

**NATIONAL FALLEN FIREFIGHTERS
FOUNDATION**

FINANCIAL STATEMENTS

AND

REPORTS UNDER THE UNIFORM GUIDANCE

Years Ended December 31, 2018 and 2017

TABLE OF CONTENTS

DESCRIPTION	PAGE
Independent Auditors' Report	1 – 2
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4 – 5
Consolidated Statements of Cash Flows	6
Notes to the Consolidated Financial Statements	7 – 22
Schedules of Expenses by Natural Classification and Function	23 – 26
Schedule of Expenditures of Federal Awards	27
Notes to Schedule of Expenditures of Federal Awards	28
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 <i>Government Auditing Standards</i>	29 – 30
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	31 – 32
Schedule of Findings and Questioned Costs	33 – 34
Summary Schedule of Prior Audit Findings	35

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, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, National Fallen Firefighters Foundation adopted Accounting Standards Updated 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities, during the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

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 19, 2019 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 19, 2019

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
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,001,127	\$ 1,123,981
Grants and contributions receivable (<i>Note 4</i>)	937,406	875,386
Pledges receivable, net (<i>Note 5</i>)	-	244,930
Prepaid expenses and other current assets	<u>155,660</u>	<u>82,982</u>
Total current assets	<u>2,094,193</u>	<u>2,327,279</u>
Property and equipment		
Walk of honor	250,690	250,690
Memorial park	989,729	931,948
Memorial chapel	1,105,987	1,087,117
Furniture and equipment	<u>165,664</u>	<u>165,664</u>
	2,512,070	2,435,419
Less accumulated depreciation	<u>(1,388,242)</u>	<u>(1,274,003)</u>
Total property and equipment	<u>1,123,828</u>	<u>1,161,416</u>
Other noncurrent assets		
Investments, including \$2,537,470 and \$2,317,962, segregated to meet restrictions by donors for 2018 and 2017 (<i>Note 6</i>)	<u>7,858,349</u>	<u>8,053,887</u>
Total assets	<u>\$ 11,076,370</u>	<u>\$ 11,542,582</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 696,646	\$ 479,524
Deferred compensation	<u>66,371</u>	<u>51,851</u>
Total liabilities	<u>763,017</u>	<u>531,375</u>
Net assets		
Without donor restrictions		
General	6,652,055	7,531,829
Investment in property & equipment	1,123,828	1,161,416
With donor restrictions		
Time restrictions	-	244,930
Purpose restrictions	2,462,470	1,998,032
Endowment (<i>Note 7</i>)	<u>75,000</u>	<u>75,000</u>
Total net assets	<u>10,313,353</u>	<u>11,011,207</u>
Total liabilities and net assets	<u>\$ 11,076,370</u>	<u>\$ 11,542,582</u>

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

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

	Without Donor Restriction	With Donor Restriction	Total
Revenue and support			
Grants, contracts and contributions			
Grants	\$ -	\$ 3,618,802	\$ 3,618,802
Contributions	1,497,667	910,411	2,408,078
Contributed goods/services	187,381	89,656	277,037
Combined federal campaign	23,680	-	23,680
Royalties	201,238	552	201,790
Program service revenue	500	47,050	47,550
Event sponsors	791,929	17,420	809,349
Event registrations	517,017	-	517,017
Sweepstakes/auctions	36,141	-	36,141
Other revenue			
Gift shop sales	72,216	-	72,216
Released from restrictions	4,453,864	(4,453,864)	-
Total revenue and support	7,781,633	230,027	8,011,660
Expenses			
Program services			
Department of Justice - Fire Service Survivor Support	1,220,503	-	1,220,503
Department of Homeland Security			
Line-of-Duty Death and Prevention (Fire Act)	1,301,338	-	1,301,338
United States Fire Administration - Memorial Weekend	467,794	-	467,794
Vulnerability Assessment Project	37,511	-	37,511
Memorial Weekend	140,139	-	140,139
New York City - FDNY	376,197	-	376,197
Scholarships	231,551	-	231,551
Memorial Park	168,811	-	168,811
Gift shop	123,457	-	123,457
Golf tournaments	287,119	-	287,119
Stair climbs	542,172	-	542,172
LODD Prevention	26,396	-	26,396
Fire Service Outreach	150,534	-	150,534
MSFA	30,835	-	30,835
Skidmore	17,677	-	17,677
Yarnell, AZ	69,125	-	69,125
First Responder Center	900,382	-	900,382
Other NFFF programs	306,914	-	306,914
Total program services	6,398,455	-	6,398,455
Supporting services			
Management and general	192,516	-	192,516
Foundation education	426,894	-	426,894
Indirect costs	472,604	-	472,604
Lobbying	992	-	992
Fundraising	764,115	-	764,115
Total supporting services	1,857,121	-	1,857,121
Total expenses	8,255,576	-	8,255,576
Change in operating net assets	(473,943)	230,027	(243,916)
Non-operating activity			
Investment income, net <i>(Note 6)</i>	(443,419)	(10,519)	(453,938)
Change in net assets	(917,362)	219,508	(697,854)
Net assets at beginning of year	8,693,245	2,317,962	11,011,207
Net assets at end of year	\$ 7,775,883	\$ 2,537,470	\$ 10,313,353

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

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

	Without Donor Restriction	With Donor Restriction	Total
Revenue and support			
Grants, contracts and contributions			
Grants	\$ -	\$ 2,707,596	\$ 2,707,596
Contributions	1,241,844	579,655	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
Released from restrictions	3,938,082	(3,938,082)	-
Total revenue and support	6,879,818	(244,987)	6,634,831
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
Hal Bruno Camps for Children of Fallen Firefighters	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	6,205,502	-	6,205,502
Supporting services:			
Management and general	167,888	-	167,888
Lobbying	362	-	362
Fundraising	630,388	-	630,388
Total supporting services	798,638	-	798,638
Total expenses	7,004,140	-	7,004,140
Change in operating net assets	(124,322)	(244,987)	(369,309)
Non-operating activity			
Investment income, net (<i>Note 6</i>)	918,728	3,437	922,165
Change in net assets	794,406	(241,550)	552,856
Net assets at beginning of year	7,898,839	2,559,512	10,458,351
Net assets at end of year	\$ 8,693,245	\$ 2,317,962	\$ 11,011,207

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

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Cash receipts from grants and contributions	\$ 6,023,021	\$ 4,504,759
Cash receipts other	1,684,513	1,795,672
Cash paid to suppliers	(4,828,401)	(3,910,584)
Cash paid to employees	<u>(2,479,844)</u>	<u>(2,249,098)</u>
Net cash provided by operating activities	<u>399,289</u>	<u>140,749</u>
Cash flows from investing activities		
Purchases of investments	(1,816,784)	(3,216,268)
Redemptions of investments	1,371,292	3,046,381
Purchases of property and equipment	<u>(76,651)</u>	<u>(42,780)</u>
Net cash used by investing activities	<u>(522,143)</u>	<u>(212,667)</u>
Net change in cash and cash equivalents	(122,854)	(71,918)
Cash and cash equivalents, beginning of year	<u>1,123,981</u>	<u>1,195,899</u>
Cash and cash equivalents, end of year	<u>\$ 1,001,127</u>	<u>\$ 1,123,981</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, 2018 and 2017

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, 2018 and 2017

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, 2018 and 2017

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 2018. The tax years ended December 31, 2015 through 2017 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 6. 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, 2018 and 2017

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, 2018 and 2017

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 \$114,239 and \$148,024 for the years ended December 31, 2018 and 2017, 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 10). 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 with or without donor restrictions based on the existence or absence of donor-imposed restrictions. The purpose of each net asset group is as follows:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation's board may designate assets without restrictions for specific operational purposes from time to time.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Contributions and Grants

Contributions and grants received are recorded as with or without donor restrictions 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 net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with restrictions are reclassified to net assets without donor restrictions 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 without donor restrictions.

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.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The schedule of functional expenses presents the natural classification detail of expenses by function (Note 14). Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Measure of Operations

The statements of activities report changes in net assets from operating and nonoperating activities. Operating activities consist of the Foundation's mission-related programs and the associated supporting functions but exclude returns from investment, which are considered as non-operating activities. The Foundation had no other non-operating activities during the years ended December 31, 2018 and 2017.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements - Adopted

During 2018, the Foundation adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new standard addresses net asset classification, the presentation of expenses in both natural and functional classifications and provides for additional disclosures related to an entity's liquidity, financial performance and availability of resources. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

New Accounting Pronouncements – Future Periods

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 19, 2019, the date that the financial statements were available to be issued.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017

3. Availability and Liquidity of Financial Assets

The following reflects the Foundations' financial assets at December 31, 2018 and 2017, reduced by amounts not available for general use within one year of the statement of financial position date because of donor imposed restrictions.

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,001,127	\$ 1,123,981
Grants and contributions receivable	937,406	1,120,316
Investments	<u>7,858,349</u>	<u>8,053,887</u>
Total financial assets	9,796,882	10,298,184
Donor-imposed restrictions:		
Net assets with donor restrictions	<u>(2,537,470)</u>	<u>(2,317,962)</u>
Financial assets available to meet cash needs		
for general expenditures within one year	<u>\$ 7,259,412</u>	<u>\$ 7,980,222</u>

The Foundations' goal is generally to maintain financial assets to meet one year of operating expenses.

4. Grants and contributions Receivable

Grants and contributions receivable at December 31, 2018 and 2017, consists of the following:

	<u>2018</u>	<u>2017</u>
Department of Justice	\$ 273,228	\$ 268,297
Department of Homeland Security	310,697	332,485
Contributions and other	<u>353,481</u>	<u>274,604</u>
Total grants and contributions receivable	<u>\$ 937,406</u>	<u>\$ 875,386</u>

Contributions receivable includes unrestricted amounts to be collected in 2019.

5. 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 \$0 and \$5,070 for the years ended December 31, 2018 and 2017, respectively.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017

6. 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, 2018 and 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2018</u>				
Cash and cash equivalents				
Cash	\$ 268,192	\$ -	\$ -	\$ 268,192
Fixed income				
Corporate bonds	-	79,505	-	79,505
Bond exchange traded and mutual funds				
Intermediate	1,405,992	-	-	1,405,992
Emerging markets	20,782	-	-	20,782
International	163,312	-	-	163,312
U.S. Government	96,480	-	-	96,480
Diversified	907,682	-	-	907,682
High yield	136,464	-	-	136,464
Short term	167,204	-	-	167,204
Equity exchange traded and mutual funds				
Growth	1,468,387	-	-	1,468,387
Mid cap	469,953	-	-	469,953
Value	1,149,953	-	-	1,149,953
International	245,959	-	-	245,959
Emerging markets	482,296	-	-	482,296
Large blend	640,587	-	-	640,587
Real estate	155,601	-	-	155,601
Total investments	<u>\$ 7,778,844</u>	<u>\$ 79,505</u>	<u>\$ -</u>	<u>\$ 7,858,349</u>

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017

6. Investments (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2017</u>				
Cash	\$ 342,027	\$ -	\$ -	\$ 342,027
Fixed income				
Corporate bonds	-	103,688	-	103,688
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>

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>2018</u>	<u>2017</u>
Interest and dividends	\$ 242,597	\$ 205,443
Expenses	(61,374)	(55,195)
Net realized gain (loss)	379,736	275,058
Net unrealized (loss) gain	<u>(1,014,897)</u>	<u>496,859</u>
Net investment income	<u>\$ (453,938)</u>	<u>\$ 922,165</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, 2018 and 2017

6. 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, 2018 and 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2018</u>				
Cash	\$ 15,208	\$ -	\$ -	\$ 15,208
Moderate allocation mutual fund	<u>51,163</u>	<u>-</u>	<u>-</u>	<u>51,163</u>
	<u>\$ 66,371</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,371</u>
	<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	<u>44,601</u>	<u>-</u>	<u>-</u>	<u>44,601</u>
	<u>\$ 51,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,851</u>

7. Endowment Funds

The Foundation has an endowment that consists of a fund to support the Hal Bruno Camp for Children of Fallen Firefighters. The endowment includes net assets with donor imposed restrictions of \$25,000 at December 31, 2018 and 2017, 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 (losses) returns of (\$1,224) and \$3,437 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017

8. Net Assets with Donor Restrictions

At December 31, 2018 and 2017, net assets with donor restrictions were restricted for the following purposes:

	<u>2018</u>	<u>2017</u>
<u>Foundation:</u>		
Time restrictions		
Motorola Solutions Foundation	\$ -	\$ 244,930
Purpose restrictions		
Scholarships	1,438,334	1,350,735
West, Texas	290,843	297,548
Yarnell, Arizona	15,359	84,484
Fire Service Outreach	70,249	68,931
Alan Patrick Sondej Memorial Scholarship Fund	242,883	50,000
Twisp River, WA	31,371	31,371
Young Adults Retreats	19,465	25,112
Hal Bruno Camp for Children of Fallen Firefighters	45,167	21,359
DOJ Year 11	-	15,935
Memorial Weekend	139,942	13,183
Site Renovation/Chapel Renovation	70,639	12,546
Fire Act	3,129	6,500
Survivors Conference	6,267	4,078
USFA Year 20	28,221	-
Other	<u>11,251</u>	<u>1,250</u>
Total	<u>2,413,120</u>	<u>1,983,032</u>
Endowment fund - Hal Bruno Camp for Children	<u>25,000</u>	<u>25,000</u>
<u>Center:</u>		
Purpose restrictions		
Cancer Programs	40,000	-
Cancer Tool Box	3,750	15,000
Occupational Cancer Symposium	<u>5,600</u>	<u>-</u>
Total	<u>49,350</u>	<u>15,000</u>
Endowment fund - First Responder Fitness	<u>50,000</u>	<u>50,000</u>
Total	<u>\$ 2,537,470</u>	<u>\$ 2,317,962</u>

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017

9. 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, 2018 and 2017 were \$63,925 and \$55,291, 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, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 51,851	\$ 30,455
Employer contributions	28,479	17,129
Employer withdrawals	(11,106)	-
Net earnings gains (losses)	<u>(2,853)</u>	<u>4,267</u>
Ending balance	<u>\$ 66,371</u>	<u>\$ 51,851</u>

10. 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, 2018 and 2017

10. Contributed Goods and Services (continued)

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

	<u>2018</u>	<u>2017</u>
Fundraising	\$ 43,096	\$ 71,366
Memorial Weekend	89,656	76,356
Other programs	42,469	35,167
Stair Climb	76,436	63,200
Survivors Conference	-	3,000
Trade Shows	<u>25,380</u>	<u>17,605</u>
Total contributed goods and services	<u>\$ 277,037</u>	<u>\$ 266,694</u>

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

11. 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:

	<u>Real Estate</u>	<u>Equipment</u>
Year ending December 31, 2019	\$ 158,200	\$ 17,900
2020	162,200	17,900
2021	-	17,900
2022	-	15,600
2023	-	6,800
2024	<u>-</u>	<u>1,100</u>
	<u>\$ 320,400</u>	<u>\$ 77,200</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, 2018 and 2017 was \$218,910 and \$132,126, respectively.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2018

12. 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, 2018 and 2017 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 2019, 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, 2018 and 2017.

13. 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 \$50,000 and \$58,000, during 2018 and 2017, 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 2018 and 2017, 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.

14. Functional Expenses

Certain functional expenses are procured, incurred and administered on a consolidated basis. When such costs benefit multiple functions, the expenses are allocated based on underlying cost input drivers such as salaries, headcount, level of effort, office occupancy or other applicable inputs that drive the applicable expenses.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2018

14. Functional Expenses (continued)

Expenditures were incurred along the following functional categories:

	Years Ended December 31,							2017
	2018						Total	
	Program Services	Management & General	Foundation Education	Indirect Costs	Lobbying	Fundraising		
Salaries	\$ 994,584	\$ 78,073	\$ 140,872	\$ 581,848	\$ 371	\$ 300,355	\$ 2,096,103	\$ 1,876,315
Employee benefits and taxes	208,020	19,865	26,622	107,636	101	61,252	423,496	390,917
Cost of goods sold	68,097	-	-	-	-	-	68,097	46,114
Depreciation	108,070	-	-	6,170	-	-	114,240	148,024
Professional fees	1,933,134	3,584	60,979	295,661	-	93,997	2,387,355	2,104,336
Travel	1,158,331	64,544	7,445	30,082	286	76,584	1,337,272	963,620
Rent	61,829	174	-	160,072	-	-	222,075	162,795
Office supplies	333,742	3,278	7,964	54,094	-	14,384	413,462	419,607
Insurance	25,138	5,042	-	7,224	-	-	37,404	30,491
Printing, postage, and communication	71,849	554	415	51,537	-	1,396	125,751	117,205
Scholarships	510,549	-	-	-	-	500	511,049	292,570
Contributed goods and services	205,541	-	28,400	-	-	43,096	277,037	266,694
Member fees and subscriptions	59,808	189	-	6,309	-	15,944	82,250	64,030
Meetings	32,459	1,379	25	6,474	-	2,686	43,023	41,705
Repair and maintenance	6,290	-	-	9,627	-	-	15,917	2,638
Bank fees	35,984	1,855	-	(10)	-	6,995	44,824	48,137
Other	23,370	60	1,050	28,968	-	2,773	56,221	28,942
Indirect allocation	561,660	13,919	153,122	(873,088)	234	144,153	-	-
	<u>\$ 6,398,455</u>	<u>\$ 192,516</u>	<u>\$ 426,894</u>	<u>\$ 472,604</u>	<u>\$ 992</u>	<u>\$ 764,115</u>	<u>\$ 8,255,576</u>	<u>\$ 7,004,140</u>

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION AND FUNCTION
Year Ended December 31, 2018

	<u>Department of Justice</u>	<u>Department of Homeland Security</u>	<u>Vulnerability Assessment Project</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>LODD Prevention</u>	<u>Subtotal</u>
Salaries	\$ 317,954	\$ 175,127	\$ -	\$ 19,666	\$ 14,851	\$ 16,146	\$ 30,937	\$ 17,946	\$ 19,940	\$ 78,963	\$ 10,022	701,552
Employee benefits and taxes	67,927	33,154	-	4,635	4,972	4,073	5,993	3,353	3,693	14,816	3,450	146,066
Cost of goods sold	-	-	-	-	-	-	-	65,399	-	-	-	65,399
Depreciation	-	-	-	-	-	-	108,070	-	-	-	-	108,070
Professional fees	185,041	1,002,702	28,637	26,905	86,470	11,075	4,433	4,244	127,705	47,681	2,611	1,527,504
Travel	441,490	321,217	-	22,534	8,972	1,398	755	2,240	10,617	30,212	2,790	842,225
Rent	5,406	14,967	-	594	-	-	-	-	920	2,449	-	24,336
Office supplies	19,820	31,153	-	14,562	53,623	925	953	412	36,704	132,691	1,729	292,572
Insurance	-	-	-	2,656	-	-	-	-	8,719	11,598	-	22,973
Printing, postage, and communication	51,417	1,869	3	172	6,041	303	1,286	590	174	1,058	-	62,913
Scholarships	-	-	-	-	155,101	257,127	-	-	-	-	-	412,228
Contributed goods and services	-	-	-	89,656	-	-	-	-	13,069	76,436	-	179,161
Member fees and subscriptions	11,192	2,903	-	-	10,165	-	-	-	939	26,983	-	52,182
Meetings	261	1,197	-	-	2,846	90	-	-	-	-	102	4,496
Repair and maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Bank fees	67	217	-	338	-	246	1,327	239	3,264	29,224	398	35,320
Other	-	-	-	-	-	-	-	-	1,054	373	-	1,427
Indirect allocation	119,928	184,626	8,871	(41,579)	33,156	(59,832)	15,057	29,034	60,321	89,688	5,294	444,564
Total	\$ 1,220,503	\$ 1,769,132	\$ 37,511	\$ 140,139	\$ 376,197	\$ 231,551	\$ 168,811	\$ 123,457	\$ 287,119	\$ 542,172	\$ 26,396	\$ 4,922,988

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION AND FUNCTION
Year Ended December 31, 2018

	Fire Service Outreach	MSFA	Skidmore	Yarnell Arizona	First Responder Center for Excellence	Other NFFF Programs	Management and General	Foundation Education	Indirect Costs	Lobbying	Fundraising	Page 23 Subtotal	Total
Salaries	\$ 41,529	\$ 1,432	\$ 40	\$ 3,981	\$ 178,057	\$ 67,993	\$ 78,073	140,872	\$ 581,848	\$ 371	\$ 300,355	\$ 701,552	\$ 2,096,103
Employee benefits and taxes	9,957	240	9	1,283	33,519	16,946	19,865	26,622	107,636	101	61,252	146,066	423,496
Cost of goods sold	-	-	-	-	-	2,698	-	-	-	-	-	65,399	68,097
Depreciation	-	-	-	-	-	-	-	-	6,170	-	-	108,070	114,240
Professional fees	23,219	110	13,364	-	358,152	10,785	3,584	60,979	295,661	-	93,997	1,527,504	2,387,355
Travel	15,903	97	111	1,360	256,062	42,573	64,544	7,445	30,082	286	76,584	842,225	1,337,272
Rent	-	21,630	-	-	3,165	12,698	174	-	160,072	-	-	24,336	222,075
Office supplies	1,868	-	-	407	21,296	17,599	3,278	7,964	54,094	-	14,384	292,572	413,462
Insurance	-	-	-	-	2,165	-	5,042	-	7,224	-	-	22,973	37,404
Printing, postage, and communicatio	629	40	-	12	3,907	4,348	554	415	51,537	-	1,396	62,913	125,751
Scholarships	-	-	-	50,000	-	48,321	-	-	-	-	500	412,228	511,049
Contributed goods and services	-	-	-	-	-	26,380	-	28,400	-	-	43,096	179,161	277,037
Member fees and subscriptions	406	-	-	-	150	7,070	189	-	6,309	-	15,944	52,182	82,250
Meetings	22,560	-	-	1,650	453	3,300	1,379	25	6,474	-	2,686	4,496	43,023
Repair and maintenance	-	-	-	-	6,290	-	0	0	9,627	-	-	-	15,917
Bank fees	-	-	-	-	58	606	1,855	-	(10)	-	6,995	35,320	44,824
Other	75	-	-	-	14,300	7,568	60	1,050	28,968	-	2,773	1,427	56,221
Indirect allocation	34,388	7,286	4,153	10,432	22,808	38,029	13,919	153,122	(873,088)	234	144,153	444,564	-
Total	\$ 150,534	\$ 30,835	\$ 17,677	\$ 69,125	\$ 900,382	\$ 306,914	\$ 192,516	\$ 426,894	\$ 472,604	\$ 992	\$ 764,115	\$ 4,922,988	\$ 8,255,576

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	51,098	35,375	48	74	5,062	4,042	1,342	6,744	2,805	5,316	111,906
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	-	-	-	-	-	242	-	-	-	1,647	1,889
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	\$ 1,084,398	\$ 1,842,604	\$ 32,225	\$ 34,383	\$ 404,952	\$ 247,128	\$ 309,244	\$ 211,737	\$ 92,727	\$ 286,434	\$ 4,545,832

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 25 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	111,906	390,917
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	1,889	28,942
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 EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2018

<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-2017-FP-00320	\$ 16,403
Line-of-Duty Death and Prevention	97.044	EMW-2015-FP-00302	457,225
Line-of-Duty Death and Prevention	97.044	EMW-2016-FP-00446	<u>774,642</u>
Total FEMA			1,248,270
<u>Pass-Through from Skidmore</u>			
Skidmore AFG Grant	97.044	EMW-2015-FP-00731	<u>17,482</u>
Total federal expenditures - DHS			<u>1,265,752</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>1,174,116</u>
Total Expenditures of Federal Awards			<u>\$ 2,439,868</u>

The accompanying notes are an integral part of this schedule.

NATIONAL FALLEN FIREFIGHTERS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2018

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, 2018. 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, 2018 and 2017, 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 19, 2019.

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.

Bethesda, MD
August 19, 2019

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, 2018. 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, 2018.

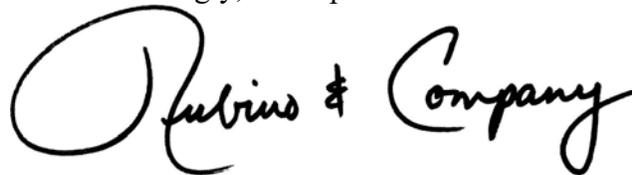
Report on Internal Control Over Compliance

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 "Rubino & Company". The signature is written in a cursive, flowing style.

Bethesda, MD
August 19, 2019

**NATIONAL FALLEN FIREFIGHTERS FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2018**

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: | | |
| <u>Name of Federal Program</u> | <u>CFDA No.</u> | <u>Expenditures</u> |
| Line-of-Duty Death and Prevention | 97.044 | \$ 1,265,752 |
| 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, 2018**

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, 2018**

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