

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

Financial Statements

December 31, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015, 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

May 2, 2017

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

Statements of Financial Position

	December 31	
	2016	2015
ASSETS		
Cash and cash equivalents	\$ 34,793,589	\$ 19,861,351
Government grant receivables	1,999,019	6,404,448
Contributions receivable, net	13,587,996	17,750,453
Prepaid expenses and other assets	8,547,943	8,562,112
Buildings, property and equipment, net	<u>654,257,303</u>	<u>685,937,888</u>
	<u>\$ 713,185,850</u>	<u>\$ 738,516,252</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 20,237,263	\$ 21,448,388
Due to Port Authority of New York and New Jersey	431,255	431,255
Deferred museum revenue	2,167,136	1,834,313
Deferred rent	1,915,822	2,039,875
Loan payable	<u>7,500,000</u>	<u>7,500,000</u>
Total Liabilities	<u>32,251,476</u>	<u>33,253,831</u>
 Net Assets		
Unrestricted	664,519,013	685,380,854
Temporarily Restricted	<u>16,415,361</u>	<u>19,881,567</u>
Total Net Assets	<u>680,934,374</u>	<u>705,262,421</u>
	<u>\$ 713,185,850</u>	<u>\$ 738,516,252</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, 2016			Year Ended December 31, 2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Museum revenue	\$ 67,102,939	\$ -	\$ 67,102,939	\$ 62,050,793	\$ -	\$ 62,050,793
Merchandise sales, net of cost of goods sold of \$2,892,241 and \$2,748,721	5,918,968	-	5,918,968	5,053,982	-	5,053,982
Government grants	700,000	-	700,000	141,534	-	141,534
Contributions	4,690,371	228,343	4,918,714	2,409,974	2,678,522	5,088,496
Port Authority of New York and New Jersey	6,535,865	1,333,592	7,869,457	8,543,859	-	8,543,859
Special events, net of expenses of \$1,865,296 and \$1,424,917	1,085,143	-	1,085,143	1,237,940	-	1,237,940
In-kind contributions	1,377,335	-	1,377,335	1,375,056	500,000	1,875,056
Net assets released from restrictions	5,028,141	(5,028,141)	-	7,117,624	(7,117,624)	-
Total Revenue and Support	<u>92,438,762</u>	<u>(3,466,206)</u>	<u>88,972,556</u>	<u>87,930,762</u>	<u>(3,939,102)</u>	<u>83,991,660</u>
OTHER (EXPENSE) INCOME						
Interest income	22,283	-	22,283	5,140	-	5,140
Other income	101,756	-	101,756	113,607	-	113,607
(Loss) gain on sale of equipment	(1,083,253)	-	(1,083,253)	537,623	-	537,623
Total Other (Expense) Income	<u>(959,214)</u>	<u>-</u>	<u>(959,214)</u>	<u>656,370</u>	<u>-</u>	<u>656,370</u>
Total Revenue and Support and Other (Expense) Income	<u>91,479,548</u>	<u>(3,466,206)</u>	<u>88,013,342</u>	<u>88,587,132</u>	<u>(3,939,102)</u>	<u>84,648,030</u>
EXPENSES						
Memorial and museum program activities	58,565,319	-	58,565,319	57,677,242	-	57,677,242
Management and general	10,932,730	-	10,932,730	8,832,916	-	8,832,916
Fundraising	4,081,786	-	4,081,786	4,168,811	-	4,168,811
Total Expenses	<u>73,579,835</u>	<u>-</u>	<u>73,579,835</u>	<u>70,678,969</u>	<u>-</u>	<u>70,678,969</u>
Change in Net Assets Before Depreciation and Amortization and Museum Collection Activities	17,899,713	(3,466,206)	14,433,507	17,908,163	(3,939,102)	13,969,061
Depreciation and amortization	(38,692,073)	-	(38,692,073)	(38,397,585)	-	(38,397,585)
Museum collections activities	(69,481)	-	(69,481)	(61,787)	-	(61,787)
Change in Net Assets	<u>(20,861,841)</u>	<u>(3,466,206)</u>	<u>(24,328,047)</u>	<u>(20,551,209)</u>	<u>(3,939,102)</u>	<u>(24,490,311)</u>
NET ASSETS						
Beginning of year	<u>685,380,854</u>	<u>19,881,567</u>	<u>705,262,421</u>	<u>705,932,063</u>	<u>23,820,669</u>	<u>729,752,732</u>
End 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>

See notes to financial statements

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

	Year Ended December 31, 2016				Year Ended December 31, 2015			
	Memorial and Museum Program Activities	Management and General	Fundraising	Total Expenses	Memorial and Museum Program Activities	Management and General	Fundraising	Total Expenses
Salaries	\$ 14,427,975	\$ 2,973,950	\$ 1,979,194	\$ 19,381,119	\$ 13,422,189	\$ 2,505,674	\$ 1,978,322	\$ 17,906,185
Payroll taxes and fringe benefits	3,432,286	709,896	424,888	4,567,070	3,284,772	613,457	442,359	4,340,588
Occupancy costs	4,651,833	1,835,491	157,021	6,644,345	6,642,886	1,143,139	237,917	8,023,942
Insurance	3,468,851	57,683	34,253	3,560,787	3,532,395	72,824	36,413	3,641,632
Professional and other fees	2,603,154	1,984,252	205,909	4,793,315	2,035,320	1,562,595	216,966	3,814,881
Engineering and janitorial services	10,480,993	1,867,054	23,261	12,371,308	9,865,544	1,767,228	35,015	11,667,787
Security	10,418,710	-	-	10,418,710	9,843,544	-	-	9,843,544
Information technology	805,001	165,937	29,697	1,000,635	758,511	142,807	38,217	939,535
Marketing and advertising	1,176,122	277,011	172,491	1,625,624	624,574	54,491	310,702	989,767
Commemorative programmatic events	1,064,675	-	-	1,064,675	2,065,554	-	-	2,065,554
Repairs and maintenance	2,836,291	491,822	18,058	3,346,171	2,641,358	452,890	9,735	3,103,983
Office supplies	471,913	37,386	14,908	524,207	613,651	57,174	23,918	694,743
Postage	142,965	25,621	182,683	351,269	89,416	18,651	239,094	347,161
Printing	263,387	10,325	549,377	823,089	170,100	9,160	327,950	507,210
Telephone and internet	615,988	130,817	23,930	770,735	501,904	93,093	25,108	620,105
Dues and subscriptions	167,575	103,661	14,683	285,919	140,483	77,143	17,223	234,849
Travel and meetings	273,027	49,133	190,428	512,588	280,101	47,669	184,557	512,327
Other expenses	1,264,573	212,691	61,005	1,538,269	1,164,940	214,921	45,315	1,425,176
Total Expenses Before Depreciation and Amortization	58,565,319	10,932,730	4,081,786	73,579,835	57,677,242	8,832,916	4,168,811	70,678,969
Depreciation and amortization	34,591,554	3,999,862	100,657	38,692,073	34,263,736	3,984,506	149,343	38,397,585
Total Expenses	<u>\$ 93,156,873</u>	<u>\$ 14,932,592</u>	<u>\$ 4,182,443</u>	<u>\$ 112,271,908</u>	<u>\$ 91,940,978</u>	<u>\$ 12,817,422</u>	<u>\$ 4,318,154</u>	<u>\$ 109,076,554</u>

See notes to financial statements

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

	Year Ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (24,328,047)	\$ (24,490,311)
Adjustments to reconcile change in net assets to net cash from operating activities		
Discount to present value of receivables	(27,600)	(75,882)
Bad debt recovery	(94,527)	(87,451)
Depreciation and amortization	38,692,073	38,397,585
Deferred rent	(124,053)	117,066
Amortization of in-kind rent contributions	1,053,204	1,053,204
Loss (gain) on disposal of buildings, property and equipment	1,083,253	(537,623)
In-kind buildings, property and equipment contributions	(4,149,162)	(5,066,825)
Recognition of retainage payable contributions	(2,386,703)	(4,145,489)
Changes in operating assets and liabilities		
Government grant receivables	4,405,429	9,917,638
Contributions receivable	3,231,380	1,777,215
Prepaid expenses and other assets	14,169	(2,662,977)
Accounts payable and accrued expenses	1,630,578	(21,596,175)
Due to Port Authority of New York and New Jersey	-	10,848,133
Deferred museum revenue	332,823	615,621
Net Cash from Operating Activities	19,332,817	4,063,729
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of buildings, property and equipment	(4,400,579)	(4,022,898)
Proceeds from sale of building, property and equipment	-	1,000,000
Net Cash from Investing Activities	(4,400,579)	(3,022,898)
Net Change in Cash and Cash Equivalents	14,932,238	1,040,831
CASH AND CASH EQUIVALENTS		
Beginning of year	19,861,351	18,820,520
End of year	\$ 34,793,589	\$ 19,861,351
SUPPLEMENTAL CASH FLOW INFORMATION		
Non Cash Investing Activities		
Release of retainage payable	\$ 455,000	\$ 11,184,317

See notes to financial statements

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

Notes to Financial Statements
December 31, 2016 and 2015

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 own and raise money to fund the construction, operations, programming, and maintenance of the National September 11 Memorial (the "Memorial"), Memorial Museum (the "Museum") and other cultural facilities at the World Trade Center site. The Museum opened in May 2014.

The Memorial remembers and honors the 2,983 people who were killed in the attacks of September 11, 2001 and February 26, 1993. The site 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 and the aftermath. It also explores the global impact of 9/11 and its continuing significance.

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), that 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 is seeking to obtain 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, 2016 and 2015.

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.

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

Notes to Financial Statements
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

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. Inventory is included in prepaid expenses and other assets on the statements of financial position.

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.

Buildings, Property and Equipment

Buildings, property and equipment are stated at cost, or in the case of donations, 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 and 15 to 39 years for the Memorial Plaza and Museum building. Leasehold improvements are amortized over the terms of the lease agreement.

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 asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the 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, 2016 and 2015.

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

Notes to Financial Statements
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

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, 2016 and 2015, 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 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.

Revenue from Government Grants

Revenue from government grants is recorded as earned pursuant to 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 are reported at fair value at the date of the donation.

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

Notes to Financial Statements
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

In-Kind Contributions (continued)

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 Revenues

Revenue from Museum admissions, tours, and memberships represent the majority of Museum revenue. Membership dues are assessed and recognized as revenue over the term of the membership.

Special Events

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

Merchandise Sales

The Organization sells merchandise in stores and through e-commerce. The Museum store began operations in May 2014 when the Museum opened. Revenue is recognized at the time of sale or upon shipment of the merchandise.

Deferred Museum Revenue

Deferred Museum revenue consists of advance ticket purchases for Museum admissions and tours and is recognized when the ticket holder visits the Museum. Membership fees paid in advance are deferred and recognized over the term of the membership.

Functional Allocation of Expenses

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

Collections

The value of the Organization's collection is not reflected as an asset in the statements of financial position, and gifts of collection items are excluded from revenue in the statements of activities. Purchases of collection items are recorded in the year in which the items were acquired as decreases 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.

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

Notes to Financial Statements
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs were \$1,114,078 and \$555,591 in 2016 and 2015.

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 2013.

Reclassification

Certain accounts in the 2015 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 May 2, 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. Cash held with banks in excess of Federal Deposit Insurance Coverage limits totaled approximately \$34,265,000 and \$19,328,000 at December 31, 2016 and 2015.

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 Grant Receivables

Government grant receivables consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
U.S. Department of Housing and Urban Development ("HUD") passed through Lower Manhattan Development Corp.	\$ 738,020	\$ 5,143,449
Empire State Development Corporation	<u>1,260,999</u>	<u>1,260,999</u>
	<u>\$ 1,999,019</u>	<u>\$ 6,404,448</u>

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

Notes to Financial Statements
December 31, 2016 and 2015

5. Contributions Receivable

Contributions receivable consist of the following at December 31:

	2016	2015
Due within:		
Up to one year	\$ 3,754,427	\$ 5,520,807
One to five years	<u>10,422,784</u>	<u>12,940,988</u>
	14,177,211	18,461,795
Present value discount	(50,557)	(78,157)
Allowance for doubtful accounts	<u>(538,658)</u>	<u>(633,185)</u>
Contributions receivable, net	<u>\$ 13,587,996</u>	<u>\$ 17,750,453</u>

The discount rates used for pledges outstanding through December 31, 2016, range from 0.11% to 5.0%.

6. Buildings, Property and Equipment

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

	2016	2015
Memorial Plaza	\$ 315,132,534	\$ 316,342,340
Museum building	396,052,637	392,845,160
Leasehold improvements	29,916,550	28,773,845
Computer hardware and software	29,324,061	27,492,929
Furniture and equipment	<u>36,596,055</u>	<u>35,191,424</u>
	807,021,837	800,645,698
Accumulated depreciation and amortization	<u>(152,764,534)</u>	<u>(114,707,810)</u>
	<u>\$ 654,257,303</u>	<u>\$ 685,937,888</u>

Included in buildings, property and equipment, net are \$2,841,805 and \$3,884,527 of capitalized in-kind contributions at December 31, 2016 and 2015.

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, 2016 and 2015, 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, 2020. For the years ended December 31, 2016 and 2015 interest expense was \$16,500 per year.

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

Notes to Financial Statements
December 31, 2016 and 2015

7. Related Party Transactions (continued)

A former member of the Organization’s Board of Directors was a board member of a firm that provided use of office space at no charge to the Organization through January 2014. During 2013, the Organization entered into a lease agreement for its administrative office space with this firm. The total in-kind rent contribution was \$10,444,233 and is being amortized over the life of the lease through December 31, 2023. For the years ended December 31, 2016 and 2015, amortization included in rent expense was \$1,053,204 per year.

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, it is expected that 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 expects to capitalize additional building, property and equipment costs and may recognize revenue for construction retainage amounts for which it is no longer liable. At December 31, 2016 and 2015 approximately \$1.6 million and \$4.4 million of construction retainage costs are included in accounts payable and accrued expenses on the accompanying statements of financial position.

9. In-Kind Contributions

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

	2016	2015
Professional services	741,283	177,608
Advertising space	509,878	178,500
Event space	75,000	87,000
Special event supplies	32,264	47,342
Other	18,910	54,797
Furniture and equipment	-	668,456
Production fees - commemorative events	-	650,000
Inventory	-	11,353
	<u>\$ 1,377,335</u>	<u>\$ 1,875,056</u>

The costs associated with the above in-kind contributions are included on the statements of financial position, activities, and functional expenses.

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

Notes to Financial Statements
December 31, 2016 and 2015

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 2016 and 2015. The Organization also made contributions under a voluntary matching program up to a maximum of 6% in 2016 and 2015. Plan expense approximated \$1,168,000 and \$1,194,000 for 2016 and 2015.

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 \$3,174,589 and \$3,138,367 for the year ended December 31, 2016 and 2015.

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, 2016 and 2015 is \$1,416,667 and \$1,616,667.

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

2017	\$ 2,670,751
2018	2,686,965
2019	2,352,106
2020	2,030,469
2021	1,911,992
Thereafter	<u>3,658,972</u>
	<u>\$ 15,311,255</u>

12. Temporarily Restricted Net Assets

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

	2016	2015
Donor imposed time restrictions	\$ 15,146,988	\$ 19,138,915
Museum building	809,200	-
Software	416,691	500,000
Museum commemorative and education programs	42,482	195,005
Interior fit-out and exhibition funds	-	47,647
	<u>\$ 16,415,361</u>	<u>\$ 19,881,567</u>

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

Notes to Financial Statements
December 31, 2016 and 2015

12. Temporarily Restricted Net Assets (continued)

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:

	2016	2015
Donor imposed time restrictions	\$ 4,220,270	\$ 6,260,276
Museum building	524,392	-
Museum commemorative and education programs	152,523	154,995
Software	83,309	-
Interior fit-out and exhibition funds	47,647	52,353
Papal visit	-	650,000
	\$ 5,028,141	\$ 7,117,624

13. Collections Activities

The Organization continues to build its permanent collection guided by a 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 2016 and 2015, the Organization spent \$69,481 and \$61,787 on acquisitions of collection items. These acquisitions were funded in part by temporarily restricted cash contributions.

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

Notes to Financial Statements
December 31, 2016 and 2015

14. Contingencies

The Organization has been involved in certain legal actions during the ordinary course of business. The Organization believes it has defenses for such claims and that the claims as they relate to the Organization are substantially without merit. For certain claims another party named in the action is obligated to indemnify the Organization for all claims and liabilities that may arise.

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