134,111)</u>

<u><u>\$ -</u></u>

See notes to Consolidated Financial Statements.

**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES**

**CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended September 30, 2014**

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

CHANGE IN NET ASSETS	<u>\$ (6,893,817)</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES	
Depreciation and amortization	367,004
Unrealized gains on investments	(134,111)
Incremental effect of defined benefit plan	4,324,167
Non-cash occupancy costs	<u>(119,675)</u>
NET ADJUSTMENTS	<u>4,437,385</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH	
ASSETS	
Accounts receivable	(45,292)
Grants receivable	403,715
Prepaid expense	(1,034,018)
Inventories	<u>(9,429)</u>
	<u>(685,024)</u>
LIABILITIES	
Accounts payable	(186,044)
Accrued expenses	313,013
Accrued pension liabilities	1,805,121
Deferred revenue	109,650
Deferred tax liability	<u>83,038</u>
	<u>2,124,778</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>1,439,754</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (1,016,678)</u></u>

See notes to Consolidated Financial Statements.

**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2014**

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The International Association of Fire Fighters (The Association) 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 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. During 2014, the Fund was dissolved and its operations were absorbed by the International Association of Fire Fighters Foundation.

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 Association 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.

E-18 Media, LLC is a wholly-owned subsidiary of the IAFF Financial Corporation and was incorporated on September 28, 2012. The Company's purpose is to produce educational and promotional videos and media in support of causes relevant to fire fighting and emergency response professionals.

Summary of Significant Accounting Policies

Principles of Consolidation

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

**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2014**

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

Summary of Significant Accounting Policies (Continued)

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, 2014 of 89.62% and by applying the average translation rate for revenue and expenses for the year ended September 30, 2014 of 92.42%. Changes in the foreign currency translation rate subsequent to September 30, 2014 may materially affect unsettled foreign currency transactions as of that date. The Association does not reflect those effects in these financial statements.

Cash and Cash Equivalents

Cash consists of checking and money market accounts while cash equivalents consist of cash and highly liquid debt instruments with original maturities of three months or less, including money market funds held within credit unions. Cash and money markets funds held in brokerage accounts are considered as investments.

Investments

Investments consist of cash and money market funds held in brokerage accounts, certificates of deposit having initial maturities of more than three months, an open-ended mutual fund that invests primarily in construction loans, mortgages, or mortgage-backed securities, and equity securities held in mutual funds and exchange-traded products. 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 and equity securities are 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.

**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2014**

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

Summary of Significant Accounting Policies (Continued)

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, 2014. Management reviews accounts receivable to determine collectability. An amount of \$126,477 has been estimated as an allowance for doubtful accounts as of September 30, 2014. 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, 2014, \$3,879 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. As of September 30, 2014, this investment was valued at \$2,088,645.

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's FIREPAC Education Fund unless otherwise specified by the local making the purchase.

**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2014**

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

Summary of Significant Accounting Policies (Continued)

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 within the IAFF Foundation 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.

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 eight 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.

**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2014**

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

Summary of Significant Accounting Policies (Continued)

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, 2014 was \$220,013.

Income Taxes

The Association 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, 2014, the Association has no accrued tax liability.

The IAFF Financial Corporation, a for profit subsidiary of the Association, and its wholly owned subsidiary, E-18 Media, LLC are 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, 2014, IAFF Financial Corporation and its subsidiary has no deferred tax asset or liability. Income tax expense for the year ended September 30, 2014 was \$101,527.

The International Association of Fire Fighters Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as a publicly-supported organization. However, it is subject to tax on income generated by unrelated business activities as provided for in the tax law. To date, this organization has 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.

**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2014**

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

Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

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 2011, 2012, and 2013 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.

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 collectability of receivables is based on their understanding of the facts and circumstances of each account.

Translation Costs

Management estimates that there is 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.

**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2014**

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at September 30, 2014 consisted of the following:

Checking - U.S.	\$ 5,806,971
Checking - Canada	4,587,584
Money market funds	1,544,654
Petty cash	1,198
	<u>\$ 11,940,407</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, 2014, cash and cash equivalents not insured by FDIC or CDIC were \$11,087,040.

3. INVESTMENTS

Investments at September 30, 2014 consisted of the following:

Cash and money funds	\$ 937,314
AFL-CIO Housing Trust - United Unions reserve	1,233,313
AFL-CIO Housing Trust accounts - Other	10,829,267
Certificates of deposit - U.S.	216,076
Mutual funds	336,331
Exchange-traded products	273,424
	<u>\$ 13,825,725</u>

Investment income for the year ended September 30, 2014 consisted of the following:

Interest and dividends	\$ 342,721
Unrealized gains (losses)	134,111
	<u>\$ 476,832</u>

**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2014**

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.

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.

**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2014**

4. FAIR VALUE MEASUREMENTS (Continued)

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, 2014 and 2013:

	September 30, 2014			
	Level 1	Level 2	Level 3	Fair Value
Cash and money funds	\$ 937,314	\$ -	\$ -	\$ 937,314
AFL-CIO Housing Trust				
United Unions reserve	-	1,233,313	-	1,233,313
AFL-CIO Housing Trust				
Other	-	10,829,267	-	10,829,267
Certificates of deposit - U.S.	-	216,076	-	216,076
Mutual funds	336,331	-	-	336,331
Exchange-traded products	273,424	-	-	273,424
	<u>\$ 1,547,069</u>	<u>\$ 12,278,656</u>	<u>\$ -</u>	<u>\$ 13,825,725</u>

	September 30, 2013			
	Level 1	Level 2	Level 3	Fair Value
AFL-CIO Housing Trust				
United Unions reserve	\$ -	\$ 1,181,227	\$ -	\$ 1,181,227
AFL-CIO Housing Trust				
Other	-	10,109,272	-	10,109,272
Certificates of deposit - U.S.	-	1,764,281	-	1,764,281
	<u>\$ -</u>	<u>\$ 13,054,780</u>	<u>\$ -</u>	<u>\$ 13,054,780</u>

5. ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2014 consisted of the following:

Per capita tax - U.S.	\$ 1,064,280
Per capita tax - Canada	27,082
Royalty	596,048
Other	716,535
	<u>\$ 2,403,945</u>
Less: Provision for doubtful accounts	(126,477)
	<u>\$ 2,277,468</u>

**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2014**

6. PROPERTY AND EQUIPMENT

A summary of information related to property and depreciation for the year ended September 30, 2014 is as follows:

	Cost	Depreciation expense	Accumulated depreciation	Book value	Estimated useful life (years)
Furniture and equipment	\$ 1,466,008	\$ 179,193	\$ 719,054	\$ 746,954	5 - 10
Equipment under capital leases	700,452	123,506	382,941	317,511	4 - 5
Leasehold improvements	2,893,008	64,305	663,496	2,229,512	10
	<u>\$ 5,059,468</u>	<u>\$ 367,004</u>	<u>\$ 1,765,491</u>	<u>\$ 3,293,977</u>	

7. COLLECTIONS - MEMORIALS

The IAFF Fallen Fire Fighter Memorial Fund within the IAFF Foundation 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
	<u>\$ 423,953</u>

8. GOODWILL

In November 2013, E-18 Media, LLC purchased Sun Mountain Media, Inc for \$200,000 with the total fair market value of assets of \$50,000. The remaining amount of \$150,000 was recognized as goodwill. In accordance with the generally accepted accounting principles, the Association evaluates the goodwill on an annual basis for potential impairment. No impairment loss was recorded for the year ended September 30, 2014.

9. 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.

**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2014**

9. PENSION PLANS (Continued)

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 loss of \$4,324,167, which has been separately reported in the consolidated statements of activities as an increase 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.

The following is a summary of the defined benefit plans as of September 30, 2014 as provided by the Association's consulting actuary.

	Rabbi Trust	Staff Representatives	Employees	Total
Change in projected benefit obligation				
Projected benefit obligation, beginning of the year	\$ 6,644,949	\$ 57,219,858	\$ 29,127,220	\$ 92,992,027
Service cost	375,857	2,256,945	1,961,589	4,594,391
Interest cost	309,183	2,654,417	1,367,064	4,330,664
Benefits paid	(305,621)	(2,187,637)	(469,305)	(2,962,563)
Expenses paid	(5,152)	(365,623)	(160,043)	(530,818)
Actuarial (gain) loss	459,143	5,696,275	2,790,746	8,946,164
Projected benefit obligation, end of the year	\$ 7,478,359	\$ 65,274,235	\$ 34,617,271	\$ 107,369,865
Change in plan assets				
Fair value of plan assets, beginning of the year	\$ 4,049,189	\$ 47,229,457	\$ 18,188,922	\$ 69,467,568
Actual return on plan assets	174,326	5,948,358	2,300,231	8,422,915
Employer contributions	300,000	2,419,016	600,000	3,319,016
Benefits and expenses paid	(310,773)	(2,553,260)	(629,348)	(3,493,381)
Fair value of plan assets end of the year	\$ 4,212,742	\$ 53,043,571	\$ 20,459,805	\$ 77,716,118
Funded status - benefit obligation in excess of plan assets	\$ 3,265,617	\$ 12,230,664	\$ 14,157,466	\$ 29,653,747
Accumulated benefit obligation	\$ 7,478,359	\$ 65,274,235	\$ 34,617,271	\$ 107,369,865

**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2014**

9. PENSION PLANS (Continued)

	Rabbi Trust	Staff Representatives	Employees	Total
Component of net periodic pension costs				
Service cost - benefits earned	\$ 375,857	\$ 2,256,945	\$ 1,961,589	\$ 4,594,391
Interest cost	309,183	2,654,417	1,367,064	4,330,664
Expected return on plan assets	(345,386)	(4,079,614)	(1,535,695)	(5,960,695)
Net amortization and deferral	341,575	1,468,997	349,204	2,159,776
Total net periodic pension cost	<u>\$ 681,229</u>	<u>\$ 2,300,745</u>	<u>\$ 2,142,162</u>	<u>\$ 5,124,136</u>

	Rabbi Trust	Staff Representatives	Employees
Weighted-average assumptions			
Discount rate	4.25%	4.25%	4.25%
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.

	Rabbi Trust	Staff Representatives	Employees
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%

**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2014**

9. PENSION PLANS (Continued)

The table below presents the balances of pension assets measured at fair value on a recurring basis, as of September 30, 2014.

	Fair value			
	Level 1	Level 2	Level 3	Total
Plan Assets				
Cash equivalents	\$ 170,537	\$ -	\$ -	\$ 170,537
U.S. government securities	12,054,353	-	-	12,054,353
Municipal bonds	1,435,568	-	-	1,435,568
Common stocks	43,485,384	-	-	43,485,384
Corporate bonds	12,146,180	-	-	12,146,180
Pooled funds	3,700,806	-	-	3,700,806
AFL-CIO investment trust	-	4,127,487	-	4,127,487
Total plan assets measured at fair value	<u>\$ 72,992,828</u>	<u>\$ 4,127,487</u>	<u>\$ -</u>	<u>\$ 77,120,315</u>
Net receivables				595,803
				<u>\$ 77,716,118</u>

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, 2014. The expected benefit payments shown below are based on the same assumptions used to determine the Projected Benefit Obligation as of September 30, 2014, and includes benefits attributable to estimated future employee service.

	Rabbi	Staff	Employees	Total
	Trust	Representatives		
2015	\$ 289,145	\$ 2,505,488	\$ 580,630	\$ 3,375,263
2016	303,119	2,610,053	636,195	3,549,367
2017	317,513	2,716,323	665,520	3,699,356
2018	332,339	2,803,887	784,546	3,920,772
2019	347,610	2,947,669	817,011	4,112,290
2020 - 2024	1,983,633	16,425,683	5,199,087	23,608,403
	<u>\$ 3,573,359</u>	<u>\$ 30,009,103</u>	<u>\$ 8,682,989</u>	<u>\$ 42,265,451</u>

During the next fiscal year, the Association expects to collectively contribute approximately \$3,700,000 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.

**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2014**

9. PENSION PLANS (Continued)

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, 2014 are as follows:

Defined benefit plans	
Officers- Rabbi Trust	\$ 681,229
Staff Representatives	2,300,745
Employees	2,142,162
	<u>\$ 5,124,136</u>
Other pension expense	
401(k) match and administrative costs	\$ 242,579
Canadian pension benefit payments	69,016
	<u>\$ 311,595</u>

10. INCOME TAXES

Included in the provision for income taxes as of September 30, 2014 is a deferred tax liability of \$83,038 pertaining to the IAFF Financial Corporation's 2013 tax filings. The Corporation's effective rate differs from its statutory rate due to state income taxes and non-deductible expenses. No valuation allowance has been provided against the Corporation's deferred tax assets as the Corporation believes further taxable income will be sufficient to realize the benefit. The Corporation has Section 179 deduction carryover of \$138,152 to be used to offset taxable income for Federal tax return purposes until the full amount is used.

The tax effects of temporary difference between financial reporting bases and income tax bases of assets and liabilities at September 30, 2014 relate to the following:

Current deferred tax assets

Resulting from differences in timing of recognition of charitable contributions	\$ 21,021
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Current deferred tax liabilities

Resulting from differences in timing of recognition of depreciation expense	<u>(104,059)</u>
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Net deferred federal and state tax liabilities, before allowance	(83,038)
Allowance for deferred tax assets	-
Net deferred tax liability	<u>\$ (83,038)</u>

**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2014**

10. INCOME TAXES (Continued)

The provision for income taxes consisted of the following as of September 30, 2014:

Deferred income tax liabilities, beginning of year	\$ -
Deferred income tax liabilities, end of year	83,038
Increase in deferred tax liabilities	<u>\$ 83,038</u>
Current year tax expense	
Federal	\$ 75,451
District of Columbia	26,076
Total provision for income taxes	<u>\$ 101,527</u>

11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available as of September 30, 2014 for the following purposes:

	Balance at September 30, 2013	Revenue and Support	Released	Balance at September 30, 2014
IAFF PAC	\$ 5,115,278	\$ 6,909,151	\$ (6,892,491)	\$ 5,131,938
Burn Fund - Research	30,000	-	-	30,000
Burn Fund - Burn Camp	-	11,060	(11,060)	-
Burn Fund - General	-	64,735	(64,735)	-
John P. Redmond Fund	917	1,355	-	2,272
Fallen Memorial Fund	-	7,716	(7,716)	-
Disaster Relief Fund	-	2,924	(2,924)	-
McClennan Scholarship Fund	192,232	241,720	(106,769)	327,183
Foundation -				
Susan G. Komen Program Fund	-	40,395	-	40,395
	<u>\$ 5,338,427</u>	<u>\$ 7,279,056</u>	<u>\$ (7,085,695)</u>	<u>\$ 5,531,788</u>

12. DONATED PROPERTY

The City of Colorado Springs granted to the IAFF Fallen Fire Fighter Memorial Fund within the IAFF Foundation a park license for its use of city land on which the memorials stand. Should the Foundation 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, 2028. At that date, the license may be renewed for an additional twenty-five years. The value of this donated property has not been reflected in the financial statements.

**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2014**

13. ACQUISITION - SUN MOUNTAIN MEDIA, INC.

On November 4, 2013, the IAFF Financial Corporation entered into an asset purchase agreement to acquire Sun Mountain Media, Inc. (the Company). The Company is in the business of developing and producing videos and other multimedia content for campaign and organizational promotion. As a result of the acquisition, the Corporation obtained all the owned equipment and fixed assets of the Company, all intangible assets attributed to the Company, all files and records of the Company, while also acquiring all viable claims against the Company by third parties.

Recognized amounts of identifiable assets acquired	
Contribution received in acquisition (Cash)	<u>\$ 200,000</u>

14. 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, 2014 was \$2,318,740.

At September 30, 2014, future minimum lease payments under this operating lease are as follows:

2015	\$ 2,282,075
2016	2,350,538
2017	2,421,054
2018	2,280,178
	<u>\$ 9,333,845</u>

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 these capital leases were recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are depreciated over their related lease term.

**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2014**

14. COMMITMENTS AND CONTINGENCIES (Continued)

Capital Leases (Continued)

Payments under the capital leases are due as follows:

	Total Payment	Interest Portion	Net
2015	\$ 146,796	\$ 27,971	\$ 118,825
2016	123,149	19,001	104,148
2017	75,857	10,697	65,160
2018	50,572	2,326	48,246
	<u>\$ 396,374</u>	<u>\$ 59,995</u>	<u>\$ 336,379</u>

Interest paid during the fiscal year ended September 30, 2014 under these capital leases was \$36,157.

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 \$4,285,000 to secure pension costs in Canada. As of September 30, 2014, 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, 2014, the maximum cancellation penalty would be \$4,123,960. Subsequent to year end, the Association had satisfied the terms of several of these contracts in the amount of \$525,444.

Subsequent to the fiscal year end, the Association also entered into an agreement with a hotel for future meetings. As of January 22, 2015, total cancellation fees for these agreements were \$354,843.

15. CONDITIONAL GRANT

The Association has been awarded federal grants which are conditioned upon the Association's progression on various programs. The remaining amount to be received for these promises at September 30, 2014 was \$6,383,525.

**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2014**

16. 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, 2014, gross revenue from per capita tax was \$42,050,590, which approximates 71% of the consolidated gross support and revenue.

17. SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 22, 2015, the date the financial statements were available to be issued.

Future Meeting Sites

As mentioned in Note 14, the Association entered into agreements with hotels for future conventions and meetings. Subsequent to the fiscal year end, the Association held several of these meetings and satisfied the terms of the cancellation penalties in the amount of \$525,444. Additionally, the Association entered into further agreements with a hotel for future meetings subsequent to the fiscal year end. Cancellation fees for this agreement as of January 22, 2015 were \$354,843.

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, 2014, and have issued our report thereon dated January 22, 2015 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated 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 the purpose of additional analysis and are 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Renner & Company, CPA, PC

Alexandria, Virginia
January 22, 2015

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
September 30, 2014

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	\$ 9,006,405	\$ 1,266,762	\$ 1,667,240	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,940,407	\$ -	\$ 11,940,407
Investments	13,011,265	-	-	-	98,463	-	216,076	499,921	13,825,725	-	13,825,725
Accounts receivable, net	1,809,241	466,048	-	-	-	-	2,179	-	2,277,468	-	2,277,468
Grants receivable	1,530,266	-	-	232,578	-	-	-	-	1,762,844	-	1,762,844
Financial assistance loans, net	150,435	-	-	-	-	-	-	-	150,435	-	150,435
Prepaid expenses	1,452,160	124,134	-	-	-	-	-	-	1,576,294	-	1,576,294
Inventories	76,378	-	2,271	-	-	-	-	-	78,649	-	78,649
Intercompany receivables	1,578,994	-	-	-	-	-	-	-	1,578,994	(1,578,994)	-
TOTAL CURRENT ASSETS	28,615,144	1,856,944	1,669,511	232,578	98,463	-	218,255	499,921	33,190,816	(1,578,994)	31,611,822
PROPERTY, net	2,673,434	425,579	3,580	-	-	-	191,384	-	3,293,977	-	3,293,977
OTHER ASSETS											
Financial assistance loans, net	358,787	-	-	-	-	-	-	-	358,787	-	358,787
Other investments										(89,368)	-
IAFF Financial Corporation	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	3,145,503	-	-	-	-	-	-	-	3,145,503	-	3,145,503
Rabbi Trust assets	4,212,742	-	-	-	-	-	-	-	4,212,742	-	4,212,742
Goodwill	-	150,000	-	-	-	-	-	-	150,000	-	150,000
TOTAL OTHER ASSETS	9,895,045	150,000	-	-	-	-	423,953	-	10,468,998	(89,368)	10,379,630
TOTAL ASSETS	\$ 41,183,623	\$ 2,432,523	\$ 1,673,091	\$ 232,578	\$ 98,463	\$ -	\$ 833,592	\$ 499,921	\$ 46,953,791	\$ (1,668,362)	\$ 45,285,429

See Independent Auditors' Report on Supplementary Information.

**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
September 30, 2014**

LIABILITIES AND NET 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	W.H. "Howie" McClennan Scholarship Fund			
CURRENT LIABILITIES											
Accounts payable	\$ 2,995,969	\$ 50,258	\$ -	\$ -	\$ -	\$ 57,976	\$ -	\$ -	\$ 3,104,203	\$ -	\$ 3,104,203
Accrued expenses											
Salaries and benefits	312,330	5,453	-	-	-	-	-	-	317,783	-	317,783
Leave and severance	3,140,725	121,667	-	-	-	-	-	-	3,262,392	-	3,262,392
Accrued pension liability	3,375,263	-	-	-	-	-	-	-	3,375,263	-	3,375,263
Deferred rent	186,144	-	-	-	-	-	-	-	186,144	-	186,144
Deferred revenue	559,018	-	-	-	-	-	-	-	559,018	-	559,018
Deferred tax liability	-	83,038	-	-	-	-	-	-	83,038	-	83,038
Capital lease obligation	118,825	-	-	-	-	-	-	-	118,825	-	118,825
Intercompany payables	-	371,183	667,096	390,198	114,261	(608,589)	890,997	(246,152)	1,578,994	(1,578,994)	-
TOTAL CURRENT LIABILITIES	10,688,274	631,599	667,096	390,198	114,261	(550,613)	890,997	(246,152)	12,585,660	(1,578,994)	11,006,666
LONG-TERM LIABILITIES											
Accrued pension liability, net of current	26,278,484	-	-	-	-	-	-	-	26,278,484	-	26,278,484
Deferred rent, net of current	938,635	-	-	-	-	-	-	-	938,635	-	938,635
Capital lease obligation, net of current	217,554	-	-	-	-	-	-	-	217,554	-	217,554
Deferred compensation liability	3,146,421	-	-	-	-	-	-	-	3,146,421	-	3,146,421
Rabbi Trust liability	4,212,742	-	-	-	-	-	-	-	4,212,742	-	4,212,742
TOTAL LONG-TERM LIABILITIES	34,793,836	-	-	-	-	-	-	-	34,793,836	-	34,793,836
TOTAL LIABILITIES	45,482,110	631,599	667,096	390,198	114,261	(550,613)	890,997	(246,152)	47,379,496	(1,578,994)	45,800,502
EQUITY											
Common stock	-	5	-	-	-	-	-	-	5	(5)	-
Paid-in capital	-	89,363	-	-	-	-	-	-	89,363	(89,363)	-
TOTAL EQUITY	-	89,368	-	-	-	-	-	-	89,368	(89,368)	-
NET ASSETS											
Unrestricted	(9,430,425)	1,711,556	965,600	(187,620)	(18,070)	550,613	(481,358)	418,890	(6,470,814)	-	(6,470,814)
Temporarily restricted	5,131,938	-	40,395	30,000	2,272	-	-	327,183	5,531,788	-	5,531,788
Permanently restricted	-	-	-	-	-	-	423,953	-	423,953	-	423,953
TOTAL NET ASSETS (DEFICIT)	(4,298,487)	1,711,556	1,005,995	(157,620)	(15,798)	550,613	(57,405)	746,073	(515,073)	-	(515,073)
TOTAL LIABILITIES AND NET ASSETS/EQUITY	\$ 41,183,623	\$ 2,432,523	\$ 1,673,091	\$ 232,578	\$ 98,463	\$ -	\$ 833,592	\$ 499,921	\$ 46,953,791	\$ (1,668,362)	\$ 45,285,429

See Independent Auditors' Report on Supplementary Information.

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended September 30, 2014

	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	W.H. "Howie" McClennan Scholarship Fund			
SUPPORT AND REVENUE											
Per capita tax	\$ 42,050,589	\$ -	\$ -	\$ -	\$ 135,175	\$ 219,659	\$ 215,435	\$ -	\$ 42,620,858	\$ (570,268)	\$ 42,050,590
Conference and seminar registration fees	2,836,401	-	-	-	-	-	-	-	2,836,401	(455,000)	2,381,401
Contributions	2,332,009	-	302,578	111,044	1,355	2,924	7,717	241,720	2,999,347	75,000	3,074,347
Royalties	619,413	2,007,290	55,081	25,996	1,097	-	2,375	-	2,711,252	-	2,711,252
Grants	6,074,211	-	-	1,132,274	-	-	-	-	7,206,485	-	7,206,485
Reimbursed legal expenses	232,000	-	-	-	-	-	-	-	232,000	-	232,000
Initiation, reinstatement and charter fees	165,960	-	-	-	-	-	-	-	165,960	-	165,960
Proceeds from sales	43,818	-	30	-	-	-	-	-	43,848	-	43,848
Investment income	447,690	1,934	(409)	-	4,158	-	2,336	21,123	476,832	-	476,832
Other revenues	985,786	1,262,933	830	-	-	-	-	-	2,249,549	(1,342,161)	907,388
TOTAL SUPPORT AND REVENUE	55,787,877	3,272,157	358,110	1,269,314	141,785	222,583	227,863	262,843	61,542,532	(2,292,429)	59,250,103
EXPENSES											
Program	45,805,057	3,059,524	8,150	1,322,810	-	8,547	304,646	106,510	50,615,244	(2,284,381)	48,330,863
Management and general	12,994,759	-	8,149	22,462	-	46	27,175	259	13,052,850	-	13,052,850
Fundraising	-	-	-	14,376	-	-	-	-	14,376	-	14,376
TOTAL EXPENSES	58,799,816	3,059,524	16,299	1,359,648	-	8,593	331,821	106,769	63,682,470	(2,284,381)	61,398,089
CHANGE IN NET ASSETS/EQUITY BEFORE CHANGE IN CUMULATIVE FOREIGN CURRENCY TRANSLATION AND INCOME TAXES	(3,011,939)	212,633	341,811	(90,334)	141,785	213,990	(103,958)	156,074	(2,139,938)	(8,048)	(2,147,986)
INCOME TAXES	-	(101,527)	-	-	-	-	-	-	(101,527)	-	(101,527)
CHANGE IN CUMULATIVE FOREIGN CURRENCY TRANSLATION	(328,185)	-	-	-	-	-	-	-	(328,185)	8,048	(320,137)
CHANGE IN NET ASSETS BEFORE INCREMENTAL EFFECT OF DEFINED BENEFIT PLAN	(3,340,124)	111,106	341,811	(90,334)	141,785	213,990	(103,958)	156,074	(2,569,650)	-	(2,569,650)
INCREMENTAL EFFECT ON NET ASSETS OF DEFINED BENEFIT PLAN	(4,324,167)	-	-	-	-	-	-	-	(4,324,167)	-	(4,324,167)
CHANGE IN NET ASSETS	(7,664,291)	111,106	341,811	(90,334)	141,785	213,990	(103,958)	156,074	(6,893,817)	-	(6,893,817)
NET ASSETS/EQUITY, beginning of year	3,365,804	1,689,818	664,184	(67,286)	(157,583)	336,623	46,553	589,999	6,468,112	(89,368)	6,378,744
NET ASSETS/EQUITY, end of year	\$ (4,298,487)	\$ 1,800,924	\$ 1,005,995	\$ (157,620)	\$ (15,798)	\$ 550,613	\$ (57,405)	\$ 746,073	\$ (425,705)	\$ (89,368)	\$ (515,073)

See Independent Auditors' Report on Supplementary Information.

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
AND ITS SUBSIDIARY AND AFFILIATES

CONSOLIDATING SCHEDULE OF EXPENSES BY ENTITY
Year Ended September 30, 2014

	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	W.H. "Howie" McClennan Scholarship Fund			
Salaries	\$ 13,849,562	\$ 741,861	\$ -	\$ 217,890	\$ -	\$ -	\$ -	\$ -	\$ 14,809,313	\$ (123,059)	\$ 14,686,254
Employee reimbursements	2,148,723	63,393	-	35,796	-	-	430	-	2,248,342	-	2,248,342
Employee benefits	3,545,605	137,816	-	42,517	-	-	-	-	3,725,938	-	3,725,938
Accounting and audit	133,097	31,716	-	-	-	-	-	-	164,813	-	164,813
Advertising	220,013	240,000	-	-	-	-	-	-	460,013	(240,000)	220,013
Aid to affiliates	544,541	-	-	-	-	-	-	-	544,541	-	544,541
Audio/visual expense	212,579	-	-	2,294	-	-	-	-	214,873	-	214,873
Awards	41,545	-	-	3,000	-	8,500	-	106,250	159,295	-	159,295
Bad debt expense	7,317	-	-	-	-	-	-	-	7,317	-	7,317
Computer	1,413,513	4,765	-	2,251	-	-	-	-	1,420,529	-	1,420,529
Consultants	6,314,276	447,697	-	655,951	-	-	18,942	-	7,436,866	(24,000)	7,412,866
Convention expenses	3,424,030	-	-	-	-	-	-	-	3,424,030	-	3,424,030
Cost of sales	247,653	-	11	-	-	-	-	-	247,664	-	247,664
Depreciation and amortization	304,435	60,779	1,790	-	-	-	-	-	367,004	-	367,004
Donations	802,173	45,000	-	-	-	-	-	-	847,173	(611,787)	235,386
Dues and subscriptions	392,561	500	-	54,657	-	-	-	-	447,718	-	447,718
Insurance and bonding	352,927	20,916	-	-	-	-	-	-	373,843	-	373,843
Interest and penalties	232,403	21	-	-	-	-	-	-	232,424	-	232,424
Journal and publication expenses	998,023	-	-	-	-	-	-	519	998,542	-	998,542
Legal services	2,947,357	21,810	-	-	-	-	-	-	2,969,167	-	2,969,167
Marketing and promotion expenses	42,641	483,713	31,012	7,616	-	-	-	-	564,982	(455,000)	109,982
Miscellaneous expenses	753,764	11,398	1,433	813	-	93	-	-	767,501	(550,433)	217,068
Office expense and supplies	550,031	21,744	-	11,561	-	-	7,300	-	590,636	-	590,636
Office machine rental and maintenance	85,651	-	-	-	-	-	31,059	-	116,710	-	116,710
Pension expense	4,700,325	353,273	-	70,538	-	-	-	-	5,124,136	-	5,124,136
Affiliations per capita tax	2,550,454	-	-	-	-	-	-	-	2,550,454	-	2,550,454
Political contributions	5,510,307	-	-	-	-	-	-	-	5,510,307	-	5,510,307
Postage and freight	280,768	3,981	-	1,685	-	-	-	-	286,434	-	286,434
Printing and copying	518,775	6,342	-	2,022	-	-	-	-	527,139	-	527,139
Rent	2,317,197	280,102	-	-	-	-	1,543	-	2,598,842	(280,102)	2,318,740
Seminars and meetings	2,092,505	6,532	-	216,696	-	-	272,547	-	2,588,280	-	2,588,280
Taxes - payroll	988,285	45,210	-	16,309	-	-	-	-	1,049,804	-	1,049,804
Taxes - income taxes	-	101,527	-	-	-	-	-	-	101,527	-	101,527
Taxes - other	76,026	17,744	-	-	-	-	-	-	93,770	-	93,770
Telephone and utilities	200,754	13,211	-	105	-	-	-	-	214,070	-	214,070
FAS 158 adjustment	4,324,167	-	-	-	-	-	-	-	4,324,167	-	4,324,167
Overhead allocation	-	-	(17,947)	17,947	-	-	-	-	-	-	-
Fringe pool	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	\$ 63,123,983	\$ 3,161,051	\$ 16,299	\$ 1,359,648	\$ -	\$ 8,593	\$ 331,821	\$ 106,769	\$ 68,108,164	\$ (2,284,381)	\$ 65,823,783

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