

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

**CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION**

Year Ended September 30, 2016

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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 (collectively, the Association), which comprise the consolidated statement of financial position as of September 30, 2016, 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 consolidated 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.

Auditors' 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 auditors' 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 the Association as of September 30, 2016, 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.

Report on Supplementary Information

Our audit was conducted 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 on pages 25 - 28 are presented for purposes 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 consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2017, 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 23, 2017

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
September 30, 2016**

	ASSETS					LIABILITIES AND NET ASSETS				
	Unrestricted		Temporarily Restricted	Permanently Restricted	Total	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Unrestricted	Pension				Unrestricted	Pension			
CURRENT ASSETS										
Cash and cash equivalents	\$ 9,556,842	\$ -	\$ 4,701,709	\$ -	\$ 14,258,551	\$ 5,352,178	\$ -	\$ -	\$ -	\$ 5,352,178
Investments	13,605,358	-	-	-	13,605,358					
Accounts receivable, net of allowance	2,744,018	-	-	-	2,744,018	513,967	-	-	-	513,967
Grants receivable	797,848	-	-	-	797,848	3,379,049	-	-	-	3,379,049
Financial assistance loans, net of allowance	162,082	-	-	-	162,082	-	4,048,028	-	-	4,048,028
Prepaid expenses	352,878	-	-	-	352,878	325,122	-	-	-	325,122
Inventories	42,314	-	-	-	42,314	401,514	-	-	-	401,514
TOTAL CURRENT ASSETS	27,261,340	-	4,701,709	-	31,963,049	10,111,032	4,048,028	-	-	14,159,060
PROPERTY, net	4,515,888	-	-	-	4,515,888					
OTHER ASSETS										
Financial assistance loans, net	279,933	-	-	-	279,933	-	61,319,233	-	-	61,319,233
Other investments - United Unions, Inc.	2,088,645	-	-	-	2,088,645	358,907	-	-	-	358,907
Collections - Memorials	-	-	-	1,576,277	1,576,277	237,453	-	-	-	237,453
Deferred compensation investments	3,210,231	-	-	-	3,210,231	115,560	-	-	-	115,560
Rabbi Trust assets	-	4,760,550	-	-	4,760,550	3,191,776	-	-	-	3,191,776
Goodwill	150,000	-	-	-	150,000	-	4,760,550	-	-	4,760,550
TOTAL OTHER ASSETS	5,728,809	4,760,550	-	1,576,277	12,065,636	3,903,696	66,079,783	-	-	69,983,479
TOTAL LIABILITIES						14,014,728	70,127,811	-	-	84,142,539
COMMITMENTS										
NET ASSETS										
Unrestricted	23,491,309	(65,367,261)	-	-	(41,875,952)					
Temporarily restricted	-	-	4,701,709	-	4,701,709					
Permanently restricted	-	-	-	1,576,277	1,576,277					
TOTAL NET ASSETS (DEFICIT)	23,491,309	(65,367,261)	4,701,709	1,576,277	(35,597,966)					
TOTAL ASSETS	\$37,506,037	\$ 4,760,550	\$ 4,701,709	\$ 1,576,277	\$48,544,573	\$37,506,037	\$ 4,760,550	\$ 4,701,709	\$ 1,576,277	\$48,544,573
TOTAL LIABILITIES AND NET ASSETS										

See notes to Consolidated Financial Statements.

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

**CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended September 30, 2016**

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Unrestricted	Pension			
SUPPORT AND REVENUE					
Per capita tax	\$ 38,484,282	\$ -	\$ 5,712,201	\$ -	\$ 44,196,483
Conference and seminar registration fees	3,055,664	-	-	-	3,055,664
Contributions	1,640,383	-	1,691,549	-	3,331,932
Royalties	2,798,402	-	-	-	2,798,402
Grants	7,693,690	-	-	-	7,693,690
Reimbursed legal expenses	84,862	-	-	-	84,862
Initiation, reinstatement and charter fees	188,621	-	-	-	188,621
Proceeds from sales	45,326	-	-	-	45,326
Investment income	689,512	-	33,180	-	722,692
Foreign currency transaction gain	44,588	-	-	-	44,588
Other revenues	885,266	-	-	-	885,266
Net assets released from restrictions	8,349,141	-	(8,349,141)	-	-
TOTAL SUPPORT AND REVENUE	63,959,737	-	(912,211)	-	63,047,526
EXPENSES					
Program	48,595,200	3,365,769	-	-	51,960,969
Management and general	12,306,987	862,201	-	-	13,169,188
Fundraising	17,490	-	-	-	17,490
TOTAL EXPENSES	60,919,677	4,227,970	-	-	65,147,647
CHANGE IN NET ASSETS BEFORE INCOME TAXES, CHANGE IN CUMULATIVE FOREIGN CURRENCY TRANSLATION AND DEFINED BENEFIT PLAN ACCRUAL					
Programs and supporting services	3,040,060	-	(912,211)	-	2,127,849
Pension	-	(4,227,970)	-	-	(4,227,970)
TOTAL	3,040,060	(4,227,970)	(912,211)	-	(2,100,121)
INCOME TAXES	(165,097)	-	-	-	(165,097)
CHANGE IN CUMULATIVE FOREIGN CURRENCY TRANSLATION	98,350	-	-	-	98,350
DEFINED BENEFIT PLAN ACCRUAL AS REQUIRED BY FASB	-	(18,543,644)	-	-	(18,543,644)
CHANGE IN NET ASSETS					
Unrestricted	2,973,313	(22,771,614)	-	-	(19,798,301)
Temporarily restricted	-	-	(912,211)	-	(912,211)
Permanently restricted	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	2,973,313	(22,771,614)	(912,211)	-	(20,710,512)
NET ASSETS, beginning of year	24,745,966	(46,823,617)	5,613,920	1,576,277	(14,887,454)
FUNDING TRANSFERS	(4,227,970)	4,227,970	-	-	-
NET ASSETS, end of year	\$ 23,491,309	\$ (65,367,261)	\$ 4,701,709	\$ 1,576,277	\$ (35,597,966)

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, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from operations	
Support and revenue	\$ 63,078,636
Investment income	432,543
	<u>432,543</u>

Total cash received by operations 63,511,179

Cash used in operations	
Payments to program recipients, employees, and suppliers	61,517,397
Interest paid	20,651
Income taxes paid	165,097
	<u>165,097</u>

Total cash disbursed by operations 61,703,145

NET CASH PROVIDED BY OPERATING ACTIVITIES 1,808,034

CASH FLOWS FROM INVESTING ACTIVITIES

Financial assistance loans repayments received	286,753
New financial assistance loans made	(61,671)
Purchase of investments	(358,823)
Purchase of property and leasehold improvements	(119,066)
Deferred compensation plan investment activity	(10,223)
	<u>(10,223)</u>

NET CASH USED BY INVESTING ACTIVITIES (263,030)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on capital leases	(159,826)
	<u>(159,826)</u>

NET INCREASE IN CASH 1,385,178

CASH AND CASH EQUIVALENTS, beginning of year 12,873,373

CASH AND CASH EQUIVALENTS, end of year \$ 14,258,551

NON-CASH INVESTING ACTIVITIES

Unrealized gain in fair value of investments	\$ (290,149)
Increase in investment value	290,149
	<u>\$ -</u>

NON-CASH FINANCING ACTIVITIES

Acquisition of equipment under capital lease	\$ 432,334
Capital lease obligation	(432,334)
	<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, 2016**

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

CHANGE IN NET ASSETS	<u>\$ (20,710,512)</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation and amortization	675,279
Unrealized gain on investments	(290,149)
Foreign currency transaction gain	(44,588)
Loss on disposal of property	7,748
Non-cash occupancy costs	(254,606)
Incremental effect of defined benefit plan	<u>18,543,644</u>
NET ADJUSTMENTS	<u>18,637,328</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH	
ASSETS	
Accounts receivable	(26,367)
Grants receivable	822,736
Prepaid expense	264,997
Inventories	<u>14,919</u>
	<u>1,076,285</u>
LIABILITIES	
Accounts payable	2,919,247
Accrued expenses	(98,095)
Deferred revenue	2,021
Deferred tax liability	<u>(18,240)</u>
	<u>2,804,933</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>3,881,218</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,808,034</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, 2016**

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 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.

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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2016**

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

Summary of Significant Accounting Policies (Continued)

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, 2016 of 75.97% and by applying the average translation rate for revenue and expenses for the year ended September 30, 2016 of 75.51%. Changes in the foreign currency translation rate subsequent to September 30, 2016 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, 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.

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, 2016. Management reviews accounts receivable to determine collectability. An amount of \$60,517 has been estimated as an allowance for doubtful accounts as of September 30, 2016. This estimate is based on historical collectability of accounts receivable.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2016**

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

Summary of Significant Accounting Policies (Continued)

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, 2016, \$3,125 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, 2016, this investment was recorded at \$2,088,645.

Deferred Compensation Investments

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

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 is 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2016**

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

Summary of Significant Accounting Policies (Continued)

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 seven 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. Additionally, the IAFF Foundation receives donations designated for a specific purpose that are considered to be temporarily restricted until the general purpose of the restriction has been fulfilled.

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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2016**

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

Summary of Significant Accounting Policies (Continued)

Advertising costs

Advertising costs are expensed as they are incurred. Total advertising expense for the year ended September 30, 2016 was \$463,837.

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, 2016, 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, 2016, IAFF Financial Corporation and its subsidiary has a deferred tax liability of \$115,560. Income tax expense for the year ended September 30, 2016 was \$165,097.

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 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2016**

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

Summary of Significant Accounting Policies (Continued)

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, 2016**

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at September 30, 2016 consisted of the following:

Checking - U.S.	\$ 5,740,081
Checking - Canada	5,801,583
Money market funds	2,715,757
Petty cash	1,130
	<u>\$ 14,258,551</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, 2016, cash and cash equivalents not insured by the Federal Deposit Insurance Corporation or Canada Deposit Insurance Corporation were \$12,804,658.

3. INVESTMENTS

Investments at September 30, 2016 consisted of the following:

Cash and money funds	\$ 42,606
AFL-CIO Housing Trust - United Unions reserve	1,333,340
AFL-CIO Housing Trust accounts - other	10,644,783
Mutual funds - Capital Income Builder	885,774
Exchange-traded products	
Developed All-Cap ex US index	22,034
Emerging market bonds	56,144
Emerging market stocks	6,849
Exchange traded futures	5,254
Fixed income instruments	133,858
Global Treasury Ex-US capped indeces	108,092
High yield very liquid indices	74,578
Market weighted bond index	54,318
Real estate investment trusts	17,521
Treasury inflated protected securities	55,566
U.S. Aggregate bond indices	55,423
U.S. Equity markets	109,218
	<u>\$ 13,605,358</u>

Investment income for the year ended September 30, 2016 consisted of the following:

Interest and dividends	\$ 432,543
Unrealized gains	290,149
	<u>\$ 722,692</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2016**

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.

Subsequent to the fiscal year end, unrealized losses on the Association's investments were primarily caused due to market fluctuations within its portfolio. As of January 23, 2017, the Association does not consider these investments to be other-than-temporarily impaired.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2016**

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, 2016:

	September 30, 2016			Fair Value
	Level 1	Level 2	Level 3	
Cash and money funds	\$ 42,606	\$ -	\$ -	\$ 42,606
AFL-CIO Housing Trust				
United Unions reserve	-	1,333,340	-	1,333,340
AFL-CIO Housing Trust - other	-	10,644,783	-	10,644,783
Mutual funds - Capital Income Builder	885,774	-	-	885,774
Exchange-traded products	698,855	-	-	698,855
	<u>\$ 1,627,235</u>	<u>\$ 11,978,123</u>	<u>\$ -</u>	<u>\$ 13,605,358</u>

5. ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2016 consisted of the following:

Per capita tax - U.S.	\$ 828,986
Per capita tax - Canada	4,771
Royalty	588,996
Other	1,381,782
	<u>\$ 2,804,535</u>
Less: Provision for doubtful accounts	(60,517)
	<u>\$ 2,744,018</u>

6. PROPERTY AND EQUIPMENT

A summary of information related to property and depreciation for the year ended September 30, 2016 is as follows:

	Cost	Depreciation expense	Accumulated depreciation	Book value	Estimated useful life (years)
Furniture and equipment	\$ 1,689,062	\$ 211,207	\$ 1,106,984	\$ 582,078	5 - 10
Equipment under capital leases	634,843	133,154	262,752	372,091	4 - 5
Leasehold improvements	4,309,823	330,918	748,104	3,561,719	10
	<u>\$ 6,633,728</u>	<u>\$ 675,279</u>	<u>\$ 2,117,840</u>	<u>\$ 4,515,888</u>	

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2016**

7. COLLECTIONS - MEMORIALS

The IAFF Fallen Fire Fighter Memorial Fund within the IAFF Foundation has title to and maintains the IAFF Fallen Fire Fighter Memorial in Colorado Springs, Colorado. The memorial is comprised of granite walls-of-honor, bronze statues, a paved circular walkway and landscaping that serves as a lasting tribute to IAFF members who have given their lives in the line of duty. The memorial is held for public exhibition and are preserved by the IAFF Fallen Fire Fighter Memorial Fund. The cost of the components of the Memorial are as follows:

Memorial statues	\$ 313,355
Memorial walls-of-honor	<u>1,262,922</u>
	<u><u>\$ 1,576,277</u></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, 2016.

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.

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 \$18,543,644, 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 commingled pools.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2016**

9. PENSION PLANS (Continued)

The following is a summary of the defined benefit plans as of September 30, 2016 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	\$ 7,744,727	\$ 75,207,567	\$ 41,146,474	\$ 124,098,768
Service cost	370,269	3,018,526	2,642,966	6,031,761
Interest cost	322,872	3,132,100	1,731,768	5,186,740
Benefits paid	(289,144)	(2,485,488)	(576,160)	(3,350,792)
Expenses paid	(6,917)	(364,185)	(173,725)	(544,827)
Actuarial (gain) loss	700,892	10,520,727	7,429,772	18,651,391
Projected benefit obligation, end of the year	<u>\$ 8,842,699</u>	<u>\$ 89,029,247</u>	<u>\$ 52,201,095</u>	<u>\$ 150,073,041</u>
Change in plan assets				
Fair value of plan assets, beginning of the year	\$ 4,465,694	\$ 52,124,673	\$ 20,684,784	\$ 77,275,151
Actual return on plan assets	190,917	5,026,395	1,880,966	7,098,278
Employer contributions	400,000	2,222,473	1,605,497	4,227,970
Benefits and expenses paid	(296,061)	(2,849,673)	(749,885)	(3,895,619)
Fair value of plan assets end of the year	<u>\$ 4,760,550</u>	<u>\$ 56,523,868</u>	<u>\$ 23,421,362</u>	<u>\$ 84,705,780</u>
Funded status - benefit obligation in excess of plan assets	<u>\$ 4,082,149</u>	<u>\$ 32,505,379</u>	<u>\$ 28,779,733</u>	<u>\$ 65,367,261</u>
Accumulated benefit obligation	<u>\$ 8,842,699</u>	<u>\$ 89,029,247</u>	<u>\$ 52,201,095</u>	<u>\$ 150,073,041</u>
Component of net periodic pension costs				
Service cost - benefits earned	\$ 370,269	\$ 3,018,526	\$ 2,642,966	\$ 6,031,761
Interest cost	322,872	3,132,100	1,731,768	5,186,740
Expected return on plan assets	(384,380)	(4,377,550)	(1,786,345)	(6,548,275)
Net amortization and deferral	105,691	2,593,614	754,560	3,453,865
Total net periodic pension cost	<u>\$ 414,452</u>	<u>\$ 4,366,690</u>	<u>\$ 3,342,949</u>	<u>\$ 8,124,091</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2016**

9. PENSION PLANS (Continued)

	Rabbi Trust	Staff Representatives	Employees
Weighted-average assumptions			
Discount rate	3.50%	3.50%	3.50%
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.

	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%

The table below presents the balances of pension assets measured at fair value on a recurring basis, as of September 30, 2016:

	Fair value			Total
	Level 1	Level 2	Level 3	
Plan Assets				
Cash equivalents	\$ 169,243	\$ -	\$ -	\$ 169,243
U.S. government securities	-	12,377,572	-	12,377,572
Municipal bonds	-	1,522,632	-	1,522,632
Common stocks	46,281,177	-	-	46,281,177
Corporate bonds	-	13,008,639	-	13,008,639
Pooled funds	-	5,852,200	-	5,852,200
AFL-CIO investment trust	-	4,666,803	-	4,666,803
Total plan assets measured at fair value	<u>\$ 46,450,420</u>	<u>\$ 37,427,846</u>	<u>\$ -</u>	<u>\$ 83,878,266</u>
Net receivables				827,514
				<u>\$ 84,705,780</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2016**

9. 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, 2016. The expected benefit payments shown below are based on the same assumptions used to determine the Projected Benefit Obligation as of September 30, 2015, and includes benefits attributable to estimated future employee service.

	Rabbi Trust	Staff Representatives	Employees	Total
2017	\$ 393,738	\$ 2,980,449	\$ 680,877	\$ 4,055,064
2018	410,851	3,012,916	815,600	4,239,367
2019	428,477	3,168,674	853,775	4,450,926
2020	446,632	3,349,230	942,534	4,738,396
2021	465,331	3,480,765	1,008,511	4,954,607
2022 - 2026	2,627,383	19,121,785	6,417,995	28,167,163
	<u>\$ 4,772,412</u>	<u>\$ 35,113,819</u>	<u>\$ 10,719,292</u>	<u>\$ 50,605,523</u>

During the next fiscal year, the Association expects to collectively contribute approximately \$4,400,000 to the defined benefit pension plans.

Pension Protection Act of 2006 - Minimum Funding Requirements

Under the Pension Protection Act of 2006 (the Act), defined benefit plans may be subject to benefit restrictions based on the *adjusted funding target attainment percentage (AFTAP)* of the plan. This percentage is a measure of how the plan is funded under the regulations of the Act and is calculated by dividing the net assets of the plan by the plan's liabilities (funding target) on a particular date. Under the Act, plans are subject to restriction by way of limitations regarding increasing benefits and accelerated payment options should their AFTAP drop below 80% and are subject to further restriction by way of the freezing of benefits should the AFTAP drop below 60%.

As of February 8, 2016, the Association's actuaries had certified the AFTAP for the Staff Representatives' Pension Plan to be 112.35% and the Employees' Pension Plan to be 103.69% and the AFTAP certification remained in effect through October 1, 2016. No benefit restrictions were binding under the Pension Protection Act of 2006 upon the defined benefit plans as of September 30, 2016 as a result.

10. DEFERRED COMPENSATION PLAN

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, 2016**

11. DEFINED CONTRIBUTION PLAN

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. Total employer contributions related to this plan during the fiscal year ended September 30, 2016 were \$276,468.

12. INCOME TAXES

Included in the provision for income taxes as of September 30, 2016 is a deferred tax liability of \$115,560 pertaining to the IAFF Financial Corporation's 2015 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 tax effects of the temporary differences between financial reporting basis and income tax basis of assets and liabilities at September 30, 2016 relate to the following:

Deferred tax assets

Resulting from differences in timing of recognition of charitable contributions	\$ 29,556
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Deferred tax liabilities

Resulting from differences in timing of recognition of depreciation expense	<u>(145,116)</u>
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Net deferred federal and state tax liabilities, before allowance	(115,560)
Allowance for deferred tax assets	-
Net deferred tax liability	<u><u>\$ (115,560)</u></u>

The provision for income taxes consisted of the following as of September 30, 2016:

Deferred income tax liabilities, beginning of year	\$ 133,800
Deferred income tax liabilities, end of year	<u>115,560</u>
Increase in deferred tax liabilities	(18,240)
Current year tax expense	
Federal	146,451
District of Columbia	<u>36,886</u>
Total provision for income taxes	<u><u>\$ 165,097</u></u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2016**

13. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available as of September 30, 2016 for the following purposes:

	Balance at October 1, 2015	Revenue and Support	Released	Balance at September 30, 2016
IAFF PAC	\$ 5,225,836	\$ 7,169,098	\$ (8,019,886)	\$ 4,375,048
Burn Fund - Research	30,000	-	-	30,000
Burn Fund - Burn Camp	-	5,000	(5,000)	-
Burn Fund - General	37,947	66,077	(58,700)	45,324
Burn Fund - YFIRES	-	35,265	(2,000)	33,265
John P. Redmond Fund	2,553	554	-	3,107
Fallen Memorial Fund	41,080	28,301	(69,381)	-
Disaster Relief Fund	-	102,924	(102,924)	-
McClellan Scholarship Fund Foundation -	234,476	26,878	(91,250)	170,104
Susan G. Komen Program Fund	42,028	2,833	-	44,861
	<u>\$ 5,613,920</u>	<u>\$ 7,436,930</u>	<u>\$ (8,349,141)</u>	<u>\$ 4,701,709</u>

14. 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.

15. 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. 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, 2016 was \$2,308,638.

At September 30, 2016, future minimum lease payments under this operating lease are as follows:

2017	\$ 2,421,054
2018	2,280,178
	<u>\$ 4,701,232</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2016**

15. COMMITMENTS AND CONTINGENCIES (Continued)

Office Lease - Related Party (Continued)

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.

Payments under the capital leases are due as follows:

	Total Payment	Interest Portion	Net
2017	\$ 157,281	\$ 18,079	\$ 139,202
2018	157,281	9,836	147,445
2019	91,747	1,739	90,008
	<u>\$ 406,309</u>	<u>\$ 29,654</u>	<u>\$ 376,655</u>

Interest paid during the fiscal year ended September 30, 2016 under these capital leases was \$20,548.

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 \$4,240,000 to secure pension costs in Canada. As of September 30, 2016, 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, 2016, the maximum cancellation penalty would be \$4,477,745. Subsequent to year end, the Association had satisfied the terms of several of these contracts in the amount of \$924,735.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2016**

15. COMMITMENTS AND CONTINGENCIES (Continued)

Strategic Alliance

The IAFF Financial Corporation renegotiated a contract forming a strategic alliance to promote its product offering. The contract calls for other allied parties to provide record keeping and to administer the co-branded products. As of September 30, 2016, guaranteed payments to be received over the course of the negotiated contract for future periods are as follows:

2017	\$	1,398,300
2018		337,500
	\$	<u>1,735,800</u>

16. 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, 2016 was \$8,238,944.

17. 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, 2016, gross revenue from per capita tax was \$44,196,483, which approximates 70% of the consolidated gross support and revenue.

18. SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 23, 2017, the date the financial statements were available to be issued.

Future Meeting Sites

As mentioned in Note 15, 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 \$924,735.

SUPPLEMENTARY INFORMATION

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

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
September 30, 2016**

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" McClellan Scholarship Fund			
CURRENT ASSETS											
Cash and cash equivalents	\$ 10,705,986	\$ 1,522,524	\$ 2,030,041	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,258,551	\$ -	\$ 14,258,551
Investments	12,958,442	-	-	-	106,450	-	-	540,466	13,605,358	-	13,605,358
Accounts receivable, net of allowance	2,285,022	458,996	-	-	-	-	-	-	2,744,018	-	2,744,018
Grants receivable	677,862	-	-	119,986	-	-	-	-	797,848	-	797,848
Financial assistance loans, net of allowance	162,082	-	-	-	-	-	-	-	162,082	-	162,082
Prepaid expenses	293,335	59,543	-	-	-	-	-	-	352,878	-	352,878
Inventories	42,314	-	-	-	-	-	-	-	42,314	-	42,314
Intercompany receivables	1,736,006	-	-	-	-	-	-	-	1,736,006	(1,736,006)	-
TOTAL CURRENT ASSETS	28,861,049	2,041,063	2,030,041	119,986	106,450	-	-	540,466	33,699,055	(1,736,006)	31,963,049
PROPERTY, net	2,237,196	357,957	-	-	-	-	1,920,735	-	4,515,888	-	4,515,888
OTHER ASSETS											
Financial assistance loans, net of current	279,933	-	-	-	-	-	-	-	279,933	-	279,933
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	-	-	-	-	-	-	1,576,277	-	1,576,277	-	1,576,277
Deferred compensation investments	3,210,231	-	-	-	-	-	-	-	3,210,231	-	3,210,231
Rabbi Trust assets	4,760,550	-	-	-	-	-	-	-	4,760,550	-	4,760,550
Goodwill	-	150,000	-	-	-	-	-	-	150,000	-	150,000
TOTAL OTHER ASSETS	10,428,727	150,000	-	-	-	-	1,576,277	-	12,155,004	(89,368)	12,065,636
TOTAL ASSETS	\$ 41,526,972	\$ 2,549,020	\$ 2,030,041	\$ 119,986	\$ 106,450	\$ -	\$ 3,497,012	\$ 540,466	\$ 50,369,947	\$ (1,825,374)	\$ 48,544,573

See Independent Auditors' Report.

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

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
September 30, 2016**

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" McClellan Scholarship Fund			
CURRENT LIABILITIES											
Accounts payable	\$ 5,245,721	\$ 36,350	\$ 12,131	\$ -	\$ -	\$ 57,976	\$ -	\$ -	\$ 5,352,178	\$ -	\$ 5,352,178
Accrued expenses											
Salaries and benefits	513,967	-	-	-	-	-	-	-	513,967	-	513,967
Leave and severance	3,207,454	171,595	-	-	-	-	-	-	3,379,049	-	3,379,049
Accrued pension liability	4,048,028	-	-	-	-	-	-	-	4,048,028	-	4,048,028
Deferred rent	325,122	-	-	-	-	-	-	-	325,122	-	325,122
Deferred revenue	401,514	-	-	-	-	-	-	-	401,514	-	401,514
Capital lease obligation	139,202	-	-	-	-	-	-	-	139,202	-	139,202
Intercompany payables	-	100,402	422,145	462,808	(160,319)	(1,020,896)	2,020,938	(89,072)	1,736,006	(1,736,006)	-
TOTAL CURRENT LIABILITIES	13,881,008	308,347	434,276	462,808	(160,319)	(962,920)	2,020,938	(89,072)	15,895,066	(1,736,006)	14,159,060
LONG-TERM LIABILITIES											
Accrued pension liability, net of current	61,319,233	-	-	-	-	-	-	-	61,319,233	-	61,319,233
Deferred rent, net of current	358,907	-	-	-	-	-	-	-	358,907	-	358,907
Capital lease obligation, net of current	237,453	-	-	-	-	-	-	-	237,453	-	237,453
Deferred tax liability	-	115,560	-	-	-	-	-	-	115,560	-	115,560
Deferred compensation liability	3,191,776	-	-	-	-	-	-	-	3,191,776	-	3,191,776
Rabbi Trust liability	4,760,550	-	-	-	-	-	-	-	4,760,550	-	4,760,550
TOTAL LONG-TERM LIABILITIES	69,867,919	115,560	-	-	-	-	-	-	69,983,479	-	69,983,479
TOTAL LIABILITIES	83,748,927	423,907	434,276	462,808	(160,319)	(962,920)	2,020,938	(89,072)	85,878,545	(1,736,006)	84,142,539
EQUITY											
Common stock, \$.01 par value, 1,000 shares authorized, 501 shares issued and outstanding	-	5	-	-	-	-	-	-	5	(5)	-
Paid-in capital	-	89,363	-	-	-	-	-	-	89,363	(89,363)	-
TOTAL EQUITY	-	89,368	-	-	-	-	-	-	89,368	(89,368)	-
NET ASSETS											
Unrestricted	(46,597,003)	2,035,745	1,550,904	(451,411)	263,662	962,920	(100,203)	459,434	(41,875,952)	-	(41,875,952)
Temporarily restricted	4,375,048	-	44,861	108,589	3,107	-	-	170,104	4,701,709	-	4,701,709
Permanently restricted	-	-	-	-	-	-	1,576,277	-	1,576,277	-	1,576,277
TOTAL NET ASSETS (DEFICIT)	(42,221,955)	2,035,745	1,595,765	(342,822)	266,769	962,920	1,476,074	629,538	(35,597,966)	-	(35,597,966)
TOTAL LIABILITIES AND NET ASSETS/EQUITY	\$ 41,526,972	\$ 2,549,020	\$ 2,030,041	\$ 119,986	\$ 106,450	\$ -	\$ 3,497,012	\$ 540,466	\$ 50,369,947	\$ (1,825,374)	\$ 48,544,573

See Independent Auditors' Report.

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

**CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended September 30, 2016**

	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	\$ 44,196,483	\$ -	\$ -	\$ -	\$ 137,169	\$ 222,899	\$ 939,034	\$ -	\$ 45,495,585	\$ (1,299,102)	\$ 44,196,483
Conference and seminar registration fees	3,330,664	-	-	-	-	-	-	-	3,330,664	(275,000)	3,055,664
Contributions	2,678,731	-	274,374	145,170	554	102,924	28,301	26,878	3,256,932	75,000	3,331,932
Royalties	695,818	2,033,573	50,324	8,341	732	-	9,614	-	2,798,402	-	2,798,402
Grants	7,060,033	-	-	633,657	-	-	-	-	7,693,690	-	7,693,690
Reimbursed legal expenses	84,862	-	-	-	-	-	-	-	84,862	-	84,862
Initiation, reinstatement and charter fees	188,621	-	-	-	-	-	-	-	188,621	-	188,621
Proceeds from sales	45,326	-	-	-	-	-	-	-	45,326	-	45,326
Investment income	693,034	2,643	-	-	4,447	-	-	22,568	722,692	-	722,692
Foreign currency transaction gain	22,049	(1,092)	(910)	-	-	-	-	-	20,047	24,541	44,588
Other revenues	1,273,041	1,479,262	1,050	-	-	-	-	-	2,753,353	(1,868,087)	885,266
TOTAL SUPPORT AND REVENUE	60,268,662	3,514,386	324,838	787,168	142,902	325,823	976,949	49,446	66,390,174	(3,342,648)	63,047,526
EXPENSES											
Program	50,772,322	3,098,738	2,085	931,162	-	123,000	135,060	91,250	55,153,617	(3,192,648)	51,960,969
Management and general	13,006,233	-	2,084	29,350	-	-	131,521	-	13,169,188	-	13,169,188
Fundraising	-	-	-	17,490	-	-	-	-	17,490	-	17,490
TOTAL EXPENSES	63,778,555	3,098,738	4,169	978,002	-	123,000	266,581	91,250	68,340,295	(3,192,648)	65,147,647
CHANGE IN NET ASSETS BEFORE INCOME TAXES, CHANGE IN CUMULATIVE FOREIGN CURRENCY TRANSLATION AND DEFINED BENEFIT ACCRUAL											
Program and supporting services	718,077	415,648	320,669	(190,834)	142,902	202,823	710,368	(41,804)	2,277,849	(150,000)	2,127,849
Pension	(4,227,970)	-	-	-	-	-	-	-	(4,227,970)	-	(4,227,970)
TOTAL CHANGE	(3,509,893)	415,648	320,669	(190,834)	142,902	202,823	710,368	(41,804)	(1,950,121)	(150,000)	(2,100,121)
INCOME TAXES	-	(165,097)	-	-	-	-	-	-	(165,097)	-	(165,097)
CHANGE IN CUMULATIVE FOREIGN CURRENCY TRANSLATION	98,350	-	-	-	-	-	-	-	98,350	-	98,350
DEFINED BENEFIT PLAN ACCRUAL AS REQUIRED BY FASB	(18,543,644)	-	-	-	-	-	-	-	(18,543,644)	-	(18,543,644)
CHANGE IN NET ASSETS	(21,955,187)	250,551	320,669	(190,834)	142,902	202,823	710,368	(41,804)	(20,560,512)	(150,000)	(20,710,512)
NET ASSETS/EQUITY, beginning of year	(20,266,768)	2,024,562	1,145,289	(26,667)	123,867	760,097	770,192	671,342	(14,798,086)	(89,368)	(14,887,454)
DIVIDENDS AND FUNDING TRANSFERS, net	-	(150,000)	129,807	(125,321)	-	-	(4,486)	-	(150,000)	150,000	-
NET ASSETS/EQUITY, end of year	\$ (42,221,955)	\$ 2,125,113	\$ 1,595,765	\$ (342,822)	\$ 266,769	\$ 962,920	\$ 1,476,074	\$ 629,538	\$ (35,508,598)	\$ (89,368)	\$ (35,597,966)

See Independent Auditors' Report.

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

**CONSOLIDATING SCHEDULE OF EXPENSES BY ENTITY
Year Ended September 30, 2016**

	International Association of Fire Fighters Foundation							Total	Eliminating Entries	Consolidated Balance	
	IAFF	IAFF	International	International	John P.	International	IAFF				
	IAFF	Financial	Association	Association	Redmond	of Fire Fighters	Fallen Fire				
IAFF	Corporation	of Fire Fighters	of Fire Fighters	Memorial	Disaster	Fighter	W.H. "Howie"				
			Foundation	Burn	Foundation	Relief	Memorial	Scholarship			
			Foundation	Foundation	Foundation	Fund	Fund	Fund			
Salaries	\$ 15,310,482	\$ 871,201	\$ -	\$ 189,470	\$ -	\$ -	\$ -	\$ -	\$ 16,371,153	\$ (107,670)	\$ 16,263,483
Employee reimbursements	2,105,554	68,260	-	47,096	-	-	316	-	2,221,226	-	2,221,226
Employee benefits	4,383,552	191,470	-	39,427	-	-	-	-	4,614,449	-	4,614,449
Accounting and audit	163,466	49,205	-	-	-	-	-	-	212,671	-	212,671
Advertising	463,837	288,000	-	-	-	-	-	-	751,837	(288,000)	463,837
Aid to affiliates	279,292	-	-	-	-	-	-	-	279,292	-	279,292
Audio/visual expense	495,999	-	-	5,335	-	-	-	-	501,334	(15,000)	486,334
Awards	18,172	-	-	20,000	-	123,000	-	-	161,172	-	161,172
Bad debt expense	70,757	-	-	-	-	-	-	-	70,757	-	70,757
Computer	893,409	14,455	-	628	-	-	-	-	908,492	-	908,492
Consultants	7,661,610	380,281	-	386,821	-	-	116,093	-	8,549,805	(115,556)	8,429,249
Convention expenses	4,276,107	-	-	-	-	-	-	-	4,276,107	(195,177)	4,080,930
Cost of sales	400,053	-	-	-	-	-	-	-	400,053	-	400,053
Depreciation and amortization	428,622	108,532	1,790	-	-	-	136,335	-	675,279	-	675,279
Donations	1,504,424	50,000	-	-	-	-	-	91,250	1,645,674	(1,318,060)	327,614
Dues and subscriptions	421,781	-	-	41,165	-	-	289	-	463,235	-	463,235
Insurance and bonding	240,341	22,827	-	280	-	-	-	-	263,448	-	263,448
Interest and penalties	20,651	-	-	-	-	-	-	-	20,651	-	20,651
Journal and publication expenses	1,134,275	-	-	-	-	-	-	-	1,134,275	-	1,134,275
Legal services	2,318,199	13,702	-	-	-	-	-	-	2,331,901	-	2,331,901
Marketing and promotion expenses	33,770	302,730	-	-	-	-	-	-	336,500	(275,000)	61,500
Miscellaneous expenses	804,839	2,435	3,350	490	-	-	-	-	811,114	(556,501)	254,613
Office expense and supplies	920,878	35,113	-	8,926	-	-	1,599	-	966,516	-	966,516
Office machine rental and maintenance	147,262	-	-	-	-	-	6,604	-	153,866	-	153,866
Pension contribution	3,874,531	294,180	-	59,259	-	-	-	-	4,227,970	-	4,227,970
Affiliations per capita tax	2,255,496	-	-	-	-	-	-	-	2,255,496	-	2,255,496
Political contributions	5,774,838	-	-	-	-	-	-	-	5,774,838	-	5,774,838
Postage and freight	218,597	2,727	-	2,138	-	-	499	-	223,961	-	223,961
Printing and copying	377,951	2,916	-	-	-	-	-	-	380,867	-	380,867
Rent	2,307,015	321,684	-	-	-	-	1,623	-	2,630,322	(321,684)	2,308,638
Seminars and meetings	3,144,138	12,059	-	161,151	-	-	3,223	-	3,320,571	-	3,320,571
Taxes - payroll	1,091,876	51,622	-	14,825	-	-	-	-	1,158,323	-	1,158,323
Taxes - income taxes	-	165,097	-	-	-	-	-	-	165,097	-	165,097
Taxes - other	83,046	6,089	-	-	-	-	-	-	89,135	-	89,135
Telephone and utilities	153,735	9,250	-	20	-	-	-	-	163,005	-	163,005
Additional pension and actuarial costs	18,543,644	-	-	-	-	-	-	-	18,543,644	-	18,543,644
Overhead allocation	-	-	(971)	971	-	-	-	-	-	-	-
Fringe pool	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	\$ 82,322,199	\$ 3,263,835	\$ 4,169	\$ 978,002	\$ -	\$ 123,000	\$ 266,581	\$ 91,250	\$ 87,049,036	\$ (3,192,648)	\$ 83,856,388

See Independent Auditors' Report.