

**NATIONAL FALLEN FIREFIGHTERS
FOUNDATION**

FINANCIAL STATEMENTS

AND

REPORTS UNDER THE UNIFORM GUIDANCE

Years Ended December 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
National Fallen Firefighters Foundation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of National Fallen Firefighters Foundation (a nonprofit organization) and its affiliate First Responder Center for Excellence for Reducing Occupational Illness, Injuries and Deaths, Inc. (a nonprofit organization) which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the National Fallen Firefighters Foundation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended are in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules of functional expenses by natural classification and function are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, we have also issued our report dated August 14, 2017 on our consideration of the National Fallen Firefighters Foundation'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 this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the National Fallen Firefighters Foundation's internal control and compliance.

Bethesda, MD
August 14, 2017

A large, stylized handwritten signature in black ink that reads "Rubins & Company". The signature is written in a cursive, flowing style with a large initial 'R'.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,195,899	\$ 842,693
Grants receivable (<i>Note 3</i>)	752,826	766,855
Pledges receivable, net (<i>Note 4</i>)	484,893	719,989
Prepaid expenses and other current assets	<u>67,500</u>	<u>153,638</u>
Total current assets	<u>2,501,118</u>	<u>2,483,175</u>
Property and equipment		
Walk of honor	250,690	250,690
Memorial park	894,917	866,089
Memorial chapel	1,087,117	1,087,117
Furniture and equipment	<u>161,414</u>	<u>159,914</u>
	2,394,138	2,363,810
Less accumulated depreciation	<u>(1,127,478)</u>	<u>(980,858)</u>
Total property and equipment	<u>1,266,660</u>	<u>1,382,952</u>
Other noncurrent assets		
Investments, including \$2,559,512 and \$2,914,802, segregated to meet restrictions by donors for 2016 and 2015 (<i>Note 5</i>)	<u>7,108,885</u>	<u>6,612,419</u>
Total assets	<u>\$ 10,876,663</u>	<u>\$ 10,478,546</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 387,857	\$ 374,829
Deferred compensation	<u>30,455</u>	<u>17,571</u>
Total liabilities	<u>418,312</u>	<u>392,400</u>
Net assets		
Unrestricted		
General	6,632,179	5,788,392
Board designated	1,266,660	1,382,952
Temporarily restricted (<i>Note 7</i>)	2,534,512	2,889,802
Permanently restricted (<i>Note 6</i>)	<u>25,000</u>	<u>25,000</u>
Total net assets	<u>10,458,351</u>	<u>10,086,146</u>
Total liabilities and net assets	<u>\$ 10,876,663</u>	<u>\$ 10,478,546</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Grants, contracts and contributions				
Grants	\$ -	\$ 2,573,283	\$ -	\$ 2,573,283
Contributions	1,339,833	526,522	-	1,866,355
Contributed goods/services	228,902	119,381	-	348,283
Combined federal campaign	56,068	-	-	56,068
Royalties	77,041	50	-	77,091
Program service revenue	-	61,820	-	61,820
Event sponsors	703,451	-	-	703,451
Event registrations	479,021	28,860	-	507,881
Sweepstakes/auctions	59,575	-	-	59,575
Other revenue				
Gift shop sales	49,066	-	-	49,066
Investment income, net(<i>Note 5</i>)	484,931	2,032	-	486,963
Released from restrictions	3,667,238	(3,667,238)	-	-
Total revenue and support	<u>7,145,126</u>	<u>(355,290)</u>	<u>-</u>	<u>6,789,836</u>
Expenses				
Program services				
Department of Justice - Fire Service Survivor Support	942,131	-	-	942,131
Department of Homeland Security				
Line-of-Duty Death and Prevention (Fire Act)	1,176,628	-	-	1,176,628
United States Fire Administration - Memorial Weekend	508,889	-	-	508,889
NIOSH	22,998	-	-	22,998
NIST	31,900	-	-	31,900
Vulnerability Assessment Project	19,687	-	-	19,687
Department of Transportation/FRA - Critical Incident Intervention	83,502	-	-	83,502
Memorial Weekend	350,662	-	-	350,662
New York City - FDNY	171,689	-	-	171,689
Scholarships	213,431	-	-	213,431
Memorial Park	163,838	-	-	163,838
Gift shop	126,634	-	-	126,634
Golf tournaments	298,997	-	-	298,997
Stair climbs	589,542	-	-	589,542
Hal Bruno Camps for Children of Fallen Firefighters	104,599	-	-	104,599
Fire Service Outreach	160,542	-	-	160,542
Multiple Fatality Incidents	5,162	-	-	5,162
First Responder Center	60,379	-	-	60,379
Other NFFF programs	411,958	-	-	411,958
Total program services	<u>5,443,168</u>	<u>-</u>	<u>-</u>	<u>5,443,168</u>
Supporting services				
Management and general	64,208	-	-	64,208
Lobbying	3,534	-	-	3,534
Foundation marketing	201,088	-	-	201,088
Fundraising	705,633	-	-	705,633
Total supporting services	<u>974,463</u>	<u>-</u>	<u>-</u>	<u>974,463</u>
Total expenses	<u>6,417,631</u>	<u>-</u>	<u>-</u>	<u>6,417,631</u>
Change in net assets	727,495	(355,290)	-	372,205
Net assets at beginning of year	<u>7,171,344</u>	<u>2,889,802</u>	<u>25,000</u>	<u>10,086,146</u>
Net assets at end of year	<u>\$ 7,898,839</u>	<u>\$ 2,534,512</u>	<u>\$ 25,000</u>	<u>\$ 10,458,351</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Grants, contracts and contributions				
Grants	\$ -	\$ 3,131,140	\$ -	\$ 3,131,140
Contributions	1,274,707	1,572,824	-	2,847,531
Contributed goods/services	141,069	65,862	-	206,931
Combined federal campaign	66,980	-	-	66,980
Royalties	168,561	80	-	168,641
Program service revenue	-	78,813	-	78,813
Event sponsors	393,527	15,869	-	409,396
Event registrations	272,443	50,797	-	323,240
Sweepstakes/auctions	50,643	500	-	51,143
Other revenue				
Gift shop sales	21,079	-	-	21,079
Investment income, net (<i>Note 5</i>)	(151,036)	(362)	-	(151,398)
Other	2,501	-	-	2,501
Released from restrictions	4,315,746	(4,315,746)	-	-
Total revenue and support	6,556,220	599,777	-	7,155,997
Expenses				
Program services:				
Department of Justice - Fire Service Survivor Support	1,179,151	-	-	1,179,151
Department of Homeland Security				
Line-of-Duty Death and Prevention (Fire Act)	1,451,561	-	-	1,451,561
United States Fire Administration - Memorial Weekend	505,498	-	-	505,498
Vulnerability Assessment Project	22,120	-	-	22,120
Department of Transportation/FRA - Critical Incident Intervention	130,249	-	-	130,249
Memorial Weekend	292,899	-	-	292,899
New York City - FDNY	151,194	-	-	151,194
Scholarships	196,142	-	-	196,142
Memorial Park	148,511	-	-	148,511
Gift shop	35,026	-	-	35,026
Golf tournaments	308,494	-	-	308,494
Stair climbs	395,253	-	-	395,253
Hal Bruno Camps for Children of Fallen Firefighters	31,103	-	-	31,103
Fire Service Outreach	76,962	-	-	76,962
West, Texas - Multiple Fatality Incident	6,672	-	-	6,672
Yarnell, Arizona - Multiple Fatality Incident	51,034	-	-	51,034
NIOSH - Heart to Heart	18,761	-	-	18,761
NIST	95,202	-	-	95,202
Other NFFF programs	459,403	-	-	459,403
Total program services	5,555,235	-	-	5,555,235
Supporting services:				
Management and general	202,956	-	-	202,956
Lobbying	2,569	-	-	2,569
Foundation marketing	131,061	-	-	131,061
Fundraising	632,410	-	-	632,410
Total supporting services	968,996	-	-	968,996
Total expenses	6,524,231	-	-	6,524,231
Change in net assets	31,989	599,777	-	631,766
Net assets at beginning of year	7,139,355	2,290,025	25,000	9,454,380
Net assets at end of year	\$ 7,171,344	\$ 2,889,802	\$ 25,000	\$ 10,086,146

The accompanying notes are an integral part of these financial statements.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ 372,205	\$ 631,766
Reconciling adjustments:		
Depreciation	146,620	145,232
Pledge discount	(14,904)	30,011
Net realized and unrealized gains on investments	(369,545)	251,282
Changes in operating assets and liabilities:		
Grants receivable	14,029	(195,090)
Pledge receivable	250,000	(750,000)
Prepaid expenses and other current assets	86,138	(17,835)
Accounts payable and accrued expenses	13,028	19,977
Deferred compensation	<u>12,884</u>	<u>8,899</u>
Net cash provided by operating activities	<u>510,455</u>	<u>124,242</u>
Cash flows from investing activities		
Purchases of investments	(487,399)	(2,819,127)
Redemptions of investments	360,478	2,311,029
Purchases of property and equipment	<u>(30,328)</u>	<u>(31,365)</u>
Net cash used by investing activities	<u>(157,249)</u>	<u>(539,463)</u>
Net change in cash and cash equivalents	353,206	(415,221)
Cash and cash equivalents, beginning of year	<u>842,693</u>	<u>1,257,914</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,195,899</u></u>	<u><u>\$ 842,693</u></u>

The accompanying notes are an integral part of these financial statements.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

1. Organization

The National Fallen Firefighters Foundation (the Foundation) was incorporated in Maryland on August 23, 1993 in accordance with Public Law 102-522, as amended, for the purpose of 1) primarily encouraging, accepting and administering private gifts of property for the benefit of the National Fallen Firefighters' Memorial and the annual memorial service associated with it; 2) providing financial assistance to families of fallen firefighters for transportation to and lodging during the annual memorial service; 3) assisting federal, state and local efforts to recognize firefighters who die in the line of duty; 4) providing scholarships and other financial assistance for educational purposes and job training for the spouses, life partners, children, and stepchildren of fallen firefighters; 5) planning, directing, and managing the National Fallen Firefighters Memorial Service and related activities in coordination with the federal government, fire service organizations, and survivors of fallen firefighters; 6) promoting national, state, and local initiatives to increase public fire and life safety awareness; and 7) providing for a national program to assist families of fallen firefighters and fire departments in dealing with line-of-duty deaths of those firefighters.

The Foundation currently operates the following programs, among others:

- Annual National Fallen Firefighters Memorial Weekend, held each October at the National Fire Academy in Emmitsburg, Maryland, to pay tribute to all firefighters who died in the line of duty during the previous year. The weekend features special programs for survivors and coworkers along with public ceremonies.
- Scholarship Program for Survivors, assistance for education and job training costs of spouses, life partners, children, and stepchildren of fallen firefighters.
- Fire Service Survivors Network, a support network of volunteer survivors that provides outreach to survivors of similar circumstances. The Foundation holds an annual conference of fire service survivors. As part of the effort to support survivors, the Foundation also provides resources for grieving.
- Line-of-Duty Death Prevention Program, an initiative to reduce firefighter deaths by providing training and sponsoring related research. The "Everyone Goes Home" website was developed as part of the initiative.
- Multiple Fatality Incidents, programs to provide support services to benefit the families and coworkers of New York City, West, Texas, Yarnell Hill, Arizona and Twisp River, Washington fallen firefighters.

In addition, the Foundation maintains a National Memorial Park that contains the National Fallen Firefighters Memorial, and features the Walk of Honor® containing bricks that connect the Memorial to the historic Fallen Firefighters Memorial Chapel as well as the 9/11 Memorial: *To Lift a Nation* Sculpture.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

1. Organization (continued)

During 2016, the Foundation organized an affiliate organization under the laws of the State of Maryland. The name of the affiliate is First Responder Center for Excellence for Reducing Occupational Illness, Injuries and Deaths, Inc. (the Center). In support of the Foundation, the Center plans to become the leading resource for first responders and their family members in addressing physical, emotional, and psychological health issues and to promote research in relevant fields to increase awareness of first responder health issues and prevent first responder deaths. The Center will develop innovative methods to address the growing concerns relative to the presence of cancers within the First Responder Community and expand Stress First Aid, a new behavioral health intervention program, as well as similar programs. The Center will work closely with the Foundation, which has existing knowledge and expertise in these fields and others to further its charitable and educational mission.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Foundation prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when the obligations are incurred.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and the Center. All material intercompany transactions and accounts have been eliminated.

Use of Estimates

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

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Income Taxes

Pursuant to its initial exemption application, management has received a tax determination letter dated January 17, 1995 from the Internal Revenue Service (IRS) indicating that the Foundation is exempt from the payment of income taxes on its exempt activities. The IRS has classified the Foundation as a publicly supported organization as defined in Section 170(b)(1)(A)(vi) of the Internal Revenue Code. Federal tax law requires that the Foundation be operated in a manner consistent with its initial exemption application in order to maintain its exempt status. Management has analyzed the operations of the Foundation and concluded that it remains in compliance with the requirements for exemption.

The Center is exempt from Federal income taxes, except as to unrelated business activities, under Section 501(c)(3) of the Internal Revenue Code.

The Foundation and the Center have no unrecognized tax benefits or such amounts were immaterial during the period presented. The financial statement impact of a tax position is recognized when it is more likely than not that the position will be sustained upon examination.

The Foundation's and the Center's tax returns are subject to periodic examination by taxing authorities; however there are currently no examinations in progress. Management believes the Foundation is no longer subject to income tax examinations for years prior to 2013. The Center will file its first tax return in 2017 for the year ended December 31, 2016.

Cash and Cash Equivalents

The Foundation considers all highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents. For financial statement purposes, the Foundation considers money market funds and certificates of deposit to be investments; therefore, they are excluded from the balance of cash and cash equivalents.

The Foundation has cash holdings in commercial banks that routinely exceed federally-insured limits, but management does not consider this to be a significant concentration of credit risk.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

Certain assets are recorded based on fair value on a recurring basis. Accounting and reporting standards establish a framework for measuring fair value and 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 determined based on the assumptions that market participants would use in pricing the asset or liability. The standard establishes a fair value hierarchy that distinguishes between market participant assumptions based on sources of market data that are independent from the reporting entity (observable inputs are classified as Level 1 and 2 of the hierarchy) or on the reporting entity's own assumptions about market participant assumptions (unobservable inputs are classified as Level 3 of the hierarchy). The fair value levels are as follows:

The fair value levels are as follows:

- Level 1 inputs use unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the assets or liabilities;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- 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.

In certain cases the inputs used to measure fair value, may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Assessing 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.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Investments are reported at the fair values provided by the investment managers or other third-party service providers using various methods dependent upon the specific type of investment. Securities are classified as Level 1 when quoted prices are available in an active market. Securities are classified as Level 2 when significant inputs, including benchmarks, yields, broker-dealer quotes, issuer spreads, bids, offers, the LIBOR curve, and measures of volatility, are used by these third-party dealers or independent pricing services are available to determine fair values. Securities are classified as Level 3 when significant inputs are unobservable because investments do not trade in an active markets.

Property and Equipment

The Walk of Honor® and the Memorial Park were completed in October 2004, at which time they began to be depreciated on the straight-line basis over a period of 15 years. Chapel renovations were completed in September 2006, at which time these capitalized costs began to be depreciated on the straight-line basis over a period of 39 years. Improvements and betterments are capitalized.

Furniture and equipment are recorded at cost and depreciated on the straight-line basis over the term of the applicable grant the equipment is being purchased for or its estimated useful life, whichever is less (10 - 36 months). Furniture and equipment includes computer software and website development costs and are recorded at cost and depreciated on the straight-line basis over a period of 3 years. Depreciation expense totaled \$146,620 and \$145,232 for the years ended December 31, 2016 and 2015, respectively. Only furniture and equipment with a cost of \$5,000 or more and a useful life of one year or more is capitalized.

The Walk of Honor®, Memorial Park and Chapel are located at the National Emergency Training Center campus, which is the property of the United States Government (see Note 9). The renovated Chapel houses the administrative headquarters of the Foundation, in addition to serving as the location for survivors to gather at the annual vigil during the Memorial Weekend.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Net Assets

Net assets are classified as either unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions. The purpose of each net asset group is as follows:

- Unrestricted Net Assets (including amounts designated by the board) represent resources of the Foundation available to support its general operations. Board designated unrestricted net assets represent assets whose use by the Foundation has been designated by the board of directors for internal use.
- Temporarily Restricted Net Assets represent resources restricted by donors and grantors for use in funding donor specified programs.
- Permanently Restricted Net Assets represent resources restricted by donors and must be held by the Foundation.

Contributions and Grants

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor or grantor restrictions. Support that is restricted by the donor or grantor is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment is recorded at fair value at the date of the contribution. If donors stipulate the use of the assets, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Other Revenue

In addition to grants and contributions, the Foundation engages in retail sales, event registration, and royalty agreements for the purpose of generating cash flow to help support its operations. These sales revenues contain fees charged for shipping and handling and are recorded net of discounts.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Concentrations

The Foundation currently receives a substantial amount of its support from the federal government in the form of grants. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Foundation's programs and activities.

Subsequent Events

Management has evaluated subsequent events through August 14, 2017, the date that the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provide evidence about conditions that existed at the statement of position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events with conditions that did not exist at the balance sheet date, but disclosures of such events, if any, are included in the accompanying notes.

3. Grants Receivable

Grants receivable at December 31, 2016 and 2015, consists of the following:

	<u>2016</u>	<u>2015</u>
Department of Justice	\$ 216,670	\$ 260,125
Department of Homeland Security	267,606	242,808
Department of Health & Human Services	6,835	18,762
Department of Commerce	-	88,233
Department of Transportation	14,365	8,521
Other	<u>247,350</u>	<u>148,406</u>
Total grants receivable	<u>\$ 752,826</u>	<u>\$ 766,855</u>

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

4. Pledges Receivable

During 2015, the Foundation was awarded a four-year commitment from the Motorola Solutions Foundation to support the Foundation's Scholarship and Training Program in the amount of \$1,000,000 with payments of \$250,000 per year. The pledge was discounted using a rate of 2.07% resulting in a pledge discount of \$15,107 and \$30,011 for the years ended December 31, 2016 and 2015, respectively.

5. Investments

The following table presents the Foundation's fair value hierarchy for assets measured at fair value on a recurring basis as of December 31, 2016 and 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2016</u>				
Cash and cash equivalents				
Cash	\$ 89,302	\$ -	\$ -	\$ 89,302
Fixed income				
U.S. Government bonds	-	102,340	-	102,340
Corporate bonds	-	209,439	-	209,439
Bond exchange traded and mutual funds				
Intermediate	1,477,792	-	-	1,477,792
Emerging markets	66,132	-	-	66,132
International	1,357	-	-	1,357
High yield	189,896	-	-	189,896
Short term	793,636	-	-	793,636
Equity exchange traded and mutual funds				
Growth	1,195,282	-	-	1,195,282
Mid cap	794,856	-	-	794,856
Value	321,176	-	-	321,176
International	749,138	-	-	749,138
Real estate	222,438	-	-	222,438
Large value	896,101	-	-	896,101
Total investments	<u>\$ 6,797,106</u>	<u>\$ 311,779</u>	<u>\$ -</u>	<u>\$ 7,108,885</u>

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

5. Investments (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2015</u>				
Cash	\$ 508,093	\$ -	\$ -	\$ 508,093
Fixed income				
U.S. Government bonds	-	106,355	-	106,355
Corporate bonds	-	213,025	-	213,025
Bond exchange traded and mutual funds				
Intermediate	1,120,649	-	-	1,120,649
Short term	563,537	-	-	563,537
High yield	152,062	-	-	152,062
Equity exchange traded and mutual funds				
Growth	1,152,715	-	-	1,152,715
Mid cap	906,466	-	-	906,466
Value	1,080,207	-	-	1,080,207
Real estate	113,183	-	-	113,183
International	682,209	-	-	682,209
Moderate allocation	13,918	-	-	13,918
Total investments	<u>\$ 6,293,039</u>	<u>\$ 319,380</u>	<u>\$ -</u>	<u>\$ 6,612,419</u>

Investments are reported at fair value and are classified as available for sale. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is recognized in the statements of activities as an increase in unrestricted net assets, unless restricted by donor or law. The investment portfolio generated returns as follows:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 168,053	\$ 155,773
Expenses	(50,635)	(55,889)
Net realized gain (loss)	75,194	(92,662)
Net unrealized gain	<u>294,351</u>	<u>(158,620)</u>
Net investment income	<u>\$ 486,963</u>	<u>\$ (151,398)</u>

These investments are subject to credit, market and interest rate risks that cannot be predicted at this time. However, management has attempted to mitigate these risks by maintaining a diversified portfolio.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

5. Investments (continued)

Deferred Compensation Investments

The following summarizes deferred compensation investments, measured at fair value, by the fair value hierarchy (Note 2), as of December 31, 2016 and 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2016</u>				
Cash	\$ 3,539	\$ -	\$ -	\$ 3,539
Moderate allocation mutual fund	<u>26,916</u>	<u>-</u>	<u>-</u>	<u>26,916</u>
	<u>\$ 30,455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,455</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2015</u>				
Cash	\$ 3,652	\$ -	\$ -	\$ 3,652
Moderate allocation mutual fund	<u>13,919</u>	<u>-</u>	<u>-</u>	<u>13,919</u>
	<u>\$ 17,571</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,571</u>

6. Endowment Funds / Permanently Restricted Net Assets

The Foundation has an endowment that consists of a fund to support the Hal Bruno Camp for Children of Fallen Firefighters. The endowment includes permanently restricted net assets of \$25,000 at December 31, 2016 and 2015, respectively. Net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

Investment returns are to be used for the Hal Bruno Camp for Children of Fallen Firefighters activities, as specified by the donor. The endowment fund is administered by an outside professional investment firm and resides in a co-mingled portfolio in order to maximize returns. Investment returns of \$2,032 and \$(362) for the years ended December 31, 2016 and 2015, respectively, were earned and appropriated for expenditure. The Foundation currently appropriates funds for the distribution of program support activities based upon the demand for these purposes and on the availability of funds during the particular year.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

7. Temporarily Restricted Net Assets

At December 31, 2016 and 2015, net assets were temporarily restricted for the following purposes:

	<u>2016</u>	<u>2015</u>
Time restrictions		
Motorola Solutions Foundation	\$ 484,893	\$ 719,989
Axis Specialty Services	<u>10,000</u>	<u>-</u>
	<u>494,893</u>	<u>719,989</u>
Purpose restrictions		
Scholarships	1,362,877	1,283,529
West, Texas	299,544	303,944
Fire Service Outreach	173,931	231,860
Yarnell, Arizona	84,484	85,155
NYC Survivor Programs	-	80,446
Young Adults Retreats	15,792	72,359
Hal Bruno Camp for Children of Fallen Firefighters	8,428	48,324
Twisp River, WA	31,371	29,455
Site Renovation/Chapel Renovation	37,010	17,078
Be A Hero, Save A Hero	11,972	11,413
Other	1,250	6,250
Survivors Conference	5,218	-
American Firefighter book	<u>7,742</u>	<u>-</u>
	<u>2,039,619</u>	<u>2,169,813</u>
Total temporarily restricted net assets	<u>\$ 2,534,512</u>	<u>\$ 2,889,802</u>

8. Pension Plans

Defined Contribution Plan

During 2011, the Foundation established a qualified 401(k) plan that covers all employees who are eligible six months after employment. The participants may make voluntary contributions up to the maximum amount allowable by the Internal Revenue Code. The Foundation matches 100% of employees' contributions up to a maximum of 3% of an employee's gross salary, plus 50% of employee contributions up to 5% of an employee's gross salary. Total Foundation contributions to the Plan for the year ended December 31, 2016 and 2015 were \$64,464 and \$49,346, respectively.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

8. Pension Plans (continued)

Deferred Compensation Plan

The Foundation has an employment agreement with its Executive Director. The agreement provides for a base annual salary plus certain benefits and bonuses. Effective June 1, 2014, the agreement includes a supplemental retirement income benefit requiring annual payments to an investment account established for the benefit of the Executive Director. The Foundation paid \$11,400 and \$9,125 during the years ended December 2016 and 2015, respectively. The investment account, however, remains a corporate asset subject to general creditor claims with the benefit payout limited to the value of the underlying assets. The investment is comprised of mutual funds and money market accounts at December 31, 2016 and 2015. The Foundation's deferred compensation expense for the year ended December 31, 2016 and 2015 was \$12,884 and \$8,899, respectively.

9. Contributed Goods and Services

The Foundation's headquarters is located on the campus of the National Emergency Training Center in Emmitsburg, Maryland. The United States government provides the Foundation with this office space free of charge indefinitely. Given the remote location and uniqueness of the property, the value of this in-kind contribution cannot be readily determined. Management of the Foundation believes such amount, if determinable, would be immaterial to the financial statements of the Foundation. Thus, no amount has been recorded in accompanying financial statements for the use of this facility.

The Foundation records contributed goods and services received at their estimated fair value. The following table summarizes the contributed goods and services recorded in the accompanying financial statements.

	<u>2016</u>	<u>2015</u>
Fundraising	\$ 58,160	\$ 87,123
Memorial Weekend	73,975	53,015
Other programs	83,042	11,294
Stair Climb	105,263	35,000
Survivors Conference	5,100	3,129
Trade Shows	<u>22,743</u>	<u>17,370</u>
Total contributed goods and services	<u>\$ 348,283</u>	<u>\$ 206,931</u>

In addition, the Foundation receives volunteered hours in administrative support and program events. No amounts have been assigned for these contributed services.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

10. Leases

The Foundation has entered into various non-cancellable operating lease agreements for certain equipment and office space with initial lease terms in excess of one year. Future minimum lease payments are as follows:

Year ending December 31, 2017	\$ 72,000
2018	<u>3,800</u>
Total	<u>\$ 75,800</u>

The leases contain renewal provisions, escalation clauses, and provisions for payment by the Foundation of certain insurance, taxes, utilities, and maintenance costs. Rental expense on all operating leases for the years ended December 31, 2016 and 2015 was \$142,497 and \$148,329, respectively.

11. Commitments and Contingencies

The Foundation may be exposed to potential legal claims encountered in the ordinary course of business. In the opinion of management, the resolution of such matters will not have a material adverse impact on the Foundation's December 31, 2016 and 2015 statements of financial position or statements of activities for the years then ended. The Foundation maintains professional liability coverage with a commercial insurer. The Foundation's professional liability insurance coverage is on a claims-made basis, with \$1 million per incident coverage, up to a maximum of \$2 million annually, and contains a \$1,000 per incident deductible. The Foundation also maintains a general commercial insurance policy with an aggregate limit of \$2 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, occurrences during its term, but asserted subsequently, will be uninsured. The current policy extends coverage through June 2017, at which time management intends to renew the policy. Management is of the opinion that its financial position, liquidity and future operating results will not be materially affected by the ultimate cost related to unasserted claims at December 31, 2016 and 2015.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

12. Related Parties

During 2015, the Foundation was awarded a four year commitment from the Motorola Solutions Foundation to support the Foundation's Scholarship and Training Program in the amount of \$250,000 per year. In addition, Motorola Solutions, Inc. has provided approximately \$100,000 per year in cash and in-kind donations for support of the National Memorial Weekend, Stop, Drop, Rock n' Roll, Survivors Conference, Speedway Fundraising Events, and other Foundation programs. An executive of Motorola Solutions, Inc. is a member of the Foundation's Board of Directors.

Contributions of \$137,500 and \$137,500, during 2016 and 2015, respectively, were made to the Foundation by State Farm Fire and Casualty Company (State Farm). An executive of State Farm is a member of the Foundation's Board of Directors.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION AND FUNCTION
Year Ended December 31, 2016

	<u>Department of Justice</u>	<u>Department of Homeland Security</u>	<u>Vulnerability Assessment Project</u>	<u>Department of Transportation / FRA</u>	<u>Memorial Weekend</u>	<u>New York City - FDNY</u>	<u>Scholarships</u>	<u>Memorial Park</u>	<u>Gift Shop</u>	<u>Golf Tournaments</u>	<u>Stair Climbs</u>	<u>Hal Bruno Camp for Children</u>	<u>Subtotal</u>
Salaries	\$ 390,793	\$ 243,724	\$ 272	\$ 10,867	\$ 4,595	\$ 10,048	\$ 11,677	\$ 32,448	\$ 16,715	\$ 22,087	\$ 78,509	\$ 6,349	\$ 828,084
Employee benefits and taxes	85,836	53,586	59	2,887	1,112	3,647	2,811	7,109	3,804	4,561	16,737	1,413	183,562
Cost of goods sold	-	-	-	-	-	-	-	-	73,134	-	-	-	73,134
Depreciation	-	-	-	-	-	-	-	103,318	-	-	-	-	103,318
Professional fees	195,442	829,175	17,723	61,135	85,731	50,760	1,088	3,732	3,942	157,398	90,037	54,448	1,550,611
Travel	110,001	250,785	-	-	107,985	8,393	77	210	1,528	9,047	24,577	38,619	551,222
Rent	18,520	39,286	-	1,085	1,570	-	-	326	-	3,071	5,830	-	69,688
Office supplies	20,215	42,299	178	66	4,373	38,364	59	895	1,769	52,046	130,533	551	291,348
Insurance	1,476	3,455	1	23	19	16	36	135	51	4,591	9,503	23	19,329
Printing, postage, and communication	59,648	11,602	110	101	-	2,248	261	1,618	279	1,096	4,743	178	81,884
Scholarships	-	-	-	-	-	40,745	195,579	-	-	-	-	-	236,324
Contributed goods and services	-	37,805	-	-	73,975	-	-	250	563	18,094	105,263	2,251	238,201
Member fees and subscriptions	6,189	3,118	-	37	-	6,581	-	-	-	1,909	19,019	-	36,853
Meetings	-	-	-	-	-	2,420	-	-	-	-	-	-	2,420
Bank fees	-	-	-	-	1,066	-	274	1,890	1,325	3,320	23,476	244	31,595
Other	799	2,214	-	67	-	-	-	100	-	-	1,945	-	5,125
Indirect allocation	53,212	168,468	1,344	7,234	70,236	8,467	1,569	11,807	23,524	21,777	79,370	523	447,531
Total	<u>\$ 942,131</u>	<u>\$ 1,685,517</u>	<u>\$ 19,687</u>	<u>\$ 83,502</u>	<u>\$ 350,662</u>	<u>\$ 171,689</u>	<u>\$ 213,431</u>	<u>\$ 163,838</u>	<u>\$ 126,634</u>	<u>\$ 298,997</u>	<u>\$ 589,542</u>	<u>\$ 104,599</u>	<u>\$ 4,750,229</u>

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION AND FUNCTION
Year Ended December 31, 2016

	Fire Service Outreach	Young Adults	Fallen Hero Research	NIOSH	NIST	First Responder Center	Other NFFF Programs	Management and General	Lobbying	Foundation Education	Fundraising	Page 21 Subtotal	Total
Salaries	\$ 59,310	\$ 11,946	\$ 26,040	\$ -	\$ 2,245	\$ 10,596	\$ 72,167	\$ 302,017	\$ 1,320	\$ 113,019	\$ 284,733	\$ 828,084	\$ 1,711,477
Employee benefits and taxes	13,751	2,370	5,283	-	540	2,590	14,938	61,199	430	22,851	63,544	183,562	371,058
Cost of goods sold	-	-	-	-	-	-	-	-	-	24,000	-	73,134	97,134
Depreciation	-	-	-	-	-	-	29,157	14,145	-	-	-	103,318	146,620
Professional fees	41,756	7,825	8,268	10,477	21,048	37,523	41,863	94,496	15	16,138	92,210	1,550,611	1,922,230
Travel	36,620	33,909	1,076	9,853	2,867	1,147	50,868	42,186	1,373	5,757	50,900	551,222	787,778
Rent	-	-	-	775	2,256	-	7,919	38,683	-	6,010	17,166	69,688	142,497
Office supplies	1,294	117	257	128	1,409	502	34,854	13,272	3	10,901	10,582	291,348	364,667
Insurance	219	49	141	-	7	2,631	465	6,131	1	371	1,178	19,329	30,522
Printing, postage, and communication	478	131	2,539	4	1,384	115	4,304	8,301	-	1,652	6,769	81,884	107,561
Scholarships	-	-	-	-	-	-	2,500	-	-	-	-	236,324	238,824
Contributed goods and services	-	-	-	-	-	-	27,923	-	-	-	58,160	238,201	324,284
Member fees and subscriptions	1,248	57	145	-	-	2,280	1,675	1,528	-	-	13,584	36,853	57,370
Meetings	-	-	-	-	-	41	592	2,677	114	-	591	2,420	6,435
Bank fees	13	6	-	-	-	-	676	7,111	-	-	6,171	31,595	45,572
Other	2,933	-	-	-	144	-	1,918	7,970	-	389	45,123	5,125	63,602
Indirect allocation	2,920	308	2,735	1,761	-	2,954	22,099	(535,508)	278	-	54,922	447,531	-
Total	<u>\$ 160,542</u>	<u>\$ 56,718</u>	<u>\$ 46,484</u>	<u>\$ 22,998</u>	<u>\$ 31,900</u>	<u>\$ 60,379</u>	<u>\$ 313,918</u>	<u>\$ 64,208</u>	<u>\$ 3,534</u>	<u>\$ 201,088</u>	<u>\$ 705,633</u>	<u>\$ 4,750,229</u>	<u>\$ 6,417,631</u>

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION AND FUNCTION
Year Ended December 31, 2015

	<u>Department of Justice</u>	<u>Department of Homeland Security</u>	<u>Vulnerability Assessment Project</u>	<u>Department of Transportation / FRA</u>	<u>Memorial Weekend</u>	<u>New York City - FDNY</u>	<u>Scholarships</u>	<u>Memorial Park</u>	<u>Gift Shop</u>	<u>Golf Tournaments</u>	<u>Stair Climbs</u>	<u>Hal Bruno Camp for Children</u>	<u>Subtotal</u>
Salaries	\$ 532,176	\$ 273,460	\$ 691	\$ 14,171	\$ 14,772	\$ 11,856	\$ 13,703	\$ 25,723	\$ 12,456	\$ 12,578	\$ 51,170	\$ -	\$ 962,756
Employee benefits and taxes	114,508	59,909	182	3,680	3,474	2,854	3,324	5,978	2,445	2,925	11,508	-	210,787
Cost of goods sold	-	-	-	-	-	-	-	-	8,602	-	-	-	8,602
Depreciation	-	-	-	-	-	-	-	101,500	-	-	-	-	101,500
Professional fees	235,083	1,110,665	20,413	78,935	96,394	10,001	1,265	8,031	4,065	203,084	131,343	550	1,899,829
Travel	173,811	341,937	6	27,081	111,368	15,719	6	898	520	11,071	43,802	24,611	750,830
Rent	34,065	58,504	-	4,436	1,203	-	-	1,158	-	-	1,440	-	100,806
Office supplies	28,309	69,439	716	741	11,267	49,791	262	784	5,197	65,064	90,926	544	323,040
Insurance	1,952	3,547	1	32	29	18	43	105	38	5,923	9,239	-	20,927
Printing, postage, and communication	51,928	29,774	111	224	265	2,241	305	1,386	27	1,988	1,457	-	89,706
Scholarships	-	-	-	-	-	-	177,065	-	-	-	-	-	177,065
Contributed goods and services	-	-	-	-	53,015	-	-	-	525	576	35,000	5,175	94,291
Member fees and subscriptions	6,310	5,399	-	795	-	53,575	-	118	-	89	1,701	-	67,987
Meetings	-	-	-	-	-	5,139	-	-	-	-	75	-	5,214
Repair and maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank fees	-	-	-	-	1,077	-	169	1,897	1,151	5,196	14,916	223	24,629
Other	1,009	4,425	-	154	35	-	-	933	-	-	2,676	-	9,232
Total	<u>\$ 1,179,151</u>	<u>\$ 1,957,059</u>	<u>\$ 22,120</u>	<u>\$ 130,249</u>	<u>\$ 292,899</u>	<u>\$ 151,194</u>	<u>\$ 196,142</u>	<u>\$ 148,511</u>	<u>\$ 35,026</u>	<u>\$ 308,494</u>	<u>\$ 395,253</u>	<u>\$ 31,103</u>	<u>\$ 4,847,201</u>

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION AND FUNCTION
Year Ended December 31, 2015

	Fire Service Outreach	West Texas	Yarnell Arizona	NIOSH	NIST	Other NFFF Programs	Management and General	Lobbying	Foundation Education	Fundraising	Page 23 Subtotal	Total
Salaries	\$ 28,714	\$ 3,006	\$ 167	\$ -	\$ 5,941	\$ 110,903	\$ 105,940	\$ 1,962	\$ 64,364	\$ 285,525	\$ 962,756	\$ 1,569,278
Employee benefits and taxes	7,027	878	55	-	1,063	23,595	26,731	564	13,272	63,155	210,787	347,127
Cost of goods sold	-	-	-	-	-	800	-	-	100	-	8,602	9,502
Depreciation	-	-	-	-	-	43,732	-	-	-	-	101,500	145,232
Professional fees	21,476	1,136	794	14,095	28,448	95,463	7,804	35	23,303	79,919	1,899,829	2,172,302
Travel	11,137	1,621	-	4,622	51,957	109,025	36,914	-	8,407	39,585	750,830	1,014,098
Rent	-	-	-	-	6,011	6,409	3,294	-	6,777	25,032	100,806	148,329
Office supplies	798	27	18	44	806	30,988	5,194	5	4,266	15,425	323,040	380,611
Insurance	66	4	-	-	16	4,188	5,539	3	239	1,172	20,927	32,154
Printing, postage, and communication	1,218	-	-	-	599	5,756	2,113	-	3,323	10,691	89,706	113,406
Scholarships	-	-	50,000	-	-	-	-	-	-	-	177,065	227,065
Contributed goods and services	-	-	-	-	-	22,374	-	-	-	87,123	94,291	203,788
Member fees and subscriptions	1,624	-	-	-	302	2,182	158	-	297	7,987	67,987	80,537
Meetings	4,891	-	-	-	-	1,288	2,030	-	388	2,512	5,214	16,323
Repair and maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Bank fees	11	-	-	-	-	999	6,694	-	-	7,045	24,629	39,378
Other	-	-	-	-	59	1,701	545	-	6,325	7,239	9,232	25,101
Total	\$ 76,962	\$ 6,672	\$ 51,034	\$ 18,761	\$ 95,202	\$ 459,403	\$ 202,956	\$ 2,569	\$ 131,061	\$ 632,410	\$ 4,847,201	\$ 6,524,231

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2016

<u>Federal Agency/Pass-Through Agency/Contract Name</u>	<u>Federal CFDA Number</u>	<u>Grant Identification Number</u>	<u>Federal Expenditures</u>
<u>United States Department of Homeland Security (DHS):</u>			
<u>Assistance to Firefighters Grant Program:</u>			
<u>Pass-Through from Federal Emergency Management Agency</u>			
Line-of-Duty Death and Prevention	97.044	EMW-2014-FP-00347	\$ 887,514
Line-of-Duty Death and Prevention	97.044	EMW-2015-FP-00302	156,536
Total federal expenditures - DHS			<u>1,044,050</u>
<u>United States Department of Justice (DOJ):</u>			
<u>Edward Byrne Memorial State and Local Law</u>			
<u>Enforcement Assistance Discretionary Grants Program</u>			
Network for Survivors	16.571	2016-PS-DX-K001	216,670
Network for Survivors	16.580	2012-PS-DX-0001	704,325
Total federal expenditures - DOJ			<u>920,995</u>
<u>United States Department of Transportation (DOT):</u>			
<u>Railroad Research and Development Program</u>			
Critical Incident Intervention	20.313	FR-RRD-0066-15-01-00	76,269
Total federal expenditures - DOT			<u>76,269</u>
<u>United States Department of Commerce</u>			
<u>Pass-Through from National Institute of Standards and Technology</u>			
National Fire Service Research Agenda Symposium	11.609	60NANB15D360	31,899
Total federal expenditures - Department of Commerce			<u>31,899</u>
<u>United States Department of Health and Human Services</u>			
U.S. Fire Service Technology Summit	93.262	1R13OH011135-01	20,000
Cardiac Disease Prevention	93.262	1R13OH011005-01	1,238
Total federal expenditures - Department of Health and Human Services			<u>21,238</u>
Total Expenditures of Federal Awards			<u>\$ 2,094,451</u>

The accompanying notes are an integral part of this schedule.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2016

A. Basis of Presentation and Use of Estimates

The schedule of expenditures of federal awards is presented using the accrual basis of accounting. The preparation of this schedule is in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

The principal estimates and assumptions used in the preparation of the accompanying schedule relate to cost allowability and allocability (see Note B). Actual results could differ from those estimates.

B. Federal Audits

The allowability of certain costs under government contracts and grants is subject to audit by the contracting agency. Certain indirect overhead costs charged to contracts and grants are subject to revisions based on government audits of those costs. Management believes that contract costs are consistent with Federal Acquisition Regulations and other applicable government cost principles, and costs subsequently disallowed, if any, upon audit by the government would not be material.

C. Indirect Cost Rate

The Foundation has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of
National Fallen Firefighters Foundation

We have audited, in accordance with the 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, the financial statements of National Fallen Firefighters Foundation (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated August 14, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered National Fallen Firefighters Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of National Fallen Firefighters Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether National Fallen Firefighters Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rubins & Company". The signature is written in a cursive, flowing style with a large initial 'R'.

Bethesda, MD
August 14, 2017

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of
National Fallen Firefighters Foundation

We have audited, in accordance with the 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, the financial statements of National Fallen Firefighters Foundation (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated August 14, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered National Fallen Firefighters Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of National Fallen Firefighters Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Report on Internal Control Over Compliance

Management of National Fallen Firefighters Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered National Fallen Firefighters Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of National Fallen Firefighters Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bethesda, MD
August 14, 2017

A handwritten signature in black ink that reads "Rubins & Company". The signature is written in a cursive, flowing style with a large initial 'R'.

**NATIONAL FALLEN FIREFIGHTERS FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2016**

SECTION A – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors’ report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | No |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|------------|
| 4. Internal control over major programs: | |
| c. Material weakness(es) identified? | No |
| d. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | No |
| 5. Type of auditors’ report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.216(a)? | No |
| 7. Identification of major program: | |

<u>Name of Federal Program</u>	<u>CFDA No.</u>	<u>Expenditures</u>
Network for Survivors	16.571	\$216,670
Network for Survivors	16.580	\$704,325
8. Dollar threshold used to distinguish between type A and type B programs	\$	750,000
9. Auditee qualified as low-risk?		Yes

**NATIONAL FALLEN FIREFIGHTERS FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2016**

SECTION B – FINANCIAL STATEMENTS FINDINGS

None reported

SECTION C – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

**NATIONAL FALLEN FIREFIGHTERS FOUNDATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2016**

This schedule is not applicable as there were no prior audit findings related to federal awards.