

Atlantic City Convention & Visitors Authority

(Formerly Atlantic City Convention Center Authority)

Financial Statements Years Ended
December 31, 2009 and 2008, and
Independent Auditors' Report

ATLANTIC CITY CONVENTION & VISITORS AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Chair and Members of the Board of
Atlantic City Convention & Visitors Authority
Atlantic City, New Jersey

We have audited the accompanying statements of net assets of Atlantic City Convention & Visitors Authority (the "Authority"), a component unit of the New Jersey Sports and Exposition Authority ("NJSEA"), as of December 31, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the Authority'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 Authority'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 Authority as of December 31, 2009 and 2008, and the changes in its net assets and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 19 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

A handwritten signature in black ink that reads "Deloitte : Touche LLP". The signature is written in a cursive, flowing style.

March 29, 2010

ATLANTIC CITY CONVENTION & VISITORS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction to the Annual Report

The Atlantic City Convention & Visitors Authority's (the "Authority") annual report consists of three parts: Management's Discussion and Analysis, Financial Statements and Notes to the Financial Statements.

Management's Discussion and Analysis

The Management's Discussion and Analysis ("MD&A") presents an overview of the Authority's operations and financial performance during the years ended December 31, 2009 and 2008. It provides an assessment of how the Authority's financial position has improved or deteriorated and identifies the factors that, in management's view, significantly affected the Authority's overall financial position. It may contain opinions, assumptions or conclusions by the Authority's management that should not be considered a replacement for, and must be read in conjunction with, the other financial statements described below.

Financial Statements of the Authority

All of the Authority's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board ("GASB"), Statement No. 34. Accrual of revenues and expenses are taken into account regardless of when cash is received or paid. Capital assets are recorded at cost and depreciated over their useful lives.

The financial statements offer short and long-term financial information about the Authority's activities and consist of the Statements of Net Assets, Statements of Revenues, Expenses and Changes in Net Assets, and Statements of Cash Flows.

The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets report information on all Authority assets, liabilities, revenues, and expenses in a manner similar to that used by most private-sector companies. These two statements also report the Authority's net assets and changes in net assets. One can think of the Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. Net assets increase both when revenues exceed expenses and when the Authority's assets increase without a corresponding increase to the Authority's liabilities.

The Statements of Cash Flows present information about the Authority's relevant sources and uses of cash for the year. It is prepared in a manner that summarizes (1) cash flows from operations, (2) non-capital financing activities, (3) capital and related financing activities, and (4) investing activities. Additionally, non-cash transactions that have an effect on the entity's financial position are also presented in the Statements of Cash Flows. Specifically, the Statements of Cash Flows, along with related disclosures and information on other financial statements, can be useful in assessing the following:

- Ability of an entity to generate future cash flows
- Need to seek outside financing
- Reasons for differences between cash flows from operations and operating income
- Effect on an entity's financial position of cash and non-cash transactions from investing, capital, and financing activities

The Notes to the Financial Statements

This section of the Authority's financial statements provides information that is essential to understanding the basic financial statements, such as the Authority's accounting methods and policies. The notes also contain details of contractual obligations, future commitments and contingencies of the Authority along with any other events or developing situations that could materially affect the Authority's financial position.

The Authority's Business

The Authority was established to promote the tourist, resort, convention, and casino industries in addition to operating and maintaining the Atlantic City Convention Center ("Convention Center"), the Historic Boardwalk Hall ("Boardwalk Hall"), and the West Hall.

- The Destination Marketing Organization ("Marketing Operations") serves as the destination's principal marketing arm, stimulating economic growth through convention, business and leisure tourism development. Marketing Operations is funded primarily through marketing fees, which are imposed on hotels in Atlantic City. Marketing Operations also began receiving luxury taxes in 2006 to offset the loss of marketing fee revenue as a result of the Urban Revitalization Program. In this program, the Casino Reinvestment Development Authority ("CRDA") and casinos with approved entertainment-retail projects are rebated marketing fees paid in an amount equal to the incremental luxury taxes collected in districts with approved projects, over a baseline luxury tax revenue amount.
- The New Jersey Sports and Exposition Authority ("NJSEA"), through the Authority, has engaged SMG, an outside service provider, in a management agreement to provide management services for the Convention Center, Boardwalk Hall, and West Hall.
- The Convention Center consists of 486,000 square feet of contiguous exhibition space, 45 meeting rooms with 114,000 square feet of meeting space, and a 1,500 space parking garage. The facility serves an integral role in the fabric of the hospitality community by offering an anchor facility for conventions, trade shows, corporate meetings and consumer shows. The facility produces economic impact to the community by attracting exhibitors and attendees to the region, where their spending produces revenue streams for area businesses and residents.
- The Boardwalk Hall is a modern special event center able to compete with the nation's finest arenas for major entertainment and sporting events. The Boardwalk Hall offers the opportunity to provide the local community with a venue for activities, broadening the diversity and attractiveness for residents and visitors alike.
- The West Hall was constructed in 1978 to augment the Boardwalk Hall as an expanded convention facility. The facility is currently used to stage events held in Boardwalk Hall and provides additional parking for the same.
- The Convention Center, Boardwalk Hall, and the West Hall operate at a deficit, seeking to attract visitors and business to this marketplace through a competitive rate structure. These facilities are also a significant generator of indirect revenue in the form of increased tax generation. Luxury taxes imposed and collected by the State on hotel room rentals, cover charges, drinks and admissions paid within Atlantic City are paid to NJSEA to first make debt payments on bonds issued to construct and renovate the facilities, and then transferred to the Convention Center, Boardwalk Hall, the West Hall, and Marketing Operations to cover the operational deficits and capital expenditures of the facilities.

Financial Analysis

The following sections will discuss the significant changes in the Authority's financial position for 2009 and 2008. Additionally, an examination of major economic factors and industry trends that have contributed to the Authority's operations are provided. It should be noted that for purposes of this MD&A, summaries of the financial statements and the various exhibits presented include information from the Authority's financial statements, which are prepared in accordance with accounting principles generally accepted in the United States of America.

Authority Highlights (2009)

On July 18, 2008, The Governor of the State of New Jersey signed legislation that authorized the transfer of the Atlantic City Convention Center Project, which specifically includes the Convention Center, Boardwalk Hall, and Marketing Operations, to the Atlantic City Convention & Visitors Authority, which was also renamed from the Atlantic City Convention Center Authority in the same legislation.

On December 17, 2009, the Authority's Board of Directors adopted a Board Resolution authorizing various actions to effectuate the transfer of the Atlantic City Convention Center Project from the NJSEA to the Authority. The NJSEA also passed a similar Board Resolution in December 2009. The intent of the legislature was to transfer, to the extent practicable, the control and ownership of the Convention Center Project from the NJSEA to the Authority. The Authority and NJSEA, assisted by representatives from the Department of Treasury, created documents to provide for the statutory transfers and to govern their relationship in the future including Amended and Restated Operating Agreements for each of the Atlantic City Convention Center, the East Hall and the West Hall and a Pledged Property Agreement. Under the Pledged Property Agreement, the Authority agreed that the property pledged to the bond holders, i.e. the luxury tax revenues, shall remain subject to the liens of and as security for the NJSEA bond holders and agreed to all of the terms and conditions of the NJSEA Bond Resolutions. These documents were approved by the Board of Directors as part of the adopted resolution. Also, as part of the adopted resolution, the Authority's Board of Directors consented to the adoption of the Third Supplemental Resolution by the NJSEA and to the terms and provisions of the Third Supplemental Resolution and acknowledged, assumed and agreed to be bound by all of the terms and provisions of the Bond Resolution.

Effective January 1, 2010, the Atlantic City Project will no longer be reflected in the Consolidated Financial Statements of the NJSEA.

Authority Highlights (2008)

A big reason for all of the non-gaming construction in Atlantic City over the past five years was the establishment of the Urban Revitalization Program. This program provides a lucrative incentive to casinos and the CRDA to build additional hotel rooms and non-gaming attractions, and Atlantic City has already benefited from some of the resulting projects such as: The Quarter at the Tropicana, the entertainment-retail project along the city's entrance/exit corridor, known as Atlantic City Outlets – The Walk, The House of Blues at the Showboat, the Pier Shops at Caesars, and a large percentage of the new hotel room construction, specifically including the two new hotel towers completed in 2008 for the Borgata and Harrah's Atlantic City. The new construction has generated additional luxury taxes over the years, which are collected by the State of New Jersey and forwarded to the NJSEA to: (1) pay debt service on the bonds issued to build the Convention Center and renovate the Boardwalk Hall and West Hall, and (2) fund the annual operating deficits of the Convention Center, Boardwalk Hall, West Hall, and Marketing Operations. As for the latter, the legislation that created the Urban Revitalization Program specified that the amount of money to be rebated back to the CRDA and casinos was to equal the incremental amount of luxury taxes collected for an approved project over the luxury taxes collected for the property in the last full year immediately preceding the project's completion. The CRDA and casinos would continue to receive rebates until December 31, 2022, or until the date on which the combined total of rebates equals the approved cost of the district project, whichever is

earlier. The annual amount of the rebate calculated, as certified by the New Jersey Department of Taxation, would be deducted from the marketing fees collected for the property and rebated directly to the CRDA for disbursement to the casino with an approved district project, or to the CRDA for a CRDA sponsored district project. The CRDA receives marketing fee rebates from marketing fees collected from the Sheraton in Atlantic City. Marketing fee rebates are netted out of marketing fee revenue in the Authority's financial statements. Largely due to the construction resulting from the Urban Revitalization Program, citywide luxury tax collections have grown from approximately \$18 million in 2003, the year preceding the first year of the program, to over \$27 million collected in 2008.

Development Updates

Water Club Hotel Opening

- 43-story hotel tower
- 800 guest rooms and suites
- Opened June 2008

Harrah's Atlantic City Hotel Expansion

- 47-story hotel tower
- 964 guest rooms and suites
- Opened March 2008

Courtyard by Marriott

- Combination of old Quality Inn and an Elementary School Building
- 206 guest rooms
- Opened May 2008

Holiday Inn/Howard Johnson Redevelopment

- Both hotels (adjacent to each other) closed in 2007 for renovations
- Re-opened as one hotel with 330 rooms
- Opened July 2008

Trump Taj Mahal – New Hotel Tower

- 39-story hotel tower
- 786 guest rooms and suites
- Opened September 2008

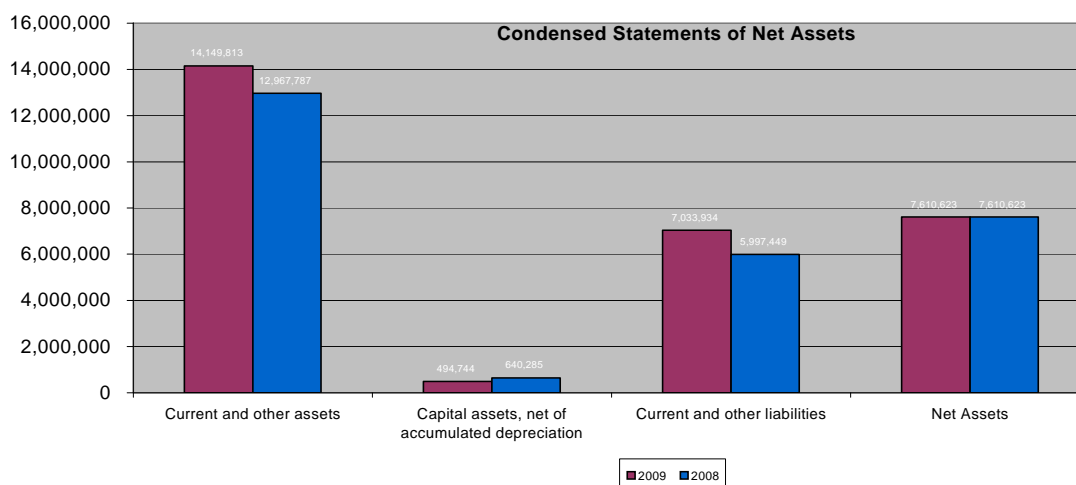
Financial Summaries

The following exhibits and tables provide a condensed summary and basic explanation of the changes in the financial statements described above, which are also presented in full detail in this annual report:

EXHIBIT 1

Condensed Statements of Net Assets

	December 31, 2009	December 31, 2008	December 31, 2007
Current assets	\$ 14,149,813	\$ 12,967,787	\$ 17,118,161
Capital assets, net of accumulated depreciation	<u>494,744</u>	<u>640,285</u>	<u>657,591</u>
Total assets	<u>\$ 14,644,557</u>	<u>\$ 13,608,072</u>	<u>\$ 17,775,752</u>
Current and other liabilities	\$ 7,033,934	\$ 5,997,449	\$ 10,165,129
Invested in capital assets	494,744	640,285	657,591
Unrestricted net assets	<u>7,115,879</u>	<u>6,970,338</u>	<u>6,953,032</u>
Total liabilities and net assets	<u>\$ 14,644,557</u>	<u>\$ 13,608,072</u>	<u>\$ 17,775,752</u>



For the Year Ended December 31, 2009

Current assets increased by \$1,182,026 in 2009 to \$14,149,813. The composition of the current assets, however, shifted significantly from cash to receivables. The Authority's cash decreased by \$3,080,565 in 2009 while the Authority's receivables, in total, increased by \$4,309,649.

Marketing Operations' cash decreased by \$2,269,733 in 2009 primarily due to the decrease in marketing fee receipts in 2009 compared to 2008. Marketing Operations only received \$5,210,837 in marketing fees from the State in 2009 compared to \$8,308,449 in marketing fee cash receipts in 2008, a difference of \$3,097,612. Cash at the Convention Center and Boardwalk Hall decreased by \$810,832 primarily due to a smaller amount of advance deposits and other deferred revenues on hand at the facilities at the end of 2009 compared to 2008. Advance deposits were higher by \$371,312 in 2008 as a result of a larger number of events on the books at the end of 2008 for 2009 compared to 2009 for 2010. Deferred revenues associated with the luxury tax

fundings of the buildings' operating deficits were also higher by \$247,835 in 2008 compared to 2009. In 2008, the Convention Center and Boardwalk Hall, collectively, had an excess of \$247,835 in cash over the buildings' operating deficits.

Marketing Operations' receivable from the State increased by \$3,888,926 to \$6,468,099 at December 31, 2009. A portion of the increase pertained to the \$236,827 increase in marketing fees collected by the State in 2009 versus 2008. Marketing fee collections by the State increased from \$10,460,490 in 2008 to \$10,697,317 in 2009. The receivable also increased by \$533,294 as a result of a 2009 recertification of 2008 marketing fee rebates. Marketing fee rebates, which are netted out from the marketing fee receivable, were reduced by \$533,294 in 2009 thus increasing the receivable balance. The balance of the increase, however, was directly related to the decrease in cash received by Marketing Operations from the State of New Jersey in 2009 compared to 2008.

Receivables, net of allowance for doubtful accounts, increased by \$420,723 primarily due to the increases in luxury tax receivables to cover the buildings' operating deficits, offset by decreases in the accounts receivable balances for the buildings as a result of the decrease in events held at the end of 2009 compared to 2008. The allowance for doubtful accounts also increased by \$246,687, collectively, for the Convention Center and Boardwalk Hall due to the non-payment of commissions from a former subcontractor.

Current and other liabilities increased by \$1,036,485 due to increases in accounts payable and accrued expenses and the due to luxury tax reserve fund of \$100,002 and \$1,411,849, respectively, offset by a \$475,366 decrease in deferred revenues.

As previously mentioned, deferred revenues and advance deposits were down in both the Convention Center and Boardwalk Hall a collective \$619,147 due to the excess funding of the buildings' deficits in 2008 and the smaller number of events taking place in the buildings at the beginning of 2010 as compared to the beginning of 2009. Marketing Operations' deferred revenues, conversely, increased by \$144,957 due to the fact that two years' worth of grant proceeds were on hand at the end of 2009, while grant proceeds for only one year had been received at the end of 2008. Marketing Operations receives grant proceeds from the State of New Jersey to promote Restaurant Week and at the end of 2008, only grant proceeds for 2009 had been received, but at the end of 2009, grant proceeds for both 2010 and 2011 had been received.

Accounts payable and accrued expenses increased by \$182,372 in 2009 as a result of the Convention Center's and Boardwalk Hall's large end-of-the-year payments on open accounts payables in 2008. In 2009, all of the accounting and financial responsibilities for the Convention Center and Boardwalk Hall were transferred from the financial system hosted by the NJSEA to the financial system hosted by Marketing Operations. Prior to 2009, the accounts payable disbursements were processed by the NJSEA. In order to ease the transition on to Marketing Operations' financial system, the procurement for both of the buildings was decreased in the final six weeks of 2008 and large check runs were processed to pay a big portion of the open accounts payables prior to the end of that year. Marketing Operations' accounts payable and accrued expenses decreased by \$82,370 primarily due to a \$64,700 decrease in accrued advertising expense at the end of 2009 compared to 2008. In 2008, an online advertising campaign ended on December 30 and was not paid until 2009. In 2009, the same online advertising campaign began earlier in the year, concluded in mid-November, and was paid prior to the end of the year.

The \$1,411,849 increase in the due to luxury tax reserve fund represents Marketing Operations' excess revenues over its expenses for the year ended December 31, 2009. Marketing Operations, the Convention Center, and the Boardwalk Hall only receive luxury taxes to the extent of their deficit operations. A surplus of revenues over expenses represents an over funding of luxury taxes and is therefore reflected as a liability to the luxury tax reserve fund.

For the Year Ended December 31, 2008

Current assets decreased by \$4,150,374 in 2008 to \$12,967,787 primarily due to a \$694,452 decrease in cash, a \$856,580 decrease in the Due from the State of New Jersey, and a \$2,906,728 decrease in the Due from the NJSEA. Cash at the Convention Center and Boardwalk Hall decreased by \$3,581,210 in 2008 primarily due to the decrease in cash collected for advance ticket sales in 2008 versus 2007. In 2008, the only three events that generated significant advance ticket sales were Dancing with the Stars, Yanni, and Frankie Beverly and Maze, equaling \$465,625 of the total of \$617,945 collected. In 2007, on the other hand, advance collections totaling \$4,407,750 were made for 2008 events, which included Celine Dion, Hannah Montana, Van Halen, and Keith Urban. Marketing Operations' cash, however, increased \$2,886,758 in 2008 as a result of the State of New Jersey releasing the excess marketing fees being withheld at the end of 2007 during 2008. Marketing Operations received \$2,757,037 more in cash from the State in 2008 compared to 2007. The Authority's receivable from the State decreased by \$856,580 primarily due to the fact that five months marketing fees were being withheld at the end of 2007 while only four months of marketing fees were being withheld at the end of 2008. The extra month withheld in 2007 accounted for \$599,241 of the difference in receivable balances. Another factor in the decrease was marketing fee rebates. The amount of the marketing fee rebates, which are netted out of the receivable, was \$331,696 lower in 2008 compared to 2007. The Authority's receivable from the NJSEA decreased by \$2,906,728 in 2008 due to the timing of the receipts of luxury taxes from the NJSEA for the operating deficits of the Convention Center and Boardwalk Hall and the replacement of marketing fees being withheld by the State of New Jersey for rebates to properties with approved Urban Revitalization Program projects. The balance of the \$2,906,728 luxury tax receivable at the end of 2007 was received in 2008, while the Authority received all of the 2008 luxury taxes from the NJSEA prior to end of the year. Receivables increased for the Authority by \$98,045 primarily due to the timing of the payments for services rendered towards the end of the year for the Convention Center, Boardwalk Hall, and Marketing Operations. Prepaid expenses and other assets increased by \$209,341 in 2008 due to Marketing Operations' \$315,685 increase in prepayments for booth fees, catering services, and marketing memberships, offset by a \$152,576 decrease in prepaid pollution and property insurance expenditures for the Convention Center and Boardwalk Hall.

Current and other liabilities decreased by \$4,167,680 in 2008 primarily due to the \$3,667,271 decrease in deferred revenue for the Convention Center and Boardwalk Hall. As mentioned above, the decrease is due to the lower collections in 2008 of advance ticket sales for shows to be held in 2009. Marketing Operations' deferred revenue increased by \$100,216 primarily due to grant proceeds received in 2008, which will be used to promote Atlantic City's Restaurant Week to be held in March 2009. Accounts payable and accrued expenses decreased by \$947,572 in 2008 primarily due to the Convention Center's and Boardwalk Hall's migration from the financial system hosted by the NJSEA to the financial system hosted by the Authority. The accounts payable disbursements for both of the buildings were processed on the financial system of the NJSEA since 2005, but beginning in 2009, they will be processed on the financial system of the Authority. In order to ease the transition, the procurement for both of the buildings was decreased in the final six weeks of 2008, and disbursements were made for a large portion of the open accounts payables prior to yearend. These steps accounted for \$925,947 of the decrease, while the remaining \$21,625 decrease pertained to the timing of year-end payments by Marketing Operations.

EXHIBIT 2

Condensed Statements of Revenues, Expenses and Changes in Net Assets

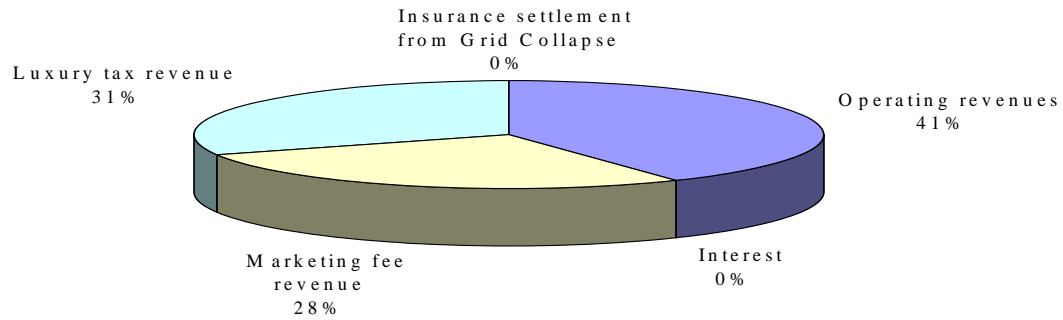
	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Operating revenues	\$ 13,352,526	\$ 16,382,134	\$ 17,316,981
Operating expenses	<u>(32,570,925)</u>	<u>(35,449,228)</u>	<u>(35,033,642)</u>
Operating loss	<u>(19,218,399)</u>	<u>(19,067,094)</u>	<u>(17,716,661)</u>
Nonoperating income:			
Luxury tax revenue	10,095,723	11,460,284	10,784,510
Marketing fee revenue	9,099,763	7,451,869	6,917,164
Insurance settlement from grid collapse	-	-	972,000
Interest	<u>22,913</u>	<u>154,941</u>	<u>351,880</u>
Total nonoperating revenue	<u>19,218,399</u>	<u>19,067,094</u>	<u>19,025,554</u>
Increase in net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,308,893</u>

While the Statements of Net Assets show the financial position or net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provide answers as to the nature and source of these changes.

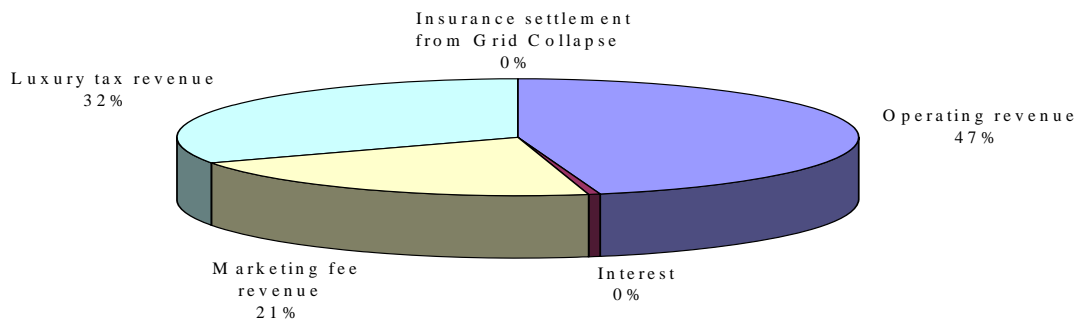
Sources of revenue consisted of:

- Operating revenues - the revenues generated at the Convention Center, Boardwalk Hall, West Hall, and Marketing Operations.
- Luxury tax revenue - received from NJSEA for capital expenditures for the Convention Center, Boardwalk Hall, and West Hall and the operating deficits of the Convention Center, Boardwalk Hall, West Hall, and Marketing Operations.
- Marketing fee revenue - collected from Atlantic City hotels, via the State, to promote the destination of Atlantic City.

**Sources of Revenue
2009**



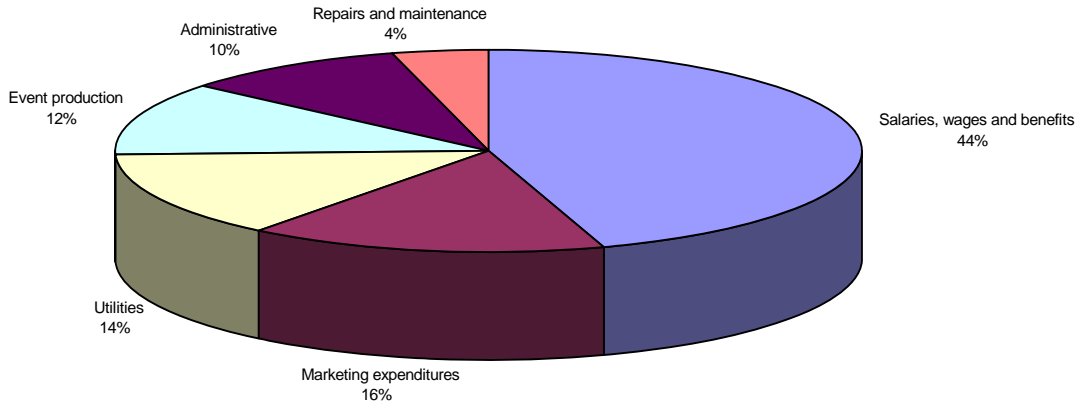
**Sources of Revenue
2008**



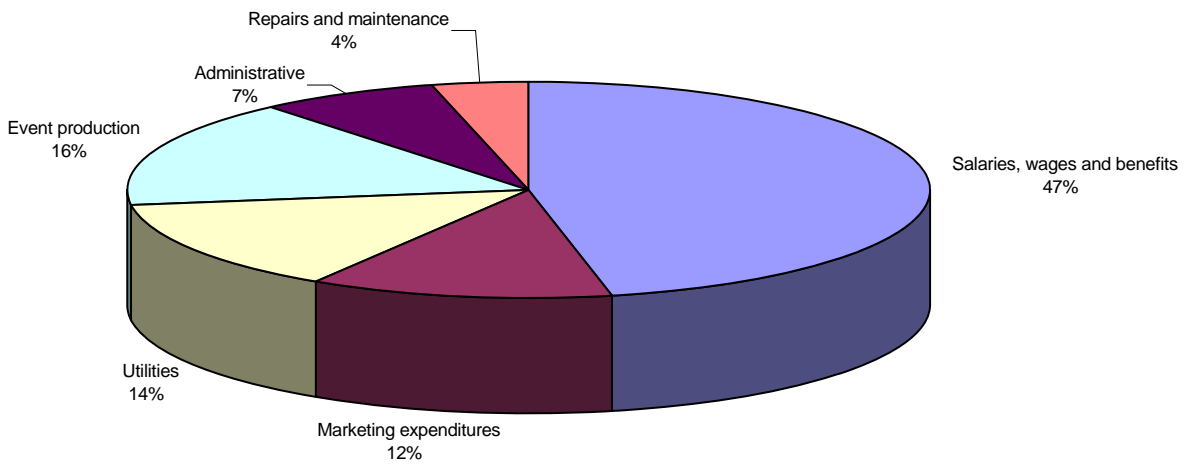
Sources of expenses consisted of:

- Operating expenses - all of the costs associated with promoting the destination of Atlantic City and operating the facilities, except for costs of a capital nature that are depreciated.
- Depreciation expenses - recognizes the cost of capital assets, such as equipment and furniture and fixtures over their estimated useful lives, which is usually between three and five years.

**Operating Expenses
2009**



**Operating Expenses
2008**



Operating Highlights

Number of Attendees

	2009	2008	2007
Boardwalk Hall	208,801	316,387	275,690
Convention Center	<u>360,700</u>	<u>361,878</u>	<u>397,226</u>
	<u>569,501</u>	<u>678,265</u>	<u>672,916</u>

Number of Events

	2009	2008	2007
Boardwalk Hall	32	45	42
Convention Center	<u>131</u>	<u>145</u>	<u>165</u>
	<u>163</u>	<u>190</u>	<u>207</u>

Operating Revenues & Expenses by Facility (000's)

	2009	2008	2007
Operating Revenues:			
Boardwalk Hall	\$ 3,896	\$ 6,292	\$ 6,166
Convention Center	8,614	9,324	10,484
Marketing Operations	<u>842</u>	<u>766</u>	<u>667</u>
	<u>\$ 13,352</u>	<u>\$ 16,382</u>	<u>\$ 17,317</u>
Operating Expenses:			
Boardwalk Hall	\$ 9,481	\$ 10,805	\$ 10,300
Convention Center	12,385	13,986	14,598
Marketing Operations	<u>10,704</u>	<u>10,658</u>	<u>10,136</u>
	<u>\$ 32,570</u>	<u>\$ 35,449</u>	<u>\$ 35,034</u>

For the Year Ended December 31, 2009

Operating revenues for the Authority decreased by \$3,029,608 to \$13,352,526 for the year ended December 31, 2009. The Convention Center's and Boardwalk Hall's operating revenues decreased by \$709,741 and \$2,395,739, respectively, while Marketing Operations' operating revenues increased by \$75,872.

The Convention Center's special services and facilities rental revenues were down a collective \$1,116,894 in 2009 due to the fact that there were 14 fewer events in the Convention Center during the year. Special services revenue decreased \$832,818 in 2009 largely due to the absence or downsizing in 2009 of some of the larger events that took place in 2008. Special services revenue specifically includes client utilities, labor reimbursements, and telephone and internet billings. A brief listing of the aforementioned events that yielded declines in special services revenue includes AC Variety, Antique, Atlantic Bakery Expo, and the Mid Atlantic Hardscaping and Penn Atlantic Nursery Trade Shows. The decrease in the number and size of the events in 2009 also translated into a \$284,076 decrease in facilities rental revenue for the Convention Center. Parking and food & beverage revenues in 2009, on the other hand, increased by \$173,520 and \$258,980, respectively over 2008. Parking rate increases were the primary reason for the increase in parking revenues, while two large catered events were added in 2009 that accounted for \$160,314 of the increase in the food &

beverage revenues. The balance of the 2009 increase in food & beverage revenues was due to its food service provider's increase in net income in 2009 versus 2008. The Convention Center's food & beverage revenues are based on the food service provider's net income.

Boardwalk Hall's special services, facilities rental, parking, and food & beverage revenues were down a collective \$2,429,496 in 2009 due to fact that there were 13 fewer events and 107,586 fewer attendees in the Boardwalk Hall in 2009. The biggest revenue decrease was the \$1,512,503 decrease in facilities rental revenue. The Boardwalk Hall is composed of an arena and a ballroom and both are rented out during the course of the year. The big decrease in facilities rental revenue was primarily due to the decreased revenues from arena rentals as opposed to ballroom rentals. Revenues from arena rentals decreased by \$1,525,115 to \$942,635 in 2009, while ballroom rentals increased by \$11,748 to \$138,002. In 2008, Boardwalk Hall's arena was rented out 26 times of which 22 times were for an amount in excess of \$50,000, while the arena was only rented out 14 times in 2009 and only 10 times did the rent exceed \$50,000. In fact, the number of times the arena was rented out for more than \$100,000 was more than doubled in 2008 compared to 2009. Special services, parking, and food & beverage revenues also decreased \$706,820, \$44,212, and \$165,961, respectively in 2009. These declines were also due to the decrease in the number and size of events held in the Hall's arena in 2009.

Marketing Operations' operating revenues increased by \$75,872 to \$841,990 in 2009 primarily due to an \$84,096 increase in grant revenues in 2009 compared to 2008. Marketing Operations received destination marketing organization grants from the State of New Jersey in 2008 and 2009. The grant amounts received were \$150,000 for each year, and the funds were used to promote Atlantic City's Restaurant Week in March 2009 and March 2010. In 2008, expenditures of grant funds totaling \$59,539 were made promoting the event, and the corresponding grant revenue for the same amount was recognized. In 2009, the \$90,461 balance of the \$150,000 received in 2008 was used to promote Atlantic City's Restaurant Week in 2009 and \$53,174 of the \$150,000 received in 2009 was used to promote the event to be held in March 2010. The corresponding grant revenue of \$143,635 was recognized in 2009, which represents an \$84,096 increase over the grant revenue recognized in 2008.

Operating expenses for the Authority decreased by \$2,878,303 to \$32,570,925 for the year ended December 31, 2009. The Convention Center's and Boardwalk Hall's operating expenses decreased by \$1,600,377 and \$1,324,068, respectively, while Marketing Operations' operating expenses increased by \$46,142.

The decrease in events and attendees at the Convention Center and Boardwalk Hall in 2009 resulted in decreases in salaries, wages and benefits, contract services, and production expenses totaling \$1,328,143 and \$2,008,299, respectively. Salaries, wages and benefits decreased for both buildings, in total, by \$1,810,300 of which \$1,159,011 pertained to decreases in direct event labor, while the remaining \$651,289 in salaries, wages and benefits reductions were non-event related. Contract services and production expenses decreased in both buildings by \$1,098,445 and \$427,697, respectively. These reductions were due primarily to a decrease in demand for security, electrical services, and production related expenses as a result of the fewer events in the buildings. Utilities decreased, in total, for both buildings by \$513,042 in 2009 partly due to fewer events, but lower rates and favorable weather also played a role in the savings. Reductions and cutbacks in office, trade, and cleaning supplies along with limits placed on uniforms and parking passes at both buildings in 2009 contributed to the overall reduction of \$123,349 in supplies expense for the year compared to 2008. Management fees for both buildings decreased by \$161,092, collectively, due primarily to a 50% reduction in management fees paid to the NJSEA. In 2009, the Authority assumed a great deal of the oversight over the buildings' operations from the NJSEA. Professional fees, on the other hand, increased by \$900,695 due to an increased use of professional services in 2009 and the Authority's and NJSEA's separation related expenditures. Marketing expenditures for the Boardwalk Hall increased by \$100,221 in 2009 primarily due to the promotion of the new Walking with Dinosaurs event. Bad debt expense also increased for both buildings a collective \$213,687 primarily due to the disputed commissions owed from a former subcontractor.

Marketing Operations' operating expenses increased by \$46,142 in 2009 with the most significant changes involving an \$112,625 increase in marketing expenditures, offset by a \$48,408 decrease in salaries, wages and benefits. The larger increases in 2009 marketing expenditures pertained to the A10 basketball tournament, grant expenses associated with Atlantic City's Restaurant Week, and a 2009 cooperative marketing campaign, offset by 2009 decreases in familiarization tours and photo services associated with the new photo library for the destination. In 2009, net ticket sales for the annual A10 basketball tournament, which offset the tournament's production costs, were down by \$229,500 compared to 2008. In 2008, net ticket sales were higher due to the fact that there were two Philadelphia basketball teams in the finals. Marketing expenditures associated with Atlantic City's Restaurant Week were also \$113,000 higher in 2009 because there were expenditures for both the 2009 and 2010 programs in 2009. There were only marketing expenditures for the 2009 program in 2008. In 2009, Marketing Operations also contributed \$46,000 to a cooperative marketing campaign that highlighted new air service at the Atlantic City International Airport. There was no such cooperative marketing campaign in 2008. Client entertainment associated with mini familiarization tours decreased by \$104,400 in 2009 due to the decrease in events held at the Boardwalk Hall. Familiarization tours are usually scheduled around popular entertainment events in order to entice potential clients to visit the destination. There were only three familiarization tours in 2009 compared to seven in 2008. Also in 2008, \$102,800 was spent on photo services associated with updating the destination's photo library. The photo library was not updated in 2009. The \$65,755 decrease in salaries, wages and benefits was due primarily to the fact the Convention Development was down a salesperson for a large portion of 2009 accounting for \$22,000 of the decrease. Marketing Operations also paid \$41,200 less on convention development registrars in 2009 compared to 2008. Convention development registrars assist show managers and exhibitors with their events. Due to the decrease in the number and scope of the shows, fewer show managers and exhibitors used fewer registrars in 2009.

For the Year Ended December 31, 2008

Operating revenues for the Authority decreased by \$934,847 to \$16,382,134 for the year ended December 31, 2008. The Convention Center's operating revenues decreased by \$1,146,660, while Boardwalk Hall's and Marketing Operations' operating revenues increased by \$117,471 and \$99,723, respectively.

The Convention Center's special services, facilities rental, parking, and food & beverage revenues were down a collective \$1,068,806 in 2008 due to the fact that there were 20 fewer events and 35,348 fewer attendees in the Convention Center during the year. Some of the bigger events that took place in 2007, but not in 2008, were PET Industry, Stanley, SYSCO, Furniture, and Chopper Fest. Aside from the obvious declines in parking and facilities rental, the decreased number of events produced declines in client utilities, labor reimbursements, and telephone and internet billings, which are all included in special services. Food & beverage revenue decreased by \$326,401 in 2008 due to the fewer events and attendees as well as the fact that a new food & beverage contractor was hired during the year with a new fee structure. The former food & beverage contractor operated on a commission basis, while the new food & beverage contractor operates on a net revenue basis. The 2008 revenues were particularly hindered by the start-up costs for the contractor in its first year. Other revenues for the Convention Center were \$72,635 higher in 2007 due to the high recoveries of receivables during that year that were recorded as bad debt expense in previous years.

Boardwalk Hall's facilities rental revenue increased by \$1,066,209 and its special services revenues decreased by \$659,918 in 2008, but the net increase of \$406,291 must be examined collectively, because more services were included in the facilities rent for Boardwalk Hall in 2008. Although there were only three more events in 2008 compared to 2007, there were a number of larger events in 2008 that generated higher rental revenues than the event with the highest rental revenue in 2007. A few of the higher rent grossing events in 2008 were Madonna, Celine Dion, Unforgettable, and Mary J. Blige & JAY Z. Parking revenues decreased by \$203,500 in 2008 primarily due to the termination of the West Hall parking agreement with Trump Properties in August

2007. Boardwalk Hall collected \$170,900 in parking revenues in 2007 as a result of this agreement. Food & beverage and other revenues were slightly lower in 2008 for the same reasons as the Convention Center.

Marketing Operations' operating revenues increased by \$99,723 in 2008 as a result of two new marketing programs. During 2008, Marketing Operations began a cooperative advertising program with several Atlantic City casinos. The casinos contributed \$58,700 to the program collectively. Marketing Operations also received a destination marketing organization grant from the State of New Jersey in 2008. The total amount of the grant was \$150,000, and it is being used to promote Atlantic City's Restaurant Week to be held in March 2009. In 2008, expenditures of grant funds totaling \$59,539 were made promoting the event, and the corresponding grant revenue for the same amount was recognized.

Operating expenses for the Authority increased by \$415,586 to \$35,449,228 for the year ended December 31, 2008. The operating expenses for the Convention Center decreased by \$611,809 in 2008, but the decrease was offset by increases in operating expenses for Boardwalk Hall and Marketing Operations of \$505,242 and \$527,534, respectively.

The \$611,809 decrease in operating expenses for the Convention Center was due, in large part, to the decrease in 2008 events and attendees. Contract services, supplies, and production expenses decreased by \$533,242, collectively, as a result of the decrease in events. More specifically, expenditures for union electricians, event security, and trade and cleaning supplies were lower in 2008 versus 2007. The Convention Center also spent \$109,581 less in general liability and property insurance in 2008. Legal and professional fees decreased by \$134,921 in 2008 primarily due to lower labor management consulting fees during the year. In 2007, a feasibility study of in-house trade show labor was conducted, which increased the associated legal and professional fees paid during that year. The decreases were offset, somewhat, by an \$184,621 increase in salaries, wages and benefits and a \$23,980 increase in utilities.

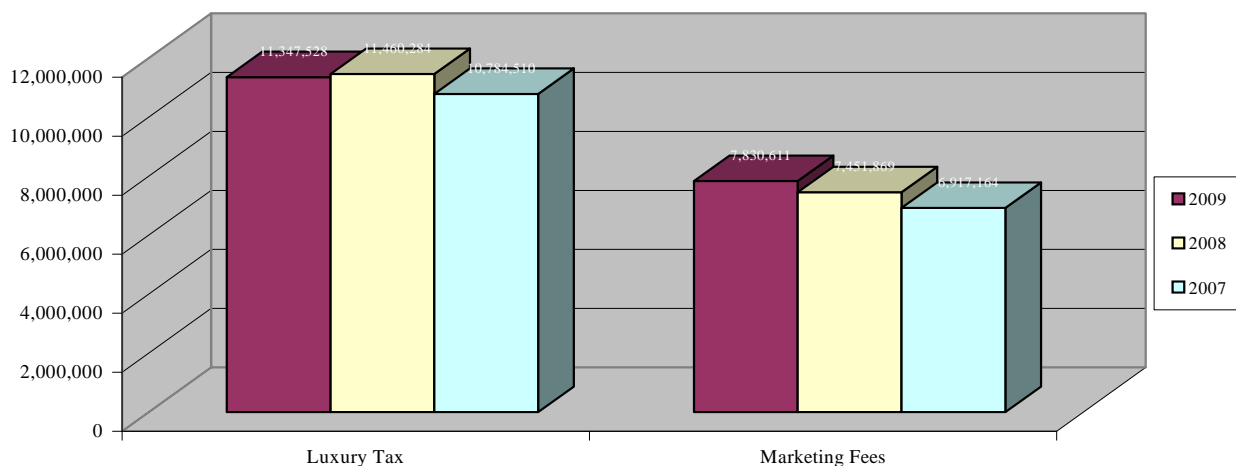
The \$505,242 increase in operating expenses for Boardwalk Hall was due primarily to the higher-end production events held in the Hall in 2008 as compared to 2007. Salaries, wages and benefits, contract services, and production expenses increased by \$764,644, collectively, as a result of the higher-end production events. These expenses included expenditures for stagehand salaries and benefits, union electricians, event security, rigging costs, and rentals. Despite the additional higher-end production events in 2008, expenditures on trade and cleaning supplies were reduced by \$94,298 through various cost-cutting measures. Boardwalk Hall also spent \$111,492 less in utilities in 2008 due to lower rates and usage and energy saving controls.

The \$527,534 increase in operating expenses for Marketing Operations was due primarily to a \$332,178 increase in salaries, wages and benefits, a \$318,125 increase in marketing expenses, offset by a \$149,137 decrease in contract services. The \$332,178 increase in salaries, wages and benefits consisted of a \$233,174 increase in salaries and wages, which included a new salesperson in the Washington D.C. office. This position was vacant for most of 2007. Marketing Operations' pension and benefits expense also increased by \$84,998 in 2008 primarily due to the 100% employer pension match in 2008 versus an 80% match in 2007. The increase in marketing expenses pertained primarily to the following: (1) a \$72,000 increase in booth fees associated with a new and larger booth used in 2008, (2) a \$146,100 increase in international advertising in 2008, (3) an \$82,600 increase in photo services associated with a new photo library for the destination, and finally (4) a \$69,950 increase in print and internet advertising primarily for the Restaurant Week event to be held in 2009. The \$149,137 decrease in contract services was a result of decreases in email and internet marketing expenditures for the golf marketing and E-Marketing programs. Many of the expenditures for these programs were shifted to advertising in 2008. Marketing Operations also paid \$20,000 less on the Visitors Profile Study in 2008. The Study began in 2007 and was completed early in 2008.

Nonoperating Highlights (000's)

	2009	2008	2007
Nonoperating Revenues			
Interest	\$ 23	\$ 155	\$ 351
Insurance settlement from grid collapse	-	-	972
Luxury tax revenue	11,347	11,460	10,785
Marketing fees revenue	<u>7,831</u>	<u>7,452</u>	<u>6,917</u>
	<u>\$ 19,201</u>	<u>\$ 19,067</u>	<u>\$ 19,025</u>

Nonoperating Revenues



Summary

Prior to 2006, the NJSEA only sent the Authority luxury tax revenue from the available luxury tax receipts to cover the capital requirements and the operating deficits of the Convention Center, the Boardwalk Hall, and the West Hall. Beginning in 2006, however, Marketing Operations also began receiving luxury tax revenue to cover its operating deficits resulting from the decrease in marketing fees as a result of the Urban Revitalization Program. In that year, The New Jersey Department of Taxation began calculating and certifying the incremental luxury taxes collected and sent to the NJSEA as a result of the approved Urban Revitalization Program projects. This amount was then withheld by the State from the marketing fees collected on behalf of Marketing Operations and rebated directly back to the CRDA and casinos with the approved projects. The Urban Revitalization Program actually began in 2004, but the Department of Taxation did not certify the amounts to be rebated back to the CRDA and the casinos for 2004 and 2005 until 2006.

For the Year Ended December 31, 2009

In 2009, luxury tax revenue for the Authority decreased by \$1,364,561 to \$10,095,723. The decrease was due to a \$1,128,839 increase in Boardwalk Hall's operating deficit in 2009, offset by decreases in the Convention Center's and Marketing Operations' 2009 deficits of \$874,669 and \$1,618,731, respectively. The increase in Boardwalk Hall's operating deficit was due primarily to the \$838,935 increase in 2009 professional fees, which included the Authority's and NJSEA's separation related expenditures. The Convention Center's \$874,669 decrease in 2009 operating deficit was due in part by a \$173,520 increase in parking revenues associated with 2009 rate increases and a \$258,980 increase in food & beverage revenues associated with two new catered events in 2009. Finally, Marketing Operations' \$1,618,731 decrease in 2009 operating deficit was due primarily to the \$1,647,894 increase in marketing fee revenue in 2009.

As mentioned, the Authority's marketing fee revenue increased by \$1,647,894 in 2009 to \$9,099,763. Marketing fees collected by the State of New Jersey amounted to \$10,697,317 in 2009 compared to the \$10,460,490 collected in 2008, an increase of \$236,827. The higher collections were primarily due to increased hotel room inventory in all of 2009 compared to only a portion of 2008. Hotel rooms were added at Harrah's Atlantic City, the Borgata, and Trump Taj Mahal in 2008. Also in 2009, the Department of Taxation issued a marketing fee rebate recertification that effectively reduced the 2008 marketing fee rebates by \$533,294. Marketing fee rebates are netted out from Marketing Operations' marketing fee revenue, so the 2009 recertification effectively increased marketing fee revenue in 2009 by the same amount. Finally, Marketing fee rebates certified in 2009 were also \$877,773 lower than the marketing fee rebates certified for 2008, which equates to higher revenue in 2009.

For the Year Ended December 31, 2008

In 2008, luxury tax revenue for the Authority increased by \$675,774 to \$11,460,284. The increase was due primarily to the increased operating deficits at the Convention Center and Boardwalk Hall in 2008. The deficits for the two buildings totaled \$8,933,402 in 2008 compared to deficits totaling \$6,942,227 in 2007, a difference of \$1,991,175. Although the operating losses for the buildings were only \$922,622 greater in 2008 than 2007, interest income was \$96,553 higher in 2007 and Boardwalk Hall received a \$972,000 insurance settlement payment from the grid collapse in 2007. The increase was partially offset by Marketing Operations' \$1,315,401 decrease in luxury tax revenue received from the NJSEA in 2008.

Marketing fee revenue increased by \$534,705 to \$7,451,869 in 2008. The increase was due to the \$203,009 increase in marketing fees collected in 2008 versus 2007 and the \$331,696 decrease in marketing fee rebates certified by the Department of Taxation in 2008 compared to 2007. In 2008, \$10,460,490 in marketing fees was collected by the State of New Jersey compared to \$10,257,481 in 2007. The amount of marketing fee rebates, which are netted out of marketing fee revenue, decreased by \$331,696 to \$3,008,621 in 2008.

EXHIBIT 3

Capital Assets

	Balance, December 31, 2007	Additions	Balance, December 31, 2008	Additions	Balance, December 31, 2009
Computer equipment	\$ 963,895	\$ 151,615	\$ 1,115,510	\$ 110,730	\$ 1,226,240
Furniture, fixtures and equipment	<u>746,528</u>	<u>22,742</u>	<u>769,270</u>	<u>-</u>	<u>769,270</u>
Total at cost	1,710,423	174,357	1,884,780	110,730	1,995,510
Less accumulated depreciation	<u>(1,052,832)</u>	<u>(191,663)</u>	<u>(1,244,495)</u>	<u>(256,271)</u>	<u>(1,500,766)</u>
Capital assets, net	<u>\$ 657,591</u>	<u>\$ (17,306)</u>	<u>\$ 640,285</u>	<u>\$ (145,541)</u>	<u>\$ 494,744</u>

At the end of 2009 and 2008, the Authority had invested \$494,744 and \$640,285 in net capital assets, respectively, at costs of \$1,995,510 and \$1,884,780 net of \$1,500,766 and \$1,244,495 in accumulated depreciation, respectively.

Capital asset additions during 2009 and 2008 consisted substantially of the Pacific Avenue office renovations, outside banners for the Convention Center, and computer, network, and website upgrades. The Authority considers any asset with a value over \$5,000 and an estimated useful life over three years a depreciable asset. Capital assets are depreciated using the straight-line method over three or five years (See Note 5).

Current Economic Conditions

A continuation of a global economic downturn has had an ongoing impact on the travel industry, and Atlantic City was not immune to its impact in 2009. The gaming industry nationwide continued to take a severe hit as consumers were more cautious in the spending of their discretionary income.

The weakened economy, in turn, caused planned new developments in Atlantic City to stall, creating an atmosphere of uncertainty and removing the luster of anticipated growth and its expected positive impact on the destination.

Higher than normal gas prices, especially in the earlier part of the year, also played a role in diminishing returns for Atlantic City's tourism business as the vast majority of visitors to the destination drive to get here in one form or another.

The nation's economic troubles played an additional negative role in Atlantic City's business as it had a direct impact on the city's ability to attract meetings and convention business. The past year saw a severe national decline in the meetings and convention industry due, in part, to what has become known as the "AIG Effect." Businesses were reluctant to be perceived as spending frivolously to meet in resort destinations. For many that did still plan meetings and conventions, a reduction in both exhibitor and delegate budgets meant less revenue for Atlantic City from shrinking exhibit floors, as well as the demand for lower-priced hotel rooms. Additionally, ancillary activities associated with trade shows and conventions, such as meals and entertainment, were also victims of severely tightened budgets.

The partial ban on smoking within the casinos also continued to play a role in a challenging year for Atlantic City. For many, smoking and gaming go hand in hand and this very likely caused a portion of consumers to

seek opportunities to enjoy both at Atlantic City's competitors. This competition, in and of itself, has increased dramatically.

Where once Atlantic City's nearby gaming competition was limited to the two Connecticut casinos, in 2009 Atlantic City saw the direct impact of new gaming product in Pennsylvania and New York State with additional gaming centers expected to open in other Northeast and Mid-Atlantic states in the near future. These new casinos have served to siphon off those visitors who are both seeking new experiences and those in closer proximity to their own homes.

Budgetary Controls

The Authority adopts Operating and Capital Plans, which are approved by its Board of Directors prior to the start of each new year. Budgets are a measure of the Authority's financial performance and accountability and are reviewed and revised, although not formally, on a monthly basis throughout the year.

Contacting the Authority's Financial Management

This financial report is designed to provide the Authority's board of directors, customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If there are any questions about this report or additional financial information is needed, please contact the Vice President, Finance/CFO at the Atlantic City Convention and Visitors Authority, 2314 Pacific Avenue, Atlantic City, NJ 08401, or visit the Authority's website at: www.atlanticcitynj.com.

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ATLANTIC CITY CONVENTION & VISITORS AUTHORITY

STATEMENTS OF NET ASSETS DECEMBER 31, 2009 AND 2008

ASSETS	2009	2008
CURRENT ASSETS:		
Cash and cash equivalents (Note 4)	\$ 5,097,928	\$ 8,178,493
Due from the State of New Jersey — marketing fees	6,468,099	2,579,173
Receivables — net of allowance for doubtful accounts of \$298,313 in 2009 and \$58,062 in 2008	1,309,132	888,409
Prepaid expenses and other assets	<u>1,274,654</u>	<u>1,321,712</u>
Total current assets	14,149,813	12,967,787
NONCURRENT ASSETS — Capital assets — net of accumulated depreciation (Note 5)	<u>494,744</u>	<u>640,285</u>
TOTAL ASSETS	<u><u>\$ 14,644,557</u></u>	<u><u>\$ 13,608,072</u></u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 3,241,893	\$ 3,141,891
Due to luxury tax reserve fund	<u>1,758,796</u>	<u>346,947</u>
Total current liabilities	5,000,689	3,488,838
NONCURRENT LIABILITIES — Deferred revenue	<u>2,033,245</u>	<u>2,508,611</u>
Total liabilities	<u>7,033,934</u>	<u>5,997,449</u>
NET ASSETS:		
Invested in capital assets	494,744	640,285
Unrestricted	<u>7,115,879</u>	<u>6,970,338</u>
Total net assets	<u>7,610,623</u>	<u>7,610,623</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 14,644,557</u></u>	<u><u>\$ 13,608,072</u></u>

See notes to financial statements.

ATLANTIC CITY CONVENTION & VISITORS AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
OPERATING REVENUES:		
Special services	\$ 5,120,241	\$ 6,659,879
Facilities rental	3,919,536	5,716,115
Parking	1,772,245	1,642,937
Concessions	1,213,847	1,120,828
Promotion reimbursement and fees	1,093,174	1,041,888
Other	233,483	200,487
	<u>13,352,526</u>	<u>16,382,134</u>
Total operating revenues		
OPERATING EXPENSES:		
Salaries, wages, and benefits	14,583,337	16,442,045
Marketing expenditures	5,014,066	4,797,398
Utilities	4,422,764	4,954,979
Contract services	2,353,181	3,473,059
Insurance	870,039	818,093
Repairs and maintenance	1,346,051	1,379,882
Supplies	397,690	511,556
Professional fees	1,327,079	445,243
Management fees	571,052	732,144
Bad debt expense	256,048	48,952
Parking participation	190,000	190,000
Depreciation	256,271	191,663
Production	827,352	1,255,049
Other	155,995	209,165
	<u>32,570,925</u>	<u>35,449,228</u>
Total operating expenses		
OPERATING LOSS	<u>(19,218,399)</u>	<u>(19,067,094)</u>
NONOPERATING REVENUE:		
Luxury tax revenue	10,095,723	11,460,284
Marketing fee revenue	9,099,763	7,451,869
Interest	22,913	154,941
	<u>19,218,399</u>	<u>19,067,094</u>
Total nonoperating revenue		
CHANGE IN NET ASSETS	-	-
NET ASSETS — Beginning of year	<u>7,610,623</u>	<u>7,610,623</u>
NET ASSETS — End of year	<u>\$ 7,610,623</u>	<u>\$ 7,610,623</u>

See notes to financial statements.

ATLANTIC CITY CONVENTION & VISITORS AUTHORITY

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 13,694,972	\$ 12,469,199
Payments to suppliers	(17,698,031)	(20,009,956)
Payments to employees	(14,463,125)	(16,404,522)
Net cash used in operating activities	<u>(18,466,184)</u>	<u>(23,945,279)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Luxury tax revenue	10,262,599	14,961,794
Marketing fee revenue	5,210,837	8,308,449
Net cash provided by noncapital financing activities	<u>15,473,436</u>	<u>23,270,243</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES — Additions to capital assets	<u>(110,730)</u>	<u>(174,357)</u>
CASH FLOWS FROM INVESTING ACTIVITIES — Interest collected	<u>22,913</u>	<u>154,941</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(3,080,565)	(694,452)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>8,178,493</u>	<u>8,872,945</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 5,097,928</u>	<u>\$ 8,178,493</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (19,218,399)	\$ (19,067,094)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	256,271	191,663
Decrease (increase) in current assets:		
Receivables — net	576,415	(98,045)
Prepays and other assets	47,058	(209,341)
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	100,002	(947,572)
Deferred revenues	(227,531)	(3,814,890)
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (18,466,184)</u>	<u>\$ (23,945,279)</u>

See notes to financial statements.

ATLANTIC CITY CONVENTION & VISITORS AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2009 AND 2008

1. BACKGROUND AND AUTHORIZING LEGISLATION

Chapter 459 of P.L. 1981, approved on January 12, 1982, and amended effective January 13, 1992, created the Atlantic City Convention Center Authority (the "Authority"). The Authority is responsible for the promotion, operation, and maintenance of the Historic Boardwalk Hall ("Boardwalk Hall"), the West Hall, as well as the Atlantic City Convention Center ("Convention Center"), which opened in May 1997. In addition, the Authority, through its marketing operations, promotes tourism into the greater Atlantic City area. The Authority consists of seven board members, of which six public members, at least two of whom shall be representatives of the New Jersey casino industry, are appointed by the governor of the State of New Jersey, with the advice and consent of the Senate. The Treasurer of the State of New Jersey serves as an ex-officio member.

Effective November 12, 1992, the operations of the Authority were combined with the operations of the NJSEA. On July 10, 1995, the NJSEA and the Authority jointly entered into an operating agreement with Spectacor Management Group ("SMG"), which is subject to renewal periodically, whereby SMG will operate the facilities previously operated by the Authority. The Authority continues to operate its marketing division.

On June 26, 2000, the NJSEA formed The Historic Boardwalk Hall, L.L.C. (the "LLC"), a limited liability company in the state of New Jersey for the purpose of partially financing and operating the renovated Boardwalk Hall. The NJSEA, as managing member, has designated that the Authority continue operating, maintaining, and promoting the Boardwalk Hall for the LLC.

The West Hall was constructed in 1978 to augment the Boardwalk Hall as an expanded convention facility. The facility is currently used to stage events held in the Boardwalk Hall and provides additional parking.

On March 15, 2001, the Casino Reinvestment Development Authority ("CRDA") established the Urban Revitalization Program. The purpose of the program is to facilitate the development of entertainment-retail districts for the city of Atlantic City and promote revitalization of other urban areas in the state. In the program, marketing fees will be redirected back to hotel properties in Atlantic City with capital projects approved by CRDA. The program was implemented in 2004.

On July 18, 2008, The Governor of the State of New Jersey signed legislation that authorized the transfer of the Atlantic City Convention Center Project, which specifically includes the Convention Center, Boardwalk Hall, and Marketing Operations, to the Atlantic City Convention & Visitors Authority, which was also renamed from the Atlantic City Convention Center Authority in the same legislation.

On December 17, 2009, the Authority's Board of Directors adopted a Board Resolution authorizing various actions to effectuate the transfer of the Atlantic City Convention Center Project from the NJSEA to the Authority. The NJSEA also passed a similar Board Resolution in December 2009. The intent of the legislature was to transfer, to the extent practicable, the control and ownership of the Convention Center Project from the NJSEA to the Authority. The Authority and NJSEA, assisted by representatives from the Department of Treasury, created documents to provide for the statutory transfers and to govern

their relationship in the future including Amended and Restated Operating Agreements for each of the Atlantic City Convention Center, the East Hall and the West Hall and a Pledged Property Agreement. Under the Pledged Property Agreement, the Authority agreed that the property pledged to the bond holders, i.e. the luxury tax revenues, shall remain subject to the liens of and as security for the NJSEA bond holders and agreed to all of the terms and conditions of the NJSEA Bond Resolutions. These documents were approved by the Board of Directors as part of the adopted resolution. Also, as part of the adopted resolution, the Authority's Board of Directors consented to the adoption of the Third Supplemental Resolution by the NJSEA and to the terms and provisions of the Third Supplemental Resolution and acknowledged, assumed and agreed to be bound by all of the terms and provisions of the Bond Resolution.

Effective January 1, 2010, the Atlantic City Project will no longer be reflected in the Consolidated Financial Statements of the NJSEA.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General — In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board (“GASB”). In addition, the Authority follows the pronouncements of all applicable Financial Accounting Standards Board (“FASB”) statements and interpretations, accounting principles board (“APB”) opinions, and accounting research bulletins (“ARBs”) of the committee on accounting procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Reporting Entity — The Authority is a component unit of the NJSEA, which is a component unit of the state of New Jersey. The GASB establishes the criteria used in determining which organizations should be included in financial statements. Generally accepted accounting principles require the inclusion of the transactions of government organizations for which an organization is financially accountable.

The extent of financial accountability is based upon several criteria including: appointment of a voting majority, imposition of will, financial benefit to or burden on a primary government, and financial accountability as a result of fiscal dependency.

The Authority's financial statements are included in the NJSEA's December 31, 2009 and 2008 Consolidated Financial Statements.

Operating Revenues and Expenses — The Authority's operating revenues and expenses consist of revenues earned and expenses incurred relating to the usage of the Boardwalk Hall, West Hall, and the Convention Center. Operating revenues, such as special services, facilities rental, parking, and concessions, are recognized when a convention or an event occurs. Operating expenses, which include portions of salaries, wages and benefits, marketing expenditures, utilities, and production are allocated, as incurred, on a show-by-show basis and recorded when the event takes place. Overhead and maintenance costs, which also include portions of the aforementioned expenses along with other expenses that are not specifically identified with an event, are expensed as incurred. Marketing expenditures that are made to promote convention development and leisure tourism in the destination of Atlantic City are expensed as incurred.

Cash and Cash Equivalents — Cash equivalents include short-term investments. The Authority considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Receivables — Receivables for the Authority pertain to services rendered by the Authority prior to the end of the year for which payment has not been received. Receivables for the Authority are reflected net of allowance for doubtful accounts. The allowance account is adjusted at the end of every year for estimated bad debt expense.

Prepaid Expenses and Other Assets — Prepaid expenses for the Authority pertain to advance payments made by the Authority for goods to be received or services to be rendered in future years. The goods and/or services are normally received within one year and the expense is recognized. Other assets include deposits given by the Authority.

Capital Assets — Depreciation is based on the estimated useful lives of the capital assets using the straight-line method. Computer equipment, furniture and fixtures, and improvements are depreciated over three to five years. Improvements, repairs, and maintenance that significantly extend the life of an asset are capitalized and depreciated over their estimated useful lives using the straight-line method. Fixed assets are stated at historical cost, net of accumulated depreciation. Other repairs and maintenance are charged to expense when incurred. The cost and capital improvements of the Boardwalk Hall and the Convention Center are recorded in the financial statements of the NJSEA (See Note 3).

Accounts Payable and Accrued Expenses — Accounts payable and accrued expenses for the Authority pertain to goods received or services rendered to the Authority for which payment has not been made. The payments for the goods received or services rendered are typically made in the subsequent year.

Deferred Revenues — Deferred revenues relate to the fees collected in advance by the Authority for the usage of the Convention Center, Boardwalk Hall, and West Hall. Such revenues will be recognized once an event occurs. Deferred revenues also relate to the advance collection of marketing partnership dues for the subsequent year.

Accumulated Vacation Time — Salaried employees of the Authority may accumulate vacation time up to a maximum of their total vacation time for one year. This accumulated vacation time must be used within one year of the year earned. Upon termination of employment, salaried employees are entitled to receive a lump-sum payment of their accumulated vacation time.

Net Assets — Unrestricted net assets of the Authority represents the total amount that the Authority's total assets, net of its capital assets, net of accumulated depreciation, exceeds its total liabilities.

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

The Authority is the subject of, or a party to, various pending or threatened legal actions involving outside interests. The Authority believes that any ultimate liability arising from these actions should not have a material effect on its financial position or operations. The Authority also believes that there are no contingent assets to disclose of as of the date of the financial statements.

Recent Accounting Pronouncements — The Authority has completed the process of evaluating the impact that will result from adopting GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The Authority has concluded that the impact of adopting GASB Statement No. 49 has no material impact on its financial position and results from operations. The Statement is effective for fiscal periods beginning after December 15, 2007.

The Authority has completed the process of reviewing the footnote disclosures as required by GASB Statement No. 50, *Pension Disclosures*, and has presented all necessary disclosures in Notes to the Financial Statements (See Note 7). The reporting changes required by this Statement amend applicable note disclosures and required supplementary information of GASB Statement Nos. 25 and 27. The Statement was effective for fiscal periods beginning after June 15, 2007.

The Authority has completed the process of evaluating the impact that will result from adopting GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The Authority has concluded that the adoption of GASB Statement No. 51 has no material impact on its financial position and results from operations. The Statement is effective for financial statements for periods beginning after June 15, 2009.

The Authority has completed the process of evaluating the impact that will result from adopting GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. The Authority has concluded that the adoption of GASB Statement No. 52 has no material impact on its financial position and results from operations. The Statement was effective for financial statements for periods beginning after June 15, 2008.

The Authority has completed the process of evaluating the impact that will result from adopting GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instrument*, which addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. The Authority has concluded that the adoption of GASB Statement No. 53 has no impact on its financial position and results from operations. The Statement is effective for fiscal periods beginning after June 15, 2009 and early adoption is encouraged.

The Authority has completed the process of evaluating the impact that will result from implementing GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Authority has concluded that the adoption of GASB Statement No. 54 has no impact on its financial position and results from operations. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.

The Government Accounting Standards Board issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The hierarchy for generally accepted accounting principles establishes what literature or authority that preparers of financial statements should use. The requirements of this Statement will help guide preparers of financial statements for state and local governments to apply all relevant accounting principles found in GASB literature. The Statement is effective immediately and is not expected to change current practice. The Authority is in compliance.

The Government Accounting Standards Board issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This Statement will incorporate into the GASB literature certain guidance found in the AICPA Statements on Auditing Standards. The Statement addresses three issues not included in the

authoritative literature that establishes accounting standards: related party transactions, going concern considerations and subsequent events. The Authority expects that the Statement will improve reporting but will not materially affect current practice. The Statement is effective immediately. The Authority is in compliance.

The Authority has completed the process of evaluating the impact that will result from implementing GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans*. The Authority has concluded that the adoption of GASB Statement No. 57 has no impact on its financial position and results from operations. This Statement is intended to improve consistency in the measurement and financial reporting of other postemployment retirement benefits (“OPEB”) such as retiree health insurance. This Statement amends Statement No. 43, *Financial Reporting for Postretirement Benefit Plans other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The Government Accounting Standards Board issued GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The Authority has concluded that the adoption of GASB Statement No. 58 has no impact on its financial position and results from operations. The objective of this Statement is to improve financial reporting by providing more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The Statement is effective for reporting periods beginning after June 15, 2009.

3. LUXURY TAXES AND MARKETING FEES

Luxury Tax — Pursuant to NJSA. 40:48-8.15 et seq. (the “Luxury Tax Act”), the City of Atlantic City has, by Ordinance No. 18 of 1982, imposed a 3% tax on the sale of alcoholic beverages by the drink in the restaurants, bars, hotels, and other similar establishments and a 9% tax on cover charges or other similar charges made to any patron of such an establishment, the hiring of hotel rooms and the sale of tickets for admission to theaters, exhibitions and other places of amusement.

On January 13, 1992, amendments to the Luxury Tax Act were adopted which authorized the NJSEA undertake the Authority (see Note 1) and authorized the State to transfer the proceeds of the Luxury Tax to the NJSEA. Luxury Tax proceeds are deposited into the Revenue Fund and transferred to other funds to pay debt service on the Luxury Tax Bonds and fund the operating deficit and capital expenditures for Boardwalk Hall, the West Hall, and the Convention Center. Therefore, the costs and capital improvements of the Boardwalk Hall, the West Hall, and the Convention Center are recorded on the financial statements of the NJSEA. As of 2006, Luxury Tax proceeds also fund the operating deficits of Marketing Operations as a result of the Urban Revitalization Program.

Marketing Fees — The New Jersey legislature adopted a bill that authorized the State of New Jersey to impose marketing fees of \$3.00 per occupied room on hotels in Atlantic City. The proceeds from the fees collected pursuant to this legislation are paid into a special fund established and held by the State on behalf of the Authority. In 2006, through legislation of an Urban Revitalization Program, part of this fee is redirected to hotel properties meeting the identified criteria.

4. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents as of December 31, 2009 and 2008 are as follows:

	2009		2008	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Demand deposits	\$ 2,668,493	\$ 2,606,089	\$ 3,813,101	\$ 3,989,183
State of New Jersey Cash Management Fund	<u>2,429,435</u>	<u>2,429,435</u>	<u>4,365,392</u>	<u>4,365,392</u>
Total cash and cash equivalents	<u>\$ 5,097,928</u>	<u>\$ 5,035,524</u>	<u>\$ 8,178,493</u>	<u>\$ 8,354,575</u>

The Board of Directors of the Authority adopted a policy specifying the institutions and types of investments that can be made with funds available for investment. A general description of those investments is the following: (a) direct obligations of, or obligations guaranteed by, the United States of America; (b) bonds or obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state in which the obligations are rated in the top two rating categories by Moody's Investors' Service, Inc. (Moody's) and Standard and Poor's Corporation (S&P); (c) direct obligations of the state of New Jersey; (d) certificates of deposit and bankers' acceptances which are rated in the top two categories by Moody's and S&P; (e) commercial paper, except those issued by bank holding companies, rated in the top category by the Moody's and S&P; and (f) the state of New Jersey Cash Management Fund.

The State of New Jersey Cash Management Fund is a money market fund managed by the State of New Jersey Division of Investments. P.L. 1950 c. 270 and subsequent legislation permit the division to invest in a variety of securities, including, in the case of short-term investments, obligations of the U.S. Government and certain of its agencies, commercial paper, certificates of deposit, repurchase agreements, bankers' acceptances, and loan participation notes. All such investments must fall within the guidelines set forth by the regulations of the State of New Jersey Investment Council. Securities in the Cash Management Fund are insured, registered or held by the division or its agent in the Cash Management Fund's name.

All demand deposits of any depository must be fully secured by lodging collateral security of obligations secured by the United States of America with the bank. At December 31, 2009 and 2008, the Authority's demand deposits were fully collateralized.

The Authority has no financial instruments with significant individual or group concentration of credit risk.

5. CAPITAL ASSETS

Capital assets at December 31, 2009, 2008, and 2007 consist of the following:

	Balance, December 31, 2007	Additions	Balance, December 31, 2008	Additions	Balance, December 31, 2009
Computer equipment	\$ 963,895	\$ 151,615	\$ 1,115,510	\$ 110,730	\$ 1,226,240
Furniture, fixtures and equipment	<u>746,528</u>	<u>22,742</u>	<u>769,270</u>	<u> </u>	<u>769,270</u>
Total at cost	1,710,423	174,357	1,884,780	110,730	1,995,510
Less accumulated depreciation	<u>(1,052,832)</u>	<u>(191,663)</u>	<u>(1,244,495)</u>	<u>(256,271)</u>	<u>(1,500,766)</u>
Capital assets — net	<u>\$ 657,591</u>	<u>\$ (17,306)</u>	<u>\$ 640,285</u>	<u>\$ (145,541)</u>	<u>\$ 494,744</u>

These amounts represent capital costs incurred by the Authority. The costs and capital improvements of the Boardwalk Hall, the West Hall, and the Convention Center are recorded on the financial statements of the NJSEA (See Note 3). The Authority considers any asset with a value over \$5,000 and an estimated useful life over three years a capital asset. All assets are depreciated using the straight-line method over three or five years. Computer equipment and furniture, fixtures and equipment each have assets with both three-year and five-year estimated lives.

6. RELATED PARTY

The Authority recognized an opportunity to support appropriate benevolent causes, with specific attention given to attracting a greater diversity of visitors to and investment in the destination, fostering quality partnerships in and around the region, and identifying and assisting worthy individuals and organizations in the greater Atlantic City area. To forward these initiatives, the Authority created the Atlantic City Convention & Visitors Authority Foundation, Inc. (“Foundation”) in 2004. The Foundation is exempt from Federal income tax under section 501 (c) (3) of the Internal Revenue Code. Contributions to it are deductible under section 170 of the Code. It is further classified as a public charity under the Code section 509 (a) (3).

Although the Foundation has been in existence since 2004, most of the expenditures were made on its behalf by the Authority through 2007 in the form of loans to be repaid. Most of the expenditures pertained to reporting and filing fees, legal services, consulting services, and general start-up costs. As of December 31, 2008 and 2009, the Authority had been reimbursed by the Foundation for all of the expenditures made on its behalf.

7. PENSION PLANS

The Public Employees’ Retirement System of the State of New Jersey (“PERS”), a multiple-employer public retirement system, covers salaried employees of Marketing Operations. The Division of Pensions and Benefits within the Treasury Department of the State of New Jersey is the administrator of the funds and charges the employee and employer annually for their respective contributions. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The payroll for employees covered by PERS for the years ended December 31, 2009 and 2008 was \$3,350,782 and \$3,333,168, respectively. Marketing Operations’ total payroll for the years ended December 31, 2009 and 2008 was \$3,737,389 and \$3,830,971, respectively.

The Division of Pensions and Benefits issues publicly available financial reports that include the financial report of the Plan that includes financial statements and required supplementary information. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions, P.O. Box 295, Trenton, New Jersey, 08625-0295.

All of Marketing Operations' salaried employees are required as a condition of employment to be members of PERS. A member may retire on a service retirement allowance as early as age 60; no minimum service requirement must be established. The formula for benefits is an annual allowance in the amount equal to years of service, divided by 55, times the final average salary. Final average salary means the average of the salaries received by the member for the last three years of creditable membership service preceding retirement or the highest three fiscal years of membership service, whichever provides the larger benefit. Benefits fully vest on reaching 10 years of service. Vested employees may retire at or after age 55 and receive reduced retirement benefits. The system also provides death and disability benefits. Benefits are established by State statute.

Covered Marketing Operations' employees are required by PERS to contribute a percentage of their salary based on their age at the time of their enrollment. Marketing Operations is required by State statute to contribute the remaining amounts necessary to pay benefits when due. PERS certifies the amount of Marketing Operations' contribution each year on the recommendation of an actuary who makes an annual actuarial valuation. The valuation is a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary, and interest. The most recent valuation was issued in March 2009 for the year ended December 31, 2008.

The contribution requirements of Plan members and the Authority are established and may be amended by the Board of Trustees of the Plan. The covered employee contributions required for the years ended December 31, 2009, 2008, and 2007 were \$184,294 (5.5%), \$175,092 (5.25%), and \$158,084 (5%), respectively. The employees made the contributions for 2009, 2008, and 2007. The employer contributions for 2009, 2008, and 2007 were \$302,239, \$255,801, and \$186,513, respectively.

All eligible employees of SMG may participate in a section 401(k) deferred compensation plan. SMG contributed a maximum of 66-2/3 of the first 5% of the employee's salary for 2008 and 2007. SMG made no contributions in 2009. Annual expense for this plan was \$92,125 and \$92,558 for 2008 and 2007, respectively. SMG's total payroll for the years ended December 31, 2009, 2008, and 2007 was \$6,324,430, \$7,299,227, and \$6,784,717, respectively.

Additionally, some of the Authority's employees are participants in certain pension plans administered by local unions and contributions are made in accordance with terms of union agreements of those employees. There are four active unions participating in their own pension plans in accordance with each specific union agreement and based on each of the applicable union job trades. The total combined contributions for all participating unions were \$234,763, \$249,197, and \$256,237 in 2009, 2008, and 2007, respectively. The total combined payroll for all participating unions was \$1,827,395, \$2,141,420, and \$2,179,770, in 2009, 2008, and 2007, respectively.

8. COMMITMENTS AND CONTINGENCIES

- The Authority is the subject of, or a party to, various pending or threatened legal actions involving outside interests. The Authority believes that any ultimate liability arising from these actions should not have a material effect on its financial position or operations.
- The Authority is a party to an ongoing agreement with New Jersey Transit. As long as rail service is operated to the Atlantic City Convention Center, New Jersey Transit is entitled to a share of the revenue of the garage at the convention center. An annual lump-sum amount of \$190,000 would satisfy this agreement. The payments were \$190,000 for 2009 and 2008, respectively.

9. INFORMATION ON AUTHORITY OPERATIONS BY OPERATING SEGMENT

The Authority has three responsibilities: operation of the Boardwalk Hall, operation of the Convention Center, and promoting tourism through its marketing operations. The following table illustrates how these three operations contribute to the operating results of the Authority. All payments made and received between segments that are recorded as revenues and expenses are eliminated in the combined financial statements. These payments typically include the office rent and telephone and marketing expenses that Marketing Operations pays to Boardwalk Hall and the Convention Center.

	Year Ended December 31, 2009					Year Ended December 31, 2008				
	Boardwalk Center Operations	New Center	Marketing Operations	Elimination Entries	Combined December 31, 2009	Boardwalk Center Operations	New Center	Marketing Operations	Elimination Entries	Combined December 31, 2008
Operating revenues:										
Special services	\$ 2,133,908	\$ 2,997,875	\$ -	\$(11,542)	\$ 5,120,241	\$ 2,833,815	\$ 3,839,047	\$ -	\$(12,983)	\$ 6,659,879
Facilities rental	1,098,451	2,821,085	-	-	3,919,536	2,610,954	3,105,161	-	-	5,716,115
Parking	151,799	1,620,446	-	-	1,772,245	196,011	1,446,926	-	-	1,642,937
Concessions	290,754	923,093	-	-	1,213,847	456,715	664,113	-	-	1,120,828
Promotion reimbursement and fees	164,000	103,520	825,654	-	1,093,174	171,352	111,220	759,316	-	1,041,888
Other	214,062	153,085	16,336	(150,000)	233,483	172,953	170,732	6,802	(150,000)	200,487
Total operating revenues	4,052,974	8,619,104	841,990	(161,542)	13,352,526	6,441,800	9,337,199	766,118	(162,983)	16,382,134
Operating expenses:										
Salaries, wages and benefits	4,055,570	5,404,686	5,123,081	-	14,583,337	5,141,236	6,129,320	5,171,489	-	16,442,045
Marketing expenditures	337,613	10,525	4,674,015	(8,087)	5,014,066	237,392	6,703	4,562,274	(8,971)	4,797,398
Utilities	1,392,570	2,884,248	149,401	(3,455)	4,422,764	1,592,904	3,196,956	169,131	(4,012)	4,954,979
Contract services	650,896	1,648,348	53,937	-	2,353,181	1,275,120	2,122,569	75,370	-	3,473,059
Insurance	399,913	431,555	38,571	-	870,039	390,281	405,458	22,354	-	818,093
Repairs and maintenance	421,388	772,852	151,811	-	1,346,051	439,756	749,002	191,124	-	1,379,882
Supplies	85,738	218,206	93,746	-	397,690	125,855	301,438	84,263	-	511,556
Professional fees	1,093,756	155,835	77,488	-	1,327,079	254,822	94,074	96,347	-	445,243
Management fees	274,632	296,420	-	-	571,052	366,437	365,707	-	-	732,144
Bad debts expense	128,724	127,324	-	-	256,048	9,201	33,160	6,591	-	48,952
Parking participation	-	190,000	-	-	190,000	-	190,000	-	-	190,000
Depreciation	-	-	256,271	-	256,271	-	-	191,663	-	191,663
Production	624,443	202,909	-	-	827,352	922,852	332,197	-	-	1,255,049
Other	15,718	42,507	247,770	(150,000)	155,995	49,173	59,208	250,784	(150,000)	209,165
Total operating expenses	9,480,961	12,385,415	10,866,091	(161,542)	32,570,925	10,805,029	13,985,792	10,821,390	(162,983)	35,449,228
Operating loss	(5,427,987)	(3,766,311)	(10,024,101)	-	(19,218,399)	(4,363,229)	(4,648,593)	(10,055,272)	-	(19,067,094)
Nonoperating income:										
Luxury tax revenue	5,424,452	3,763,120	908,151	-	10,095,723	4,295,613	4,637,789	2,526,882	-	11,460,284
Marketing fee revenue	-	-	9,099,763	-	9,099,763	-	-	7,451,869	-	7,451,869
Interest	3,535	3,191	16,187	-	22,913	67,616	10,804	76,521	-	154,941
	5,427,987	3,766,311	10,024,101	-	19,218,399	4,363,229	4,648,593	10,055,272	-	19,067,094
Change in net assets	-	-	-	-	-	-	-	-	-	-
Net assets — Beginning of year	-	-	7,610,623	-	7,610,623	-	-	7,610,623	-	7,610,623
Net assets — End of year	\$ -	\$ -	\$ 7,610,623	\$ -	\$ 7,610,623	\$ -	\$ -	\$ 7,610,623	\$ -	\$ 7,610,623

10. SUBSEQUENT EVENTS

Effective January 1, 2010, the Atlantic City Project will no longer be reflected in the Consolidated Financial Statements of the NJSEA. The Authority will be a component unit of the state of New Jersey.

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