

**NATIONAL FALLEN FIREFIGHTERS
FOUNDATION**

FINANCIAL STATEMENTS

AND

REPORTS UNDER THE UNIFORM GUIDANCE

Years Ended December 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 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 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 20, 2018 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 that report is solely 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 the effectiveness of the National Fallen Firefighters Foundation's internal control or on compliance. That 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 20, 2018

A handwritten signature in black ink that reads "Rubino & Company". The signature is written in a cursive, flowing style. The word "Rubino" is followed by an ampersand "&" and then the word "Company".

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,123,981	\$ 1,195,899
Grants and contributions receivable (<i>Note 3</i>)	875,386	752,826
Pledges receivable, net (<i>Note 4</i>)	244,930	484,893
Prepaid expenses and other current assets	82,982	67,500
Total current assets	<u>2,327,279</u>	<u>2,501,118</u>
Property and equipment		
Walk of honor	250,690	250,690
Memorial park	931,948	894,917
Memorial chapel	1,087,117	1,087,117
Furniture and equipment	165,664	161,414
	<u>2,435,419</u>	<u>2,394,138</u>
Less accumulated depreciation	<u>(1,274,003)</u>	<u>(1,127,478)</u>
Total property and equipment	<u>1,161,416</u>	<u>1,266,660</u>
Other noncurrent assets		
Investments, including \$2,317,962 and \$2,559,512, segregated to meet restrictions by donors for 2017 and 2016 (<i>Note 5</i>)	<u>8,053,887</u>	<u>7,108,885</u>
Total assets	<u>\$ 11,542,582</u>	<u>\$ 10,876,663</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 479,524	\$ 387,857
Deferred compensation	51,851	30,455
Total liabilities	<u>531,375</u>	<u>418,312</u>
Net assets		
Unrestricted		
General	7,531,829	6,632,179
Board designated	1,161,416	1,266,660
Temporarily restricted (<i>Note 7</i>)	2,242,962	2,534,512
Permanently restricted (<i>Note 6</i>)	75,000	25,000
Total net assets	<u>11,011,207</u>	<u>10,458,351</u>
Total liabilities and net assets	<u>\$ 11,542,582</u>	<u>\$ 10,876,663</u>

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

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Grants, contracts and contributions				
Grants	\$ -	\$ 2,707,596	\$ -	\$ 2,707,596
Contributions	1,241,844	529,655	50,000	1,821,499
Contributed goods/services	187,338	79,356	-	266,694
Combined federal campaign	45,420	-	-	45,420
Royalties	79,557	1,366	-	80,923
Program service revenue	30,000	130,405	-	160,405
Event sponsors	791,114	109,592	-	900,706
Event registrations	476,088	85,125	-	561,213
Sweepstakes/auctions	47,393	-	-	47,393
Other revenue				
Gift shop sales	42,982	-	-	42,982
Investment income, net (<i>Note 5</i>)	918,728	3,437	-	922,165
Released from restrictions	3,938,082	(3,938,082)	-	-
Total revenue and support	<u>7,798,546</u>	<u>(291,550)</u>	<u>50,000</u>	<u>7,556,996</u>
Expenses				
Program services				
Department of Justice - Fire Service Survivor Support	1,084,398	-	-	1,084,398
Department of Homeland Security				
Line-of-Duty Death and Prevention (Fire Act)	1,359,884	-	-	1,359,884
United States Fire Administration - Memorial Weekend	482,720	-	-	482,720
Vulnerability Assessment Project	32,225	-	-	32,225
Department of Transportation/FRA - Critical Incident Intervention	34,383	-	-	34,383
Memorial Weekend	404,952	-	-	404,952
New York City - FDNY	247,128	-	-	247,128
Scholarships	309,244	-	-	309,244
Memorial Park	211,737	-	-	211,737
Gift shop	92,727	-	-	92,727
Golf tournaments	286,434	-	-	286,434
Stair climbs	609,067	-	-	609,067
LODD Prevention	275,601	-	-	275,601
Fire Service Outreach	128,451	-	-	128,451
First Responder Center	302,322	-	-	302,322
Other NFFF programs	344,229	-	-	344,229
Total program services	<u>6,205,502</u>	<u>-</u>	<u>-</u>	<u>6,205,502</u>
Supporting services				
Management and general	167,888	-	-	167,888
Lobbying	362	-	-	362
Fundraising	630,388	-	-	630,388
Total supporting services	<u>798,638</u>	<u>-</u>	<u>-</u>	<u>798,638</u>
Total expenses	<u>7,004,140</u>	<u>-</u>	<u>-</u>	<u>7,004,140</u>
Change in net assets	794,406	(291,550)	50,000	552,856
Net assets at beginning of year	<u>7,898,839</u>	<u>2,534,512</u>	<u>25,000</u>	<u>10,458,351</u>
Net assets at end of year	<u>\$ 8,693,245</u>	<u>\$ 2,242,962</u>	<u>\$ 75,000</u>	<u>\$ 11,011,207</u>

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

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
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	7,145,126	(355,290)	-	6,789,836
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
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
NIOSH	22,998	-	-	22,998
NIST	31,900	-	-	31,900
First Responder Center	60,379	-	-	60,379
Other NFFF programs	417,120	-	-	417,120
Total program services	5,443,168	-	-	5,443,168
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	974,463	-	-	974,463
Total expenses	6,417,631	-	-	6,417,631
Change in net assets	727,495	(355,290)	-	372,205
Net assets at beginning of year	7,171,344	2,889,802	25,000	10,086,146
Net assets at end of year	\$ 7,898,839	\$ 2,534,512	\$ 25,000	\$ 10,458,351

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

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 552,856	\$ 372,205
Reconciling adjustments:		
Depreciation	148,024	146,620
Pledge discount	(10,037)	(14,904)
Net realized and unrealized gains on investments	(775,115)	(369,545)
Changes in operating assets and liabilities:		
Grants and contributions receivable	(122,560)	14,029
Pledge receivable	250,000	250,000
Prepaid expenses and other current assets	(15,482)	86,138
Accounts payable and accrued expenses	91,667	13,028
Deferred compensation	<u>21,396</u>	<u>12,884</u>
Net cash provided by operating activities	<u>140,749</u>	<u>510,455</u>
Cash flows from investing activities		
Purchases of investments	(3,216,268)	(487,399)
Redemptions of investments	3,046,381	360,478
Purchases of property and equipment	<u>(42,780)</u>	<u>(30,328)</u>
Net cash used by investing activities	<u>(212,667)</u>	<u>(157,249)</u>
Net change in cash and cash equivalents	(71,918)	353,206
Cash and cash equivalents, beginning of year	<u>1,195,899</u>	<u>842,693</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,123,981</u></u>	<u><u>\$ 1,195,899</u></u>

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

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

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 CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

1. Organization (continued)

The Foundation created the First Responder Center for Excellence for Reducing Occupational Illness, Injuries and Deaths, Inc. (the Center) in 2016 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 as well as prevent first responder deaths and injuries related primarily to occupational illnesses. The First Responder Center for Excellence is organized under the laws of the state of Maryland.

During 2017, the First Responder Center for Excellence started managing the daily activities related to cancer and behavior health programs as well as the physical initiative. The transfer of these complimentary programs from the Foundation to the First Responder Center for Excellence allows for additional coordination and focus on research and prevention strategies.

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 CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Income Tax Status

The Foundation and the Center are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, though they are subject to tax on income unrelated to its exempt purpose unless that income is otherwise excluded by the Code. No provision for income taxes is required for 2017. The tax years ended December 31, 2014 through 2016 remain open for review for both federal and state purposes, and they have not been extended beyond the applicable statute of limitations.

Uncertainty in Income Taxes

The Foundation and the Center have processes in place to ensure the maintenance of their respective tax-exempt status; to identify and report unrelated income; to determine filing and tax obligations in jurisdictions for which they have nexus; and to identify and evaluate other matters that may be considered tax positions. The Foundation and the Center have determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

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.

Fair Value of Financial Instruments

Financial instruments include cash and cash equivalents, accounts receivable, investments and accounts payable. Investments are recorded at fair value as discussed in Note 5. Due to the short-term nature of the other instruments, management estimates that the values recorded on the balance sheet approximate fair values.

Certain assets are recorded at fair value in the accompanying financial statements on a recurring basis. Accounting and reporting standards establish a framework for measuring and defining 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 as of the measurement date.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

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 determination of fair value is based on the level inputs described below:

- Level 1 inputs use unadjusted quoted prices in active markets for identical assets or liabilities and that are accessible as of 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 the investments do not trade in an active market.

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 the consideration of factors specific to the assets or liabilities.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

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 \$148,024 and \$146,620 for the years ended December 31, 2017 and 2016, 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.

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.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

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.

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.

New Accounting Pronouncements

In August 2016, the Financial Accounting Standard Board (FASB) issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, which makes changes to the not-for-profit financial reporting model. The new standard clarifies net asset reporting, requires presentation of expenses in both natural and functional classifications, and provides for additional disclosure requirements related to an entity's liquidity, financial performance and availability of resources. The ASU is effective for the Foundation beginning January 1, 2018.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

In May 2014, the FASB issued a new standard, ASU 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive standard for revenue recognition across all industries and supersedes most existing revenue recognition guidance. The core principle of the standard is that an entity should recognize revenue when it satisfies a performance obligation at an amount that reflects the consideration the entity expects to receive in exchange for transferring goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard will be effective for the Foundation beginning January 1, 2019.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires a lessee to recognize a right-of-use (“ROU”) assets and lease liability on the balance sheet for most lease contracts (which include those leases that are currently classified as operating leases under the current accounting standard). Additional disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from lease contracts. The standard will be effective for the Foundation beginning January 1, 2020.

The Foundation is currently evaluating the impact of the new standards on the consolidated financial statements.

Subsequent Events

Management has evaluated subsequent events through August 20, 2018, the date that the financial statements were available to be issued.

3. Grants and contributions Receivable

Grants and contributions receivable at December 31, 2017 and 2016, consists of the following:

	<u>2017</u>	<u>2016</u>
Department of Justice	\$ 268,297	\$ 216,670
Department of Homeland Security	332,167	267,606
Department of Health & Human Services	-	6,835
Department of Transportation	-	14,365
Other	<u>274,922</u>	<u>247,350</u>
Total grants receivable	<u>\$ 875,386</u>	<u>\$ 752,826</u>

Other contributions receivable includes unrestricted amounts to be collected in 2018.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

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 \$5,070 and \$15,107 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2017</u>				
Cash and cash equivalents				
Cash	\$ 342,027	\$ -	\$ -	\$ 342,027
Fixed income				
Corporate bonds	-	103,688	-	103,688
Common stocks	-	-	-	-
Bond exchange traded and mutual funds				
Intermediate	1,126,894	-	-	1,126,894
Emerging markets	79,004	-	-	79,004
International	122,381	-	-	122,381
U.S. Government	99,800	-	-	99,800
Diversified	584,374	-	-	584,374
High yield	141,619	-	-	141,619
Short term	165,716	-	-	165,716
Equity exchange traded and mutual funds				
Growth	1,373,429	-	-	1,373,429
Mid cap	794,651	-	-	794,651
Value	1,309,384	-	-	1,309,384
International	880,093	-	-	880,093
Emerging markets	529,893	-	-	529,893
Large blend	363,753	-	-	363,753
Real estate	37,181	-	-	37,181
Total investments	<u>\$ 7,950,199</u>	<u>\$ 103,688</u>	<u>\$ -</u>	<u>\$ 8,053,887</u>

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

5. Investments (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2016</u>				
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
Short term	793,636	-	-	793,636
High yield	189,896	-	-	189,896
Equity exchange traded and mutual funds				
Growth	1,195,282	-	-	1,195,282
Mid cap	794,856	-	-	794,856
Value	321,176	-	-	321,176
Real estate	222,438	-	-	222,438
International	749,138	-	-	749,138
Large value	896,101	-	-	896,101
Total investments	<u>\$ 6,797,106</u>	<u>\$ 311,779</u>	<u>\$ -</u>	<u>\$ 7,108,885</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>2017</u>	<u>2016</u>
Interest and dividends	\$ 204,653	\$ 168,843
Expenses	(55,195)	(50,635)
Net realized gain (loss)	275,058	75,194
Net unrealized gain	<u>497,649</u>	<u>293,561</u>
Net investment income	<u>\$ 922,165</u>	<u>\$ 486,963</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 CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

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, 2017 and 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2017</u>				
Cash	\$ 7,250	\$ -	\$ -	\$ 7,250
Moderate allocation mutual fund	44,601	-	-	44,601
	<u>\$ 51,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,851</u>
	<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	26,916	-	-	26,916
	<u>\$ 30,455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,455</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, 2017 and 2016, 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 \$3,437 and \$2,032 for the years ended December 31, 2017 and 2016, 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.

First Responders Center for Excellence established an endowment in 2017 that consists of a fund to honor individuals who make exceptional contributions to first responder fitness. The endowment includes permanently restricted net assets of \$50,000 at December 31, 2017. First Responders Center for Excellence will invest the funds at their sole discretion. Management fee of 1.5% of the endowment will be assessed on the prior year balance.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

7. Temporarily Restricted Net Assets

At December 31, 2017 and 2016, net assets were temporarily restricted for the following purposes:

	<u>2017</u>	<u>2016</u>
<u>Foundation:</u>		
Time restrictions		
Motorola Solutions Foundation	\$ 244,930	\$ 484,893
Axis Specialty Services	-	10,000
	<u>244,930</u>	<u>494,893</u>
Purpose restrictions		
Scholarships	1,350,735	1,362,877
West, Texas	297,548	299,544
Yarnell, Arizona	84,484	84,484
Fire Service Outreach	68,931	173,931
Alan Patrick Sondej Memorial Scholarship Fund	50,000	-
Twisp River, WA	31,371	31,371
Young Adults Retreats	25,112	15,792
Hal Bruno Camp for Children of Fallen Firefighters	21,359	8,428
DOJ Year 11	15,935	-
Memorial Weekend	13,183	-
Site Renovation/Chapel Renovation	12,546	37,010
Fire Act	6,500	-
Survivors Conference	4,078	5,218
Other	1,250	1,250
Be A Hero, Save A Hero	-	11,972
American Firefighter book	-	7,742
	<u>1,983,032</u>	<u>2,039,619</u>
Total temporarily restricted net assets (Foundation)	<u>2,227,962</u>	<u>2,534,512</u>
<u>Center:</u>		
Purpose restrictions		
Cancer Tool Box	15,000	-
Total temporarily restricted net assets (Center)	<u>15,000</u>	<u>-</u>
Total	<u><u>\$ 2,242,962</u></u>	<u><u>\$ 2,534,512</u></u>

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

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 years ended December 31, 2017 and 2016 were \$58,991 and \$49,737, respectively.

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. During 2017, the Board approved the annual contribution percentage to the 457b plan to 8% from 5% in 2016. 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. Total deferred compensation and earnings for the years ended December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 30,455	\$ 17,571
Employer contributions	17,129	11,400
Net earnings gains (losses)	<u>4,267</u>	<u>1,484</u>
Ending balance	<u>\$ 51,851</u>	<u>\$ 30,455</u>

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.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

9. Contributed Goods and Services (continued)

The following table summarizes the contributed goods and services recorded in the accompanying financial statements.

	<u>2017</u>	<u>2016</u>
Fundraising	\$ 71,366	\$ 58,160
Memorial Weekend	76,356	73,975
Other programs	35,167	83,042
Stair Climb	63,200	105,263
Survivors Conference	3,000	5,100
Trade Shows	<u>17,605</u>	<u>22,743</u>
Total contributed goods and services	<u>\$ 266,694</u>	<u>\$ 348,283</u>

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

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, 2018	\$ 132,404
2019	132,484
2020	<u>136,458</u>
Total	<u>\$ 401,346</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, 2017 and 2016 was \$162,795 and \$142,497, respectively.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

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, 2017 and 2016 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 2018, 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, 2017 and 2016.

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 \$58,000 and \$100,000, during 2017 and 2016, 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 2017 and 2016, 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, 2017

	Department of Justice	Department of Homeland Security	Vulnerability Assessment Project	Department of Transportation / FRA	Memorial Weekend	New York City - FDNY	Scholarships	Memorial Park	Gift Shop	Golf Tournaments	Subtotal
Salaries	\$ 255,896	\$ 161,315	\$ 152	\$ 421	\$ 28,549	\$ 13,532	\$ 6,002	\$ 31,902	\$ 13,270	\$ 24,558	\$ 535,597
Employee benefits and taxes	50,748	35,375	48	74	5,062	4,042	1,342	6,744	2,805	5,316	111,556
Cost of goods sold	-	-	-	-	-	-	-	-	46,114	-	46,114
Depreciation	-	-	-	-	-	-	-	105,303	-	-	105,303
Professional fees	209,790	934,712	24,243	20,272	95,312	24,355	496	13,899	4,502	132,837	1,460,418
Travel	230,824	235,162	-	5,497	92,753	6,295	-	555	467	7,082	578,635
Rent	4,925	230	-	-	1,194	-	-	-	-	-	6,349
Office supplies	20,058	27,941	157	-	8,620	57,229	-	554	1,504	32,564	148,627
Insurance	-	2,605	-	-	-	-	-	-	-	5,018	7,623
Printing, postage, and communication	49,703	3,979	15	-	-	4,654	331	1,382	315	56	60,435
Scholarships	-	-	-	-	-	64,718	227,852	-	-	-	292,570
Contributed goods and services	-	-	-	-	76,356	-	-	-	680	6,087	83,123
Member fees and subscriptions	6,002	1,167	-	-	447	13,438	-	-	-	675	21,729
Meetings	29	5,000	-	-	202	193	-	44	-	-	5,468
Repair and maintenance	-	-	-	-	-	-	-	-	-	-	-
Bank fees	-	-	-	-	830	72	195	1,354	1,173	2,955	6,579
Other	350	-	-	-	-	242	-	-	-	1,647	2,239
Indirect allocation	256,073	435,118	7,610	8,119	95,627	58,358	73,026	50,000	21,897	67,639	1,073,467
Total	<u>\$ 1,084,398</u>	<u>\$ 1,842,604</u>	<u>\$ 32,225</u>	<u>\$ 34,383</u>	<u>\$ 404,952</u>	<u>\$ 247,128</u>	<u>\$ 309,244</u>	<u>\$ 211,737</u>	<u>\$ 92,727</u>	<u>\$ 286,434</u>	<u>\$ 4,545,832</u>

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION AND FUNCTION
Year Ended December 31, 2017

	Stair Climbs	LODD Prevention	Fire Service Outreach	First Responder Center for Excellence	Other NFFF Programs	Management and General	Lobbying	Foundation Education	Fundraising	Page 21 Subtotal	Total
Salaries	\$ 77,031	\$ 10,039	\$ 32,788	\$ 115,024	\$ 67,667	\$ 709,113	\$ 213	\$ 127,336	\$ 201,507	\$ 535,597	\$ 1,876,315
Employee benefits and taxes	16,689	2,439	7,197	24,421	13,992	144,761	64	25,789	43,659	111,556	390,567
Cost of goods sold	-	-	-	-	-	-	-	-	-	46,114	46,114
Depreciation	-	-	-	1,497	-	41,224	-	-	-	105,303	148,024
Professional fees	51,490	41,891	8,441	54,156	73,216	265,698	-	66,170	82,856	1,460,418	2,104,336
Travel	35,436	133,751	27,767	8,279	49,523	47,483	-	29,019	53,727	578,635	963,620
Rent	1,360	-	-	30,669	7,908	116,509	-	-	-	6,349	162,795
Office supplies	153,870	2,380	2,659	5,800	20,568	43,285	-	29,356	13,062	148,627	419,607
Insurance	10,924	-	-	451	32	11,346	-	-	115	7,623	30,491
Printing, postage, and communication	1,340	8,953	295	2,114	4,202	37,271	-	936	1,659	60,435	117,205
Scholarships	-	-	-	-	-	-	-	-	-	292,570	292,570
Contributed goods and services	63,200	-	-	-	20,605	-	-	28,400	71,366	83,123	266,694
Member fees and subscriptions	28,681	1,807	1,120	-	1,753	2,117	-	-	6,823	21,729	64,030
Meetings	-	5,781	17,732	2,531	238	9,009	-	-	946	5,468	41,705
Repair and maintenance	-	-	-	-	-	2,638	-	-	-	-	2,638
Bank fees	24,956	3,219	119	113	638	6,730	-	-	5,783	6,579	48,137
Other	263	260	-	12	2,599	23,895	-	-	24	2,239	29,292
Indirect allocation	143,827	65,081	30,333	57,255	81,288	(1,293,191)	85	(307,006)	148,861	1,073,467	-
Total	\$ 609,067	\$ 275,601	\$ 128,451	\$ 302,322	\$ 344,229	\$ 167,888	\$ 362	\$ -	\$ 630,388	\$ 4,545,832	\$ 7,004,140

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	53,042	85,731	50,760	1,088	3,732	3,942	157,398	90,037	54,448	1,542,518
Travel	110,001	250,785	-	8,093	107,985	8,393	77	210	1,528	9,047	24,577	38,619	559,315
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
Repair and maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-
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	NIOSH	NIST	First Responder Center for Excellence	Other NFFF Programs	Management and General	Lobbying	Foundation Education	Fundraising	Page 23 Subtotal	Total
Salaries	\$ 59,310	\$ -	\$ 2,245	\$ 10,596	\$ 110,153	\$ 302,017	\$ 1,320	\$ 113,019	\$ 284,733	\$ 828,084	\$ 1,711,477
Employee benefits and taxes	13,751	-	540	2,590	22,591	61,199	430	22,851	63,544	183,562	371,058
Cost of goods sold	-	-	-	-	-	-	-	-	-	73,134	73,134
Depreciation	-	-	-	-	29,157	14,145	-	-	-	103,318	146,620
Professional fees	41,756	10,477	21,048	37,523	57,956	94,496	15	16,138	92,210	1,542,518	1,914,137
Travel	36,620	9,853	2,867	1,147	85,853	42,186	1,373	5,757	50,900	559,315	795,871
Rent	-	775	2,256	-	7,919	38,683	-	6,010	17,166	69,688	142,497
Office supplies	1,294	128	1,409	502	35,228	13,272	3	10,901	10,582	291,348	364,667
Insurance	219	-	7	2,631	655	6,131	1	371	1,178	19,329	30,522
Printing, postage, and communication	478	4	1,384	115	6,974	8,301	-	1,652	6,769	81,884	107,561
Scholarships	-	-	-	-	2,500	-	-	-	-	236,324	238,824
Contributed goods and services	-	-	-	-	27,922	-	-	24,000	58,160	238,201	348,283
Member fees and subscriptions	1,248	-	-	2,280	1,877	1,528	-	-	13,584	36,853	57,370
Meetings	-	-	-	41	592	2,677	114	-	591	2,420	6,435
Repair and maintenance	-	-	-	-	-	-	-	-	-	-	-
Bank fees	13	-	-	-	682	7,111	-	-	6,171	31,595	45,572
Other	2,933	-	144	-	1,919	7,970	-	389	45,123	5,125	63,603
Indirect allocation	2,920	1,761	-	2,954	25,142	(535,508)	278	-	54,922	447,531	-
Total	<u>\$ 160,542</u>	<u>\$ 22,998</u>	<u>\$ 31,900</u>	<u>\$ 60,379</u>	<u>\$ 417,120</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 EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2017

<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	\$ 228,299
Line-of-Duty Death and Prevention	97.044	EMW-2015-FP-00302	651,867
Line-of-Duty Death and Prevention	97.044	EMW-2016-FP-00446	<u>255,006</u>
Total federal expenditures - DHS			<u>1,135,172</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	<u>1,064,606</u>
Total federal expenditures - DOJ			<u>1,064,606</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	<u>26,229</u>
Total federal expenditures - DOT			<u>26,229</u>
Total Expenditures of Federal Awards			<u>\$ 2,226,007</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, 2017

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of National Fallen Firefighters Foundation under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of National Fallen Firefighters Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of National Fallen Firefighters Foundation.

B. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

C. Federal Audits

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

D. Indirect Costs

National Fallen Firefighters Foundation has elected not to use the 10% de minimis rate 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, 2017 and 2016, 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 20, 2018.

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 20, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees of
National Fallen Firefighters Foundation

Report on Compliance for Each Major Federal Program

We have audited National Fallen Firefighters Foundation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of National Fallen Firefighters Foundation's major federal programs for the year ended December 31, 2017. National Fallen Firefighters Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of National Fallen Firefighters Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about National Fallen Firefighters Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of National Fallen Firefighters Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, National Fallen Firefighters Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

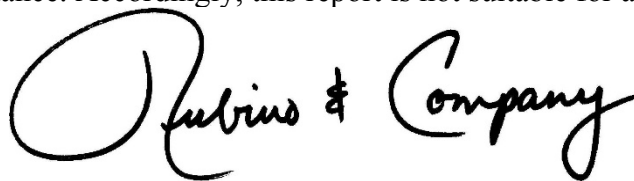
Report on Internal Control Over Compliance

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.

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 20, 2018

**NATIONAL FALLEN FIREFIGHTERS FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2017**

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: | | | | | | | |
|---|--------------------------------|---------------------|---------------------|-------------------------------|--------|--------------|--|
| a. Material weakness(es) identified? | No | | | | | | |
| b. 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: | | | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; width: 60%;"><u>Name of Federal Program</u></th> <th style="text-align: left; width: 20%;"><u>CFDA No.</u></th> <th style="text-align: left; width: 20%;"><u>Expenditures</u></th> </tr> </thead> <tbody> <tr> <td>Line-of-Duty Death Prevention</td> <td>97.044</td> <td>\$ 1,135,172</td> </tr> </tbody> </table> | <u>Name of Federal Program</u> | <u>CFDA No.</u> | <u>Expenditures</u> | Line-of-Duty Death Prevention | 97.044 | \$ 1,135,172 | |
| <u>Name of Federal Program</u> | <u>CFDA No.</u> | <u>Expenditures</u> | | | | | |
| Line-of-Duty Death Prevention | 97.044 | \$ 1,135,172 | | | | | |
| 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, 2017**

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, 2017**

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