

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

**Financial Statements**

**December 31, 2011 and 2010**

**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, 2011 and 2010 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, 2011 and 2010 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, LLP*

New York, New York  
July 12, 2012

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

Statements of Financial Position

	December 31,	
	2011	2010
<b>ASSETS</b>		
Cash and cash equivalents	\$ 33,557,303	\$ 90,247,911
Prepaid expenses and other assets	3,082,781	786,206
Government grant receivables	17,473,755	40,642,953
Contributions receivable, net	26,938,118	45,051,800
Certificate of deposit	-	20,771,973
Due from Port Authority of New York and New Jersey	21,230,320	7,055,543
Property and equipment, net	318,516,496	1,100,939
Construction in progress	<u>268,458,364</u>	<u>420,804,615</u>
	<u>\$ 689,257,137</u>	<u>\$ 626,461,940</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 55,349,010	\$ 41,633,979
Accrued payroll and related liabilities	590,263	237,267
Deferred rent	<u>141,602</u>	<u>-</u>
Total Liabilities	<u>56,080,875</u>	<u>41,871,246</u>
Net Assets		
Unrestricted	<u>608,400,185</u>	<u>546,916,540</u>
Temporarily Restricted		
Purpose restricted	3,563,721	1,424,764
Time restricted	<u>21,212,356</u>	<u>36,249,390</u>
Total Temporarily Restricted	<u>24,776,077</u>	<u>37,674,154</u>
Total Net Assets	<u>633,176,262</u>	<u>584,590,694</u>
	<u>\$ 689,257,137</u>	<u>\$ 626,461,940</u>

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

Statements of Activities

	Year Ended December 31, 2011			Year Ended December 31, 2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>						
Contributions	\$ 13,513,234	\$ 6,035,308	\$ 19,548,542	\$ 5,574,574	\$ 10,216,100	\$ 15,790,674
Port Authority	14,012,478	-	14,012,478	-	-	-
Government grants	39,738,819	-	39,738,819	69,452,552	-	69,452,552
In-kind contributions	460,461	4,119,268	4,579,729	109,150	137,875	247,025
Special events, net of expenses of \$1,045,521 and \$550,755	1,900,364	1,500,000	3,400,364	1,197,400	500,000	1,697,400
Merchandise sales, net of cost of goods sold of \$2,393,060 and \$991,267	3,995,746	-	3,995,746	1,631,954	-	1,631,954
Interest income	187,434	-	187,434	766,692	-	766,692
Other income	71,844	-	71,844	1,025	-	1,025
Realized and unrealized loss on investments	-	-	-	(24,640)	-	(24,640)
Net assets released from restrictions	24,552,653	(24,552,653)	-	39,144,419	(39,144,419)	-
Total Revenue and Support	<u>98,433,033</u>	<u>(12,898,077)</u>	<u>85,534,956</u>	<u>117,853,126</u>	<u>(28,290,444)</u>	<u>89,562,682</u>
<b>EXPENSES</b>						
Program	29,562,179	-	29,562,179	8,165,249	-	8,165,249
Management and general	2,592,880	-	2,592,880	2,056,423	-	2,056,423
Fundraising	4,728,479	-	4,728,479	2,990,921	-	2,990,921
Total Expenses	<u>36,883,538</u>	<u>-</u>	<u>36,883,538</u>	<u>13,212,593</u>	<u>-</u>	<u>13,212,593</u>
Change in Net Assets before Collections Activities	61,549,495	(12,898,077)	48,651,418	104,640,533	(28,290,444)	76,350,089
Museum collections activities	(65,850)	-	(65,850)	(125,000)	-	(125,000)
Change in Net Assets	<u>61,483,645</u>	<u>(12,898,077)</u>	<u>48,585,568</u>	<u>104,515,533</u>	<u>(28,290,444)</u>	<u>76,225,089</u>
<b>NET ASSETS</b>						
Beginning 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>
End of year	<u>\$ 608,400,185</u>	<u>\$ 24,776,077</u>	<u>\$ 633,176,262</u>	<u>\$ 546,916,540</u>	<u>\$ 37,674,154</u>	<u>\$ 584,590,694</u>

See notes to financial statements

**National September 11 Memorial and Museum  
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Statements of Functional Expenses

	Year Ended December 31, 2011				Year Ended December 31, 2010			
	Program	Management and General	Fundraising	Total Expenses	Program	Management and General	Fundraising	Total Expenses
Salaries	\$ 6,155,274	\$ 1,044,329	\$ 1,281,831	\$ 8,481,434	\$ 2,987,067	\$ 992,544	\$ 1,260,967	\$ 5,240,578
Payroll taxes and fringe benefits	1,251,243	356,016	285,896	1,893,155	733,103	308,901	280,633	1,322,637
Occupancy costs	2,160,176	105,875	168,649	2,434,700	1,245,692	174,470	203,448	1,623,610
Insurance	433,157	41,417	46,595	521,169	240,402	46,842	50,188	337,432
Professional and other fees	6,729,497	337,941	520,440	7,587,878	1,006,293	159,037	144,560	1,309,890
Marketing and advertising	2,411,772	139,738	908,735	3,460,245	661,877	1,551	222,028	885,456
Equipment purchase, rental and repair	482,915	151,898	52,822	687,635	195,050	165,126	38,754	398,930
Office supplies	317,567	73,077	38,096	428,740	66,488	44,291	12,092	122,871
Postage	46,714	10,582	642,365	699,661	28,686	5,474	218,401	252,561
Printing	88,824	20,509	432,051	541,384	47,395	6,037	400,426	453,858
Telephone and internet	235,966	41,308	31,761	309,035	98,728	42,770	20,498	161,996
Dues and subscriptions	58,223	25,764	22,403	106,390	29,509	16,476	9,023	55,008
Travel and meetings	152,309	60,828	157,589	370,726	127,359	23,220	83,999	234,578
Grants	28,864	-	-	28,864	307,000	-	-	307,000
Depreciation	8,758,078	146,146	117,693	9,021,917	346,782	29,374	41,883	418,039
Loss on disposal of fixed assets	-	6,940	-	6,940	-	31,967	-	31,967
Other expenses	251,600	30,512	21,553	303,665	43,818	8,343	4,021	56,182
Total Expenses	<u>\$ 29,562,179</u>	<u>\$ 2,592,880</u>	<u>\$ 4,728,479</u>	<u>\$ 36,883,538</u>	<u>\$ 8,165,249</u>	<u>\$ 2,056,423</u>	<u>\$ 2,990,921</u>	<u>\$ 13,212,593</u>

See notes to financial statements

**National September 11 Memorial and Museum  
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Statements of Cash Flows

	Year Ended December 31,	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 48,585,568	\$ 76,225,089
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	9,021,917	418,039
Realized and unrealized loss on investments	-	24,640
Loss on disposal of fixed assets	6,940	31,967
In-kind rent	(2,382,505)	(178,052)
In-kind intellectual property rights	(75,000)	-
In-kind property and equipment	(465,848)	(137,875)
In-kind construction in progress	(369,564)	-
Changes in operating assets and liabilities		
Accrued interest receivable	2,490	58,791
Prepaid expenses and other assets	(2,237,103)	(377,683)
Government grant receivables	23,169,198	19,769,774
Due from Port Authority of New York and New Jersey	(26,389,362)	(4,347,641)
Contributions receivable	20,496,187	23,771,904
Accounts payable and accrued expenses	(37,441,460)	(37,115,889)
Accrued payroll and related liabilities	352,996	108,965
Deferred rent	141,602	-
Net Cash from Operating Activities	<u>32,416,056</u>	<u>78,252,029</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	20,771,973	20,675,000
Purchase of investments	-	(20,771,973)
Purchase of property and equipment	(9,932,158)	(388,601)
Construction in progress	<u>(99,946,479)</u>	<u>(140,653,228)</u>
Net Cash from Investing Activities	<u>(89,106,664)</u>	<u>(141,138,802)</u>
Net Change in Cash and Cash Equivalents	(56,690,608)	(62,886,773)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>90,247,911</u>	<u>153,134,684</u>
End of year	<u>\$ 33,557,303</u>	<u>\$ 90,247,911</u>
<b>SUPPLEMENTAL CASH FLOWS INFORMATION</b>		
Non Cash Investing Activities		
Accrued construction in progress	\$ 63,371,076	\$ 53,365,241

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

Notes to Financial Statements  
December 31, 2011 and 2010

**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 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, 2011 and 2010, the Organization had no permanently restricted net assets.

**National September 11 Memorial and Museum  
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Notes to Financial Statements  
December 31, 2011 and 2010

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

***Fair Value of Financial Instruments***

The Organization follows Financial Accounting Standards Board ("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.

***Cash and Cash Equivalents***

The Organization considers all highly liquid debt instruments 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.

***Inventory***

Merchandise inventory is valued at the lower of weighted average cost or market.

***Certificates of Deposit***

Certificates of deposit are carried at cost plus accrued interest.

***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 Organization's criteria for recognition.

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.



**National September 11 Memorial and Museum  
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Notes to Financial Statements  
December 31, 2011 and 2010

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

***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.

In 2011, the Organization capitalized its Memorial Plaza assets in the amount of \$316,033,369 (see Note 7). The useful lives of these assets range from 15 to 40 years.

***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.

***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.

**National September 11 Memorial and Museum  
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Notes to Financial Statements  
December 31, 2011 and 2010

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

***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 to 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. Advertising costs were \$387,663 and \$75,861 for 2011 and 2010.

***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 December 31, 2008.

***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 July 12, 2012.

**3. Concentration 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 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 \$30,226,000 and \$109,980,000 at December 31, 2011 and 2010.

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.

**National September 11 Memorial and Museum  
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Notes to Financial Statements  
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**4. Government Grant Receivables**

Government grant receivables consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
U.S. Department of Housing and Urban Development ("HUD") passed through Lower Manhattan Development Corp.	\$ 6,498,870	\$ 25,389,370
Empire State Development Corporation	10,482,935	15,070,873
Other	<u>491,950</u>	<u>182,710</u>
	<u>\$ 17,473,755</u>	<u>\$ 40,642,953</u>

For the years ended December 31, 2011 and 2010, the HUD grant represented 16% and 78% of government grants revenue.

**5. Contributions Receivable**

Contributions receivable consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Due within:		
Up to one year	\$ 16,162,956	\$ 32,967,769
One to five years	<u>13,399,247</u>	<u>17,266,890</u>
	29,562,203	50,234,659
Present value discount	(532,226)	(911,091)
Allowance for doubtful accounts	<u>(2,091,859)</u>	<u>(4,271,768)</u>
Contributions receivable, net	<u>\$ 26,938,118</u>	<u>\$ 45,051,800</u>

The discount rates used for pledges outstanding through December 31, 2011, range from 0.12% to 5.0%.

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Notes to Financial Statements  
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**6. 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>2011</u>	<u>2010</u>
Design contracts funded by the Lower Manhattan Development Corporation (LMDC)	\$ 12,987,267	\$12,987,267
Other design and construction costs	21,550,271	7,163,644
Negotiated share of construction costs	(1,092,633)	(880,783)
Organization's share of contractor's insurance	<u>(12,214,585)</u>	<u>(12,214,585)</u>
	<u>\$ 21,230,320</u>	<u>\$ 7,055,543</u>

Subsequent to December 31, 2011, \$12,513,532 was received from the PANYNJ for hard construction costs incurred in 2011. There are no scheduled repayment terms for the remainder of PANYNJ receivables.

**7. Property and Equipment**

Property and equipment at December 31 consist of the following:

	<u>2011</u>	<u>2010</u>
Memorial plaza property	\$316,033,369	\$ -
Leasehold improvements	4,996,308	691,471
Computer hardware and software	6,447,738	1,121,475
Furniture and equipment	<u>1,110,635</u>	<u>366,442</u>
	328,588,050	2,179,388
Accumulated depreciation	<u>(10,071,554)</u>	<u>(1,078,449)</u>
	<u>\$318,516,496</u>	<u>\$ 1,100,939</u>

**National September 11 Memorial and Museum  
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Notes to Financial Statements  
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**8. In-Kind Contributions**

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

	<u>2011</u>	<u>2010</u>
Rent	\$ 3,336,355	\$ -
Branding services	-	106,450
Furniture and equipment	540,848	137,875
Advertising space	131,405	-
Construction in progress (CIP)	369,564	-
Inventory	52,074	-
Supplies	48,365	-
Services	55,000	-
Other	<u>46,118</u>	<u>2,700</u>
	<u>\$ 4,579,729</u>	<u>\$247,025</u>

A member of the Organization's board of directors is a board member of 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 \$892,962 and \$179,678 of capitalized in-kind contributions at December 31, 2011 and 2010.

**9. 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% of participants' earnings in 2011 and 2010. The Organization also contributed under a voluntary matching program up to a maximum of 6% in 2011 and 2010. Plan expense approximated \$639,000 and \$428,000 for 2011 and 2010.

**10. Operating Lease**

The Organization rents space for its Preview Site and its Visitor Center at 90 West Street under the terms of lease agreements expiring in 2014. Future minimum lease payments under these agreements are as follows:

2012	\$ 785,032
2013	692,922
2014	<u>133,626</u>
	<u>\$1,611,580</u>

**National September 11 Memorial and Museum  
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Notes to Financial Statements  
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**11. Temporarily Restricted Net Assets**

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

	<u>2011</u>	<u>2010</u>
To benefit planning for cultural institutions at the World Trade Center site	\$ 15,564	\$ 15,564
Interior fit-out and exhibition funds	2,442,157	1,409,200
Plaza trees maintenance fund	1,106,000	-
Donor imposed time restrictions	<u>21,212,356</u>	<u>36,249,390</u>
	<u>\$24,776,077</u>	<u>\$37,674,154</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:

	<u>2011</u>	<u>2010</u>
Interior fit-out and exhibition funds	\$ 395,200	\$ 46,630
Donor imposed time restrictions	<u>24,157,453</u>	<u>39,097,789</u>
	<u>\$24,552,653</u>	<u>\$39,144,419</u>

**12. 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 related to the February 26, 1993 and September 11, 2001 terrorist attacks. 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 2011 and 2010, the Organization spent \$65,850 and \$125,000 on acquisitions of collection items. These acquisitions were funded in part by temporarily restricted cash contributions (see Note 11).

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Notes to Financial Statements  
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**13. Risk Management**

As of December 31, 2011, the Organization paid \$18,800,000 and accrued an additional \$12,214,585 towards the cost of an Owners Controlled Insurance Program (OCIP) that was established by the PANYNJ (see Note 6). 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 daily operations, the Organization carries additional general and excess liability, employee crime, and business personal property insurance policies.

**14. Contingency**

While the Memorial was substantially completed in 2011, an ongoing contractual dispute between the Organization and the PANYNJ is anticipated to delay the Museum opening date until 2013 or later. The Organization believes it has meritorious defenses against any claims made by the PANYNJ and will continue to rigorously contest any such claims. The Organization believes that resolution of this dispute will not have a material adverse effect on these financial statements.