

**National September 11 Memorial and Museum
at the World Trade Center Foundation, Inc.**

Financial Statements

December 31, 2010 and 2009



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

Board of Directors National September 11 Memorial and Museum at the World Trade Center Foundation, Inc.

We have audited the accompanying statements of financial position of the National September 11 Memorial and Museum at the World Trade Center Foundation, Inc. (the "Organization") as of December 31, 2010 and 2009 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National September 11 Memorial and Museum at the World Trade Center Foundation, Inc. as of December 31, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

O'Connor Davies Munns & Dobbins, LLP

New York, New York
April 13, 2011

**National September 11 Memorial and Museum
at the World Trade Center Foundation, Inc.**

Statements of Financial Position

December 31,

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 90,247,911	\$ 153,134,684
Accrued interest receivable	4,886	63,677
Prepaid expenses and other assets	781,320	406,866
Government grant receivables	40,642,953	60,412,727
Contributions receivable, net	45,051,800	68,645,652
Investments	20,771,973	20,699,640
Due from Port Authority of New York and New Jersey	7,055,543	14,922,487
Property and equipment, net	1,100,939	1,021,240
Construction in progress	420,804,615	226,786,146
	\$ 626,461,940	\$ 546,093,119
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 41,633,979	\$ 37,599,212
Accrued payroll and related liabilities	237,267	128,302
Total Liabilities	41,871,246	37,727,514
Net Assets		
Unrestricted	546,916,540	442,401,007
Temporarily Restricted		
Purpose restricted	1,424,764	62,194
Time restricted	36,249,390	65,902,404
Total Temporarily Restricted	37,674,154	65,964,598
Total Net Assets	584,590,694	508,365,605
	\$ 626,461,940	\$ 546,093,119

See notes to financial statements

**National September 11 Memorial and Museum
at the World Trade Center Foundation, Inc.**

Statements of Activities
Years Ended December 31,

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Contributions	\$ 5,574,574	\$ 10,216,100	\$ 15,790,674	\$ 5,261,774	\$ 6,509,337	\$ 11,771,111
Government grants	69,452,552	-	69,452,552	79,252,830	-	79,252,830
In-kind contributions	109,150	137,875	247,025	355,719	2,397,534	2,753,253
Special events, net of expenses of \$550,755 and \$494,477	1,197,400	500,000	1,697,400	1,213,318	-	1,213,318
Interest income	766,692	-	766,692	1,332,950	-	1,332,950
Other income	1,632,979	-	1,632,979	444,136	-	444,136
Realized and unrealized loss on investments	(24,640)	-	(24,640)	(239,914)	-	(239,914)
Net assets released from restrictions	39,144,419	(39,144,419)	-	45,015,645	(45,015,645)	-
Total Revenue and Support	<u>117,853,126</u>	<u>(28,290,444)</u>	<u>89,562,682</u>	<u>132,636,458</u>	<u>(36,108,774)</u>	<u>96,527,684</u>
EXPENSES						
Program	8,165,249	-	8,165,249	6,391,697	-	6,391,697
Management and general	2,056,423	-	2,056,423	1,647,851	-	1,647,851
Fundraising	2,990,921	-	2,990,921	2,767,813	-	2,767,813
Total Expenses	<u>13,212,593</u>	<u>-</u>	<u>13,212,593</u>	<u>10,807,361</u>	<u>-</u>	<u>10,807,361</u>
Change in Net Assets before Collections Activities	104,640,533	(28,290,444)	76,350,089	121,829,097	(36,108,774)	85,720,323
Collections activities	(125,000)	-	(125,000)	(48,370)	-	(48,370)
Change in Net Assets	104,515,533	(28,290,444)	76,225,089	121,780,727	(36,108,774)	85,671,953
NET ASSETS						
Beginning of year	442,401,007	65,964,598	508,365,605	320,620,280	102,073,372	422,693,652
End of year	<u>\$ 546,916,540</u>	<u>\$ 37,674,154</u>	<u>\$ 584,590,694</u>	<u>\$ 442,401,007</u>	<u>\$ 65,964,598</u>	<u>\$ 508,365,605</u>

See notes to financial statements

**National September 11 Memorial and Museum
at the World Trade Center Foundation, Inc.**

Statements of Functional Expenses

Years Ended December 31,

	2010				2009			
	Program	Management and General	Fundraising	Total Expenses	Program	Management and General	Fundraising	Total Expenses
Salaries	\$ 2,987,067	\$ 992,544	\$ 1,260,967	\$ 5,240,578	\$ 2,339,214	\$ 825,680	\$ 1,073,303	\$ 4,238,197
Payroll taxes and fringe benefits	733,103	308,901	280,633	1,322,637	596,355	249,576	244,572	1,090,503
Occupancy costs	1,245,692	174,470	203,448	1,623,610	1,077,410	194,625	232,018	1,504,053
Insurance	240,402	46,842	50,188	337,432	227,616	49,166	55,944	332,726
Professional and other fees	1,006,293	159,037	144,560	1,309,890	1,000,360	106,331	183,883	1,290,574
Marketing and advertising	661,877	1,551	222,028	885,456	328,753	3,301	221,766	553,820
Equipment purchase, rental and repair	195,050	165,126	38,754	398,930	143,301	63,213	21,922	228,436
Office supplies	66,488	44,291	12,092	122,871	65,351	44,285	9,823	119,459
Postage	28,686	5,474	218,401	252,561	21,293	14,414	200,671	236,378
Printing	47,395	6,037	400,426	453,858	50,625	7,252	416,494	474,371
Telephone	98,728	42,770	20,498	161,996	66,457	12,246	15,339	94,042
Dues and subscriptions	29,509	16,476	9,023	55,008	11,998	13,055	7,722	32,775
Travel and meetings	127,359	23,220	83,999	234,578	80,673	12,629	45,415	138,717
Grants	307,000	-	-	307,000	119,675	-	-	119,675
Depreciation	346,782	29,374	41,883	418,039	222,081	30,357	38,850	291,288
Loss on disposal of fixed assets	-	31,967	-	31,967	-	-	-	-
Other expenses	43,818	8,343	4,021	56,182	40,535	21,721	91	62,347
Total Expenses	\$ 8,165,249	\$ 2,056,423	\$ 2,990,921	\$ 13,212,593	\$ 6,391,697	\$ 1,647,851	\$ 2,767,813	\$ 10,807,361

See notes to financial statements

**National September 11 Memorial and Museum
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Statements of Cash Flows
Years Ended December 31,

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 76,225,089	\$ 85,671,953
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	418,039	291,288
Realized and unrealized loss on investments	24,640	239,914
Loss on disposal of fixed assets	31,967	-
In-kind rent	(178,052)	(1,260,545)
In-kind intellectual property rights	-	(10,763)
In-kind property and equipment	(137,875)	(18,942)
In-kind construction in progress	-	(50,000)
Changes in operating assets and liabilities		
Accrued interest receivable	58,791	(1,498)
Prepaid expenses and other assets	(377,683)	(209,272)
Government grant receivables	19,769,774	(41,605,247)
Due from Port Authority of New York and New Jersey	(4,347,641)	(7,979,117)
Contributions receivable	23,771,904	38,004,249
Accounts payable and accrued expenses	(37,115,889)	(6,445,400)
Accrued payroll and related liabilities	108,965	(150,460)
Net Cash from Operating Activities	78,252,029	66,476,160
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	20,675,000	107,965,080
Purchase of investments	(20,771,973)	-
Purchase of property and equipment	(388,601)	(872,304)
Construction in progress	(140,653,228)	(68,809,492)
Net Cash from Investing Activities	(141,138,802)	38,283,284
Net Change in Cash and Cash Equivalents	(62,886,773)	104,759,444
CASH AND CASH EQUIVALENTS		
Beginning of year	153,134,684	48,375,240
End of year	\$ 90,247,911	\$ 153,134,684
SUPPLEMENTAL INFORMATION		
Non Cash Investing Activities		
Accrued construction in progress	\$ 53,365,241	\$ 40,512,507

See notes to financial statements

**National September 11 Memorial and Museum
at the World Trade Center Foundation, Inc.**

Notes to Financial Statements

1. Organization and Tax Status

The National September 11 Memorial and Museum at the World Trade Center Foundation, Inc. (the “Organization”) was incorporated on April 7, 2003, to raise money to fund the construction of the National September 11 Memorial, Memorial Museum, Museum Pavilion and other cultural facilities at the World Trade Center site. Upon completion, the Organization will own and operate these facilities and manage the related commemorative activities and cultural and educational programs.

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code as a publicly supported organization as described in Section 509(a).

2. Summary of Significant Accounting Policies

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 affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The Organization’s financial statements distinguish between unrestricted, temporarily restricted and permanently restricted net assets. Net assets consist of the following:

Unrestricted – Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in achieving the primary objective of the Organization.

Temporarily Restricted – Net assets that are subject to donor-imposed stipulations that will be met either by passage of time or by the actions of the Organization. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the accompanying statements of activities as net assets released from restrictions.

Permanently Restricted – Net assets that are subject to donor-imposed stipulations that do not expire by passage of time. At December 31, 2010 and 2009, the Organization had no permanently restricted net assets.

**National September 11 Memorial and Museum
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Notes to Financial Statements

2. Summary of Significant Accounting Policies (*continued*)

Fair Value of Financial Instruments

The Organization follows FASB guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

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.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less at the time of purchase and which are available for operations to be cash equivalents. The carrying amounts reported in the statement of financial position for cash and cash equivalents approximate cost.

Investments

Investments are recorded at fair value.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Contributions

Contributions and unconditional promises to give are recorded as revenue when signed pledges are made and are classified as either unrestricted, temporarily restricted, or permanently restricted support. Verbal and written intentions to contribute material amounts are not recorded in these financial statements because they do not meet the criteria for recognition.

**National September 11 Memorial and Museum
at the World Trade Center Foundation, Inc.**

Notes to Financial Statements

2. Summary of Significant Accounting Policies (*continued*)

Contributions (continued)

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates applicable to the years in which the promises are received and consider market and credit risk as applicable. Amortization of the discounts and changes in allowance for doubtful accounts are included in contribution revenue on the statements of activities.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is established for contributions receivable where there exists doubt as to whether an amount will be fully collected. The determination of this allowance is an estimate based on the Organization's historical experience, review of account balances and expectations relative to collections.

Property and Equipment

Property and equipment are stated at cost, or in the case of donations, at fair value at the date of the gift. The Organization capitalizes all purchases of property and equipment greater than \$5,000. Depreciation is recognized using the straight-line method over the estimated useful lives of the assets which range from 3 to 5 years. Leasehold improvements are amortized over the terms of the lease agreement.

Construction in Progress

Construction in progress includes all cost associated with the construction of the memorial, memorial museum and museum pavilion. Upon substantial completion, the cost of each project phase will be depreciated over its estimated useful life on a straight line basis.

Revenue from Government Grants

Revenue from government grants is recorded as earned pursuant to terms of existing agreements. Advances received from government agencies in excess of expenditures incurred for grants in progress are reported as deferred revenue.

In-Kind Contributions

Donated services are reported in the financial statements at fair value, if those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and that would typically be purchased if not provided by donation.

**National September 11 Memorial and Museum
at the World Trade Center Foundation, Inc.**

Notes to Financial Statements

2. Summary of Significant Accounting Policies (*continued*)

Functional Allocation of Expenses

The costs of providing the program and other activities of the Organization have been summarized on a functional basis. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

Collections

The value of the Organization's collection is not reflected as an asset in the statements of financial position, and gifts of collection items are excluded from revenue in the statements of activities. Purchases of collection items are recorded in the year in which the items were acquired as decreases in unrestricted net assets in the statements of activities. Pursuant to the Organization's collections and management policy, proceeds from deaccessions are to be used exclusively to acquire other items for the collection and will be recorded as unrestricted net assets designated for acquisitions of collection items.

Advertising Costs

Advertising costs are expensed as incurred.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to audits by the applicable taxing jurisdictions for years prior to December 31, 2007.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is April 13, 2011.

3. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, receivables and investments. The Organization places its cash with various financial institutions and limits the amount of credit exposure by any one financial institution. Cash and certificate of deposit held with banks in excess of Federal Deposit Insurance Coverage or the temporary U.S. Treasury Department guaranty program insurance limits totaled approximately \$109,980,000 and \$75,600,000 at December 31, 2010 and 2009.

**National September 11 Memorial and Museum
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Notes to Financial Statements

3. Concentration of Credit Risk (continued)

Concentrations of credit risk with respect to receivables are generally diversified due to the large number of entities and individuals composing the Organization's program and donor base. The Organization performs ongoing credit evaluations and writes off uncollectible amounts as they become known.

4. Government Grant Receivables

Government grant receivables consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
U.S. Department of Housing and Urban Development ("HUD") passed through Lower Manhattan Development Corp.	\$ 25,389,370	\$ 53,474,452
Empire State Development Corporation	15,070,873	6,938,275
Other	<u>182,710</u>	<u>-</u>
	<u>\$ 40,642,953</u>	<u>\$ 60,412,727</u>

For the years ended December 31, 2010 and 2009, the HUD grant represented 78% and 90% of government grants revenue.

5. Contributions Receivable

Contributions receivable consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Due within:		
Up to one year	\$ 32,967,769	\$ 36,154,444
One to five years	<u>17,266,890</u>	<u>40,018,305</u>
	50,234,659	76,172,749
Present value discount	(911,091)	(2,508,540)
Allowance for doubtful accounts	<u>(4,271,768)</u>	<u>(5,018,557)</u>
Contributions receivable, net	<u>\$ 45,051,800</u>	<u>\$ 68,645,652</u>

The discount rates used for pledges outstanding through December 31, 2010, range from 0.12% to 5.0%.

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Notes to Financial Statements

6. Investments

Investments at December 31 categorized by the FASB fair value hierarchy, for investments measured at fair value are as follows:

	<u>Input Level</u>	<u>2010</u>	<u>2009</u>
Certificate of deposit		\$ 20,771,973	\$ -
Corporate bonds	Level 2	<u>-</u>	<u>20,699,640</u>
		<u>\$ 20,771,973</u>	<u>\$ 20,699,640</u>

7. Due from Port Authority of New York and New Jersey

Due from Port Authority of New York and New Jersey (PANYNJ) consists of the following at December 31:

	<u>2010</u>	<u>2009</u>
Design contracts funded by the Lower Manhattan Development Corporation (LMDC)	\$ 12,987,267	\$ 12,987,267
Other design and construction costs	7,163,644	9,514,843
Negotiated share of construction costs	(880,783)	(1,003,883)
Organization's share of contractor's insurance	<u>(12,214,585)</u>	<u>(6,575,740)</u>
	<u>\$ 7,055,543</u>	<u>\$ 14,922,487</u>

There are no scheduled repayment terms for the PANYNJ receivables.

8. Property and Equipment

Property and equipment at December 31 consist of the following:

	<u>2010</u>	<u>2009</u>
Leasehold improvements	\$ 691,471	\$ 538,100
Furniture and equipment	<u>1,487,917</u>	<u>1,220,594</u>
	2,179,388	1,758,694
Accumulated depreciation	<u>(1,078,449)</u>	<u>(737,454)</u>
	<u>\$ 1,100,939</u>	<u>\$ 1,021,240</u>

**National September 11 Memorial and Museum
at the World Trade Center Foundation, Inc.**

Notes to Financial Statements

9. In-Kind Contributions

In-kind contributions for the years ended December 31 are as follows:

	2010	2009
Rent	\$ -	\$ 2,413,945
Branding services	106,450	130,000
Special events	-	53,363
Construction in progress (CIP)	-	50,000
Legal services	-	23,492
Furniture and equipment	137,875	-
Other	2,700	82,453
	\$ 247,025	\$ 2,753,253

A member of the Organization's board of directors is a partner with a firm that provides use of office space at no charge to the Organization.

Included in CIP and property and equipment, net in the statements of financial position are \$179,678 and \$79,397 of capitalized in-kind contributions at December 31, 2010 and 2009.

10. Retirement Plans

The Organization has a 403(b) defined contribution retirement plan for all eligible employees. Under the provisions of this plan, the Organization contributed 4% in 2010 and 2009 of participants' earnings. The Organization also contributed under a voluntary matching program up to a maximum of 6% in 2010 and 2009. Plan expense approximated \$428,000 and \$445,000 for 2010 and 2009.

11. Operating Lease

The Organization rents space for its preview site under the terms of a lease agreement expiring in 2014. Future minimum lease payments under this agreement are as follows:

2011	\$ 204,872
2012	211,016
2013	217,348
2014	73,160
	\$ 706,396

**National September 11 Memorial and Museum
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Notes to Financial Statements

12. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following at December 31:

	2010	2009
To benefit planning for cultural institutions at the World Trade Center site	\$ 15,564	\$ 15,564
Interior fit-out and exhibition funds	1,409,200	46,630
Donor imposed time restrictions	36,249,390	65,902,404
	\$ 37,674,154	\$ 65,964,598

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donor or as a result of the expiration of donor imposed time restrictions as follows:

	2010	2009
Sponsor a legacy	\$ -	\$ 7,175
Interior fit-out and exhibition funds	46,630	48,370
Donor imposed time restrictions	39,097,789	44,960,100
	\$ 39,144,419	\$ 45,015,645

13. Collections Activities

The Organization is in the process of assembling a permanent collection and has instituted a collections management policy to define the scope and intellectual framework of content assets and the procedures by which these materials are accessioned, catalogued and preserved. Through leadership of the Board and staff, the Organization strives to establish, preserve and document primary records, material evidence, spoken testimony and other wide-ranging cultural documentation bearing on the harbinger bombing of the World Trade Center on February 26, 1993 and the history of the buildings themselves. The Organization also collects artifacts, spoken remembrances and other materials which honor and individualize the victims of the September 11, 2001 and February 26, 1993 terrorist attacks and their legacies.

In 2010 and 2009, the Organization spent \$125,000 and \$48,370 on acquisitions of collection items. These acquisitions were funded in part by temporarily restricted cash contributions (see note 12).

**National September 11 Memorial and Museum
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Notes to Financial Statements

14. Risk Management

As of December 31, 2010, the Organization paid \$18,800,000 and accrued an additional \$12,160,000 towards the cost of an Owners Controlled Insurance Program (OCIP) that was established by the PANYNJ (see note 7). This OCIP includes coverage for workers' compensation, general and excess liability, builders' risk, terrorism and environmental claims arising from construction activities at the World Trade Center site.

The Organization also purchased an additional policy to address risks related to the design of the National September 11 Memorial, Memorial Museum and Museum Pavilion. To mitigate risks associated with its activities not related to the construction project, the Organization carries additional general and excess liability, employee crime, and business personal property insurance policies.

As of December 2010, the projected completion dates are September 2011 for the Memorial and September 2012 for the Museum. The Organization will determine potential financial impacts should a delay occur in these projected dates.