

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

Financial Statements

December 31, 2017 and 2016



Independent Auditors' Report

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

We have audited the accompanying financial statements of the National September 11 Memorial and Museum at the World Trade Center Foundation, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

March 27, 2018

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

Statements of Financial Position

	December 31	
	2017	2016
ASSETS		
Cash and cash equivalents	\$ 43,281,543	\$ 34,793,589
Accounts receivable	4,049,360	4,599,387
Government grants receivable	1,290,999	1,999,019
Contributions receivable, net	15,585,115	13,587,996
Prepaid expenses and other assets	3,294,816	3,057,485
Merchandise inventory	534,808	891,071
Buildings, property and equipment, net	621,465,106	654,257,303
	\$ 689,501,747	\$ 713,185,850
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 18,057,412	\$ 20,237,263
Due to Port Authority of New York and New Jersey	431,255	431,255
Deferred Museum revenue	2,612,023	2,167,136
Deferred rent	1,769,201	1,915,822
Loan payable	7,500,000	7,500,000
Total Liabilities	30,369,891	32,251,476
Net Assets		
Unrestricted	641,852,362	664,519,013
Temporarily restricted	17,279,494	16,415,361
Total Net Assets	659,131,856	680,934,374
	\$ 689,501,747	\$ 713,185,850

See notes to financial statements

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

Statements of Activities

	Year Ended December 31, 2017			Year Ended December 31, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Museum revenue	\$ 67,770,641	\$ -	\$ 67,770,641	\$ 67,102,939	\$ -	\$ 67,102,939
Merchandise sales, net of cost of goods sold of \$2,701,975 and \$2,892,241	5,748,274	-	5,748,274	5,918,968	-	5,918,968
Government grants	30,000	30,000	60,000	700,000	-	700,000
Contributions	2,039,463	5,622,361	7,661,824	4,690,371	228,343	4,918,714
Port Authority of New York and New Jersey	3,397,350	-	3,397,350	6,535,865	1,333,592	7,869,457
Special events, net of expenses of \$2,035,335 and \$1,865,296	1,748,197	-	1,748,197	1,085,143	-	1,085,143
In-kind contributions	1,202,763	-	1,202,763	1,377,335	-	1,377,335
Net assets released from restrictions	<u>4,788,228</u>	<u>(4,788,228)</u>	<u>-</u>	<u>5,028,141</u>	<u>(5,028,141)</u>	<u>-</u>
Total Revenue and Support	<u>86,724,916</u>	<u>864,133</u>	<u>87,589,049</u>	<u>92,438,762</u>	<u>(3,466,206)</u>	<u>88,972,556</u>
OTHER INCOME (EXPENSE)						
Interest income	66,679	-	66,679	22,283	-	22,283
Other income	460,868	-	460,868	101,756	-	101,756
Loss on sale of equipment	<u>(233,287)</u>	<u>-</u>	<u>(233,287)</u>	<u>(1,083,253)</u>	<u>-</u>	<u>(1,083,253)</u>
Total Other Income (Expense)	<u>294,260</u>	<u>-</u>	<u>294,260</u>	<u>(959,214)</u>	<u>-</u>	<u>(959,214)</u>
Total Revenue and Support and Other Income (Expense)	<u>87,019,176</u>	<u>864,133</u>	<u>87,883,309</u>	<u>91,479,548</u>	<u>(3,466,206)</u>	<u>88,013,342</u>
EXPENSES						
Memorial and museum program activities	56,486,682	-	56,486,682	58,565,319	-	58,565,319
Management and general	11,657,511	-	11,657,511	10,932,730	-	10,932,730
Fundraising	<u>4,221,069</u>	<u>-</u>	<u>4,221,069</u>	<u>4,081,786</u>	<u>-</u>	<u>4,081,786</u>
Total Expenses	<u>72,365,262</u>	<u>-</u>	<u>72,365,262</u>	<u>73,579,835</u>	<u>-</u>	<u>73,579,835</u>
Change in Net Assets Before Depreciation and Amortization and Museum Collections Activities	14,653,914	864,133	15,518,047	17,899,713	(3,466,206)	14,433,507
Depreciation and amortization	<u>(37,217,992)</u>	<u>-</u>	<u>(37,217,992)</u>	<u>(38,692,073)</u>	<u>-</u>	<u>(38,692,073)</u>
Museum collections activities	<u>(102,573)</u>	<u>-</u>	<u>(102,573)</u>	<u>(69,481)</u>	<u>-</u>	<u>(69,481)</u>
Change in Net Assets	<u>(22,666,651)</u>	<u>864,133</u>	<u>(21,802,518)</u>	<u>(20,861,841)</u>	<u>(3,466,206)</u>	<u>(24,328,047)</u>
NET ASSETS						
Beginning of year	<u>664,519,013</u>	<u>16,415,361</u>	<u>680,934,374</u>	<u>685,380,854</u>	<u>19,881,567</u>	<u>705,262,421</u>
End of year	<u>\$ 641,852,362</u>	<u>\$ 17,279,494</u>	<u>\$ 659,131,856</u>	<u>\$ 664,519,013</u>	<u>\$ 16,415,361</u>	<u>\$ 680,934,374</u>

See notes to financial statements

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

Statements of Functional Expenses

	Year Ended December 31, 2017				Year Ended December 31, 2016			
	Memorial and Museum Program Activities	Management and General	Fundraising	Total Expenses	Memorial and Museum Program Activities	Management and General	Fundraising	Total Expenses
Salaries	\$ 13,445,036	\$ 4,215,062	\$ 2,118,399	\$ 19,778,497	\$ 14,427,975	\$ 2,973,950	\$ 1,979,194	\$ 19,381,119
Payroll taxes and fringe benefits	3,219,315	935,392	478,795	4,633,502	3,432,286	709,896	424,888	4,567,070
Occupancy costs	4,811,729	1,819,490	159,526	6,790,745	4,651,833	1,835,491	157,021	6,644,345
Insurance	3,101,615	71,264	49,839	3,222,718	3,468,851	57,683	34,253	3,560,787
Professional and other fees	1,931,609	1,440,549	361,549	3,733,707	2,603,154	1,984,252	205,909	4,793,315
Engineering and janitorial services	10,331,388	1,834,125	13,295	12,178,808	10,480,993	1,867,054	23,261	12,371,308
Security	10,242,352	24,704	-	10,267,056	10,418,710	-	-	10,418,710
Information technology	703,782	166,984	38,376	909,142	805,001	165,937	29,697	1,000,635
Marketing and advertising	1,194,215	88,917	79,684	1,362,816	1,176,122	277,011	172,491	1,625,624
Commemorative programmatic events	928,113	-	-	928,113	1,064,675	-	-	1,064,675
Repairs and maintenance	2,921,376	541,316	19,266	3,481,958	2,836,291	491,822	18,058	3,346,171
Office supplies	475,523	35,822	16,570	527,915	471,913	37,386	14,908	524,207
Postage	98,748	17,756	170,917	287,421	142,965	25,621	182,683	351,269
Printing	239,037	11,188	473,706	723,931	263,387	10,325	549,377	823,089
Telephone and internet	463,722	114,418	24,119	602,259	615,988	130,817	23,930	770,735
Dues and subscriptions	128,159	80,045	33,281	241,485	167,575	103,661	14,683	285,919
Travel and meetings	360,147	57,970	54,996	473,113	273,027	49,133	190,428	512,588
Temporary exhibitions	678,228	-	-	678,228	-	-	-	-
Other expenses	<u>1,212,588</u>	<u>202,509</u>	<u>128,751</u>	<u>1,543,848</u>	<u>1,264,573</u>	<u>212,691</u>	<u>61,005</u>	<u>1,538,269</u>
Total Expenses Before Depreciation and Amortization	56,486,682	11,657,511	4,221,069	72,365,262	58,565,319	10,932,730	4,081,786	73,579,835
Depreciation and amortization	<u>33,280,747</u>	<u>3,828,816</u>	<u>108,429</u>	<u>37,217,992</u>	<u>34,591,554</u>	<u>3,999,862</u>	<u>100,657</u>	<u>38,692,073</u>
Total Expenses	<u>\$ 89,767,429</u>	<u>\$ 15,486,327</u>	<u>\$ 4,329,498</u>	<u>\$ 109,583,254</u>	<u>\$ 93,156,873</u>	<u>\$ 14,932,592</u>	<u>\$ 4,182,443</u>	<u>\$ 112,271,908</u>

See notes to financial statements

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

Statements of Cash Flows

	Year Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (21,802,518)	\$ (24,328,047)
Adjustments to reconcile change in net assets to net cash from operating activities		
Discount to present value of receivables	184,112	(27,600)
Bad debt expense (recovery)	56,144	(94,527)
Depreciation and amortization	37,217,992	38,692,073
Deferred rent	(146,621)	(124,053)
Amortization of in-kind rent contribution	1,053,204	1,053,204
Loss on sale of equipment	233,287	1,083,253
In-kind buildings, property and equipment contributions	(1,106,082)	(4,149,162)
Recognition of retainage payable contributions	(1,546,222)	(2,386,703)
Changes in operating assets and liabilities		
Accounts receivable	578,870	(766,401)
Government grants receivable	708,020	4,405,429
Contributions receivable	(3,319,422)	3,231,380
Prepaid expenses	354,893	168,692
Merchandise inventory	356,263	611,878
Accounts payable and accrued expenses	(570,464)	1,630,578
Deferred Museum revenue	444,887	332,823
Net Cash from Operating Activities	12,696,343	19,332,817
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of buildings, property and equipment	(4,223,589)	(4,400,579)
Proceeds from sale of buildings, property and equipment	15,200	-
Net Cash from Investing Activities	(4,208,389)	(4,400,579)
Net Change in Cash and Cash Equivalents	8,487,954	14,932,238
CASH AND CASH EQUIVALENTS		
Beginning of year	34,793,589	19,861,351
End of year	\$ 43,281,543	\$ 34,793,589
SUPPLEMENTAL CASH FLOW INFORMATION		
Non Cash Investing Activities		
Release of retainage payable	\$ 63,165	\$ 455,000
Reclassification of temporary exhibition costs from buildings, property and equipment to prepaid expenses	592,224	-

See notes to financial statements

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

Notes to Financial Statements
December 31, 2017

1. Organization and Tax Status

Through commemoration, exhibitions, and educational programs, the National September 11 Memorial and Museum at the World Trade Center Foundation, Inc. (the “Organization”) remembers and honors the 2,983 people killed in the horrific attacks of September 11, 2001 (“9/11”) and February 26, 1993, as well as those who risked their lives to save others and all who demonstrated extraordinary compassion in the aftermath of the attacks.

Since its opening in 2011, the National September 11 Memorial (the “Memorial”) has welcomed nearly 38 million visitors and the Memorial Museum (the “Museum”) has welcomed over 11 million visitors from more than 160 countries since its opening in 2014. This unique and sacred space helps connect visitors from around the world not only to the events of 2001 and 1993, but also to each other in a shared experience of reflection, remembrance, and community.

Museum education programs serve thousands of students, teachers, and families every year, focusing on the history of the day, the importance of memorialization and the lessons of resilience and recovery. Public programming is dedicated to deepening our audience’s understanding of 9/11’s continuing impact in America and around the world through film screenings, moderated conversations, and performances.

Memorial and Museum visitors are brought together at a peaceful and contemplative site which consists of two reflecting pools formed in the footprints of the original Twin Towers and a plaza of trees. The Museum displays monumental artifacts linked to the events of 9/11, while presenting intimate stories of loss, compassion, reckoning and recovery that are central to telling the story of the 2001 and 1993 attacks.

The Organization, which was incorporated on April 7, 2003, 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), and was created to oversee the design, fundraising, programming and operations of the Memorial and Museum. The Memorial and Museum are located on eight of the 16 acres of the World Trade Center site.

In 2014, the Organization obtained a charter from the New York State Board of Regents for the National September 11 Memorial and Museum at the World Trade Center (the “Museum Organization”) under the New York State Education Law and has obtained status as a tax-exempt public charity under Internal Revenue Code Section 501(c)(3). The directors of the Organization also serve as trustees of the Museum Organization. The Museum Organization had no operating activity during the years ended December 31, 2017 and 2016.

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

Notes to Financial Statements
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Accordingly actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term investments which are highly liquid in nature. At December 31, 2017 and 2016, the Organization's cash and cash equivalents are maintained at financial institutions in excess of federally insured amounts.

Accounts Receivable

Accounts receivable consist of outstanding cash collections from Museum ticket resellers that are owed in the ordinary course of business and other receivables from various sources that are owed from non-ordinary operating activities within one year of the Statement of Financial Position date.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is established for receivables 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.

Inventory

Merchandise inventory is valued at the lower of weighted average cost or net realizable value.

Buildings, Property and Equipment

Buildings, property and equipment are stated at cost, or if donated, at fair value at the date of the gift, less accumulated depreciation and amortization. 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 for furniture and equipment and computer hardware and software, to 15 to 39 years for the Memorial Plaza and Museum building. Leasehold improvements are amortized over the terms of the lease agreement.

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

Notes to Financial Statements
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

Buildings, Property and Equipment (continued)

Repairs and maintenance that do not improve or extend the life of the respective asset are charged to expense as incurred. At the time buildings, property and equipment are retired or disposed of, the buildings, property and equipment and related accumulated depreciation and amortization accounts are relieved of the applicable amounts, and any gain or loss is credited or charged to current operations.

Buildings, property and equipment assets are reviewed for impairment if the use of the assets significantly changes or another indicator of possible impairment is identified. If the carrying amount of an asset is not recoverable, the value is written down to the asset's fair value. There were no asset impairments for the years ended December 31, 2017 and 2016.

Deferred Museum Revenue

Advance ticket purchases for Museum admissions and tours are deferred and recognized on the ticket date. Membership fees paid in advance are deferred and recognized over the term of the membership.

Net Asset 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 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 or actions of the Organization. At December 31, 2017 and 2016, the Organization had no permanently restricted net assets.

Contributions

Contributions and unconditional promises to give are recorded as revenue when signed pledges are made and are classified as 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
December 31, 2017

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 the allowance for doubtful accounts are included in contribution revenue in the Statements of Activities.

Revenue from Government Grants

Revenue from government grants is recorded as earned pursuant to the terms of existing agreements.

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. Donated materials and other non-cash items are reported at fair value at the date of the donation.

Volunteers

A large number of volunteers have donated significant amounts of time to the Organization. The value of this donated time is not reflected in these financial statements as it does not meet the criteria for contributed services under U.S. GAAP.

Museum Revenue

Revenue from Museum admissions, tours, and memberships represent the majority of Museum revenue. Admissions and tours revenue are recognized when the services are performed. Membership revenue is assessed and recognized over the term of the membership.

Special Events

The Organization holds several special events each year, including a benefit dinner and other events. Revenue and the related expenses are recognized when the event occurs.

Merchandise Sales

The Organization sells merchandise in stores and through e-commerce. In 2016, the Museum closed its offsite retail location. Revenue and the related expenses are recognized at the time of sale or upon shipment of the merchandise.

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

Notes to Financial Statements
December 31, 2017

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 are acquired as decreases to unrestricted net assets in the Statements of Activities. Pursuant to the Organization's Collections Management Policy, proceeds from deaccessions are to be used exclusively to acquire other items for the collection and are recorded as unrestricted net assets designated for acquisitions of collection items.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs were \$1,212,072 and \$1,114,078 in 2017 and 2016.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be 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 examination by the applicable taxing jurisdictions for years prior to 2014.

Reclassification

Certain accounts in the 2016 financial statements have been reclassified to conform to the current year financial statement presentation.

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 March 27, 2018.

**National September 11 Memorial and Museum
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Notes to Financial Statements
December 31, 2017

3. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and receivables. The Organization places its cash with various financial institutions. At times cash balances held at financial institutions may be in excess of federally insured limits. The Organization has not experienced any losses on its cash deposits.

Concentrations of credit risk with respect to receivables are generally diversified due to the large number of entities and individuals composing the Organization's donor base as well as a variety of tour and travel partners.

4. Government Grants Receivable

Government grants receivable consist of the following at December 31:

	2017	2016
Empire State Development Corporation	\$ 1,260,999	\$ 1,260,999
New York State Council on the Arts	30,000	-
U.S. Department of Housing and Urban Development ("HUD") passed through Lower Manhattan Development Corp.	-	738,020
	\$ 1,290,999	\$ 1,999,019

5. Contributions Receivable

Contributions receivable consist of the following at December 31:

	2017	2016
Due within:		
Up to one year	\$ 4,412,445	\$ 3,754,427
One to five years	12,030,984	10,422,784
	16,443,429	14,177,211
Present value discount	(234,669)	(50,557)
Allowance for doubtful accounts	(623,645)	(538,658)
Contributions receivable, net	\$ 15,585,115	\$ 13,587,996

The discount rates used for pledges outstanding through December 31, 2017, range from 0.11% to 5.0%.

**National September 11 Memorial and Museum
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Notes to Financial Statements
December 31, 2017

6. Buildings, Property and Equipment

Buildings, property and equipment at December 31 consist of the following:

	2017	2016
Museum building	\$ 396,745,220	\$ 395,659,704
Memorial Plaza	315,026,533	315,132,534
Furniture and equipment	37,860,645	36,596,054
Computer hardware and software	30,898,870	29,324,061
Leasehold improvements	30,756,749	29,916,551
	811,288,017	806,628,904
Accumulated depreciation and amortization	(189,822,911)	(152,764,534)
	\$ 621,465,106	\$ 653,864,370

Included in buildings, property and equipment are \$1,758,908 and \$2,841,805 of capitalized in-kind contributions net of accumulated depreciation and amortization at December 31, 2017 and 2016.

7. Related Party Transactions

On May 13, 2013, the Organization entered into a loan agreement with a corporation owned by a member of the Board of Directors, which provides a maximum borrowing limit of \$15 million. At December 31, 2017 and 2016, the Organization had an outstanding balance of \$7,500,000. The loan carries a fixed interest rate of 0.22% and matures on February 28, 2021. For the years ended December 31, 2017 and 2016 interest expense was \$16,500 per year.

During 2013, the Organization entered into a lease agreement for its administrative office space with a former member of the Board of Directors. An in-kind rent contribution of \$10,444,233 was received and is being amortized over the life of the lease through December 31, 2023. For the years ended December 31, 2017 and 2016, amortization included in rent expense was \$1,053,204 per year.

**National September 11 Memorial and Museum
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Notes to Financial Statements
December 31, 2017

8. Port Authority of New York and New Jersey Memorandum of Understanding

On October 18, 2012, the Organization and the Port Authority of New York and New Jersey (“PA”) entered into a Memorandum of Understanding (the “MOU”) to clarify their respective funding responsibilities in connection with the completion of the construction of the Memorial and Museum. Under the terms of the MOU, the PA will pay existing and future remaining construction retainage and construction costs. Upon completion and close-out of the construction project and final settlement of the agreed-upon contractual funding responsibilities, the Organization will capitalize additional building, property and equipment costs and recognize revenue for construction retainage amounts for which it is no longer liable. At December 31, 2017 and 2016, \$0 and \$1,590,706 of construction retainage costs are included in accounts payable and accrued expenses in the accompanying Statements of Financial Position.

9. In-kind Contributions

In-kind contributions excluding rent and those related to construction, for the years ended December 31 are as follows:

	2017	2016
Professional services	\$ 565,873	\$ 741,283
Advertising space	290,000	509,878
Special event supplies	228,943	32,264
Event space	42,000	75,000
Other	75,947	18,910
	\$ 1,202,763	\$ 1,377,335

The costs associated with the above in-kind contributions are included in the Statements of Activities and Functional Expenses.

10. Retirement Plan

The Organization has a 403(b) defined contribution retirement plan for all eligible employees. Under the provisions of this plan, the Organization contributed 4% of participants’ earnings in 2017 and 2016. The Organization also made contributions under a voluntary matching program up to a maximum of 6% in 2017 and 2016. Plan expense was \$1,263,643 and \$1,167,736 for 2017 and 2016.

11. Operating Leases

The Organization rents space for its administrative offices, retail store, equipment and various storage facilities under lease agreements expiring no later than December 31, 2023. Rent expense for these leases, which includes in-kind rent, amounted to \$3,304,051 and \$3,174,589 for the years ended December 31, 2017 and 2016.

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11. Operating Leases (continued)

In 2016, the Museum closed its offsite retail location and sublet the space.

During February 2014, the Organization received a tenant allowance of \$2 million from the landlord for a buildout of their administrative office space. The total amount is included in deferred rent and is being amortized over the life of the lease through December 31, 2023. The unamortized balance at December 31, 2017 and 2016 is \$1,216,667 and \$1,416,667.

Future minimum lease payments under these agreements for the years ending December 31, are as follows:

2018	\$	2,686,965
2019		2,352,106
2020		2,030,469
2021		1,911,992
2022		1,888,419
Thereafter		<u>1,770,553</u>
		<u>\$ 12,640,504</u>

12. Temporarily Restricted Net Assets

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

	2017	2016
Donor imposed time restrictions	\$ 16,566,465	\$ 15,146,988
Museum building	446,032	809,200
Software	250,073	416,691
Museum commemorative and education programs	<u>16,924</u>	<u>42,482</u>
	<u>\$ 17,279,494</u>	<u>\$ 16,415,361</u>

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:

	2017	2016
Donor imposed time restrictions	\$ 4,232,884	\$ 4,220,270
Museum building	363,168	524,392
Software	166,618	83,309
Museum commemorative and education programs	25,558	152,523
Interior fit-out and exhibition funds	-	<u>47,647</u>
	<u>\$ 4,788,228</u>	<u>\$ 5,028,141</u>

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13. Collections Activities

The Organization continues to build its permanent collection guided by the Collections Management Policy which defines 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's Acquisitions Committee and professional staff, the Organization strives to establish, preserve and document primary records, material evidence, spoken testimony and other wide-ranging cultural documentation related to the September 11, 2001 and February 26, 1993 terrorist attacks, the historical context leading up to them, and their aftermath and ongoing repercussions. The Organization also collects artifacts, spoken remembrances and other materials that honor and commemorate the victims of the September 11, 2001 and February 26, 1993 terrorist attacks and their legacies. The Organization makes its collection available as loans to other museums and presenting institutions, in the U.S. and abroad, that meet security and environmental criteria. The collection is also available, through the catalogue database and by appointment, for research purposes and in cooperation with curators and school educators, for the creation of lesson plans that are then made available through the website. The Organization's collections are also used in educational and public programs for the benefit of visitors to the Museum, and as a focus of presentations given at outside venues such as peer museums, professional organizations and conferences attended by museum practitioners, activists, public historians and others.

In 2017 and 2016, the Organization spent \$102,573 and \$69,481 on acquisitions of collection items. These acquisitions were funded in part by temporarily restricted cash contributions.

14. Contingencies

The Organization has been involved in certain legal actions during the ordinary course of business. For some of the claims another party to the action may be required to indemnify the Organization for all claims and liabilities that may arise.

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