

**MEET AC, INC. AND AFFILIATE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**WITH SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2015**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**

**FRIEDMAN LLP<sup>®</sup>**  
ACCOUNTANTS AND ADVISORS

## MEET AC, INC. AND AFFILIATE

### TABLE OF CONTENTS

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Consolidated Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6
<b>Supplementary Information</b>	
Consolidated Schedule of Functional Expenses	12
Consolidating Statement of Financial Position	13
Consolidating Statement of Activities and Changes in Net Assets	14

# FRIEDMAN LLP<sup>®</sup>

ACCOUNTANTS AND ADVISORS

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Meet AC, Inc. and Affiliate (the "Organization") (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities and changes in net assets and cash flows for the year 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 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 audit. We conducted our audit 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 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, 2015, and the changes in their net assets and their cash flows for the year 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 schedule of functional expenses and consolidating statements are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The consolidating information on pages 13 and 14 is presented for purposes of additional analysis of the consolidated financial statements, rather than to present financial position and results of operations of the individual organizations. 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.

A handwritten signature in black ink, appearing to read "Friedman LLP", is written above the date.

March 11, 2016



**MEET AC, INC. AND AFFILIATE**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2015**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$ 1,302,173
Committed cash - ACA subsidy obligations	334,000
Accounts receivable	15,765
Prepaid expenses	251,969
<b>Total current assets</b>	<b>1,903,907</b>

**Noncurrent assets**

Computer equipment - at cost, less accumulated depreciation of \$9,236	34,762
<b>Total noncurrent assets</b>	<b>34,762</b>
<b>Total assets</b>	<b>\$ 1,938,669</b>

**LIABILITIES AND NET ASSETS**

**Current liabilities**

Accounts payable and accrued expenses	\$ 505,628
Accrued payroll and related expenses	686,211
Deferred income	341,830
<b>Total current liabilities</b>	<b>1,533,669</b>

**Commitments**

<b>Unrestricted net assets</b>	<b>405,000</b>
<b>Total unrestricted net assets</b>	<b>405,000</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,938,669</b>

See notes to consolidated financial statements.

MEET AC, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2015

<b>Revenues and other support</b>	
Contract revenue	\$ 9,137,999
Registration staffing	149,649
Interest income	12,255
Grant revenue	121,250
Total revenues and other support	9,421,153
<b>Expenses</b>	
Program services	
Meetings, conventions and groups	7,864,819
Registration staffing	148,994
Marketing - sports and entertainment	532,080
Total program services	8,545,893
Supporting services	
Management and general	470,260
Total expenses	9,016,153
Change in unrestricted net assets	405,000
Net assets, beginning of year	-
Net assets, end of year	\$ 405,000

See notes to consolidated financial statements.

**MEET AC, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2015**

<b>Cash flows from operating activities</b>	
Change in unrestricted net assets	\$ 405,000
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities	
Depreciation expense	7,598
Changes in assets and liabilities	
Accounts receivable	10,905
Prepaid expenses	(130,623)
Accounts payable and accrued expenses	328,541
Accrued payroll and related expenses	374,426
Refundable advances	(1,841,765)
Deferred income	341,832
Net cash used in operating activities	(504,086)
<b>Cash flows from investing activities</b>	
Equipment purchases	(11,234)
<b>Cash flows from financing activities</b>	
Cash commitment - ACA subsidy obligations	(334,000)
Release of compensating cash balance	98,500
Net cash used in financing activities	(235,500)
<b>Net decrease in cash and cash equivalents</b>	<b>(750,820)</b>
Cash and cash equivalents, beginning of year	2,052,993
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,302,173</b>

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, hotel rooms and off-site venues within Atlantic City, and promoting other Atlantic City amenities.

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.

Unrestricted net assets 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)

##### **Use of Estimates**

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

##### **Unrestricted Revenues and Support**

All contract revenues and other support are recorded as refundable advances until they are expended in accordance with the terms of the Organization's agreement with the CRDA, at which time they are recognized as unrestricted revenues and support. Any 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, revenue is recognized only to the extent of expenses incurred (exchange transaction), plus the allowable budget reserve.

##### **Cash and Cash Equivalents**

Cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations. For purposes of the 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.

##### **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, 2015.

##### **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.

## MEET AC, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **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, 2015, the Organization has accrued approximately \$47,000 of earned vacation.

##### **Functional Allocation of Expenses**

Expenses are charged to programs and supporting services 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 approximately \$1,575,000 in advertising costs for the year ended December 31, 2015.

##### **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.

##### **Subsequent Events**

These consolidated financial statements were approved by management and available for issuance on March 11, 2016. Management has evaluated subsequent events through this date.



## **MEET AC, INC. AND AFFILIATE**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 - 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 "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 Facilities; and to solicit, create and support sport related events to use the 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 Board, 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

#### 3 - COMMITTED CASH - ACA SUBSIDY OBLIGATIONS

On October 19, 2015, the Meet AC Board of Directors approved a commitment of \$334,000 of unused 2015 CRDA funding for the Organization to fulfill the Atlantic City Alliance's ("ACA") 2016 contracts for incentive funding to sales groups. The ACA is a private, non-profit destination marketing organization for Atlantic City, New Jersey which operates under a separate marketing agreement with the CRDA.

#### 4 - DEFERRED INCOME

The Organization operates under an agreement with the CRDA. At December 31, 2015, the Organization received funds in advance of and in excess of expenses incurred, which are reflected as deferred income of \$341,830. As approved by the CRDA, the Organization anticipates recognizing the following as revenue in 2016: \$334,000 when the commitment to pay ACA's incentive funding contracts takes place, and the remaining \$7,830 when the MPI-WEC Convention takes place.

#### 5 - RETIREMENT PLAN

The Organization sponsors a 401(k) retirement plan, covering all full-time employees. The Organization contributes a Safe Harbor amount equal to 3% of each full-time employee's compensation. The discretionary contribution for the year ended December 31, 2015 was \$77,145.

#### 6 - 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.

##### **Rental Expense**

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, which for the year ended December 31, 2015 totaled \$60,000.

##### **Miscellaneous Expenses**

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

## MEET AC, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 7 - CONCENTRATIONS

##### **Major Sources of Revenue**

The Organization receives its funding from the CRDA, which provides for quarterly funding totaling \$8.1 million per year, under a 5 year contract expiring at the end of 2019, which term may be renewed at the sole option of the CRDA for additional 3 year periods. However, in the event of an extraordinary reduction in the amount of annual Luxury Tax Revenue collected by the CRDA in any year, the funding commitment to the Organization may be adjusted by the CRDA in consultation with the Organization.

Over the past year, the annual Luxury Tax Revenue has fallen over 20%. The CRDA has suggested that the Organization could potentially see a reduction in future funding as a result of this decrease in Luxury Tax Revenue, however, no formal notice of any reduction has been received. Any decreases in funding from the CRDA would have a significant effect on the Organization and its programs and activities.

##### **Concentrations of Credit Risk**

Concentrations of credit risk with respect to accounts receivable are limited, since they are represented by a variety of signed agreements with a collection rate of 100%.

## **SUPPLEMENTARY INFORMATION**



MEET AC, INC. AND AFFILIATE

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

	Program Services				Supporting Services	Total Functional Expenses
	Meetings, Conventions and Groups	Registration Staffing	Marketing - Sports and Entertainment	Total Program Services	Management and General	
Payroll	\$ 2,173,945	\$ 132,390	\$ 37,135	\$ 2,343,470	\$ 183,112	\$ 2,526,582
Payroll taxes	180,793	16,375	4,229	201,397	16,666	218,063
Benefits	398,689	-	10,353	409,042	33,479	442,521
Salaries and related expenses	2,753,427	148,765	51,717	2,953,909	233,257	3,187,166
Marketing	2,162,393	229	361,776	2,524,398	48,085	2,572,483
Client entertainment	801,347	-	20,683	822,030	1,319	823,349
Advertising and print	1,482,256	-	54,843	1,537,099	38,002	1,575,101
Public relations	348,711	-	43,061	391,772	21,734	413,506
Office and computer expenses	73,751	-	-	73,751	35,609	109,360
Other expenses	121,169	-	-	121,169	10,764	131,933
Utilities	37,772	-	-	37,772	1,100	38,872
Rent and insurance	62,864	-	-	62,864	16,847	79,711
Professional fees	10,603	-	-	10,603	63,543	74,146
Use tax	2,928	-	-	2,928	-	2,928
Depreciation	7,598	-	-	7,598	-	7,598
Total expenses	\$ 7,864,819	\$ 148,994	\$ 532,080	\$ 8,545,893	\$ 470,260	\$ 9,016,153

See Independent Auditors' Report.

**MEET AC, INC. AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015**

	Meet AC	Atlantic City Sports Commission	Eliminations	Consolidated Statement
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 1,298,737	\$ 3,436	\$ -	\$ 1,302,173
Committed cash - ACA subsidy obligations	334,000	-	-	334,000
Accounts receivable	15,765	-	-	15,765
Prepaid expenses	221,028	30,941	-	251,969
Due from related parties	-	36,298	(36,298)	-
Total current assets	1,869,530	70,675	(36,298)	1,903,907
<b>Noncurrent assets</b>				
Computer equipment - at cost, less accumulated depreciation of \$9,236	34,762	-	-	34,762
Total noncurrent assets	34,762	-	-	34,762
Total assets	\$ 1,904,292	\$ 70,675	\$ (36,298)	\$ 1,938,669
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
Accounts payable and accrued expenses	\$ 434,953	\$ 70,675	\$ -	\$ 505,628
Accrued payroll and related expenses	686,211	-	-	686,211
Deferred income	341,830	-	-	341,830
Due to related parties	36,298	-	(36,298)	-
Total current liabilities	1,499,292	70,675	(36,298)	1,533,669
Unrestricted net assets	405,000	-	-	405,000
Total unrestricted net assets	405,000	-	-	405,000
Total liabilities and net assets	\$ 1,904,292	\$ 70,675	\$ (36,298)	\$ 1,938,669

See Independent Auditors' Report.

MEET AC, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2015

	Meet AC	Atlantic City Sports Commission	Eliminations	Consolidated Statement
<b>Revenues and other support</b>				
Contract revenue	\$ 9,137,999	\$ 539,460	\$ (539,460)	\$ 9,137,999
Registration staffing	149,649	-	-	149,649
Interest income	12,255	-	-	12,255
Grant revenue	121,250	-	-	121,250
Total revenues and other support	9,421,153	539,460	(539,460)	9,421,153
<b>Expenses</b>				
Program services				
Meetings, conventions and groups	7,864,819	-	-	7,864,819
Registration staffing	148,994	-	-	148,994
Marketing sports and entertainment	-	532,080	-	532,080
Atlantic City Sports Commission	532,080	-	(532,080)	-
Total program services	8,545,893	532,080	(532,080)	8,545,893
Supporting services				
Management and general	470,260	7,380	(7,380)	470,260
Total expenses	9,016,153	539,460	(539,460)	9,016,153
Change in unrestricted net assets	405,000	-	-	405,000
Net assets, beginning of year	-	-	-	-
Net assets, end of year	\$ 405,000	\$ -0-	\$ -0-	\$ 405,000

See Independent Auditors' Report.