

FINANCIAL HISTORY 2004 TO 2013

The General Secretary-Treasurer's office has developed a series of ten graphs showing the IAFF's financial condition and progress over the past 10 years from 2004 through 2013.

Chart 1 demonstrates that the average membership has steadily increased from 2002 through 2010, while decreasing slightly beginning in 2011. This overall increase in our membership is the result of countless hours of dedication by our leadership in promoting our union. In spite of the efforts by some to reduce staffing, we have overcome adversities, and have grown stronger. The SAFER Act grants have been instrumental in protecting our membership.

Chart 2 illustrates how the Per Capita Tax (PCT) rate has increased annually and depicts the portion of the PCT that is earmarked for Emergency Disputes Fund (EDF), Redmond Foundation, and FIREPAC-Education. The majority of PCT funds the general activities. The PCT in October 2013 was \$12.48 per member, of which \$10.38 financed the general expenses on the International. The other \$2.10 was earmarked for EDF (\$0.38), Redmond (\$0.04), and FIREPAC-Education (\$1.68).

Chart 3 compares general revenue to general expenses over a ten-year period. This graph excludes EDF, FIREPAC-Education, and other restricted programs (e.g., grants from outside sources). General revenue includes the non-restricted portion of the PCT, interest, conference registration fees, royalties, reimbursed expenses, member initiation, reinstatement, charter fees, and other miscellaneous income. The general expenses include employee salaries, fringe costs, travel, office expenses, convention costs, PCT for affiliations with other organizations, and other general expenses. Revenue has grown steadily over the years, while expenses have fluctuated. As the chart demonstrates, expenses tend to be greater in convention years. The favorable revenue balances, in non-convention years, have allowed our overall fund balance to increase. This favorable balance between revenue and expenses in one year is allocated to pay convention expenses and unexpected costs in other years.

Chart 4 compares the general assets, liabilities, and the fund balance over a ten-year period. General assets include cash, investments, PCT receivables from locals, expenses paid in advance, equipment, union supply inventories, deferred pension costs, and amounts billed but not yet received from other IAFF funds. The general liabilities include trade accounts payable (outside vendors), notes payable, salary and other leave payable, pension expenses payable, PCT due but not yet paid to other IAFF funds, and funds set aside for contingencies. The general fund balance is the total general assets minus the total general liabilities. The fund balance contains cash and investments which are needed to pay the monthly liabilities. The overall fund balance has grown in almost every year due to the "pay-as-you-go" policy, while some funds have been reinvested into the IAFF.

In 2007, the IAFF adopted Financial Accounting Standards Board (FASB) Statement No. 158. This statement requires an employer to recognize the funded status of a benefit (pension) plan, measured as

the difference between the plan assets at fair value and the benefit obligation, in its financial statement. The result of this change and the market decline has significantly reduced the General Fund Balance, while our overall fund balance remains strong.

Charts 5A and 5B are comparative charts. They are based on a two-year period because of the IAFF Biennial Convention. The convention expenses have a strong impact on total expenses. Chart 5A covers major general expenses for the fiscal years of 1998 and 1999. Chart 5B covers the same expenses for the 2012 and 2013 fiscal years. While the number of our staff has increased from 2004 through 2013, the percentage of our total expenses allocated to salary costs has decreased. Salaries increased at a much slower rate than other expenses. Fringe costs increased approximately 10 percent due to higher insurance and pension costs. General office costs and travel costs decreased by 5 percent due to strong cost saving controls and adherence to fiscal budgets. The general office expenses include rent, postage, printing, phones, insurance, and supplies. The convention costs include reimbursable expenses for committee members, convention consultants, banquet fees, general meeting room costs, transportation, lodging, and salaries of staff, office equipment rental, phone, printing, postage, and other costs. The cost of all the conventions has been going up. In 1998/1999 convention costs were 6 percent of the general expenses over the two years. In 2012/2013 these costs were held to less than 5 percent of the general expenses. The other general costs have decreased by 4 percent (from 23.90 percent to 19.89 percent) due to the additional cost savings measures and regular monitoring of actual results versus budgeted figures. Other general expenses include accounting fees, consultant fees, audio and visual expenses, legal fees, IAFF magazine, honorariums, and Affiliates' PCT. Over the last few years, we've added a new category; Fighting Back. This category accounts for approximately 2.5 percent of total costs. Overall, these charts show very little fluctuation in how the IAFF expenses were allocated over the last ten years.

Chart 6 illustrates PCT and anticipated revenue that allows us to fund our operation. The chart shows the source of revenue for the average of 2012 and 2013. It is based on the monthly Per Capita Tax rate for an active member as of 2013. The portion of PCT used to fund general, ongoing expenses was \$10.41; while \$2.07 PCT was earmarked for EDF, Redmond, and FIREPAC-Education. The total PCT paid each month was \$12.48 per active member. Other sources of general revenue include interest (\$0.13), royalties (\$0.28), registration fees (\$0.49), member initiation fees, reinstatement and charter fees (\$0.04), reimbursement of expenses (\$0.30), and other miscellaneous items (\$0.38). PCT would be increased \$1.62 per month in order to equal the total received from these non-PCT income sources. The PCT of \$12.48 and the non-PCT income of \$1.62 total \$14.10 of funds available per month per active member.

Chart 7 demonstrates how the total \$14.10 is allocated each month. The general office expenditures include rent, postage, phones, insurance, and supplies. Other expense includes accounting fees, audio and visual expenses, computer costs, honorariums, the IAFF magazine, and seminar expenses. The total of the expenses exceeds the \$12.48 PCT by the \$1.62 per month. The anticipated revenue funds of \$1.62 can be seen in Chart 6. We have been able to fund this portion of the budget by anticipated revenue.

Chart 8 shows the actual expenditures for the 2013 fiscal year. This chart illustrates how the revenues are divided among administration and member services, and other major categories.

Chart 9 shows the Total Budget for the current 2014 fiscal year (\$12.48 PCT and the anticipated \$5.2908 Supplemental). The bar graph illustrates the planned use of funds for the current year.

Overall, the graphs demonstrate increased membership and revenue, strong control over expenses resulting in fund balance improvement and more financial stability. In addition, creative fund-raising has increased the membership benefits while easing the pressure on the PCT. You can be assured we will continue to build on this principle. These actions will continue to provide a bright future for this international union.

CHART 1

AVERAGE MEMBERS FOR FISCAL YEAR

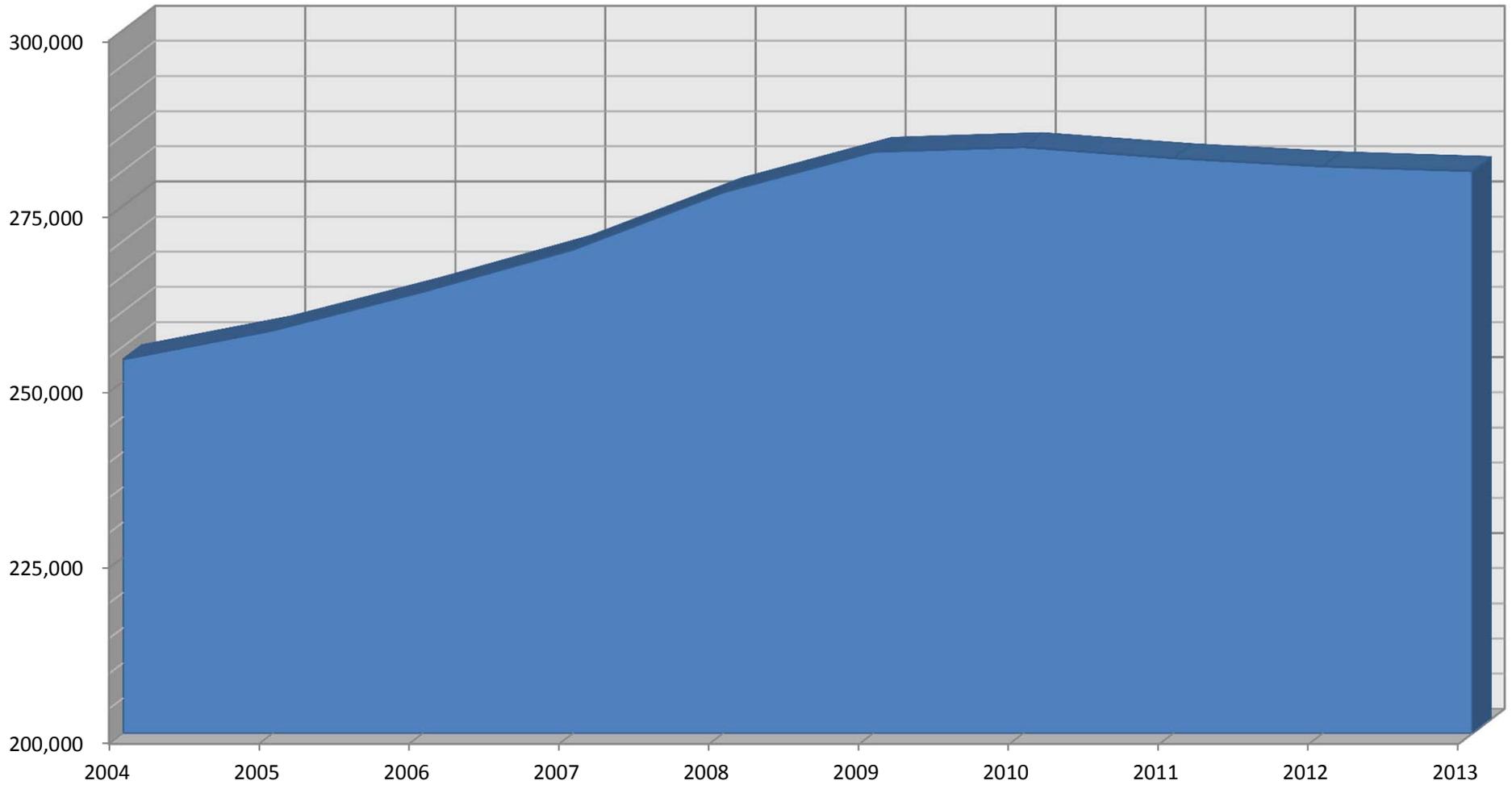


CHART 2

PER CAPITA TAX BY FISCAL YEAR

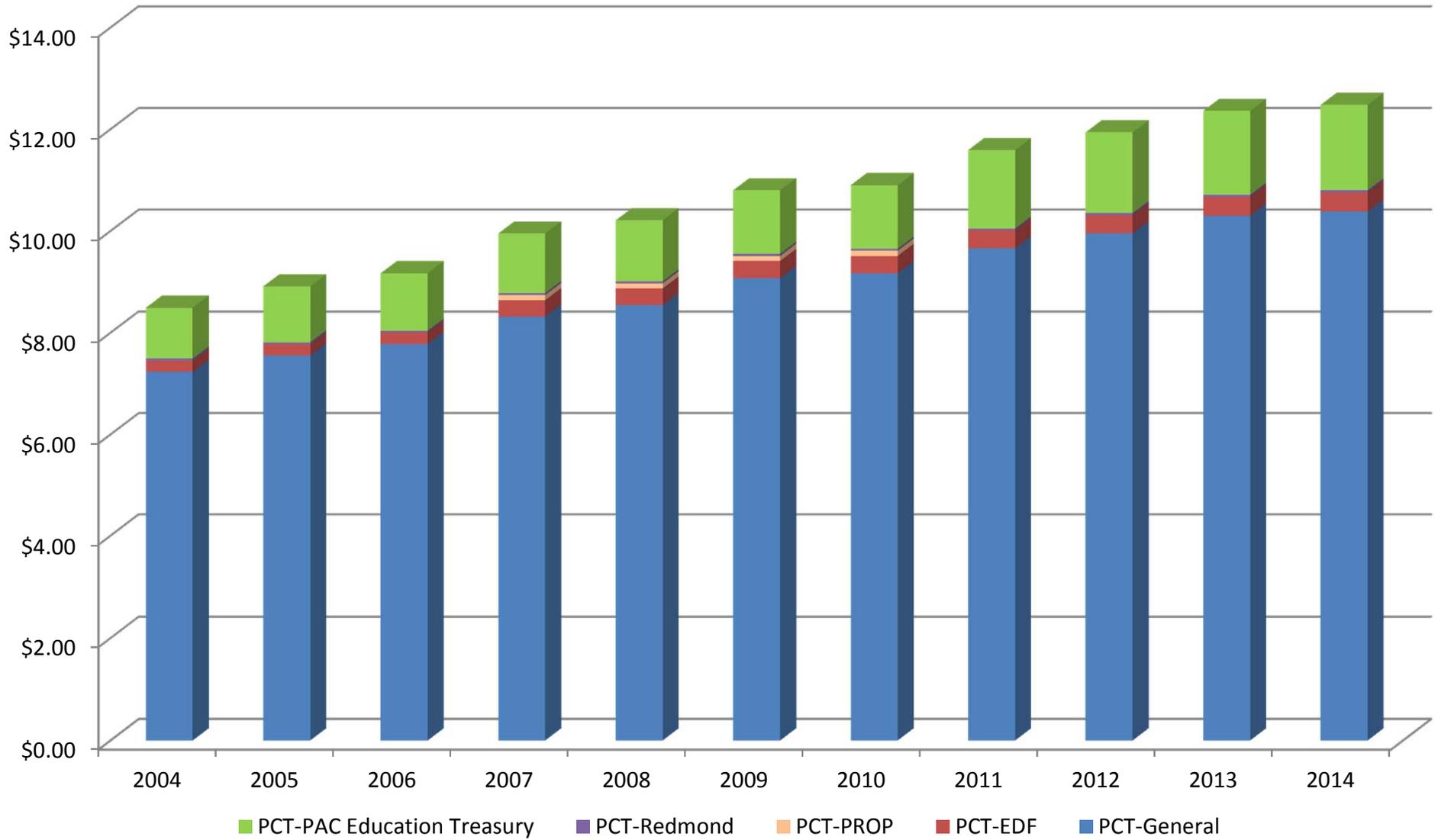


CHART 3

GENERAL REVENUE COMPARED TO GENERAL EXPENSES BY FISCAL YEAR

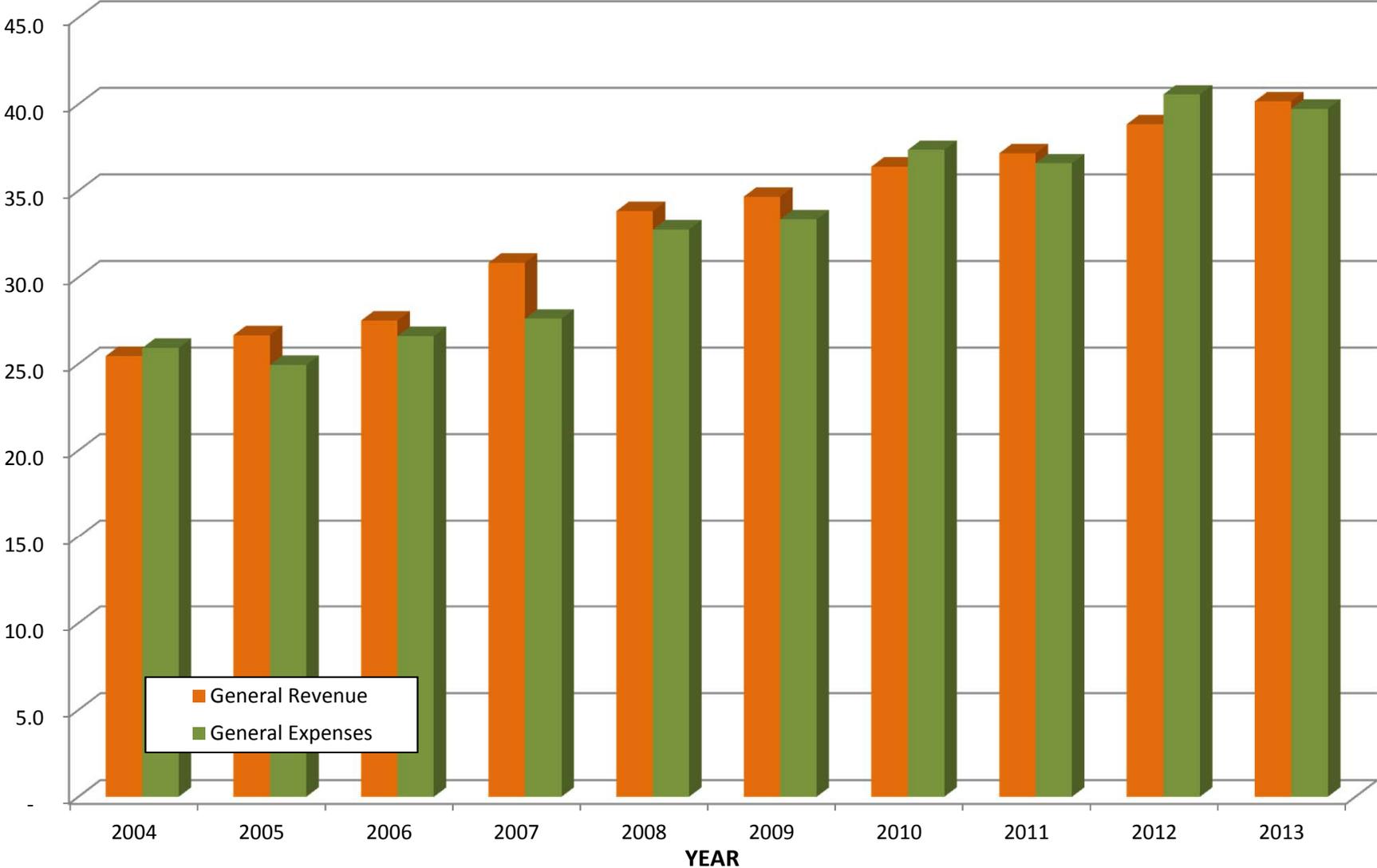


CHART 4

GENERAL ASSETS, LIABILITIES, AND NET ASSETS BY FISCAL YEAR

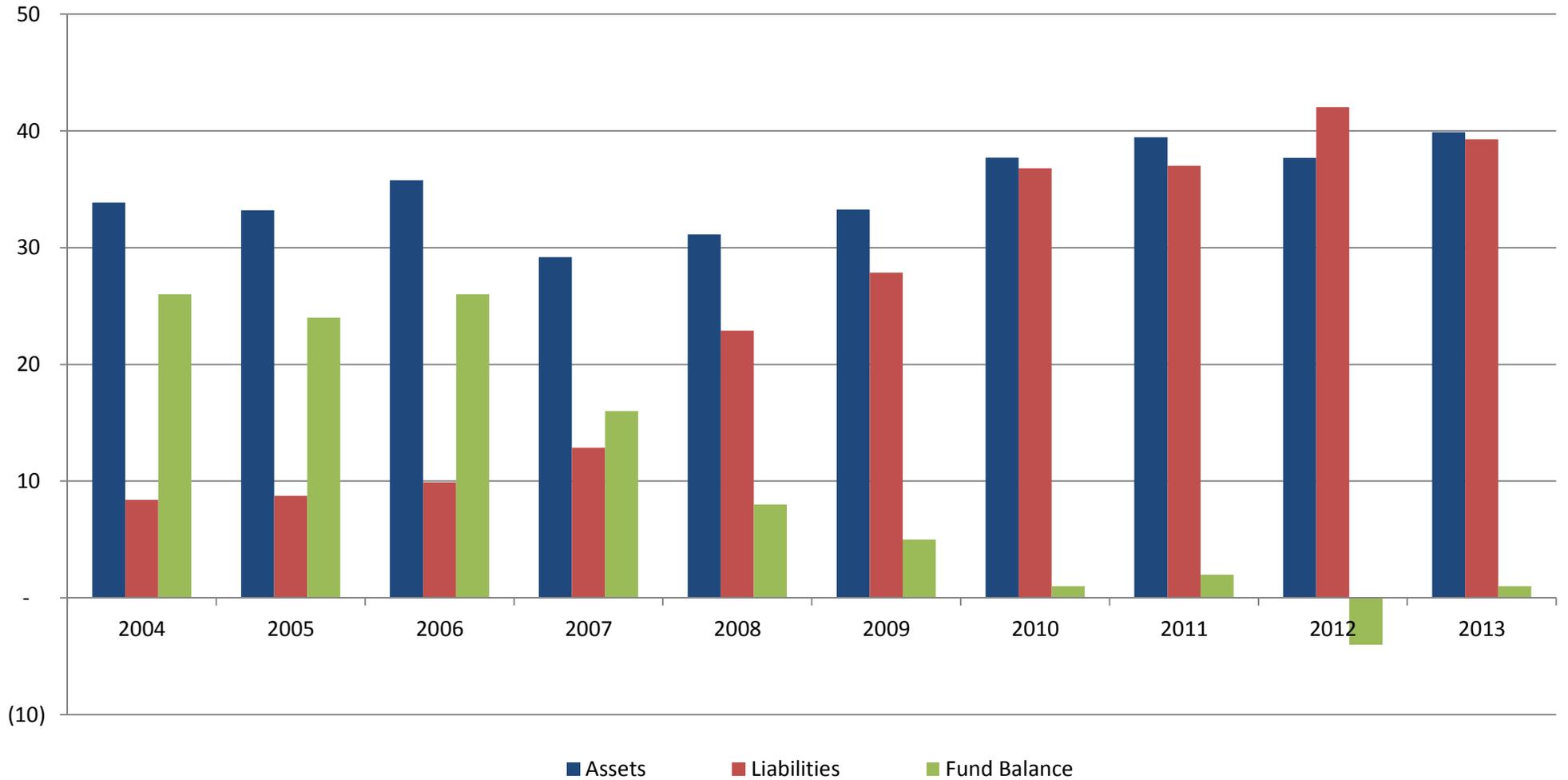
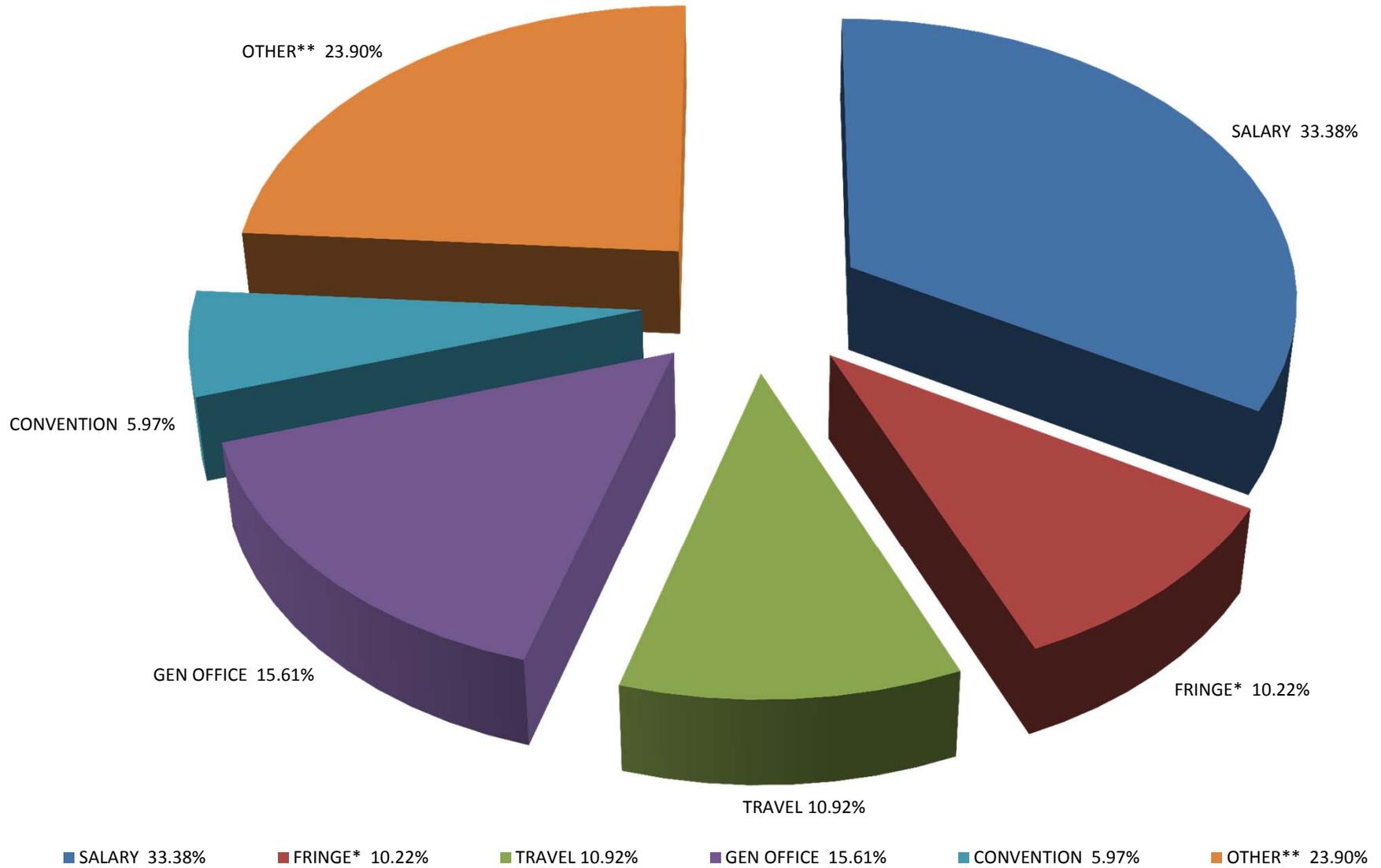


CHART 5A

GENERAL EXPENSES FOR 1998 AND 1999

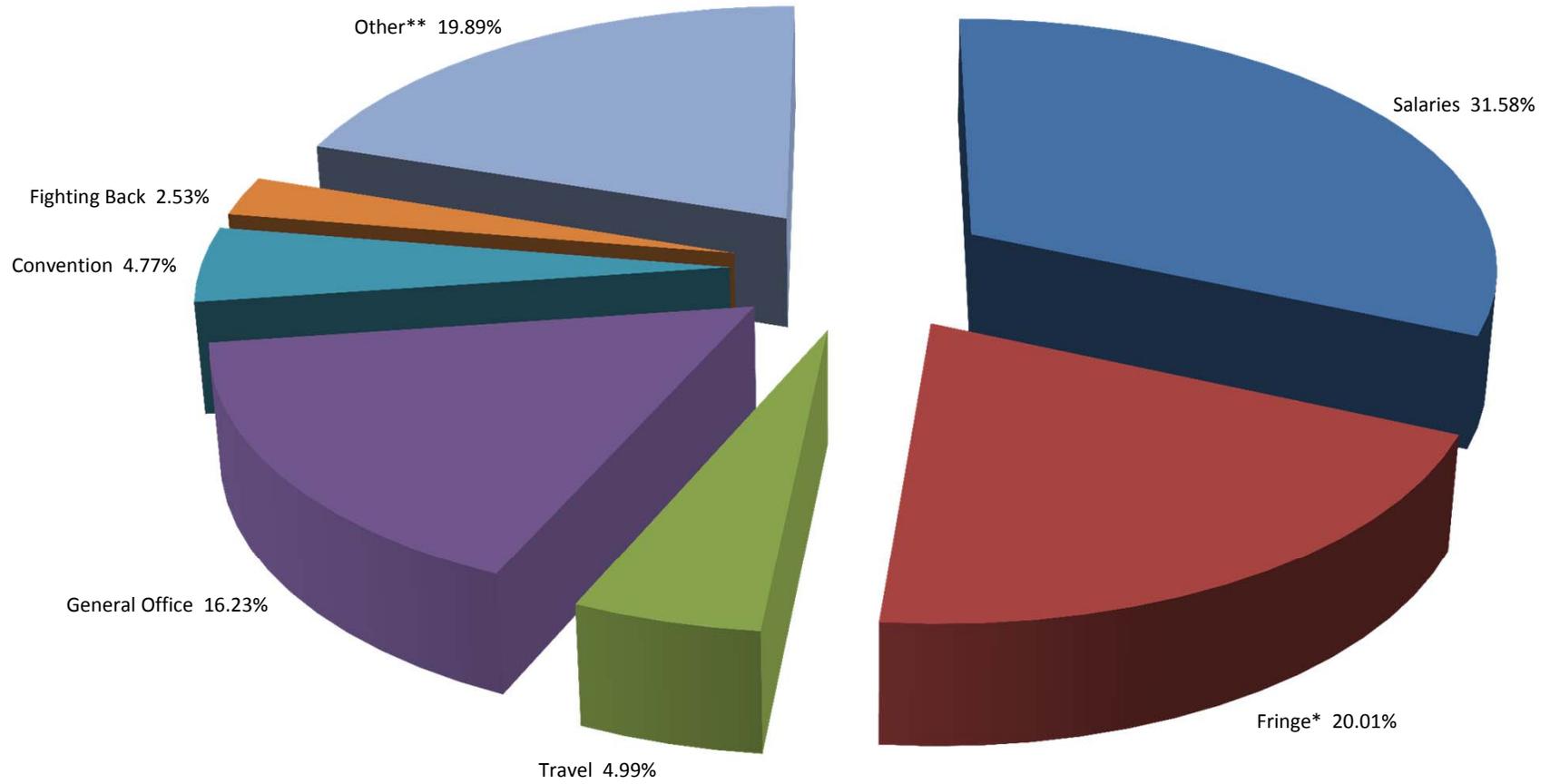


* Fringe costs include payroll taxes, health insurance, and pension costs

** Other expenses include accounting fees, consultant fees, audio visual expenses, legal fees, IAFF magazine, honorariums, and Affiliates' PCT

CHART 5B

GENERAL EXPENSES FOR 2012 AND 2013



■ Salaries 31.58% ■ Fringe* 20.01% ■ Travel 4.99% ■ General Office 16.23% ■ Convention 4.77% ■ Fighting Back 2.53% ■ Other** 19.89%

* Fringe costs include payroll taxes, health insurance, and pension costs

** Other expenses include accounting fees, consultant fees, audio video expenses, legal fees, IAFF magazine, honorariums, and Affiliates' PCT

CHART 6

REVENUES PER MEMBER PER MONTH FOR 2013

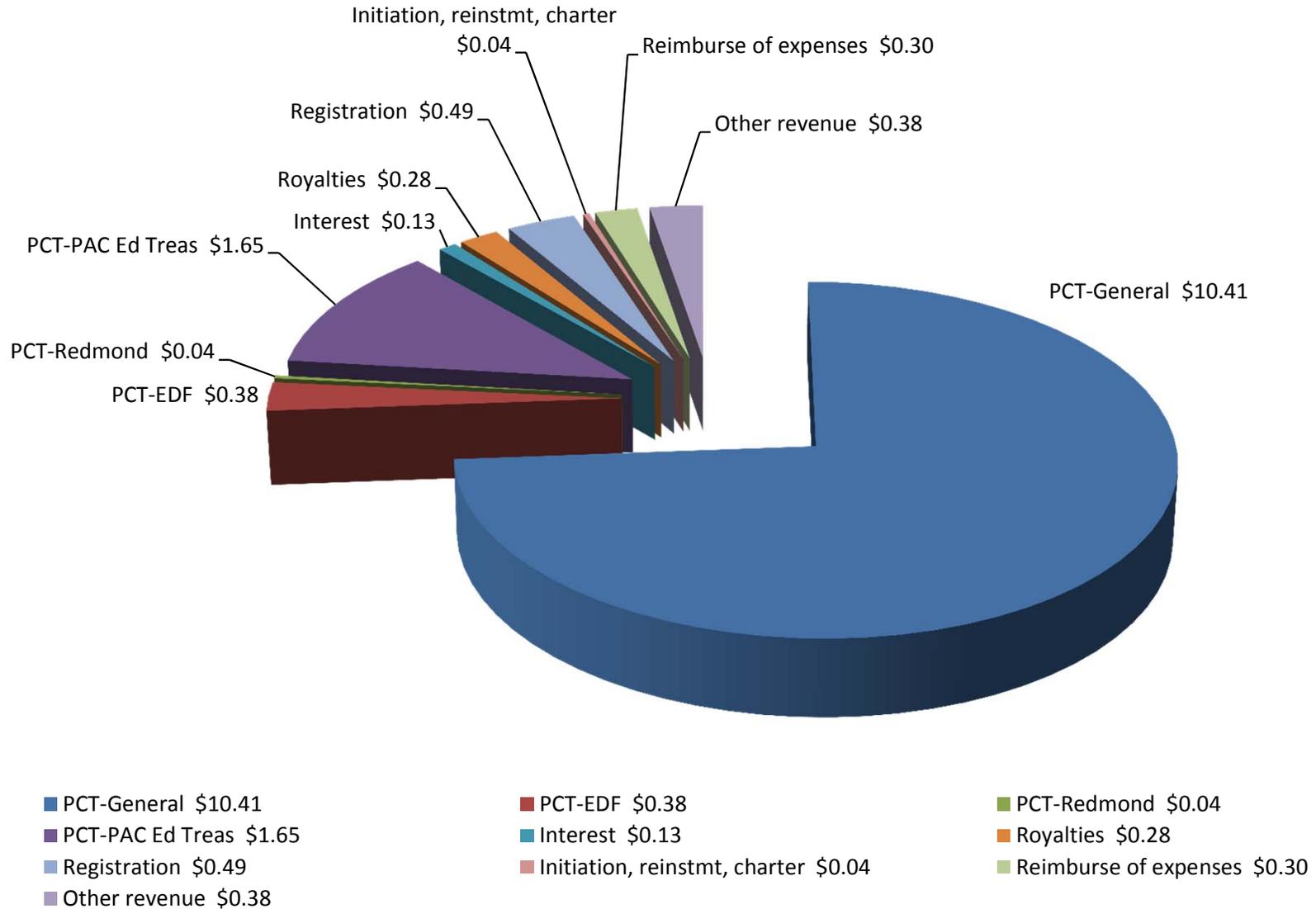
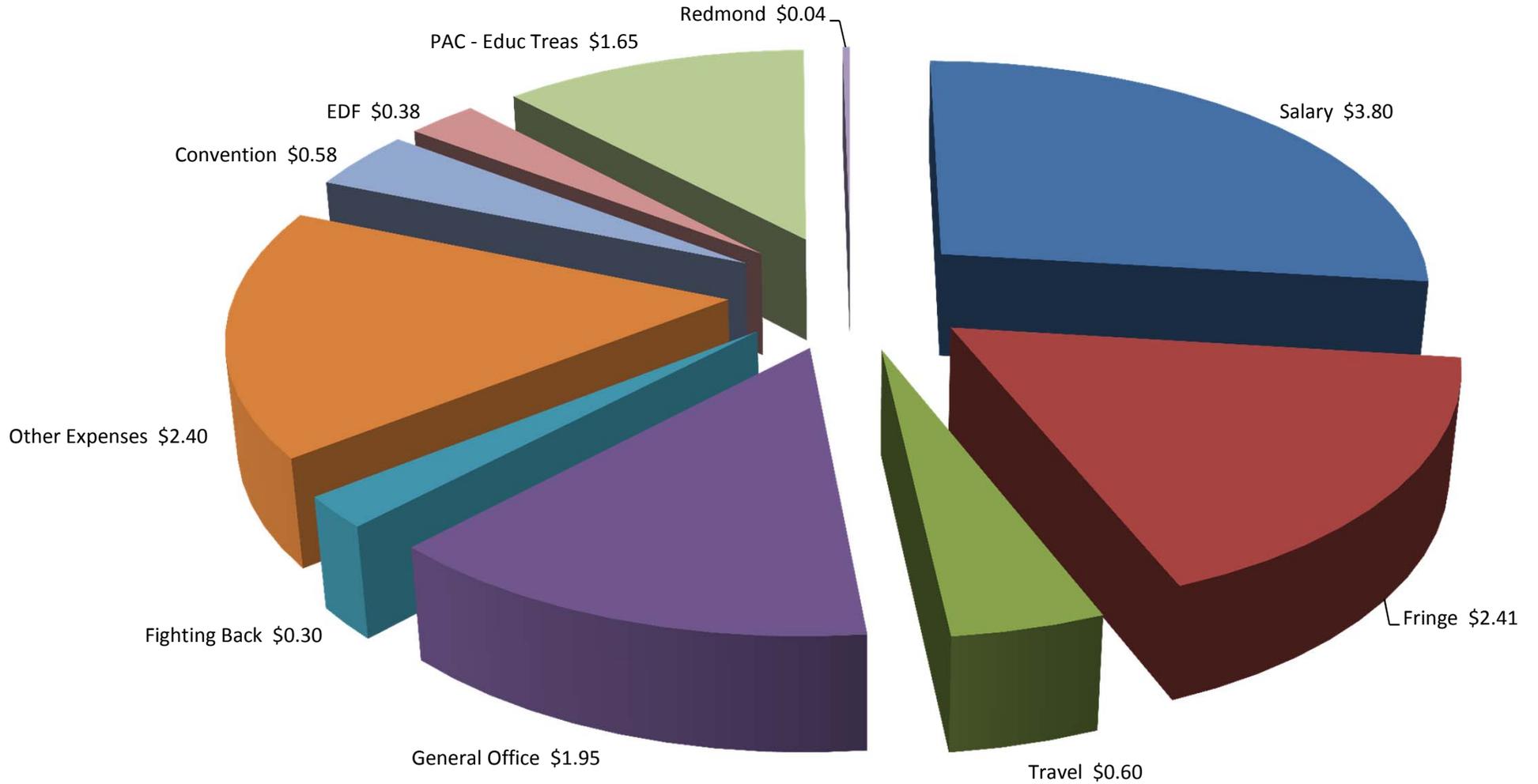


CHART 7

EXPENDITURES PER MEMBER PER MONTH FOR 2013



- Salary \$3.80
- Fringe \$2.41
- Travel \$0.60
- General Office \$1.95
- Fighting Back \$0.30
- Other Expenses \$2.40
- Convention \$0.58
- EDF \$0.38
- PAC - Educ Treas \$1.65
- Redmond \$0.04

CHART 8

Actual PCT Expenditures for 2013 Fiscal Year

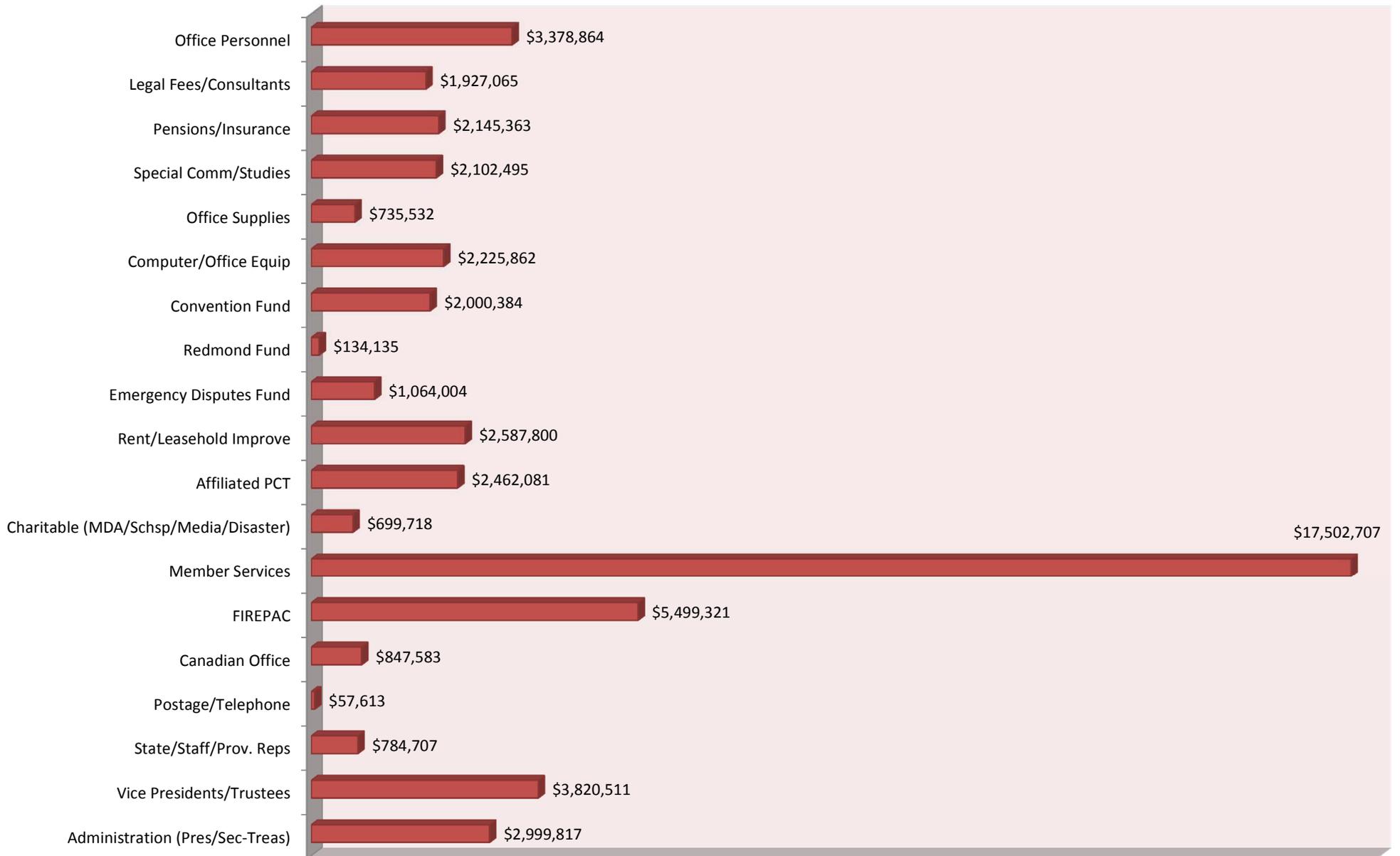
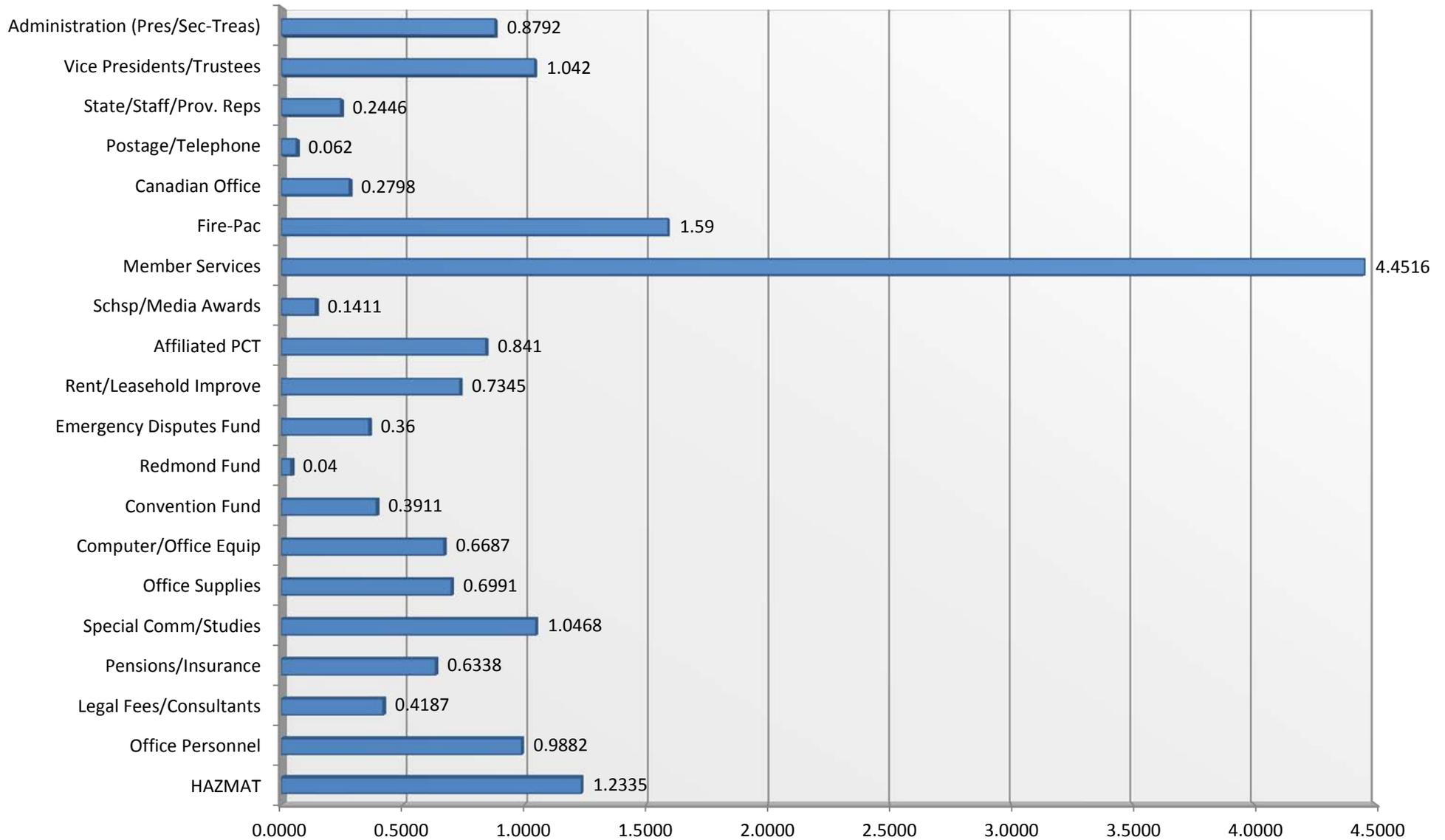


CHART 9

Per Capita Tax Allocation Budget PCT for 2014 Fiscal Year



Total budget is \$17.7708 made up of \$12.48 PCT and \$5.2908 from Non PCT sources (i.e., grants and interest).