

MEET AC, INC. AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2018 AND 2017
AND
INDEPENDENT AUDITORS' REPORT

MEET AC, INC. AND AFFILIATE

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Statements of Financial Position	3
Statements of Activities and Change in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Supplementary Information	
Consolidating Statements of Financial Position	18
Consolidating Statements of Activities and Change in Net Assets	20
Information Required Under <i>Government Auditing Standards</i> (GAS)	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22
Summary of Auditors' Results and Findings	24

FRIEDMAN LLP[®]

ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Meet AC, Inc. and Affiliate

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Meet AC, Inc. and Affiliate (the "Organization") (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Meet AC, Inc. and Affiliate as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and the consolidating statements of activities and change in net assets are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Friedman LLP". The signature is stylized and cursive.

Linwood, New Jersey
March 11, 2019

MEET AC, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents - uncommitted	\$ 522,694	\$ 761,858
Cash and cash equivalents - committed for convention incentive funds	-	425,223
Investment in certificates of deposit	248,352	300,000
Accounts receivable	5,481	5,407
Prepaid expenses	179,690	141,903
Total current assets	956,217	1,634,391
Noncurrent assets		
Intangible assets	35,000	35,000
Equipment - at cost, less accumulated depreciation	42,246	26,205
Total noncurrent assets	77,246	61,205
Total assets	\$ 1,033,463	\$ 1,695,596
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 258,009	\$ 173,341
Accrued payroll and related expenses	662,896	636,647
Refundable advance - NJ Department of State	32,766	55,385
Refundable advance - CRDA	-	425,223
Total current liabilities	953,671	1,290,596
Commitments		
Net assets		
Without donor restrictions		
Available budget reserve for operations	2,546	343,795
Net investment in noncurrent assets	77,246	61,205
Total net assets	79,792	405,000
Total liabilities and net assets	\$ 1,033,463	\$ 1,695,596

See notes to consolidated financial statements.

MEET AC, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

	Year Ended December 31,	
	2018	2017
Revenues and other support		
CRDA contract revenue	\$ 6,925,223	\$ 6,862,601
Registration staffing	146,548	156,538
Grants	152,619	74,001
Interest income	11,054	9,975
Total revenues and other support	7,235,444	7,103,115
Expenses and losses		
Program services		
Meetings, conventions and groups	6,347,090	6,071,342
Registration staffing	135,368	133,801
Marketing - sports and entertainment	542,104	373,844
Total program services	7,024,562	6,578,987
Supporting services		
Management and general	524,621	524,128
Total expenses before losses	7,549,183	7,103,115
Loss on disposal of equipment	11,469	-
Total expenses and losses	7,560,652	7,103,115
Change in net assets without donor restrictions	(325,208)	-
Net assets, beginning of year	405,000	405,000
Net assets, end of year	\$ 79,792	\$ 405,000

See notes to consolidated financial statements.

MEET AC, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services	Total Functional Expenses
	Meetings, Conventions and Groups	Registration Staffing	Marketing - Sports and Entertainment	Total Program Services	Management and General	
Payroll	\$ 2,016,861	\$ 103,233	\$ 131,325	\$ 2,251,419	\$ 277,521	\$ 2,528,940
Payroll taxes	148,872	22,280	10,046	181,198	21,986	203,184
Benefits	401,562	-	17,354	418,916	37,773	456,689
Salaries and related expenses	2,567,295	125,513	158,725	2,851,533	337,280	3,188,813
Marketing	1,633,519	9,855	283,715	1,927,089	17,476	1,944,565
Advertising and print	1,218,118	-	81,067	1,299,185	1,000	1,300,185
Client entertainment	422,114	-	14,487	436,601	923	437,524
Professional fees	152,560	-	-	152,560	77,799	230,359
Public relations	193,755	-	4,110	197,865	5,018	202,883
Facilities and insurance	76,572	-	-	76,572	58,727	135,299
Other expenses	47,963	-	-	47,963	5,364	53,327
Office and computer expenses	27,587	-	-	27,587	21,034	48,621
Depreciation	7,607	-	-	7,607	-	7,607
Total expenses	\$ 6,347,090	\$ 135,368	\$ 542,104	\$ 7,024,562	\$ 524,621	\$ 7,549,183

See notes to consolidated financial statements

MEET AC, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services				Supporting Services	Total Functional Expenses
	Meetings, Conventions and Groups	Registration Staffing	Marketing - Sports and Entertainment	Total Program Services	Management and General	
Payroll	\$ 1,966,819	\$ 117,135	\$ 86,285	\$ 2,170,239	\$ 241,616	\$ 2,411,855
Payroll taxes	151,105	8,795	6,601	166,501	22,910	189,411
Benefits	394,137	-	12,056	406,193	34,736	440,929
Salaries and related expenses	2,512,061	125,930	104,942	2,742,933	299,262	3,042,195
Marketing	1,659,151	7,821	173,937	1,840,909	17,928	1,858,837
Advertising and print	1,012,915	-	86,389	1,099,304	37	1,099,341
Client entertainment	471,821	-	8,486	480,307	2,138	482,445
Public relations	237,845	-	90	237,935	5,425	243,360
Professional fees	38,848	-	-	38,848	91,456	130,304
Facilities and insurance	68,476	-	-	68,476	61,751	130,227
Office and computer expenses	29,331	50	-	29,381	40,383	69,764
Other expenses	30,439	-	-	30,439	5,748	36,187
Depreciation	10,455	-	-	10,455	-	10,455
Total expenses	\$ 6,071,342	\$ 133,801	\$ 373,844	\$ 6,578,987	\$ 524,128	\$ 7,103,115

See notes to consolidated financial statements.

MEET AC, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2018	2017
Cash flows from operating activities		
Change in net assets without donor restrictions	\$ (325,208)	\$ -
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities		
Depreciation expense	7,607	10,455
Loss on disposal of equipment	11,469	-
Changes in assets and liabilities		
Accounts receivable	(74)	9,038
Prepaid expenses	(37,787)	(76,099)
Accounts payable and accrued expenses	84,668	(135,210)
Accrued payroll and related expenses	26,249	19,307
Refundable advance - NJ Department of State	(22,619)	32,239
Refundable advance - CRDA	(425,223)	128,420
Net cash used in operating activities	(680,918)	(11,850)
Cash flows from investing activities		
Purchase of certificates of deposit	-	(300,000)
Proceeds from redemption of certificates of deposit	51,648	-
Intangible assets	-	(10,000)
Equipment purchases	(35,117)	(4,705)
Net cash provided by (used in) investing activities	16,531	(314,705)
Net decrease in cash and cash equivalents	(664,387)	(326,555)
Cash and cash equivalents beginning of year	1,187,081	1,513,636
Cash and cash equivalents end of year	\$ 522,694	\$ 1,187,081
Supplemental cash flow disclosure		
Schedule of cash and cash equivalents		
Cash and cash equivalents - uncommitted	\$ 522,694	\$ 761,858
Cash and cash equivalents - committed for convention incentive funds	-	425,223
	<u>\$ 522,694</u>	<u>\$ 1,187,081</u>

See notes to consolidated financial statements.

MEET AC, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Meet AC, Inc. ("Meet AC") was incorporated on April 22, 2014. Effective June 18, 2014, the Casino Reinvestment Development Authority ("CRDA"), which is an instrumentality of the State of New Jersey (the "State"), approved the restructuring and outsourcing of the sales function of its Convention Sales Division through the creation of this separate and distinct not-for-profit business league entity. The Organization's purpose is to promote, market and advance the City of Atlantic City as a premium destination for conventions, meetings, and tradeshow, all with the goal of expanding the convention and tourism industries in Atlantic City and promoting the general business conditions of the community at large. As such, the CRDA and the Organization have entered into a public-private partnership agreement, whereby the CRDA provides funding to the Organization in exchange for these services, including booking convention space at Atlantic City Convention Center and Historic Boardwalk Hall (the "Facilities"), hotel rooms and off-site venues within Atlantic City, and promoting other Atlantic City amenities (see note 2).

Meet AC's affiliate, Atlantic City Sports Commission, Inc. (the "Commission"), was incorporated on December 3, 2014. The Commission was created by the State, through the efforts of the CRDA and Meet AC, to further carry out the CRDA's purposes. The Commission's purpose is to engage in sports and entertainment related activities, including, but not limited to, making distributions for charitable purposes and improving the Atlantic City region by promoting, marketing and advancing Atlantic City as a destination for amateur and professional sporting and other entertainment events. The Commission's primary source of revenue is from CRDA funding passed through Meet AC to the Commission.

Principles of Consolidation

Accounting principles generally accepted in the United States of America ("GAAP") require the Organization to consolidate entities in which it has control and an economic interest, when that control is evidenced through a majority ownership or voting interest. Meet AC has an economic interest and control of the Commission's board, by virtue of common corporate governance, and therefore consolidation is required. The consolidated financial statements include the accounts of Meet AC and the Commission, collectively referred to as the "Organization." All material intra-organizational accounts and transactions have been eliminated in the accompanying consolidated financial statements.

Basis of Presentation

The accompanying consolidated financial statements have been presented in accordance with GAAP. Net assets, revenues and other support, and expenses are classified based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions consist of assets, revenues and other support which are available and used for operations and programs.

MEET AC, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Net assets with donor restrictions include funds with donor-imposed restrictions, which permit the Organization to expend the assets as specified and are satisfied either by the passage of time or by actions of the Organization. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

There were no net assets with donor restrictions as of December 31, 2018 and 2017.

Use of Estimates

Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues, support, and expenses. Actual results could differ from those estimates.

Revenues and Support

All contract revenue and grants are recorded as refundable advances until they are expended in accordance with the terms of the Organization's agreement with the CRDA or the granting agency, at which time they are recognized as unrestricted revenues and support. Any CRDA contract revenues received but not expended as of the end of the year are permitted to be retained in a budget reserve in accordance with the terms of the agreement with CRDA. If, at the end of the contract term, the CRDA requests a return of any remaining uncommitted and unexpended monies, over and above the allowable budget reserve retained, the refundable advances would then be reclassified as due back to the CRDA. Accordingly, CRDA contract revenue is recognized only to the extent of expenses incurred (exchange transaction), plus any allowable addition to the budget reserve.

Cash and Cash Equivalents

Cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations. At various times during the year, the Organization's cash balances may exceed the insurable limit; however, the Organization has not experienced any losses in such accounts. For purposes of the consolidated statement of cash flows, the Organization considers all cash and cash equivalents with original maturities of three months or less when purchased to be cash or cash equivalents.

Investments

The Board of Directors may approve the investment of unused funds into money-market type funds and certificates of deposit with maturities approved by the Board of Directors. Investments consist of certificates of deposits with maturities greater than three months. The investments are stated at cost which approximates fair value, and are insured by the Securities Investor Protection Corporation subject to certain limitations.

MEET AC, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable represent amounts due from registration activities, and are stated at the amounts management expects to collect. Management evaluates its accounts receivable and records an allowance for doubtful accounts, when deemed necessary, based on a combination of historical experience, aging analysis, and information on specific accounts. Based on the Organization's review of accounts receivable, no allowance for doubtful accounts is considered necessary at December 31, 2018 and 2017.

Equipment

Equipment is stated at cost, less accumulated depreciation. The Organization's policy is to capitalize all assets with estimated useful lives greater than one year and with an original cost over \$1,000. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. The principal useful life for computers and computer equipment is estimated to be five years.

Intangible Assets

The intangible assets consist of domain names (meetac.com and meetatlanticcity.com) purchased by the Organization. The Organization follows the provisions of Accounting Standards Codification 350-30-35-18 for intangible assets, which requires an organization to perform impairment testing annually, or more frequently if events or circumstances indicate that the asset may be impaired, using a direct valuation methodology for those assets determined to have an indefinite life. Since the domain names have been determined to have an indefinite life, no amortization is recorded. No impairment loss was recognized for the years ended December 31, 2018 and 2017.

Compensated Absences

Certain employees of the Organization have earned a vested right to compensation for unused vacation time. Accordingly, the Organization has made an accrual for vacation compensation that employees have earned but not taken. As of December 31, 2018 and 2017, the Organization has accrued approximately \$59,000 and \$66,000 of earned vacation, respectively, which is included in accrued payroll and other expenses in the statement of financial position.

Functional Allocation of Expenses

Expenses are charged to programs and supporting services benefitted on the basis of time and expense analysis. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

Advertising Costs

It is the Organization's policy to expense advertising costs as incurred. The Organization incurred \$1,300,185 and \$1,099,341 in advertising costs for the years ended December 31, 2018 and 2017, respectively.

MEET AC, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Meet AC, Inc. qualifies as a tax-exempt organization under Section 501(c)(6) of the Internal Revenue Code. Contributions to the Organization are neither solicited nor tax deductible.

Atlantic City Sports Commission, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Commission also has been classified as an organization that is not a private foundation under Section 509(a)(2), and therefore qualifies for the charitable contribution deduction under Section 170(b)(1)(a). Since both entities qualify as tax-exempt organizations for both federal and state purposes, and neither organization engaged in any activities that might give rise to unrelated business income tax, the consolidated financial statements do not reflect a provision for income taxes.

New Accounting Pronouncements Issued – Adopted

During the year ended December 31, 2018, the Organization adopted the provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14), which changes the guidance for assets classification, expenses, and liquidity. ASU 2016-14 reduces the required number of classes of net assets from three to two: net assets with donor restrictions and net assets without donor restrictions. ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function. The methods used by not-for-profit entities to allocate costs among program and support functions are also required to be disclosed. Finally, ASU 2016-14 requires not-for-profit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date.

The Organization has retrospectively applied this standard to the consolidated financial statements as of and for the year ending December 31, 2017. This change had no effect on the previously reported net assets or change in net assets, other than to reflect a change in the title of net assets from unrestricted net assets to net assets without donor restrictions. The consolidated financial statements for the year ended December 31, 2017 also presented expenses by both nature and function in a supplementary schedule, which, in accordance with the ASU, are now presented in a consolidated statement of functional expenses, as part of the basic financial statements.

MEET AC, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements Issued –Not Adopted (Continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The standard supersedes existing revenue recognition guidance. This standard will be effective for the calendar year ending December 31, 2019. The Organization is currently in the process of evaluating the impact of adoption of this ASU on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the calendar year ending December 31, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on its consolidated financial statements.

Subsequent Events

These consolidated financial statements were approved by management and available for issuance on March 11, 2019. Management has evaluated subsequent events through this date.

2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

In response to the reduction in Luxury Tax Revenue and in accordance with the terms of the Organization's contract with the CRDA (see note 7), the CRDA approved the Organization's 2017 budget with a \$1.1 million reduction in funding from \$8.1 million to \$7 million. The Organization's 2018 budget was approved at the same \$7 million funding level, but of the \$7 million budgeted, up to \$500 thousand was budgeted to be utilized from CRDA's prior year unused funding (CRDA refundable advance and budget reserve). During 2018, the Organization spent down its budget reserve, which resulted in a decrease in net assets of approximately \$325,000 for the year ended December 31, 2018.

In October 2017, when the CRDA approved the budget, it acknowledged that the 2018 budget was to be funded through the Casino Investment Alternative Tax, net income from Luxury Tax Revenue (if any), and the CRDA's general fund. The Casino Investment Alternative Tax is a 1.25% tax on all New Jersey Casino's casino and sports wagering gross revenue. In November 2018, the CRDA approved the Organization's 2019 budget with an increase in funding to \$7.8 million.

MEET AC, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 – LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

Management and the Board of Directors commenced discussions with the CRDA regarding the extension of its contract, which expires December 31, 2019, and future funding to keep the Organization intact and able to continue its contribution to Atlantic City's economy. The current contract features an automatic 3 year term extension of the agreement if the CRDA does not provide written notice that the contract will not be renewed prior to 6 months of the expiration date of the original agreement. The contract also requires the CRDA to provide 360 days' notice before the agreement is terminated. As of the date of the issuance of these financial statements, the CRDA has not notified the Organization of its intent to either renew or terminate the contract. Management of the Organization believes that the CRDA contract will be renewed beyond December 31, 2019, however no assurances of this can be made.

Meet AC, Inc.'s financial assets as of December 31, 2018, available to meet cash needs for general expenditures within one year of the balance sheet date are as follows:

Cash	\$ 522,694
Investment in certificates of deposit	248,352
Accounts receivable	5,481
	<hr/>
	\$ 776,527

In addition to the financial assets shown above as of December 31, 2018 to meet cash requirements within one year, the Organization's 2019 funding of \$7.8 million has been approved by the CRDA. The Organization also receives revenue approximating \$150,000 annually as a result of providing registration services for meetings and groups, which is available to meet its financial obligations. Any cash in excess of its short-term requirements is invested in short-term certificates of deposit.

As a result of the change in the Organization's source of funding described above, the support from the CRDA and the Organization's ability to manage expenses within its budget, Management and the Board of Directors projects that it will have sufficient liquidity to continue operations for at least one year from the issuance of these financial statements.

MEET AC, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 - PROGRAM AND SUPPORTING SERVICES

Program Services

Meet AC, Inc.'s program services have been established, in accordance with the Organization's agreement with the CRDA, to promote and market the Atlantic City Convention Center and Historic Boardwalk Hall (the "Facilities") as premier destinations for conventions, meetings, trade shows and group leisure events; conduct coordinated advertising, publicity and promotion campaigns emphasizing attractions offered in Atlantic City (the "City") for meetings and groups; sell and coordinate the booking and reservation of convention, meeting and trade show space, hotel rooms and other off-site venues; participate in appropriate convention and destination marketing associations' events and trade shows to assure favorable publicity about the City and the Facilities; solicit convention, tradeshow and meeting organizations to use the Facilities and other venues throughout the City; provide tourism and event-planning services to associations, businesses, organizations and groups convening or holding conventions, meetings or events; prepare, publish and update materials providing specific information on the Facilities, hotels, restaurants, entertainment and other amenities located in the City, and distribute said materials to event planners or coordinators; coordinate with City hotels, restaurants and entertainment venues the cross-selling and booking of said Facilities in connection with the booking of a convention, tradeshow or other meeting events at the Facilities; and create and maintain strategic relationships for the coordination of services with the CRDA and its business partners, as they relate to the convention and meeting business in the City.

The Commission's program services are supported by Meet AC's agreement with the CRDA, and established to promote and market the Atlantic City Convention Center, Historic Boardwalk Hall and Bader Field (the "Commission Facilities") as premier destinations for sports related events, emphasizing attractions offered in the City for events to groups; to sell and coordinate the booking and reservation of events, hotel rooms and other off-site venues; to participate in appropriate convention and destination marketing associations' events and trade shows to assure favorable publicity about the City and the Commission Facilities; and to solicit, create and support sport related events to use the Commission Facilities and other venues throughout the City.

Supporting Services

Management and general services include those functions necessary to obtain and manage the Organization's financial and other resources, ensure an adequate working environment, develop and administer Organization programs and services and, in conjunction with the Organization's Board of Directors, oversee the articulation of Organization policies and procedures, as well as long-term Organization strategies.

MEET AC, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 – CASH AND CASH EQUIVALENTS – COMMITTED FOR CONVENTION INCENTIVE FUNDS

The Organization enters into agreements with other organizations to hold future events, conferences, and meetings in Atlantic City. As of December 31, 2017, the Organization had committed \$425,223 in unused CRDA funding to fulfill future agreements totaling \$1,125,000. As of December 31, 2018, the Organization had \$0 in unused CRDA funding from the 2018 budget year to commit to fulfilling future agreements, which total \$1,300,750 at December 31, 2018 (see note 6).

5– REFUNDABLE ADVANCES

The Organization operates under an agreement with the CRDA. As of December 31, 2017, the Organization had received funds in advance of and in excess of expenses incurred, which were reflected as refundable advances totaling \$425,223, and which were committed for future incentive funding of events to sales groups. The Organization recognized this amount as revenue during the 2018 year, as the events took place and the commitments entered into were satisfied. As of December 31, 2018, the Organization had not received any funds in advance of and in excess of expenses incurred, resulting in a refundable advance balance of \$0 as of December 31, 2018.

The Organization was awarded grants from the NJ Department of State, Division of Travel & Tourism, entitled, *Destination Marketing Organization*, in the amounts of \$130,000, covering the period July 1, 2017 to June 30, 2018 and \$130,000, covering the period July 1, 2018 to June 30, 2019. For the year ending December 31, 2017, the Organization recognized revenues of \$64,386 for the grant covering the period July 1, 2016 to June 30, 2017 and \$9,615 for the grant covering the period July 1, 2017 to June 30, 2018. For the year ending December 31, 2018, the Organization recognized revenues of \$120,385 for the grant covering the period July 1, 2017 to June 30, 2018 and \$32,234 for the grant covering the period July 1, 2018 to June 30, 2019. At December 31, 2018 and 2017, the Organization had received funds in advance of and in excess of expenses incurred, which are reflected as refundable advances totaling \$32,766 and \$55,385, respectively. During 2018, the Organization recognized the December 31, 2017 refundable advance of \$55,385 as revenue. The Organization anticipates recognizing the remaining funds as revenue in 2019, prior to the June 30, 2019 grant expiration date.

MEET AC, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 - COMMITMENTS

Incentive funding commitments

The Organization enters into agreements with various groups and organizations providing convention development and incentive funds to encourage the booking of conferences, conventions, and meetings in Atlantic City. As of December 31, 2018, the Organization had the following incentive funding commitments:

2019	\$ 578,000
2020	279,000
2021	233,750
2022	145,000
2023	50,000
Thereafter	15,000
	<hr/>
	\$ 1,300,750

Operating lease

During 2018, the Organization entered into an agreement to lease 25 computers and purchase of information technology services through December 2020. Total expense under the arrangement totaled approximately \$39,000 for the year ended December 31, 2018. Future minimum lease payments as of December 31, 2018 are as follows:

2019	\$ 37,357
2020	37,357
	<hr/>
	\$ 74,714

7 - CONCENTRATIONS

Major Sources of Revenue

The Organization receives the majority of its funding from the CRDA, which, under a 5 year contract originally set to expire at the end of 2019, provided for quarterly funding totaling \$8.1 million per year. The contract also provides for a reduction in the funding commitment to the Organization, in the event of an extraordinary reduction in the amount of annual Luxury Tax Revenues collected by the CRDA in any year. See note 2 for the reduction of funding in 2017 and 2018 and change in the source of funding for 2018.

MEET AC, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 - RELATED PARTY TRANSACTIONS

Contract Revenues

The Organization is funded by the CRDA as part of its collaborative, public-private partnership agreement with the CRDA in exchange for promotional, marketing and sales efforts rendered, including booking convention space, leisure groups, hotel rooms and off-site venues. Revenue recognized for the years ended December 31, 2018 and 2017 was \$6,925,223 and \$6,862,601, respectively.

Expenses

The Organization leases its operating facilities, on a month-to-month basis, from the CRDA. The monthly rental expense is based upon the percentage of floor space used. Rent expense for both years ended December 31, 2018 and 2017 was \$60,000. CRDA also charges for cleaning services at the facilities. Cleaning expense for both years ended December 31, 2018 and 2017 was \$22,800.

The Organization pays CRDA for marketing signage at the Facilities. Marketing expense for both years ending December 31, 2018 and 2017 was \$35,000.

Occasionally, the CRDA will pay various other administrative/office expenses on behalf of the Organization, for which the Organization will reimburse the CRDA. Amounts have been *de minimis*.

9 - RETIREMENT PLAN

The Organization sponsors a 401(k) retirement plan, covering all full-time employees. The Organization contributed a Safe Harbor amount equal to 4% of each full-time employee's compensation in 2018 and 2017. The contributions for the years ended December 31, 2018 and 2017 were \$94,218 and \$90,046, respectively.

SUPPLEMENTARY INFORMATION

MEET AC, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

	Meet AC	Atlantic City Sports Commission	Eliminations	Consolidated Statement
ASSETS				
Current assets				
Cash and cash equivalents - uncommitted	\$ 521,994	\$ 700	\$ -	\$ 522,694
Cash and cash equivalents - committed for convention incentive funds	-	-	-	-
Investment in certificates of deposit	248,352	-	-	248,352
Accounts receivable	5,481	-	-	5,481
Prepaid expenses	175,690	4,000	-	179,690
Due from related party	-	3,975	(3,975)	-
Total current assets	951,517	8,675	(3,975)	956,217
Noncurrent assets				
Intangible assets	35,000	-	-	35,000
Equipment - at cost, less accumulated depreciation	42,246	-	-	42,246
Total noncurrent assets	77,246	-	-	77,246
Total assets	\$ 1,028,763	\$ 8,675	\$ (3,975)	\$ 1,033,463
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	\$ 249,334	\$ 8,675	\$ -	\$ 258,009
Accrued payroll and related expenses	662,896	-	-	662,896
Refundable advance - NJ Department of State	32,766	-	-	32,766
Refundable advance - CRDA	-	-	-	-
Due to related party	3,975	-	(3,975)	-
Total current liabilities	948,971	8,675	(3,975)	953,671
Net assets				
Without donor restrictions				
Available budget reserve for operations	2,546	-	-	2,546
Net investment in noncurrent assets	77,246	-	-	77,246
Total net assets	79,792	-	-	79,792
Total liabilities and net assets	\$ 1,028,763	\$ 8,675	\$ (3,975)	\$ 1,033,463

See Independent Auditors' Report.

MEET AC, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

	Meet AC	Atlantic City Sports Commission	Eliminations	Consolidated Statement
ASSETS				
Current assets				
Cash and cash equivalents - uncommitted	\$ 761,719	\$ 139	\$ -	\$ 761,858
Cash and cash equivalents - committed for convention incentive funds	425,223	-	-	425,223
Investment in certificates of deposit	300,000	-	-	300,000
Accounts receivable	5,407	-	-	5,407
Prepaid expenses	134,403	7,500	-	141,903
Due from related party	-	981	(981)	-
Total current assets	1,626,752	8,620	(981)	1,634,391
Noncurrent assets				
Intangible assets	35,000	-	-	35,000
Equipment - at cost, less accumulated depreciation	26,205	-	-	26,205
Total noncurrent assets	61,205	-	-	61,205
Total assets	\$ 1,687,957	\$ 8,620	\$ (981)	\$ 1,695,596
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	\$ 164,721	\$ 8,620	\$ -	\$ 173,341
Accrued payroll and related expenses	636,647	-	-	636,647
Refundable advance - NJ Department of State	55,385	-	-	55,385
Refundable advance - CRDA	425,223	-	-	425,223
Due to related party	981	-	(981)	-
Total current liabilities	1,282,957	8,620	(981)	1,290,596
Net assets				
Without donor restrictions				
Available budget reserve for operations	343,795	-	-	343,795
Net investment in noncurrent assets	61,205	-	-	61,205
Total net assets	405,000	-	-	405,000
Total liabilities and net assets	\$ 1,687,957	\$ 8,620	\$ (981)	\$ 1,695,596

See Independent Auditors' Report.

MEET AC, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED DECEMBER 31, 2018

	Meet AC	Atlantic City Sports Commission	Eliminations	Consolidated Statement
Revenues and other support				
CRDA contract revenue	\$ 6,925,223	\$ 552,867	\$ (552,867)	\$ 6,925,223
Registration staffing	146,548	-	-	146,548
Grants	152,619	-	-	152,619
Interest income	11,054	-	-	11,054
Total revenues and other support	7,235,444	552,867	(552,867)	7,235,444
Expenses and losses				
Program services				
Meetings, conventions and groups	6,347,090	-	-	6,347,090
Registration staffing	135,368	-	-	135,368
Marketing - sports and entertainment	-	542,104	-	542,104
Atlantic City Sports Commission	542,104	-	(542,104)	-
Total program services	7,024,562	542,104	(542,104)	7,024,562
Supporting services				
Management and general	524,621	10,763	(10,763)	524,621
Total expenses before losses	7,549,183	552,867	(552,867)	7,549,183
Loss on disposal of equipment	11,469	-	-	11,469
Total expenses and losses	7,560,652	552,867	(552,867)	7,560,652
Change in net assets without donor restrictions	(325,208)	-	-	(325,208)
Net assets, beginning of year	405,000	-	-	405,000
Net assets, end of year	\$ 79,792	\$ -	\$ -	\$ 79,792

See Independent Auditors' Report.

MEET AC, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED DECEMBER 31, 2017

	Meet AC	Atlantic City Sports Commission	Eliminations	Consolidated Statement
Revenues and other support				
CRDA contract revenue	\$ 6,862,601	\$ 384,814	\$ (384,814)	\$ 6,862,601
Registration staffing	156,538	-	-	156,538
Grants	74,001	-	-	74,001
Interest income	9,975	-	-	9,975
Total revenues and other support	7,103,115	384,814	(384,814)	7,103,115
Expenses and losses				
Program services				
Meetings, conventions and groups	6,071,342	-	-	6,071,342
Registration staffing	133,801	-	-	133,801
Marketing - sports and entertainment	-	373,844	-	373,844
Atlantic City Sports Commission	373,844	-	(373,844)	-
Total program services	6,578,987	373,844	(373,844)	6,578,987
Supporting services				
Management and general	524,128	10,970	(10,970)	524,128
Total expenses before losses	7,103,115	384,814	(384,814)	7,103,115
Loss on disposal of equipment	-	-	-	-
Total expenses and losses	7,103,115	384,814	(384,814)	7,103,115
Change in net assets without donor restrictions	-	-	-	-
Net assets, beginning of year	405,000	-	-	405,000
Net assets, end of year	\$ 405,000	\$ -	\$ -	\$ 405,000

See Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Meet AC, Inc. and Affiliate

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Meet AC, Inc. and Affiliate (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 11, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Meet AC, Inc. and Affiliate's (the "Organization") internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Friedman LLP". The signature is written in a cursive, stylized font.

Linwood, New Jersey
March 11, 2019

MEET AC, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND RESPONSES

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:

Unmodified

Internal control over financial reporting:

- | | | |
|--|----------|--------------------------|
| 1) Material weakness(es) identified? | _____yes | _____X_____no |
| 2) Significant deficiency(ies) identified? | _____yes | _____X_____none reported |
| Noncompliance material to the
financial statements noted? | _____yes | _____X_____no |

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.