

**MEET AC, INC. AND AFFILIATE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**WITH SUPPLEMENTARY INFORMATION**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**

## MEET AC, INC. AND AFFILIATE

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## 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, 2019 and 2018, 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.

## 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, 2019 and 2018, and the changes in their net assets and their 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 audits were 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 of the consolidated financial statements, rather than to present the financial position and changes in net assets of the individual entities, 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 9, 2020, 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 that reads "Friedman LLP". The signature is written in a cursive, stylized font.

Linwood, New Jersey  
March 9, 2020



**MEET AC, INC. AND AFFILIATE**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	December 31,	
	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 779,264	\$ 522,694
Investment in certificates of deposit	-	248,352
Accounts receivable	45,722	5,481
Prepaid expenses	143,700	179,690
Total current assets	968,686	956,217
<b>Noncurrent assets</b>		
Intangible assets	35,000	35,000
Equipment - at cost, less accumulated depreciation	42,864	42,246
Total noncurrent assets	77,864	77,246
<b>Total assets</b>	<b>\$ 1,046,550</b>	<b>\$ 1,033,463</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 310,817	\$ 258,009
Accrued payroll and related expenses	680,653	662,896
Refundable advance - NJ Department of State	18,093	32,766
Total current liabilities	1,009,563	953,671
Commitments		
<b>Net assets</b>		
Without donor restrictions		
Budget (deficit) reserve (from) for operations	(40,877)	2,546
Net investment in noncurrent assets	77,864	77,246
Total net assets	36,987	79,792
<b>Total liabilities and net assets</b>	<b>\$ 1,046,550</b>	<b>\$ 1,033,463</b>

See notes to consolidated financial statements.

**MEET AC, INC. AND AFFILIATE**

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**

	Year Ended December 31,	
	2019	2018
<b>Revenues and other support</b>		
CRDA contract revenue	\$ 7,835,119	\$ 6,925,223
Registration staffing	189,364	146,548
Grants	142,673	152,619
Interest income	9,864	11,054
Total revenues and other support	8,177,020	7,235,444
<b>Expenses and losses</b>		
Program services		
Meetings, conventions and groups	6,572,520	6,347,090
Registration staffing	166,413	135,368
Marketing - sports and entertainment	943,057	542,104
Total program services	7,681,990	7,024,562
Supporting services		
Management and general	537,835	524,621
Total expenses before losses	8,219,825	7,549,183
Loss on disposal of equipment	-	11,469
Total expenses and losses	8,219,825	7,560,652
<b>Change in net assets without donor restrictions</b>	(42,805)	(325,208)
Net assets, beginning of year	79,792	405,000
<b>Net assets, end of year</b>	<b>\$ 36,987</b>	<b>\$ 79,792</b>

See notes to consolidated financial statements.

**MEET AC, INC. AND AFFILIATE**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2019**

	Program Services				Supporting Services	Total Functional Expenses
	Meetings, Conventions and Groups	Registration Staffing	Marketing - Sports and Entertainment	Total Program Services	Management and General	
Payroll	\$ 2,062,326	\$ 129,133	\$ 139,639	\$ 2,331,098	\$ 258,370	\$ 2,589,468
Payroll taxes	117,649	18,694	34,360	170,703	19,967	190,670
Benefits	402,376	-	19,808	422,184	37,233	459,417
Salaries and related expenses	2,582,351	147,827	193,807	2,923,985	315,570	3,239,555
Marketing	1,951,645	18,586	652,354	2,622,585	13,010	2,635,595
Advertising and print	1,053,114	-	65,332	1,118,446	424	1,118,870
Client entertainment	511,684	-	23,686	535,370	900	536,270
Public relations	300,689	-	7,878	308,567	3,742	312,309
Professional fees	26,304	-	-	26,304	85,413	111,717
Facilities and insurance	69,248	-	-	69,248	71,524	140,772
Office and computer expenses	39,721	-	-	39,721	40,914	80,635
Other expenses	24,815	-	-	24,815	6,338	31,153
Depreciation	12,949	-	-	12,949	-	12,949
Total expenses	\$ 6,572,520	\$ 166,413	\$ 943,057	\$ 7,681,990	\$ 537,835	\$ 8,219,825

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 STATEMENTS OF CASH FLOWS**

	Year Ended December 31,	
	2019	2018
<b>Cash flows from operating activities</b>		
Change in net assets without donor restrictions	\$ (42,805)	\$ (325,208)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by (used in) operating activities		
Depreciation expense	12,949	7,607
Loss on disposal of equipment	-	11,469
Changes in assets and liabilities		
Accounts receivable	(40,241)	(74)
Prepaid expenses	35,990	(37,787)
Accounts payable and accrued expenses	52,808	84,668
Accrued payroll and related expenses	17,757	26,249
Refundable advance - NJ Department of State	(14,673)	(22,619)
Refundable advance - CRDA	-	(425,223)
Net cash provided by (used in) operating activities	21,785	(680,918)
<b>Cash flows from investing activities</b>		
Proceeds from redemption of certificates of deposit	248,352	51,648
Equipment purchases	(13,567)	(35,117)
Net cash provided by investing activities	234,785	16,531
<b>Net increase (decrease) in cash and cash equivalents</b>	256,570	(664,387)
Cash and cash equivalents beginning of year	522,694	1,187,081
<b>Cash and cash equivalents end of year</b>	<b>\$ 779,264</b>	<b>\$ 522,694</b>

See notes to consolidated financial statements.

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

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

#### **1 – NATURE OF THE ORGANIZATION**

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.

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.

#### **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.

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

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

#### **1 – NATURE OF THE ORGANIZATION (Continued)**

##### **Program Services (Continued)**

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 and the Commission did not incur any fundraising expenses during the years ended December 31, 2019 and 2018.

#### **2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **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.



## MEET AC, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **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.

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, 2019 and 2018.

##### **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**

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASC 606”). 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 was effective for annual reporting periods beginning after December 15, 2018. Effective January 1, 2019, the Organization adopted ASC 606 using the modified retrospective method. There was no cumulative effect of adopting ASC 606 to be recognized as an adjustment to opening net assets as of January 1, 2019. The initial application was applied to all contracts outstanding at January 1, 2019.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities– Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This ASU provides a more robust framework to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The Organization adopted ASU 2018-08 in 2019 on a modified prospective basis. The adoption of this ASU did not impact the consolidated financial statements.



## MEET AC, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Revenues and Support (Continued)**

*Contract Revenue* – In accordance with ASC 606, the Organization recognizes contract revenue when the following criteria are met: 1) Contract with the customer has been identified; 2) Performance obligations in the contract have been identified; 3) Transaction price has been determined; 4) The transaction price has been allocated to the performance obligations; and 5) When (or as) performance obligations are satisfied. Revenue from exchange contracts is recognized as the Organization substantially meets the performance obligations contained in the agreement with the sponsor.

The Organization's marketing and sales agreement with CRDA is a fixed-price agreement and does not include any incentive provisions. The Organization receives its approved contract funding from CRDA in four quarterly advance payments. The sales and marketing services are considered a single performance obligation that is satisfied over time. The Company recognizes revenue for financial reporting purposes over time. Progress toward completion of the Organization's contract is measured by the costs incurred to date. This method is used because management considers total cost to be the best available measure of progress the contract.

All contract revenue and grants are recorded as refundable advances until they are expended and recognized as revenue. 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.

The Organization also provides registration services. Each registration service contract is considered to be one performance obligation and revenue is recognized at the point in time of performance.

*Grants* – In accordance with ASU 2018-08, grants and contracts awarded by the State of New Jersey which are generally considered nonreciprocal transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred and conditions under the agreements are met. The Organization has elected the simultaneous release policy available under ASU 2018-08, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized.

## MEET AC, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Revenues and Support (Continued)

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, 2018 to June 30, 2019 and \$126,000, covering the period July 1, 2019 to June 30, 2020. 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 totaling \$152,619. For the year ending December 31, 2019, the Organization recognized revenues of \$97,766 for the grant covering the period July 1, 2018 to June 30, 2019 and \$44,907 for the grant covering the period July 1, 2019 to June 30, 2020 totaling \$142,673. At December 31, 2019 and 2018, the Organization had received funds in advance of and in excess of expenses incurred, which are reflected as refundable advances totaling \$18,093 and \$32,766, respectively. During 2019, the Organization recognized the December 31, 2018 refundable advance of \$32,766 as revenue. The Organization anticipates recognizing the remaining funds as revenue in 2020, prior to the June 30, 2020 grant expiration date.

The Organization recognized revenues and support as follows:

	Year Ended December 31,	
	2019	2018
CRDA contract revenue (over time)	\$ 7,835,119	\$ 6,925,223
Registration staffing contract revenue (point in time)	189,364	146,548
Grants	142,673	152,619
	<u>\$ 8,167,156</u>	<u>\$ 7,224,390</u>

##### 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

#### 2 – 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, 2019 and 2018.

##### **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. Accumulated depreciation was \$26,706 and \$15,158 as of December 31, 2019 and 2018, respectively.

##### **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, 2019 and 2018.

##### **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, 2019 and 2018, the Organization has accrued approximately \$67,000 and \$59,000 of earned vacation, respectively, which is included in accrued payroll and related expenses in the statement of financial position.

## MEET AC, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The cost of providing the various programs and other activities has been summarized on a functional basis in the statements of activities and changes in net assets and in the statements of functional expenses. The Organization incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on estimates of time and effort incurred by personnel. 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 \$1,118,870 and \$1,300,185 in advertising costs for the years ended December 31, 2019 and 2018, respectively.

##### **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 –Not Yet Adopted**

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, 2021. 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 9, 2020. Management has evaluated subsequent events through this date.



## MEET AC, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the statement of financial position for general expenditure are as follows:

	Year Ended December 31,	
	2019	2018
Cash	\$ 779,264	\$ 522,694
Investment in certificates of deposit	-	248,352
Accounts receivable	45,722	5,481
	<u>\$ 824,986</u>	<u>\$ 776,527</u>

In addition to the financial assets shown above as of December 31, 2019 to meet cash requirements within one year, the Organization's 2020 funding of \$10.1 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.

As a result of the funding commitment from 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.

#### 4 - 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, 2019, the Organization had the following incentive funding commitments:

Year Ending December 31,	
2020	\$ 572,485
2021	294,655
2022	170,000
2023	57,120
2024	15,000
Thereafter	27,120
	<u>\$ 1,136,380</u>

## MEET AC, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 4 – COMMITMENTS (Continued)

##### **Operating lease**

The Organization leases office equipment under leases that expire through December 2020 and August 2024. Total expense under the arrangements totaled approximately \$39,000 for the year ended December 31, 2019.

Future minimum lease payments as of December 31, 2019 are as follows:

Year Ending December 31,	
2020	\$ 39,133
2021	1,776
2022	1,776
2023	1,776
2024	1,184
	<hr/>
	\$ 45,645

#### 5 – CONCENTRATIONS

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

The Organization receives approximately 96% of its funding from the CRDA, which, under a 5 year contract originally expired at the end of 2019, provided for quarterly funding totaling \$7.8 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. During 2019, CRDA approved a 3 year renewal of the contract through 2022 with no guaranteed revenue in any year of the 3 year renewal.

#### 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. Revenue recognized for the years ended December 31, 2019 and 2018 was \$7,835,119 and \$6,925,223, 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 each of the years ended December 31, 2019 and 2018 was \$60,000. CRDA also charges for cleaning services at the facilities. Cleaning expense for each of the years ended December 31, 2019 and 2018 was \$22,800.

## MEET AC, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 6 - RELATED PARTY TRANSACTIONS (Continued)

##### Expenses (Continued)

The Organization pays CRDA for marketing signage at the facilities. Marketing expense for each of the years ended December 31, 2019 and 2018 was \$35,000.

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

#### 7 - 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 2019 and 2018. The contributions for the years ended December 31, 2019 and 2018 were \$102,388 and \$94,218, respectively.

## **SUPPLEMENTARY INFORMATION**



MEET AC, INC. AND AFFILIATE  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019

	Meet AC	Atlantic City Sports Commission	Eliminations	Consolidated Statement
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 775,264	\$ 4,000	\$ -	\$ 779,264
Accounts receivable	45,722	-	-	45,722
Prepaid expenses	137,950	5,750	-	143,700
Due from related party	-	7,500	(7,500)	-
Total current assets	958,936	17,250	(7,500)	968,686
<b>Noncurrent assets</b>				
Intangible assets	35,000	-	-	35,000
Equipment - at cost, less accumulated depreciation	42,864	-	-	42,864
Total noncurrent assets	77,864	-	-	77,864
<b>Total assets</b>	<b>\$ 1,036,800</b>	<b>\$ 17,250</b>	<b>\$ (7,500)</b>	<b>\$ 1,046,550</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
Accounts payable and accrued expenses	\$ 293,567	\$ 17,250	\$ -	\$ 310,817
Accrued payroll and related expenses	680,653	-	-	680,653
Refundable advance - NJ Department of State	18,093	-	-	18,093
Due to related party	7,500	-	(7,500)	-
Total current liabilities	999,813	17,250	(7,500)	1,009,563
<b>Net assets</b>				
Without donor restrictions				
Available budget (deficit) reserve for operations	(40,877)	-	-	(40,877)
Net investment in noncurrent assets	77,864	-	-	77,864
Total net assets	36,987	-	-	36,987
<b>Total liabilities and net assets</b>	<b>\$ 1,036,800</b>	<b>\$ 17,250</b>	<b>\$ (7,500)</b>	<b>\$ 1,046,550</b>

See Independent Auditors' Report.

MEET AC, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

	Meet AC	Atlantic City Sports Commission	Eliminations	Consolidated Statement
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 521,994	\$ 700	\$ -	\$ 522,694
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
<b>Noncurrent assets</b>				
Intangible assets	35,000	-	-	35,000
Equipment - at cost, less accumulated depreciation	42,246	-	-	42,246
Total noncurrent assets	77,246	-	-	77,246
<b>Total assets</b>	<b>\$ 1,028,763</b>	<b>\$ 8,675</b>	<b>\$ (3,975)</b>	<b>\$ 1,033,463</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
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
Due to related party	3,975	-	(3,975)	-
Total current liabilities	948,971	8,675	(3,975)	953,671
<b>Net assets</b>				
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
<b>Total liabilities and net assets</b>	<b>\$ 1,028,763</b>	<b>\$ 8,675</b>	<b>\$ (3,975)</b>	<b>\$ 1,033,463</b>

See Independent Auditors' Report.

MEET AC, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

YEAR ENDED DECEMBER 31, 2019

	Meet AC	Atlantic City Sports Commission	Eliminations	Consolidated Statement
<b>Revenues and other support</b>				
CRDA contract revenue	\$ 7,835,119	\$ 952,093	\$ (952,093)	\$ 7,835,119
Registration staffing	189,364	-	-	189,364
Grants	142,673	-	-	142,673
Interest income	9,864	-	-	9,864
Total revenues and other support	8,177,020	952,093	(952,093)	8,177,020
<b>Expenses and losses</b>				
Program services				
Meetings, conventions and groups	6,572,520	-	-	6,572,520
Registration staffing	166,413	-	-	166,413
Marketing - sports and entertainment	-	943,057	-	943,057
Atlantic City Sports Commission	943,057	-	(943,057)	-
Total program services	7,681,990	943,057	(943,057)	7,681,990
Supporting services				
Management and general	537,835	9,036	(9,036)	537,835
Total expenses	8,219,825	952,093	(952,093)	8,219,825
<b>Change in net assets without donor restrictions</b>	(42,805)	-	-	(42,805)
Net assets, beginning of year	79,792	-	-	79,792
<b>Net assets, end of year</b>	\$ 36,987	\$ -	\$ -	\$ 36,987

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
<b>Revenues and other support</b>				
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
<b>Expenses and losses</b>				
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
<b>Change in net assets without donor restrictions</b>	(325,208)	-	-	(325,208)
Net assets, beginning of year	405,000	-	-	405,000
<b>Net assets, end of year</b>	\$ 79,792	\$ -	\$ -	\$ 79,792

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, 2019, 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 9, 2020.

**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.

327 Central Avenue, Linwood, NJ 08221 p 609.927.2222 f 609.653.0675

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## 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, reading "Friedman LLP". The signature is written in a cursive, stylized font.

Linwood, New Jersey  
March 9, 2020



**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<br>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*.