

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

Financial Statements

December 31, 2018 and 2017

## **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, 2018 and 2017, 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.

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***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, 2018 and 2017, 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.

***Change in Accounting Principle***

As discussed in note 2 to the financial statements, during the year ended December 31, 2018, the National September 11 Memorial and Museum at the World Trade Center Foundation, Inc. adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

*PKF O'Connor Davies, LLP*

March 19, 2019

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

Statements of Financial Position

	December 31	
	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 13,732,365	\$ 43,281,543
Investments	36,386,646	-
Accounts and other receivables	5,048,187	4,049,360
Government grants receivable	16,000	1,290,999
Contributions receivable, net	13,967,622	15,585,115
Prepaid expenses and other assets	4,443,905	3,294,816
Merchandise inventory	458,354	534,808
Buildings, property and equipment, net	586,990,694	621,465,106
Construction in progress	1,429,888	-
	<u>\$ 662,473,661</u>	<u>\$ 689,501,747</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 18,738,648	\$ 18,057,412
Due to Port Authority of New York and New Jersey	431,255	431,255
Deferred Museum revenue	2,261,635	2,612,023
Deferred rent	1,585,817	1,769,201
Loan payable	7,500,000	7,500,000
Total Liabilities	<u>30,517,355</u>	<u>30,369,891</u>
Net Assets		
Without donor restrictions	617,914,494	641,852,362
With donor restrictions	14,041,812	17,279,494
Total Net Assets	<u>631,956,306</u>	<u>659,131,856</u>
	<u>\$ 662,473,661</u>	<u>\$ 689,501,747</u>

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, 2018			Year Ended December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
Museum revenue	\$ 69,733,404	\$ -	\$ 69,733,404	\$ 67,770,641	\$ -	\$ 67,770,641
Merchandise sales, net of cost of goods sold of \$2,830,358 and \$2,701,975	6,333,041	-	6,333,041	5,748,274	-	5,748,274
Government grants	-	10,000	10,000	30,000	30,000	60,000
Contributions	2,443,934	1,238,984	3,682,918	2,039,463	5,622,361	7,661,824
Port Authority of New York and New Jersey	-	-	-	3,397,350	-	3,397,350
Special events, net of expenses of \$1,831,004 and \$2,035,335	1,583,475	1,750,000	3,333,475	1,748,197	-	1,748,197
In-kind contributions	958,286	-	958,286	1,202,763	-	1,202,763
Net assets released from restrictions	6,236,666	(6,236,666)	-	4,788,228	(4,788,228)	-
Total Revenue and Support	<u>87,288,806</u>	<u>(3,237,682)</u>	<u>84,051,124</u>	<u>86,724,916</u>	<u>864,133</u>	<u>87,589,049</u>
<b>OTHER INCOME</b>						
Interest income	143,069	-	143,069	66,679	-	66,679
Investment return	580,261	-	580,261	-	-	-
Other income	360,077	-	360,077	460,868	-	460,868
Loss on sale of equipment	-	-	-	(233,287)	-	(233,287)
Total Other Income	<u>1,083,407</u>	<u>-</u>	<u>1,083,407</u>	<u>294,260</u>	<u>-</u>	<u>294,260</u>
Total Revenue and Support and Other Income	<u>88,372,213</u>	<u>(3,237,682)</u>	<u>85,134,531</u>	<u>87,019,176</u>	<u>864,133</u>	<u>87,883,309</u>
<b>EXPENSES</b>						
Memorial and museum program activities	58,606,606	-	58,606,606	56,486,682	-	56,486,682
Management and general	11,784,574	-	11,784,574	11,657,511	-	11,657,511
Fundraising	4,483,347	-	4,483,347	4,221,069	-	4,221,069
Total Expenses	<u>74,874,527</u>	<u>-</u>	<u>74,874,527</u>	<u>72,365,262</u>	<u>-</u>	<u>72,365,262</u>
Change in Net Assets Before Depreciation and Amortization and Museum Collections Activities	13,497,686	(3,237,682)	10,260,004	14,653,914	864,133	15,518,047
Depreciation and amortization	(37,337,877)	-	(37,337,877)	(37,217,992)	-	(37,217,992)
Museum collections activities	(97,677)	-	(97,677)	(102,573)	-	(102,573)
Change in Net Assets	<u>(23,937,868)</u>	<u>(3,237,682)</u>	<u>(27,175,550)</u>	<u>(22,666,651)</u>	<u>864,133</u>	<u>(21,802,518)</u>
<b>NET ASSETS</b>						
Beginning 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>
End of year	<u>\$ 617,914,494</u>	<u>\$ 14,041,812</u>	<u>\$ 631,956,306</u>	<u>\$ 641,852,362</u>	<u>\$ 17,279,494</u>	<u>\$ 659,131,856</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, 2018				Year Ended December 31, 2017			
	Memorial and Museum Program Activities	Management and General	Fundraising	Total Expenses	Memorial and Museum Program Activities	Management and General	Fundraising	Total Expenses
Salaries	\$ 14,452,614	\$ 4,418,400	\$ 1,901,144	\$ 20,772,158	\$ 13,445,036	\$ 4,215,062	\$ 2,118,399	\$ 19,778,497
Payroll taxes and fringe benefits	3,437,495	1,035,743	389,017	4,862,255	3,219,315	935,392	478,795	4,633,502
Occupancy costs	4,882,674	1,938,197	150,960	6,971,831	4,811,729	1,819,490	159,526	6,790,745
Insurance	2,949,880	87,478	41,713	3,079,071	3,101,615	71,264	49,839	3,222,718
Professional and other fees	1,966,652	972,662	515,199	3,454,513	1,931,609	1,440,549	361,549	3,733,707
Engineering and janitorial services	10,872,024	1,927,858	12,781	12,812,663	10,331,388	1,834,125	13,295	12,178,808
Security	10,086,201	39,680	-	10,125,881	10,242,352	24,704	-	10,267,056
Information technology	940,304	244,284	68,966	1,253,554	703,782	166,984	38,376	909,142
Marketing and advertising	1,436,254	60,065	336,590	1,832,909	1,194,215	88,917	79,684	1,362,816
Commemorative programmatic events	1,119,171	-	-	1,119,171	928,113	-	-	928,113
Repairs and maintenance	2,799,097	508,272	25,728	3,333,097	2,921,376	541,316	19,266	3,481,958
Office supplies	586,859	39,585	11,508	637,952	475,523	35,822	16,570	527,915
Postage	90,293	15,835	182,282	288,410	98,748	17,756	170,917	287,421
Printing	255,077	18,438	585,897	859,412	239,037	11,188	473,706	723,931
Telephone and internet	385,328	117,776	32,133	535,237	463,722	114,418	24,119	602,259
Dues and subscriptions	145,765	97,525	13,415	256,705	128,159	80,045	33,281	241,485
Travel and meetings	310,953	62,144	38,735	411,832	360,147	57,970	54,996	473,113
Temporary exhibitions	792,922	-	-	792,922	678,228	-	-	678,228
Other expenses	1,097,043	200,632	177,279	1,474,954	1,212,588	202,509	128,751	1,543,848
Total Expenses Before Depreciation and Amortization	58,606,606	11,784,574	4,483,347	74,874,527	56,486,682	11,657,511	4,221,069	72,365,262
Depreciation and amortization	33,414,233	3,848,488	75,156	37,337,877	33,280,747	3,828,816	108,429	37,217,992
Total Expenses	<u>\$ 92,020,839</u>	<u>\$ 15,633,062</u>	<u>\$ 4,558,503</u>	<u>\$ 112,212,404</u>	<u>\$ 89,767,429</u>	<u>\$ 15,486,327</u>	<u>\$ 4,329,498</u>	<u>\$ 109,583,254</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	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (27,175,550)	\$ (21,802,518)
Adjustments to reconcile change in net assets to net cash from operating activities		
Discount to present value of receivables	(138,926)	184,112
Bad debt (recovery) expense	(13,050)	56,144
Depreciation and amortization	37,337,877	37,217,992
Net realized and unrealized loss on investments	42,911	-
Deferred rent	(183,384)	(146,621)
Amortization of in-kind rent contribution	1,053,204	1,053,204
Loss on sale of equipment	-	233,287
In-kind buildings, property and equipment contributions	(23,767)	(1,106,082)
Recognition of retainage payable contributions	-	(1,546,222)
Changes in operating assets and liabilities		
Accounts receivable and other receivable	(998,827)	578,870
Government grants receivable	1,274,999	708,020
Contributions receivable	716,265	(3,319,422)
Prepaid expenses and other assets	(1,149,089)	354,893
Merchandise inventory	76,454	356,263
Accounts payable and accrued expenses	732,158	(570,464)
Deferred Museum revenue	(350,388)	444,887
Net Cash from Operating Activities	11,200,887	12,696,343
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of buildings, property and equipment	(2,890,620)	(4,223,589)
Construction in progress	(1,429,888)	-
Proceeds from sale of buildings, property and equipment	-	15,200
Purchases of investments	(64,344,759)	-
Proceeds from sale of investments	27,915,202	-
Net Cash from Investing Activities	(40,750,065)	(4,208,389)
Net Change in Cash and Cash Equivalents	(29,549,178)	8,487,954
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	43,281,543	34,793,589
End of year	\$ 13,732,365	\$ 43,281,543
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Non Cash Investing Activities		
Contractor credit	\$ 50,922	\$ -
Release of retainage payable	-	63,165
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, 2018 and 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 2014, the National September 11 Memorial Museum (the “Museum”) has welcomed over 14 million visitors and the National September 11 Memorial (the “Memorial”) has welcomed over 43 million visitors since its opening in 2011. This unique and sacred space helps connect visitors from over 175 countries 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 the 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. The Museum had no operating activity during the years ended December 31, 2018 and 2017. For the years ended December 31, 2018 and 2017, the Organization conducted its business as the National September 11 Memorial and Museum at the World Trade Center Foundation, Inc.



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

Notes to Financial Statements  
December 31, 2018 and 2017

**2. Summary of Significant Accounting Policies**

***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.

***Change in Accounting Principle***

On January 1, 2018, the Organization adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities (ASU 2016-14). This guidance requires the Organization to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the Organization to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard prior year amounts for temporarily restricted net assets were reclassified as net assets with donor restrictions.

For gifts used to acquire or construct long-lived assets, ASU 2016-14 requires all not-for-profit entities to use the placed-in-service approach to recognize the expirations of restrictions, unless donor-imposed restrictions specify otherwise. This eliminates the previous option of releasing a donor-imposed restriction over the estimated useful life of the acquired asset. Accordingly, a reclassification has been made of any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption.

Additionally, the new guidance allows for the reporting of investment income net of external and direct internal investment expenses on the Statement of Activities, without additional note disclosure.

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

Notes to Financial Statements  
December 31, 2018 and 2017

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

***Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, demand deposits, money market funds and short-term investments which are highly liquid in nature. At December 31, 2018 and 2017, the Organization's cash and cash equivalents are maintained at financial institutions in excess of federally insured amounts.

***Investments***

The Organization invests a portion of its available cash in a highly liquid, separately managed fixed income bond portfolio with an average duration of a half year. Investments are reported at fair value based on quoted market prices as of December 31, 2018, on the Statement of Financial Position. Investment return is reported net of investment expenses on the Statement of Activities.

***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 subsequent cash receipts.

***Merchandise 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, 2018 and 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, 2018 and 2017.

***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 Assets without Donor Restrictions***

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating expenses. In the future, if the Board should designate a portion of these net assets for specific purposes, the designated portion would no longer be available for use at management's discretion.

***Net Assets with Donor Restrictions***

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends, or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported on the Statement of Activities as net assets released from restrictions.

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

Notes to Financial Statements  
December 31, 2018 and 2017

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

***Measure of Operations***

The Organization includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities. The measure of operations excludes depreciation and amortization and Museum collections activities.

***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.

***Contributions***

Revenue is recognized by the Organization when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization. Promises to contribute that are open-ended and subject to conditions by a potential donor are not recognized until the conditions imposed by the donor are satisfied.

Contributions received are reported as without donor restrictions unless the gift was received with donor stipulations that limit the use of the donated amount and as such, are recognized as with donor restrictions.

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 contributions in the Statements of Activities.

***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.

**National September 11 Memorial and Museum  
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Notes to Financial Statements  
December 31, 2018 and 2017

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

***In-Kind Contributions (continued)***

Donated assets accepted by the Organization are recorded at fair value on the date the asset was transferred to the Organization.

Contributions of professional services are stated at the fair value of the time or services provided to the Organization. The in-kind gift is recognized as contributed revenue when the contribution is received, and the fair value of the services rendered and used by the Organization is recognized as an expense in the Statements of Activities.

***Volunteers***

A large number of unpaid volunteers has made significant contributions of time in the furtherance of the Organization's programs covering a number of the Organization's activities. These contributions do not meet the criteria for recognition of contributed services in accordance with U.S. GAAP, and therefore their value is not reflected in these financial statements.

***Merchandise Sales***

The Organization sells merchandise in stores and through e-commerce. Revenue and the related expenses are recognized at the time of sale or upon shipment of the merchandise.

***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.

***Functional Allocation of Expenses***

The Statements of Functional Expenses present the expenses of the Organization by nature and function. Memorial and Museum program expenses include costs of maintenance, security, exhibitions, temporary exhibitions, projects, curatorial and collections maintenance, visitor services, education, public programs, and auxiliary activities. Management and general expenses include costs associated with the following operational areas: administration, finance, information technology, legal, external affairs and human resources. Fundraising costs include those costs associated with donor interaction. Rent, building maintenance, and office services are allocated to each department in the Organization based on functional headcount. Departmental expenses are then allocated to the functional expense categories based on estimates of time and effort provided by the heads of each department.

**National September 11 Memorial and Museum  
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Notes to Financial Statements  
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**2. Summary of Significant Accounting Policies *(continued)***

***Advertising Costs***

Advertising costs are expensed as incurred. Advertising costs were \$1,478,587 and \$1,212,072 in 2018 and 2017.

***Collections***

In accordance with industry practice, 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 net assets without donor restrictions in the Statements of Activities. Pursuant to the Organization's Collections Management Policy, revised in 2018, proceeds from deaccessions are to be used to acquire other items for the collection, preservation, protection, or care of collections as approved by the Board and are recorded as net assets with donor restrictions designated for acquisitions or care of collection items.

***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 2015.

***Reclassification***

Certain accounts in the 2017 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 19, 2019.

**National September 11 Memorial and Museum  
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Notes to Financial Statements  
December 31, 2018 and 2017

**3. Fair Value Measurement**

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accordingly, the following hierarchy prioritizes observable and unobservable inputs used to measure fair value.

**Level 1** - Valuations based on quoted prices for identical assets and liabilities in active markets.

**Level 2** - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

**Level 3** - Valuations based on unobservable inputs reflecting assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

The following table summarizes the Organization's investments measured at fair value and are categorized using the fair value hierarchy (all Level 2 measurements) as of December 31, 2018:

	<u>Total</u>
U.S. treasury notes	\$ 554,523
Corporate bonds	15,219,397
Government and agency bonds	1,445,379
International bonds	11,880,403
Mortgage and asset backed bonds	3,860,937
Short-term notes	<u>3,426,007</u>
Total Investments at Fair Value	<u>\$36,386,646</u>

**National September 11 Memorial and Museum  
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Notes to Financial Statements  
December 31, 2018 and 2017

**4. Liquidity and Availability of Resources**

The following reflects the Organization's available financial assets, reduced by amounts not available for general use within one year. Amounts not available for use within one year include financial assets received with donor restrictions that are designated for a specific purpose, timeline or contractual obligation, and have been earmarked as resources available for future years. Total financial assets available to meet cash needs for general expenditure within one year at December 31, 2018, are as follows:

Cash and cash equivalents	\$ 13,732,365
Investments	36,386,646
Accounts receivable and other assets	4,547,163
Government grants receivable	16,000
Contributions receivable, net	2,063,345
Merchandise inventory	<u>458,354</u>
Total financial assets available within one year	57,203,873
Less amounts unavailable for general expenditures within one year due to:	
Restricted by donors with purpose restrictions	<u>(686,709)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 56,517,164</u>

Principal sources of liquidity include cash flows generated from the operations of the Museum. As part of the Organization's liquidity strategy, management structures its financial assets, consisting of cash, investments, receivables and inventory to be available as its general expenditures, liabilities and obligations come due within one year. Excess cash is invested in highly liquid fixed income securities, which could be drawn upon readily in the event of an unanticipated liquidity need. In addition, the Organization receives cash flow from contributions and grants made from donors through its fundraising efforts. Much of these amounts are expected to be collected within one year.

**5. Concentrations of Credit Risk**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, investments 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. Investments are diversified by type and industry concentrations so that no individual or group of investments represents a significant concentration of credit risk.

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.



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**6. Contributions Receivable**

Contributions receivable, net, consist of the following at December 31:

	2018	2017
Due within:		
Up to one year	\$ 3,729,930	\$ 4,412,445
One to five years	<u>10,944,030</u>	<u>12,030,984</u>
	14,673,960	16,443,429
Present value discount	(95,743)	(234,669)
Allowance for doubtful accounts	<u>(610,595)</u>	<u>(623,645)</u>
Contributions receivable, net	<u>\$ 13,967,622</u>	<u>\$ 15,585,115</u>

The discount rates used for contributions outstanding through December 31, 2018, range from 0.11% to 5.0%.

**7. Buildings, Property and Equipment**

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

	2018	2017
Museum building	\$ 396,745,220	\$ 396,745,220
Memorial Plaza	315,608,078	315,026,533
Furniture and equipment	38,302,618	37,860,645
Computer hardware and software	32,089,073	30,898,870
Leasehold improvements	<u>31,379,708</u>	<u>30,756,749</u>
	814,124,697	811,288,017
Accumulated depreciation and amortization	<u>(227,134,003)</u>	<u>(189,822,911)</u>
	<u>\$ 586,990,694</u>	<u>\$ 621,465,106</u>

Included in buildings, property and equipment are \$676,130 and \$1,758,908 of capitalized in-kind contributions net of accumulated depreciation and amortization at December 31, 2018 and 2017.

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**8. In-kind Contributions**

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

	2018	2017
Professional services	\$ 349,481	\$ 565,873
Advertising space	210,799	290,000
Special event supplies	259,057	228,943
Event space	42,000	42,000
Other	96,949	75,947
	\$ 958,286	\$ 1,202,763

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

**9. 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 2018 and 2017. The Organization also made contributions under a voluntary matching program up to a maximum of 6% in 2018 and 2017. Plan expense was \$1,287,829 and \$1,263,643 for 2018 and 2017.

**10. 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 \$3,206,272 and \$3,304,051 for the years ended December 31, 2018 and 2017.

In 2016, the Museum closed its offsite retail location and sublet the space. The sublease expires April 29, 2019, and the lease expires April 30, 2019.

During February 2014, the Organization received a tenant allowance of \$2 million from the landlord for a buildout of its 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. Included in deferred rent is the unamortized balance at December 31, 2018 and 2017 of \$1,016,667 and \$1,216,667.

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**10. Operating Leases (continued)**

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

2019	\$ 2,352,106
2020	2,030,469
2021	1,911,992
2022	1,888,419
2023	1,770,553
	<u>\$ 9,953,539</u>

**11. 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.

**12. Net Assets with Donor Restrictions**

Net assets with donor restrictions are available for the following at December 31:

	2018	2017
Donor imposed time restrictions	\$ 13,847,421	\$ 16,566,465
Museum building	194,391	446,032
Software	-	250,073
Museum commemorative and education programs	-	16,924
	<u>\$ 14,041,812</u>	<u>\$ 17,279,494</u>

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**12. Net Assets with Donor Restrictions (continued)**

Net assets with donor restrictions 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:

	2018	2017
Donor imposed time restrictions	\$ 5,718,028	\$ 4,232,884
Museum building	251,641	363,168
Software	250,073	166,618
Museum commemorative and education programs	16,924	25,558
	\$ 6,236,666	\$ 4,788,228

**13. Museum 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 collection is 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 2018 and 2017, the Organization spent \$97,677 and \$102,573 on acquisitions of collection items. These acquisitions were funded in part by contributions with donor restrictions.

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**14. 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, 2018 and 2017, the Organization had an outstanding loan balance of \$7,500,000. Repayment of this balance will occur quarterly over the next five years beginning March 31, 2019, with a quarterly principal payment of \$375,000, or \$1,500,000 per year. The loan carries a fixed interest rate of 0.22% and matures on March 31, 2024. For the years ended December 31, 2018 and 2017 interest expense was \$16,729 per year. Included in accounts payable and accrued expenses at December 31, 2018, and 2017, was accrued interest expense of \$81,794 and \$65,065, respectively.

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, 2018 and 2017, amortization included in rent expense was \$1,053,204 per year.

**15. 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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