

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

**CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION**

Year Ended September 30, 2017

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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, 2017, 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 qualified audit opinion.

Basis for Qualified Opinion

As more fully described in Note 9 to the financial statements, the Association accounts for the cost of its defined benefit pension plans in accordance with the requirements of the U.S. Department of Labor Retirement Income Security Act of 1974 (ERISA) which is a departure from accounting principles generally accepted in the United States of America, which require the cost of employees' pensions to be recognized over the employees' respective service periods and a liability to be recognized when the project benefit obligation exceeds the fair value of plan assets. Had the Association recorded the cost of its defined benefit pension plans in accordance with accounting principles generally accepted in the United States of America, the amounts reported for total liabilities, net assets and change in net assets would have been materially affected.

Qualified Opinion

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Association as of September 30, 2017, 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.

Prior Period Adjustment

As explained in Note 14 to the financial statements, unrestricted net assets as of September 30, 2016 have been restated to account for the costs of the Association's defined benefit plans in accordance with the requirements of the U.S. Department of Labor Retirement Income Security Act of 1974 (ERISA) which is a departure from accounting principles generally accepted in the United States of America, which require the cost of employees' pensions to be recognized over the employees' respective service periods and a liability to be recognized when the projected benefit obligation exceeds the fair value of plan assets. We have modified our opinion with respect to this matter. Unrestricted net assets were also restated to record deferred rent in accordance with accounting principles generally accepted in the United States.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2018, 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 and Company, CPA, P.C.

Alexandria, Virginia
January 31, 2018

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
September 30, 2017**

	ASSETS					LIABILITIES AND NET ASSETS			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 11,078,865	\$ 5,041,622	\$ -	\$ 16,120,487	Accounts payable	\$ 3,883,486	\$ -	\$ -	\$ 3,883,486
Investments	12,689,295	-	-	12,689,295	Accrued expenses				
Accounts receivable, net of allowance	2,854,891	-	-	2,854,891	Salaries and benefits	906,746	-	-	906,746
Grants receivable	948,730	-	-	948,730	Leave and severance	3,580,018	-	-	3,580,018
Financial assistance loans, net of allowance	200,468	-	-	200,468	Accrued pension liability	918,384	-	-	918,384
Prepaid expenses	443,034	-	-	443,034	Deferred revenue	380,582	-	-	380,582
Inventories	34,145	-	-	34,145	Capital lease obligation	147,445	-	-	147,445
TOTAL CURRENT ASSETS	28,249,428	5,041,622	-	33,291,050	TOTAL CURRENT LIABILITIES	9,816,661	-	-	9,816,661
PROPERTY, net	4,010,218	-	-	4,010,218	LONG-TERM LIABILITIES				
OTHER ASSETS					Deferred rent, net of current	1,661,438	-	-	1,661,438
Financial assistance loans, net	346,511	-	-	346,511	Capital lease obligation, net of current	90,009	-	-	90,009
Other investments - United Unions, Inc.	2,088,645	-	-	2,088,645	Deferred tax liability	100,304	-	-	100,304
Collections - Memorials	-	-	1,576,277	1,576,277	Deferred compensation liability	3,057,273	-	-	3,057,273
Deferred compensation investments	3,057,273	-	-	3,057,273	Rabbi Trust liability	4,565,235	-	-	4,565,235
Rabbi Trust assets	4,565,235	-	-	4,565,235	TOTAL LONG-TERM LIABILITIES	9,474,259	-	-	9,474,259
Intangible assets - software	550,000	-	-	550,000	TOTAL LIABILITIES	19,290,920	-	-	19,290,920
Goodwill	150,000	-	-	150,000	COMMITMENTS				
TOTAL OTHER ASSETS	10,757,664	-	1,576,277	12,333,941	NET ASSETS				
					Unrestricted	23,726,390	-	-	23,726,390
TOTAL ASSETS	\$ 43,017,310	\$ 5,041,622	\$ 1,576,277	\$ 49,635,209	Temporarily restricted	-	5,041,622	-	5,041,622
					Permanently restricted	-	-	1,576,277	1,576,277
					TOTAL NET ASSETS	23,726,390	5,041,622	1,576,277	30,344,289
					TOTAL LIABILITIES AND NET ASSETS	\$ 43,017,310	\$ 5,041,622	\$ 1,576,277	\$ 49,635,209

See Notes to Consolidated Financial Statements.

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

**CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended September 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Per capita tax	\$ 39,788,712	\$ 5,812,922	\$ -	\$ 45,601,634
Conference and seminar registration fees	4,035,325	-	-	4,035,325
Contributions	1,013,069	2,011,913	-	3,024,982
Royalties	3,674,558	-	-	3,674,558
Grants	9,093,616	-	-	9,093,616
Reimbursed legal expenses	371,413	-	-	371,413
Initiation, reinstatement and charter fees	191,011	-	-	191,011
Proceeds from sales	38,335	-	-	38,335
Investment income	137,157	1,799	-	138,956
Foreign currency transaction gain	61,572	-	-	61,572
Other revenues	856,225	-	-	856,225
Net assets released from restrictions	7,486,721	(7,486,721)	-	-
TOTAL SUPPORT AND REVENUE	<u>66,747,714</u>	<u>339,913</u>	<u>-</u>	<u>67,087,627</u>
EXPENSES				
Program	49,248,607	-	-	49,248,607
Management and general	12,783,181	-	-	12,783,181
Fundraising	23,579	-	-	23,579
TOTAL EXPENSES	<u>62,055,367</u>	<u>-</u>	<u>-</u>	<u>62,055,367</u>
CHANGE IN NET ASSETS BEFORE ERISA CONTRIBUTION, INCOME TAXES, CHANGE IN CUMULATIVE FOREIGN CURRENCY TRANSLATION	4,692,347	339,913	-	5,032,260
ERISA CONTRIBUTION	(4,233,384)	-	-	(4,233,384)
INCOME TAXES	(34,726)	-	-	(34,726)
CHANGE IN CUMULATIVE FOREIGN CURRENCY TRANSLATION	<u>462,110</u>	<u>-</u>	<u>-</u>	<u>462,110</u>
CHANGE IN NET ASSETS				
Unrestricted	886,347	-	-	886,347
Temporarily restricted	-	339,913	-	339,913
Permanently restricted	-	-	-	-
TOTAL CHANGE IN NET ASSETS	886,347	339,913	-	1,226,260
NET ASSETS, beginning of year, restated	<u>22,840,043</u>	<u>4,701,709</u>	<u>1,576,277</u>	<u>29,118,029</u>
NET ASSETS, end of year	<u>\$ 23,726,390</u>	<u>\$ 5,041,622</u>	<u>\$ 1,576,277</u>	<u>\$ 30,344,289</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, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from operations	
Support and revenue	\$ 66,604,412
Investment income	412,192
	<hr/>

Total cash received by operations 67,016,604

Cash used in operations	
Payments to program recipients, employees, and suppliers	64,807,858
Interest paid	18,820
Income taxes paid	34,726
	<hr/>

Total cash disbursed by operations 64,861,404

NET CASH PROVIDED BY OPERATING ACTIVITIES 2,155,200

CASH FLOWS FROM INVESTING ACTIVITIES

Financial assistance loans repayments received	211,222
New financial assistance loans made	(322,607)
Proceeds from sale of investments	2,174,365
Purchase of investments	(1,531,538)
Purchase of property and leasehold improvements	(153,960)
Development of software	(550,000)
Deferred compensation plan investment activity	18,455
	<hr/>

NET CASH USED BY INVESTING ACTIVITIES (154,063)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on capital leases	(139,201)
	<hr/>

NET INCREASE IN CASH 1,861,936

CASH AND CASH EQUIVALENTS, beginning of year 14,258,551

CASH AND CASH EQUIVALENTS, end of year \$ 16,120,487

NON-CASH INVESTING ACTIVITIES

Unrealized loss in fair value of investments	\$ 273,236
Decrease in investment value	(273,236)
	<hr/>
	<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, 2017**

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

CHANGE IN NET ASSETS	<u>\$ 1,226,260</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation and amortization	657,723
Unrealized loss on investments	273,236
Foreign currency transaction gain	(61,572)
Non-cash occupancy costs	<u>326,143</u>
NET ADJUSTMENTS	<u>1,195,530</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH	
ASSETS	
Accounts receivable	(110,873)
Grants receivable	(150,882)
Prepaid expense	(90,156)
Inventories	<u>8,169</u>
	<u>(343,742)</u>
LIABILITIES	
Accounts payable	(1,398,792)
Accrued expenses	1,512,132
Deferred revenue	(20,932)
Deferred tax liability	<u>(15,256)</u>
	<u>77,152</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>(266,590)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 2,155,200</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, 2017**

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, 2017**

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, 2017 of 80.61% and by applying the average translation rate for revenue and expenses for the year ended September 30, 2017 of 76.17%. Changes in the foreign currency translation rate subsequent to September 30, 2017 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 market funds held in brokerage accounts are considered as investments.

Investments

Investments consist of cash and money market funds held in brokerage accounts and an open-ended mutual fund that invests primarily in construction loans, mortgages, or mortgage-backed securities. These investments are carried at fair value. Fair values are based on quoted market prices in active markets. Changes in fair value are included in investment income.

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

Accounts Receivable

Accounts receivable for the Association arise primarily from per capita tax due from local affiliates located in the U.S. and Canada, registrations and supply sales revenue that have been earned but not received as of September 30, 2017. Management reviews accounts receivable to determine collectability. An amount of \$59,468 has been estimated as an allowance for doubtful accounts as of September 30, 2017. 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, 2017**

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, 2017, \$3,058 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, 2017, 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 Educational-Treasury 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.

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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2017**

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

Summary of Significant Accounting Policies (Continued)

Intangible Assets - Software

Development costs for software are accounted for as capital assets and amortized on a straight-line basis over their estimated useful life. Costs related to planning as well as ongoing and support costs are expensed as incurred. Intangible assets as of September 30, 2017 consisted of software development costs in process in the amount of \$550,000.

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.

Advertising Costs

Advertising costs are expensed as they are incurred. Total advertising expense for the year ended September 30, 2017 was \$148,767.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2017**

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

Summary of Significant Accounting Policies (Continued)

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, 2017, 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, 2017, IAFF Financial Corporation and its subsidiary has a deferred tax liability of \$100,304. Income tax expense for the year ended September 30, 2017 was \$34,726.

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
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2017**

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, 2017**

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at September 30, 2017 consisted of the following:

Checking - U.S.	\$ 6,738,132
Checking - Canada	6,418,521
Money market funds	2,962,681
Petty cash	1,153
	<u>\$ 16,120,487</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, 2017, cash and cash equivalents not insured by the Federal Deposit Insurance Corporation or Canada Deposit Insurance Corporation were \$15,518,580.

3. INVESTMENTS

Investments at September 30, 2017 consisted of the following:

Cash and money funds	\$ 1,233,901
AFL-CIO Housing Trust - United Unions reserve	1,331,227
AFL-CIO Housing Trust accounts - other	10,124,167
	<u>\$ 12,689,295</u>

Investment income for the year ended September 30, 2017 consisted of the following:

Interest and dividends	\$ 412,192
Unrealized losses	(273,236)
	<u>\$ 138,956</u>

4. FAIR VALUE MEASUREMENTS

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

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2017**

4. FAIR VALUE MEASUREMENTS (Continued)

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.

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, 2017:

	Level 1	Level 2	Level 3	Fair Value
Cash and money funds	\$ 1,233,901	\$ -	\$ -	\$ 1,233,901
AFL-CIO Housing Trust				
United Unions reserve	-	1,331,227	-	1,331,227
AFL-CIO Housing Trust - other	-	10,124,167	-	10,124,167
	\$ 1,233,901	\$ 11,455,394	\$ -	\$ 12,689,295

5. ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2017 consisted of the following:

Per capita tax	\$ 772,093
Royalty	907,036
Other	1,235,230
	2,914,359
Less: Provision for doubtful accounts	(59,468)
	\$ 2,854,891

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2017**

6. PROPERTY AND EQUIPMENT

A summary of information related to property and depreciation for the year ended September 30, 2017 is as follows:

	Cost	Depreciation expense	Accumulated depreciation	Book value	Estimated useful life (years)
Furniture and equipment	\$ 1,821,025	\$ 186,918	\$ 1,295,810	\$ 525,215	5 - 10
Equipment under capital leases	634,843	144,111	406,864	227,979	5
Leasehold improvements	4,331,822	326,694	1,074,798	3,257,024	10
	<u>\$ 6,787,690</u>	<u>\$ 657,723</u>	<u>\$ 2,777,472</u>	<u>\$ 4,010,218</u>	

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	1,262,922
	<u>\$ 1,576,277</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, 2017.

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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2017**

9. PENSION PLANS (Continued)

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.

The Association accounts for the cost of its defined benefit pension plans in accordance with the requirements of the U.S. Department of Labor Employee Retirement Income Security Act of 1974 (ERISA) which is a departure from accounting principles generally accepted in the United States of America (U.S. GAAP). U.S. GAAP requires that employers account for defined benefit pension plan costs as described in the information below. Had the Association recorded the cost of its defined benefit pension plans in accordance with U.S. GAAP, the amount reported for total liabilities would be \$77,400,141, the amount reported for net assets would be a deficit of (\$27,764,932), and the change in net assets would have been \$8,484,300.

The following is a summary of the defined benefit plans as of September 30, 2017 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	\$ 8,842,699	\$ 89,029,247	\$ 52,201,095	\$ 150,073,041
Service cost	422,704	3,575,879	3,281,223	7,279,806
Interest cost	302,482	3,058,324	1,812,078	5,172,884
Benefits paid	(393,739)	(2,995,863)	(621,459)	(4,011,061)
Expenses paid	(6,230)	(390,201)	(156,229)	(552,660)
Interplan transfers	-	649,835	(649,835)	-
Actuarial (gain) loss	(918,350)	(1,496,993)	(4,189,530)	(6,604,873)
Projected benefit obligation, end of the year	<u>\$ 8,249,566</u>	<u>\$ 91,430,228</u>	<u>\$ 51,677,343</u>	<u>\$ 151,357,137</u>
Change in plan assets				
Fair value of plan assets, beginning of the year	\$ 4,760,550	\$ 56,523,868	\$ 23,421,362	\$ 84,705,780
Actual return on plan assets	(7,346)	6,147,926	2,668,600	8,809,180
Employer contributions	212,000	1,728,293	1,438,000	3,378,293
Benefits and expenses paid	(399,969)	(2,736,229)	(1,427,523)	(4,563,721)
Fair value of plan assets end of the year	<u>\$ 4,565,235</u>	<u>\$ 61,663,858</u>	<u>\$ 26,100,439</u>	<u>\$ 92,329,532</u>
Funded status - benefit obligation in excess of plan assets	<u>\$ 3,684,331</u>	<u>\$ 29,766,370</u>	<u>\$ 25,576,904</u>	<u>\$ 59,027,605</u>
Accumulated benefit obligation	<u>\$ 8,249,566</u>	<u>\$ 91,430,228</u>	<u>\$ 51,677,343</u>	<u>\$ 151,357,137</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2017**

9. PENSION PLANS (Continued)

	Rabbi Trust	Staff Representatives	Employees	Total
Component of net periodic pension costs				
Service cost - benefits earned	\$ 422,704	\$ 3,575,879	\$ 3,281,223	\$ 7,279,806
Interest cost	302,482	3,058,324	1,812,078	5,172,884
Expected return on plan assets	(334,456)	(3,967,905)	(1,723,936)	(6,026,297)
Net amortization and deferral	136,857	3,181,448	1,199,537	4,517,842
Total net periodic pension cost	<u>\$ 527,587</u>	<u>\$ 5,847,746</u>	<u>\$ 4,568,902</u>	<u>\$ 10,944,235</u>
		Rabbi Trust	Staff Representatives	Employees
Weighted-average assumptions				
Discount rate		3.75%	3.75%	3.75%
Average compensation increase		3.00%	3.00%	3.00%
Expected rate of return on plan assets		7.25%	7.25%	7.25%

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, 2017:

	Fair value			Total
	Level 1	Level 2	Level 3	
Plan Assets				
Cash equivalents	\$ 44,285	\$ -	\$ -	\$ 44,285
U.S. government securities	-	5,789,139	-	5,789,139
Municipal bonds	-	728,018	-	728,018
Common stocks	66,206,824	-	-	66,206,824
Corporate bonds	-	9,287,367	-	9,287,367
Pooled funds	-	5,210,279	-	5,210,279
AFL-CIO investment trust	-	4,659,400	-	4,659,400
Total plan assets measured at fair value	<u>\$ 66,251,109</u>	<u>\$ 25,674,203</u>	<u>\$ -</u>	<u>\$ 91,925,312</u>
Net receivables				404,220
				<u>\$ 92,329,532</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2017**

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, 2017. The expected benefit payments shown below are based on the same assumptions used to determine the Projected Benefit Obligation as of September 30, 2016, and includes benefits attributable to estimated future employee service.

	Rabbi Trust	Staff Representatives	Employees	Total
2018	\$ 393,738	\$ 3,167,769	\$ 824,492	\$ 4,385,999
2019	410,851	3,322,067	891,818	4,624,736
2020	428,477	3,491,098	990,433	4,910,008
2021	446,632	3,635,062	1,067,566	5,149,260
2022	465,331	3,743,558	1,162,682	5,371,571
2023 - 2027	2,627,383	20,642,586	7,291,232	30,561,201
	<u>\$ 4,772,412</u>	<u>\$ 38,002,140</u>	<u>\$ 12,228,223</u>	<u>\$ 55,002,775</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 March 28, 2017 the Association's actuaries had certified the AFTAP for the Staff Representatives' Pension Plan to be 108.26% and the Employees' Pension Plan to be 95.58% and the AFTAP certification remained in effect through June 30, 2017. No benefit restrictions were binding under the Pension Protection Act of 2006 upon the defined benefit plans as of June 30 2017 as a result. No certifications were performed by the actuary for the Officers Supplemental Benefit Plan or the Canadian Officers' Benefit Plan as of this date.

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, 2017**

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, 2017 were \$312,797.

12. INCOME TAXES

Included in the provision for income taxes as of September 30, 2017 is a deferred tax liability of \$100,304 pertaining to the IAFF Financial Corporation's 2016 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, 2017 relate to the following:

Deferred tax assets

Resulting from differences in timing of recognition of charitable contributions	\$ 25,612
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Deferred tax liabilities

Resulting from differences in timing of recognition of depreciation expense	<u>(125,916)</u>
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Net deferred federal and state tax liabilities, before allowance	(100,304)
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Allowance for deferred tax assets	-
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Net deferred tax liability	<u><u>\$ (100,304)</u></u>
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The provision for income taxes consisted of the following as of September 30, 2017:

Deferred income tax liabilities, beginning of year	\$ 115,560
Deferred income tax liabilities, end of year	<u>100,304</u>
Decrease in deferred tax liabilities	(15,256)
Current year tax expense	
Federal	40,352
District of Columbia	<u>9,630</u>
Total provision for income taxes	<u><u>\$ 34,726</u></u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2017**

13. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available as of September 30, 2017 for the following purposes:

	Balance at October 1, 2016	Revenue and Support	Released	Balance at September 30, 2017
IAFF PAC	\$ 4,375,048	\$ 7,241,905	\$ (6,704,412)	\$ 4,912,541
Burn Fund - Research	30,000	-	-	30,000
Burn Fund - Burn Camp	-	103,500	(103,500)	-
Burn Fund - General	45,324	47,789	(90,091)	3,022
Burn Fund - YFIRES	33,265	-	(7,177)	26,088
John P. Redmond Fund	3,107	1,395	-	4,502
Fallen Memorial Fund	-	4,572	(4,572)	-
Disaster Relief Fund	-	419,469	(419,469)	-
McClennan Scholarship Fund Foundation -	170,104	6,949	(157,500)	19,553
Susan G. Komen Program Fund	44,861	1,055	-	45,916
	<u>\$ 4,701,709</u>	<u>\$ 7,826,634</u>	<u>\$ (7,486,721)</u>	<u>\$ 5,041,622</u>

14. PRIOR PERIOD ADJUSTMENT

Unrestricted net assets as of September 30, 2016 have been restated to account for the costs of the Association's defined benefit plans in accordance with the requirements of the U.S. Department of Labor Retirement Income Security Act of 1974 (ERISA) which is a departure from accounting principles generally accepted in the United States of America, which require the cost of employees' pensions to be recognized over the employees' respective service periods and a liability to be recognized when the projected benefit obligation exceeds the fair value of the assets. Unrestricted net assets were also restated to record deferred rent in accordance with accounting principles generally accepted in the United States.

Prior period adjustments as of September 30, 2016 are as follows:

	As Originally Presented	Prior Period Adjustments	As Restated
Accrued Pension Liability September 30, 2016	<u>\$ 65,367,261</u>	<u>\$ (65,367,261)</u>	<u>\$ -</u>
Deferred Rent September 30, 2016	<u>\$ 325,122</u>	<u>\$ (325,122)</u>	<u>\$ -</u>
Deferred Rent, net of current September 30, 2016	<u>\$ 358,907</u>	<u>\$ 976,388</u>	<u>\$ 1,335,295</u>
Unrestricted Net Assets September 30, 2016	<u>\$ (41,875,952)</u>	<u>\$ 64,715,995</u>	<u>\$ 22,840,043</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2017**

15. 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.

16. 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 2028, 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, 2017 was \$2,940,276.

At September 30, 2017, future minimum lease payments under this operating lease are as follows:

2018	\$ 2,493,685
2019	2,568,496
2020	2,645,551
2021	2,724,917
2022	2,806,665
2023 and future years	18,412,362
	<u>\$ 31,651,676</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.

Payments under the capital leases are due as follows:

	Total Payment	Interest Portion	Net
2018	\$ 157,281	\$ 9,836	\$ 147,445
2019	91,748	1,739	90,009
	<u>\$ 249,029</u>	<u>\$ 11,575</u>	<u>\$ 237,454</u>

Interest paid during the fiscal year ended September 30, 2017 under these capital leases was \$18,079.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2017**

16. COMMITMENTS AND CONTINGENCIES (Continued)

Government Contracts and Grants

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

Letter of Credit

The Association has an open letter of credit in the amount of \$4,936,000 to secure pension costs in Canada. As of September 30, 2017, no amount has been drawn and no interest has been incurred on the letter of credit.

Future Meeting Sites and Vendor Contingencies

The Association has entered into agreements with hotels for future conventions. In the event of the cancellation of these agreements on September 30, 2017, the maximum cancellation penalty would be \$5,180,190. Subsequent to year end, the Association had satisfied the terms of several of these contracts in the amount of \$900,516. Additionally, the Association entered into a contractual agreement for software development services. Future minimum payments related to this agreement as of September 30, 2017 amount to \$4,770,000, which includes 36 months of license fees commencing on April 1, 2018 through March 31, 2021.

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, 2017, guaranteed payments to be received over the course of the negotiated contract for future periods are as follows:

2018	\$ 2,510,000
2019	2,622,500
2020	2,660,000
2021	2,772,500
2022	2,810,000
2023	702,500
	<u>\$ 14,077,500</u>

17. 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, 2017 was \$9,340,790.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended September 30, 2017**

18. 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, 2017, gross revenue from per capita tax was \$45,601,634, which approximates 68% of the consolidated gross support and revenue.

19. SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 31, 2018, the date the financial statements were available to be issued.

Future Meeting Sites

As mentioned in Note 16, 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 \$900,516.

SUPPLEMENTARY INFORMATION

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

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
September 30, 2017**

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" McClelland Scholarship Fund			
CURRENT ASSETS											
Cash and cash equivalents	\$ 12,854,335	\$ 1,287,520	\$ 1,978,632	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,120,487	\$ -	\$ 16,120,487
Investments	12,043,406	-	-	-	106,281	-	-	539,608	12,689,295	-	12,689,295
Accounts receivable, net of allowance	2,077,855	777,036	-	-	-	-	-	-	2,854,891	-	2,854,891
Grants receivable	799,867	-	-	148,863	-	-	-	-	948,730	-	948,730
Financial assistance loans, net of allowance	200,468	-	-	-	-	-	-	-	200,468	-	200,468
Prepaid expenses	404,806	38,228	-	-	-	-	-	-	443,034	-	443,034
Inventories	34,145	-	-	-	-	-	-	-	34,145	-	34,145
Intercompany receivables	1,510,653	-	-	-	-	-	-	-	1,510,653	(1,510,653)	-
TOTAL CURRENT ASSETS	29,925,535	2,102,784	1,978,632	148,863	106,281	-	-	539,608	34,801,703	(1,510,653)	33,291,050
PROPERTY, net	1,928,642	285,851	-	-	-	-	1,795,725	-	4,010,218	-	4,010,218
OTHER ASSETS											
Financial assistance loans, net of current	346,511	-	-	-	-	-	-	-	346,511	-	346,511
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	3,057,273	-	-	-	-	-	-	-	3,057,273	-	3,057,273
Rabbi Trust assets	4,565,235	-	-	-	-	-	-	-	4,565,235	-	4,565,235
Intangible assets - software	550,000	-	-	-	-	-	-	-	550,000	-	550,000
Goodwill	-	150,000	-	-	-	-	-	-	150,000	-	150,000
TOTAL OTHER ASSETS	10,697,032	150,000	-	-	-	-	1,576,277	-	12,423,309	(89,368)	12,333,941
TOTAL ASSETS	\$ 42,551,209	\$ 2,538,635	\$ 1,978,632	\$ 148,863	\$ 106,281	\$ -	\$ 3,372,002	\$ 539,608	\$ 51,235,230	\$ (1,600,021)	\$ 49,635,209

See Independent Auditors' Report.

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

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
September 30, 2017**

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	\$ 3,771,258	\$ 32,581	\$ 21,671	\$ -	\$ -	\$ 57,976	\$ -	\$ -	\$ 3,883,486	\$ -	\$ 3,883,486
Accrued expenses											
Salaries and benefits	864,687	42,059	-	-	-	-	-	-	906,746	-	906,746
Leave and severance	3,392,439	187,579	-	-	-	-	-	-	3,580,018	-	3,580,018
Accrued pension liability	918,384	-	-	-	-	-	-	-	918,384	-	918,384
Deferred revenue	368,582	12,000	-	-	-	-	-	-	380,582	-	380,582
Capital lease obligation	147,445	-	-	-	-	-	-	-	147,445	-	147,445
Intercompany payables	-	162,715	462,029	636,398	(161,714)	(1,203,589)	1,553,335	61,479	1,510,653	(1,510,653)	-
TOTAL CURRENT LIABILITIES	9,462,795	436,934	483,700	636,398	(161,714)	(1,145,613)	1,553,335	61,479	11,327,314	(1,510,653)	9,816,661
LONG-TERM LIABILITIES											
Deferred rent, net of current	1,661,438	-	-	-	-	-	-	-	1,661,438	-	1,661,438
Capital lease obligation, net of current	90,009	-	-	-	-	-	-	-	90,009	-	90,009
Deferred tax liability	-	100,304	-	-	-	-	-	-	100,304	-	100,304
Deferred compensation liability	3,057,273	-	-	-	-	-	-	-	3,057,273	-	3,057,273
Rabbi Trust liability	4,565,235	-	-	-	-	-	-	-	4,565,235	-	4,565,235
TOTAL LONG-TERM LIABILITIES	9,373,955	100,304	-	-	-	-	-	-	9,474,259	-	9,474,259
TOTAL LIABILITIES	18,836,750	537,238	483,700	636,398	(161,714)	(1,145,613)	1,553,335	61,479	20,801,573	(1,510,653)	19,290,920
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	18,801,918	1,912,029	1,449,016	(546,645)	263,493	1,145,613	242,390	458,576	23,726,390	-	23,726,390
Temporarily restricted	4,912,541	-	45,916	59,110	4,502	-	-	19,553	5,041,622	-	5,041,622
Permanently restricted	-	-	-	-	-	-	1,576,277	-	1,576,277	-	1,576,277
TOTAL NET ASSETS (DEFICIT)	23,714,459	1,912,029	1,494,932	(487,535)	267,995	1,145,613	1,818,667	478,129	30,344,289	-	30,344,289
TOTAL LIABILITIES AND NET ASSETS/EQUITY	\$ 42,551,209	\$ 2,538,635	\$ 1,978,632	\$ 148,863	\$ 106,281	\$ -	\$ 3,372,002	\$ 539,608	\$ 51,235,230	\$ (1,600,021)	\$ 49,635,209

See Independent Auditors' Report.

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

**CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended September 30, 2017**

	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			
SUPPORT AND REVENUE											
Per capita tax	\$ 45,601,634	\$ -	\$ -	\$ -	\$ -	\$ 225,723	\$ 954,044	\$ -	\$ 46,781,401	\$ (1,179,767)	\$ 45,601,634
Conference and seminar registration fees	4,587,825	-	-	-	-	-	-	-	4,587,825	(552,500)	4,035,325
Contributions	2,314,372	-	203,846	174,378	1,395	419,470	4,572	6,949	3,124,982	(100,000)	3,024,982
Royalties	689,170	2,874,140	97,601	8,572	-	-	5,075	-	3,674,558	-	3,674,558
Grants	8,122,600	-	-	971,016	-	-	-	-	9,093,616	-	9,093,616
Reimbursed legal expenses	371,413	-	-	-	-	-	-	-	371,413	-	371,413
Initiation, reinstatement and charter fees	191,011	-	-	-	-	-	-	-	191,011	-	191,011
Proceeds from sales	38,335	-	-	-	-	-	-	-	38,335	-	38,335
Investment income	136,763	3,220	-	-	(169)	-	-	(858)	138,956	-	138,956
Foreign currency transaction gain	36,194	(55)	(546)	-	-	-	-	-	35,593	25,979	61,572
Other revenues	2,271,086	1,111,919	875	-	-	-	-	-	3,383,880	(2,527,655)	856,225
TOTAL SUPPORT AND REVENUE	64,360,403	3,989,224	301,776	1,153,966	1,226	645,193	963,691	6,091	71,421,570	(4,333,943)	67,087,627
EXPENSES											
Program	47,040,110	3,878,210	201,305	1,139,220	-	462,500	503,701	157,500	53,382,546	(4,133,939)	49,248,607
Management and general	12,419,434	-	201,304	45,046	-	-	117,397	-	12,783,181	-	12,783,181
Fundraising	-	-	-	23,579	-	-	-	-	23,579	-	23,579
TOTAL EXPENSES	59,459,544	3,878,210	402,609	1,207,845	-	462,500	621,098	157,500	66,189,306	(4,133,939)	62,055,367
CHANGE IN NET ASSETS BEFORE ERISA CONTRIBUTION, INCOME TAXES, CHANGE IN CUMULATIVE FOREIGN CURRENCY TRANSLATION	4,900,859	111,014	(100,833)	(53,879)	1,226	182,693	342,593	(151,409)	5,232,264	(200,004)	5,032,260
ERISA CONTRIBUTION	(4,142,550)	-	-	(90,834)	-	-	-	-	(4,233,384)	-	(4,233,384)
INCOME TAXES	-	(34,726)	-	-	-	-	-	-	(34,726)	-	(34,726)
CHANGE IN CUMULATIVE FOREIGN CURRENCY TRANSLATION	462,110	-	-	-	-	-	-	-	462,110	-	462,110
CHANGE IN NET ASSETS	1,220,419	76,288	(100,833)	(144,713)	1,226	182,693	342,593	(151,409)	1,426,264	(200,004)	1,226,260
NET ASSETS/EQUITY, beginning of year, restated	22,494,040	2,125,113	1,595,765	(342,822)	266,769	962,920	1,476,074	629,538	29,207,397	(89,368)	29,118,029
DIVIDENDS AND FUNDING TRANSFERS, net	-	(200,004)	-	-	-	-	-	-	(200,004)	200,004	-
NET ASSETS/EQUITY, end of year	\$ 23,714,459	\$ 2,001,397	\$ 1,494,932	\$ (487,535)	\$ 267,995	\$ 1,145,613	\$ 1,818,667	\$ 478,129	\$ 30,433,657	\$ (89,368)	\$ 30,344,289

See Independent Auditors' Report.

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

**CONSOLIDATING SCHEDULE OF EXPENSES BY ENTITY
Year Ended September 30, 2017**

	International Association of Fire Fighters Foundation							Total	Eliminating Entries	Consolidated Balance	
	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	\$ 16,215,525	\$ 929,482	\$ -	\$ 277,482	\$ -	\$ -	\$ -	\$ -	\$ 17,422,489	\$ (121,658)	\$ 17,300,831
Employee reimbursements	2,678,768	79,333	-	33,498	-	-	-	-	2,791,599	-	2,791,599
Employee benefits	4,405,691	184,282	-	70,312	-	-	-	-	4,660,285	-	4,660,285
Accounting and audit	181,684	51,912	2,175	-	-	-	-	-	235,771	-	235,771
Advertising	148,767	432,000	-	-	-	-	-	-	580,767	(432,000)	148,767
Aid to affiliates	359,503	-	-	-	-	-	-	-	359,503	-	359,503
Audio/visual expense	306,022	-	-	3,429	-	-	-	-	309,451	(26,411)	283,040
Awards	14,092	-	-	14,000	-	462,500	-	-	490,592	-	490,592
Bad debt expense	144,625	-	-	-	-	-	-	-	144,625	-	144,625
Computer	1,356,077	14,955	8,235	1,551	-	-	1,198	-	1,382,016	-	1,382,016
Consultants	9,579,127	430,304	91,513	459,024	-	-	91,171	-	10,651,139	(186,441)	10,464,698
Convention expenses	20,990	-	-	-	-	-	-	-	20,990	-	20,990
Cost of sales	575,690	-	-	-	-	-	-	-	575,690	-	575,690
Depreciation and amortization	429,072	90,647	-	-	-	-	138,004	-	657,723	-	657,723
Donations	1,470,029	5,000	357,126	36,667	-	-	384,724	157,500	2,411,046	(1,935,387)	475,659
Dues and subscriptions	457,783	-	465	39,180	-	-	-	-	497,428	-	497,428
Insurance and bonding	254,996	24,180	-	3,078	-	-	-	-	282,254	-	282,254
Interest and penalties	18,820	-	-	-	-	-	-	-	18,820	-	18,820
Journal and publication expenses	1,035,395	-	-	-	-	-	-	-	1,035,395	-	1,035,395
Legal services	2,865,719	4,401	7,733	-	-	-	-	-	2,877,853	-	2,877,853
Marketing and promotion expenses	36,550	898,496	-	-	-	-	-	-	935,046	(728,500)	206,546
Miscellaneous expenses	1,155,910	15	6,529	5,200	-	-	140	-	1,167,794	(483,592)	684,202
Office expense and supplies	901,885	29,621	-	8,894	-	-	147	-	940,547	-	940,547
Office machine rental and maintenance	(88,055)	1,005	-	-	-	-	1,910	-	(85,140)	-	(85,140)
Pension contribution	4,142,550	-	-	90,834	-	-	-	-	4,233,384	-	4,233,384
Affiliations per capita tax	2,270,868	-	-	-	-	-	-	-	2,270,868	-	2,270,868
Political contributions	4,771,193	-	-	-	-	-	-	-	4,771,193	-	4,771,193
Postage and freight	288,527	756	-	2,754	-	-	634	-	292,671	-	292,671
Printing and copying	833,334	1,391	-	-	-	-	1,919	-	836,644	-	836,644
Rent	2,939,025	279,950	-	-	-	-	1,251	-	3,220,226	(279,950)	2,940,276
Seminars and meetings	2,727,942	51,579	-	160,915	-	-	-	-	2,940,436	60,000	3,000,436
Taxes - payroll	1,141,356	52,403	-	20,674	-	-	-	-	1,214,433	-	1,214,433
Taxes - income taxes	-	34,726	-	-	-	-	-	-	34,726	-	34,726
Taxes - other	10,761	10,162	-	-	-	-	-	-	20,923	-	20,923
Telephone and utilities	165,454	11,532	-	20	-	-	-	-	177,006	-	177,006
Additional pension and actuarial costs	(213,581)	294,804	-	-	-	-	-	-	81,223	-	81,223
Overhead allocation	-	-	(71,167)	71,167	-	-	-	-	-	-	-
Fringe pool	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	\$ 63,602,094	\$ 3,912,936	\$ 402,609	\$ 1,298,679	\$ -	\$ 462,500	\$ 621,098	\$ 157,500	\$ 70,457,416	\$ (4,133,939)	\$ 66,323,477

See Independent Auditors' Report.