Atlantic City Convention & Visitors Authority

(A Component Unit of the State of New Jersey)

Financial Statements as of and for the
Years Ended December 31, 2012 and 2011, and
Independent Auditors' Report

ATLANTIC CITY CONVENTION & VISITORS AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of net position of the Atlantic City Convention & Visitors Authority (the "Authority"), a component unit of the State of New Jersey, as of December 31, 2012 and 2011, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents.

Managements' Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Authority as of December 31, 2012 and 2011, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 21 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

April 5, 2013, except for Note 13, as to which the date is April 10, 2013

Introduction to the Annual Report

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

Management's Discussion and Analysis

The Management's Discussion and Analysis ("MD&A") presents an overview of the Authority's operations and financial performance during the years ended December 31, 2012 and 2011. It provides an assessment of how the Authority's financial position has improved or deteriorated and identifies the factors that, in management's view, significantly affected the Authority's overall financial position. It may contain opinions, assumptions or conclusions by the Authority's management that should not be considered a replacement for, and must be read in conjunction with, the other financial statements described below.

Financial Statements of the Authority

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

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

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information on all Authority assets, liabilities, revenues, and expenses in a manner similar to that used by most private-sector companies. These two statements also report the Authority's net position and changes in net position. Net position increase both when revenues exceed expenses and when the Authority's assets increase without a corresponding increase to the Authority's liabilities.

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

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

The Notes to the Financial Statements

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

The Authority's Business

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

- The Authority's Destination Marketing Organization ("Marketing Operations") serves as Atlantic City's principal marketing arm, stimulating economic growth through convention, business and leisure tourism development. Marketing Operations is funded primarily through marketing fees, which are imposed on hotels in Atlantic City. Marketing Operations also began receiving luxury taxes in 2006 to offset the loss of marketing fee revenue as a result of the Urban Revitalization Program. In this program, the Casino Reinvestment Development Authority ("CRDA") and casinos with approved entertainment-retail projects are rebated marketing fees paid in an amount equal to the incremental luxury taxes collected in districts with approved projects, over a baseline luxury tax revenue amount.

- The Authority has engaged SMG, an outside service provider, in a management agreement to provide management services for the Convention Center, Boardwalk Hall, and West Hall.

- The Convention Center consists of 486,000 square feet of contiguous exhibition space, 45 meeting rooms with 114,000 square feet of meeting space, and a 1,500 space parking garage. The facility serves an integral role in the fabric of the hospitality community by offering an anchor facility for conventions, trade shows, corporate meetings and consumer shows. The facility produces economic impact to the community by attracting exhibitors and attendees to the region, where their spending produces revenue streams for area businesses and residents.

- The Boardwalk Hall is a modern special event center able to compete with the nation's finest arenas for major entertainment and sporting events. The Boardwalk Hall offers the opportunity to provide the local community with a venue for activities, broadening the diversity and attractiveness for residents and visitors alike.

- The West Hall was constructed in 1978 to augment the Boardwalk Hall as an expanded convention facility. The facility is currently used as a preparation and staging area for events held in Boardwalk Hall and provides additional parking for the same.

- The Convention Center, Boardwalk Hall, and the West Hall operate at a deficit, seeking to attract visitors and business to this marketplace through a competitive rate structure. These facilities are also a significant generator of indirect revenue in the form of increased tax generation. Luxury taxes imposed and collected by the State on hotel room rentals, cover charges, drinks and admissions paid within Atlantic City are paid to the Trustee to reserve an amount sufficient to meet the debt service requirements and make debt payments on bonds issued to construct and renovate the facilities of the Authority. The balance of the luxury tax collections is then transferred to the Authority to cover the operational deficits, capital expenditures, and working capital and maintenance reserve requirements of the facilities.

- The Luxury Tax Reserve Fund is used to account for all of the luxury tax related cash, restricted cash, restricted investments, fixed assets, and the related debt of the Atlantic City Convention Center Project, which specifically includes the Atlantic City Convention Center, Boardwalk Hall, and the West Hall.

Financial Analysis

The following sections will discuss the significant changes in the Authority's financial position for 2012 and 2011. Additionally, an examination of major economic factors and industry trends that have contributed to the Authority's operations are provided. It should be noted that for purposes of this MD&A, summaries of the financial statements and the various exhibits presented include information from the Authority's financial statements, which are prepared in accordance with accounting principles generally accepted in the United States of America.

Authority Highlights (2012)

The Authority has recorded a $21,800,000 current year loss and corresponding liability in 2012 pertaining to an adverse decision rendered by the United States Court of Appeals for the Third Circuit in the *Historic Boardwalk Hall, LLC, New Jersey Sports and Exposition Authority, Tax Matters Partner vs. Commissioner of Internal Revenue* case. The Authority has also disclosed in Note 11 – Commitments and Contingencies – a reasonable possibility that the Authority has exposure to an additional liability under the Tax Benefits Guaranty as a result of the Third Circuit's decision, but any such amount cannot be determined at the current time. The loss pertains to a partnership, Historic Boardwalk Hall, LLC, formed in 2000 between NJSEA and PB Historic Renovations, LLC where the NJSEA signed a "Tax Benefits Guaranty" which agreed to pay PB Historic Renovations, LLC for the following as a result of an IRS challenge (1) any reduction in projected tax benefits; (2) any additional tax liability as a result of an IRS challenge; (3) any interest and penalties imposed by the IRS; (4) an amount sufficient to compensate PB Historic Renovations, LLC for reasonable third-party legal and administrative expenses related to such a challenge; and (5) an amount sufficient to pay any federal income tax liability owed by PB Historic Renovations, LLC. The Historic Boardwalk Hall, LLC has petitioned the Supreme Court to review the Third Circuit's decision.

Under the Pledged Property Agreement, executed between the Authority and NJSEA, the Authority agreed that the property pledged to the luxury tax bond holders, i.e. the luxury tax revenues, shall remain subject to the liens of and as security for the NJSEA bond holders and agreed to all of the terms and conditions of the NJSEA Bond Resolutions. The Authority acknowledged, assumed and agreed to be bound by all of the terms and provisions of the Bond Resolution. As the successor to the NJSEA under the Pledged Property Agreement, the Authority has recorded the litigation reserve in the Authority's financial statements. The Authority receives and maintains the luxury tax revenues and the payment of the litigation reserve would be made from the luxury taxes.

As of December 31, 2012 compared to 2011, the total assets of the Authority decreased by $6,384,220, the total liabilities increased by $15,298,174, and the corresponding net position decreased by $21,682,394 to $300,693,466.

For the year ended December 31, 2012 compared to the same twelve-month period in 2011, operating revenues for the Authority decreased by $444,088, while operating expenses increased by $20,862,808. Net nonoperating income decreased by $7,888,362 in 2012 from 2011 to $27,586,106.

Authority Highlights (2011)

On February 1, 2011, The Governor of the State of New Jersey signed legislation that provided for the establishment of the Atlantic City Tourism District and for the transfer of the Authority, together with its functions, powers, and duties, to the CRDA. The tourism district would be an area in which the CRDA would have authority to impose land use regulations, implement a tourism district master plan promoting cleanliness, commercial development, and safety within the tourism district, undertake redevelopment projects, and institute public safety infrastructure improvements. Pursuant to this legislation effective February 1, 2011, all of the powers, rights, assets, and duties of the Authority will be transferred to and vested in the CRDA upon a "transfer date." The transfer date will take place when the Chairs of the Authority and CRDA certify to the Governor of New Jersey that all of the bonds issued by the NJSEA cease to be outstanding. It is the intent of the Authority and CRDA to effect the transfer date by receiving certain consents from the equity investors in Convention Hall and Boardwalk Hall to assign financial transactions affecting them from the NJSEA to the Authority or the CRDA and causing the Authority or CRDA to redeem the outstanding bonds prior to their maturity date. Prior to the transfer date, the CRDA shall not exercise any powers, rights, or duties that will interfere with those of the Authority. The CRDA and Authority are directed to cooperate with each other so that the transfer date can occur as soon as practicable. Upon the transfer date, the terms of office of the members of the Authority shall terminate and its employees shall be transferred to the CRDA and become employees of CRDA.

As of December 31, 2011 compared to 2010, the total assets of the Authority increased by $1,286,273, the total liabilities decreased by $6,226,591, and the corresponding net position increased by $7,512,864 to $322,375,860.

For the year ended December 31, 2011 compared to the same twelve-month period in 2010, operating revenues for the Authority increased by $655,733, while operating expenses decreased by $288,115. Net nonoperating income grew by $6,418,525 in 2011 over 2010 to $35,474,468.

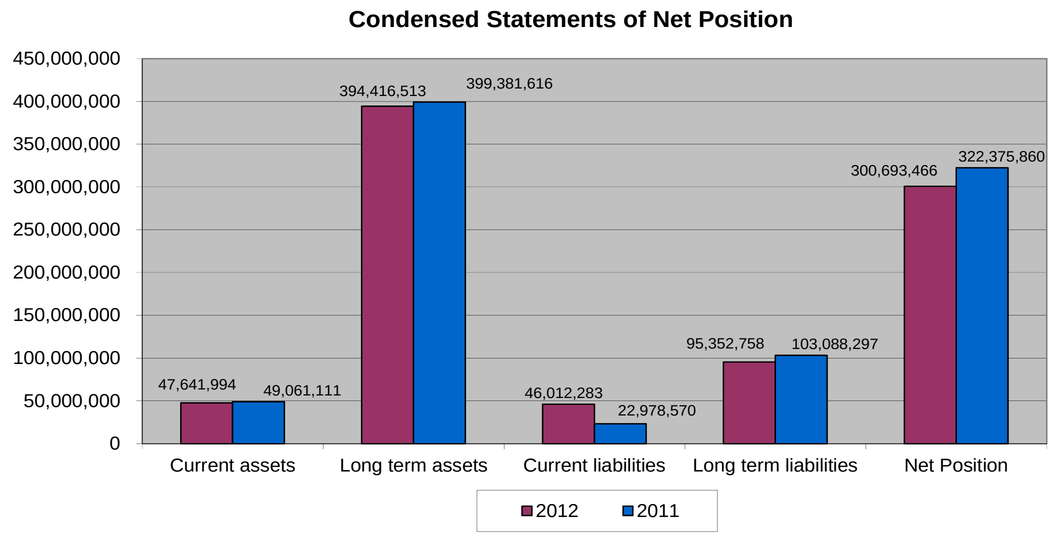
Financial Summaries

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

EXHIBIT 1

Condensed Statements of Net Position

	December 31, 2012	December 31, 2011	December 31, 2010
Current assets	$ 47,641,994	$ 49,061,111	$ 39,151,835
Long-term assets	5,733,771	5,842,256	5,951,743
Capital assets, net of accumulated depreciation	388,682,742	393,539,360	402,052,876
Total assets	442,058,507	448,442,727	447,156,454
Current and other liabilities	46,012,283	22,978,570	21,844,622
Long-term liabilities	95,352,758	103,088,297	110,448,836
Total liabilities	141,365,041	126,066,867	132,293,458
Invested in capital assets	286,957,742	284,589,360	284,724,040
Restricted for statutory requirements	5,921,638	5,519,884	5,679,829
Unrestricted net psotion	7,814,086	32,266,616	24,459,127
Total liabilities and net position	$ 442,058,507	$ 448,442,727	$ 447,156,454



As of December 31, 2012

Current Assets

The Authority's current assets decreased by $1,419,117 in 2012 to $47,641,994 primarily due to a $5,168,951 decrease in its Due from the State of New Jersey offset by a $3,312,763 increase in its cash and cash equivalents. The Authority's receivables increased $171,895 due to modest increases in the Convention Center, Boardwalk Hall, and Marketing Operations. Prepaid expenses and other assets increased $363,904 mainly due to an increase in the Luxury Tax Reserve Fund.

Luxury Tax Reserve Fund

The year-end cash balances in the Luxury Tax Reserve Fund were higher by $4,611,770 in 2012 compared to 2011. This cash consists of amounts necessary to meet the Authority's debt service requirements and fund its operating deficits and capital requirements. The increase results from the excess of luxury tax collections over debt service payments and capital and operating deficit fundings during 2012. Restricted cash and cash equivalents decreased by $98,728 due primarily to organ restoration expenditures made during 2012. (Note 11).

Marketing Operations

Marketing Operations' cash decreased by $1,939,786 in 2012 primarily due to the decrease in nonoperating cash collections in 2012. Nonoperating cash collections, which consist primarily of marketing fees and luxury taxes were $7,481,352, a decrease of $1,202,478 from 2011. Operating expenditures, though relatively consistent with 2011, were $9,290,067 in 2012.

Marketing Operations' receivable from the State decreased by $5,168,099 primarily due to a recertification of marketing fee rebates for 2008 through 2010 which resulted in an increase in the rebates, for those years, by $5,489,555. These rebates are netted against the receivable which results in a reduction of the receivable.

Long-Term Assets

Long-term assets decreased by $4,965,103 in 2012 primarily due to the 2012 acquisitions and depreciation on capital assets for the year. The Authority acquired capital assets of $4,443,991 in 2012, while accumulated depreciation increased by $9,300,609.

Current Liabilities

Current liabilities increased by $23,033,713 in 2012 due primarily to a $21,800,000 increase in litigation reserve. Accounts payable and accrued expenses increased $223,723 and deferred revenue increased $261,806. The Authority's current portion of long-term debt and interest payable increased by $375,000 and $373,184, respectively in 2012.

Luxury Tax Reserve Fund

Current liabilities increased primarily due to the recording of a $21,800,000 litigation reserve related to the Tax Benefit Guaranty between the PB Historic Renovations, LLC and NJSEA as Managing Member of the Historic Boardwalk Hall, LLC. (See Note 11)

As of December 31, 2012, the current portion of the 1999 series bonds payable is $7,600,000 compared to $7,225,000 at the end of 2011, and it will be paid on September 1, 2013. Interest payable on the 1999 bond series, the 2004 bond series, and the note payable is $1,160,538, $423,225, and $7,986,912, respectively, which represents a $373,184 increase over the interest payable at the end of 2011.

Convention Center and Boardwalk Hall

The Convention Center's and Boardwalk Hall's accounts payable and accrued expenses decreased by a collective $148,669 at the end of 2012 compared to 2011. The year-end balances in these accounts are impacted by the number of events occurring near the end of the year and the timing of goods received and services rendered by vendors. The later in the year the events take place, goods are received, or services are rendered, the more likely the payment for the related goods or services takes place in the subsequent year. At the end of 2012, $28,506 of the decrease pertained to decreases in end-of-the-year event expenses and utility accruals, offset by higher capital accruals. Accrued payroll also decreased in 2012 compared to 2011 by $118,629 primarily due to payouts in 2012 of retro-pay accruals owed for union employees at the end of 2011 which resulted from on-going contract negotiations.

The Convention Center's and Boardwalk Hall's deferred revenues increased $381,347 in 2012 partially as a result of Boardwalk Hall's strong end of the year collections for the 2013 concert for The Who of $749,319. At the end of 2011, by contrast, the highest advance ticket sale collections were the $519,526 for Rascal Flatt's January 2012 concert. Advance deposits for Boardwalk Hall and the Convention Center were also up $139,915, collectively, at the end of 2012 compared to 2011 mainly as a result of shows cancelled because of Hurricane Sandy. The promoters for the cancelled shows chose to roll over their deposits into the next year.

Long-Term Liabilities

Long-term liabilities decreased by $7,735,539 in 2012 as $7,600,000 in long-term bonds payables became current in 2012.

As of December 31, 2011

Current Assets

The Authority's current assets increased by $9,909,276 in 2011 to $49,061,111 primarily due to a $5,512,830 increase in its cash and cash equivalents and a $4,237,675 increase in its Due from the State. The Authority's receivables and prepaid expenses and other assets increased $70,043 and $88,728, respectively, due to modest increases in these line-items at the Convention Center, Boardwalk Hall, and Marketing Operations.

Luxury Tax Reserve Fund

The year-end cash balances in the Luxury Tax Reserve Fund were higher by $7,005,021 in 2011 compared to 2010. This cash consists of amounts necessary to meet the Authority's debt service requirements and fund its operating deficits and capital requirements. The increase resulted from the excess of luxury tax collections over debt service payments and capital and operating deficit fundings during 2011. Restricted cash and cash equivalents decreased by $159,425 due primarily to $261,522 in organ restoration expenditures made during 2011, net of a $100,000 capital grant received during the year (Note 11).

The Luxury Tax Reserve Fund's Due from the State increased by $1,094,274 in 2011 as a result of higher luxury tax certifications in the final three months of 2011 compared to 2010. The balances represent the final three months of luxury taxes certified by the State in both years that were not transferred to the Authority until the subsequent year.

Marketing Operations

Marketing Operations' cash decreased by $950,128 in 2011 primarily due to the decrease in nonoperating cash collections in 2011 compared to 2010, while its cash operating expenditures remained relatively flat over the two-year period. Nonoperating cash consists primarily of marketing fees and luxury taxes. Nonoperating cash collections decreased by $2,873,933 to $8,683,830 in 2011 while cash operating expenditures increased by $265,260 to $10,316,805. The resulting $1,632,975 decrease in cash was partially offset by $615,372 in operating cash receipts during 2011.

Accordingly, Marketing Operations' receivable from the State increased by $3,143,401 primarily due to the shortfall in marketing fee collections from the State during the year. Marketing fee collections from the State dropped from $10,057,763 in 2010 to $5,830,587 in 2011. While the receivable from the State increased in 2011 by $8,973,987 due to $10,572,608 in marketing fee certifications, net of $2,178,000 in marketing fee rebates, only $5,830,587 was collected against the balance during the year. A 2011 adjustment to the 2010 marketing fee rebate amount also resulted in a $579,380 increase in Marketing Operations' receivable from the State.

Long-Term Assets

Long-term assets decreased by $8,623,003 in 2011 primarily due to the impact of depreciation. The Authority's capital expenditure program was suspended for approximately nine months during 2011 after legislation for the Atlantic City Tourism District was adopted. As a result, only $1,434,874 in capital asset additions were made in 2011, while accumulated depreciation increased by $9,948,390.

Current Liabilities

Current liabilities increased by $1,133,948 in 2011 due to a $710,855 increase in accounts payable and accrued expenses, a $378,945 increase in interest payable, and a $345,000 increase in the current portion of long-term debt. Deferred revenue decreased by $300,852 in 2011.

Luxury Tax Reserve Fund

As of December 31, 2011, the current portion of the 1999 series bonds payable is $7,225,000 compared to $6,880,000 at the end of 2010, and it will be paid on September 1, 2012. Interest payable on the 1999 bond series, the 2004 bond series, and the note payable is $1,283,832, $423,225, and $7,490,434, respectively, which represents a $378,945 increase over the interest payable at the end of 2010.

Convention Center and Boardwalk Hall

The Convention Center's and Boardwalk Hall's accounts payable and accrued expenses increased by a collective $505,542 at the end of 2011 compared to 2010. The year-end balances in these accounts are impacted by the number of events occurring near the end of the year and the timing of goods received and services rendered by vendors. The later in the year that events take place, goods are received, or services are rendered, the more likely the payment for the related goods or services takes place in the subsequent year. At the end of 2011, $436,630 of the increase pertained to increases in end-of-the-year event expenses and higher legal, capital, and utility accruals. Accrued payroll also increased in 2011 over 2010 by $116,048 primarily due to increased retro-pay accruals for union employees as a result of on-going contract negotiations.

The Convention Center's and Boardwalk Hall's deferred revenues decreased $361,116 in 2011 as a result of Boardwalk Hall's strong end of the year collections in 2010 for the 2011 Lady Gaga concert. As of December 31, 2010, $1,056,102 in ticket sales had already been collected for the February 2011 concert. At the end of 2011, by contrast, the highest advance ticket sale collections were the $519,526 for Rascal Flatt's January 2012 concert. Advance deposits for Boardwalk Hall and the Convention Center were also down $144,176, collectively, at the end of 2011 compared to 2010. The decrease in advance ticket sales and deposits in 2011 was offset, somewhat, by an increase in unused facility fees at the end of 2011 compared to 2010. In October 2010, the Boardwalk Hall began assessing and collecting facility fees on tickets, licenses, and permits purchased for admission. The funds are to be used for enhanced maintenance, alterations and improvements at the Hall. At the end of 2011, there was $355,264 in unused facility fees, while there was only $32,224 in unused facility fees on hand at the end of 2010, a difference of $323,040.

Long-Term Liabilities

Long-term liabilities decreased by $7,360,539 in 2011 due to $7,225,000 in bonds payable coming due and $135,539 in bond premium and discount amortization.

EXHIBIT 2

Condensed Statements of Revenues, Expenses and Changes in Net Position

	December 31, 2012	December 31, 2011	December 31, 2010
Operating revenues	$ 14,733,633	$ 15,177,721	$ 14,521,988
Operating expenses	(64,002,133)	(43,139,325)	(43,427,440)
Operating loss	(49,268,500)	(27,961,604)	(28,905,452)
Nonoperating income and (expenses):			
Luxury tax revenue	35,485,650	31,515,011	27,989,825
Marketing fee revenue, net	5,574,402	8,394,608	7,179,606
Marketing fee recapture (rebate) - prior year	(8,531,149)	1,254,623	
Interest income	25,983	37,367	53,665
Interest expense	(5,358,813)	(5,717,174)	(6,058,186)
Capital reimbursement revenue	500,000	-	-
Capital grant revenue	-	100,000	-
Other nonoperating income (expense)	(109,967)	(109,967)	(108,967)
Total nonoperating revenue	27,586,106	35,474,468	29,055,943
Transfers from NJSEA	-	-	307,101,882
(Decrease) increase in net position	$ (21,682,394)	$ 7,512,864	$ 307,252,373

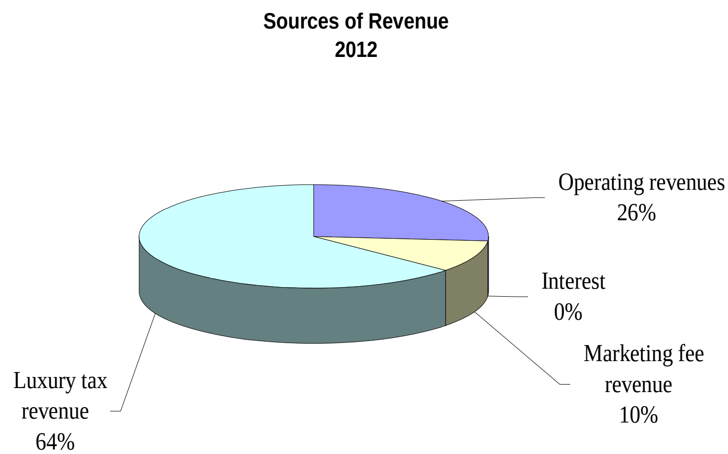
While the Statements of Net Position show the financial position or net position, the Statements of Revenues, Expenses, and Changes in Net Position provide answers as to the nature and source of these changes.

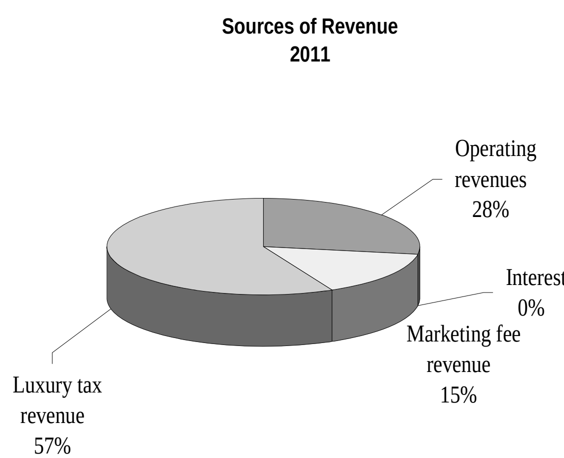
Sources of revenue consisted of:

- Operating revenues - the revenues generated at the Convention Center, Boardwalk Hall, West Hall, and Marketing Operations.

- Luxury tax revenue - received from the Trustee, after the debt service requirements are met, for capital expenditures for the Convention Center, Boardwalk Hall, and West Hall and the operating deficits of the Convention Center, Boardwalk Hall, West Hall, and Marketing Operations. Prior to 2010, luxury tax revenue was forwarded from the State to the NJSEA. The NJSEA would forward the necessary funds to the Trustee for the debt service payments. The NJSEA would then fund the Authority directly for the capital expenditures and operating deficits.

- Marketing fee revenue - collected from Atlantic City hotels, via the State, to promote the destination of Atlantic City.

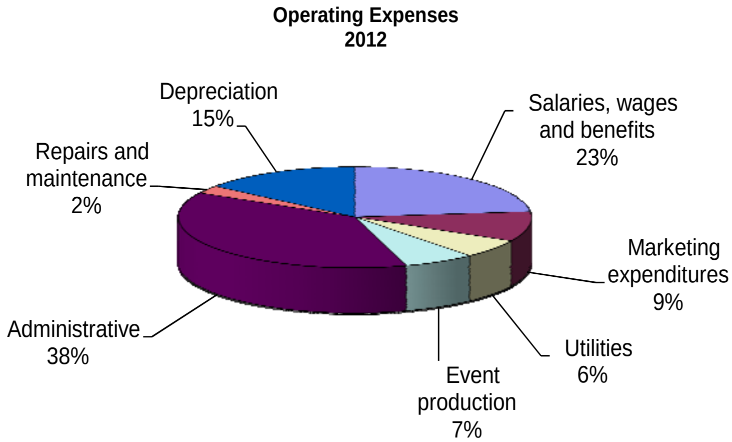

Sources of Revenue
2012
Operating revenues
26%
Interest
0%
Marketing fee
revenue
10%
Luxury tax
revenue
64%

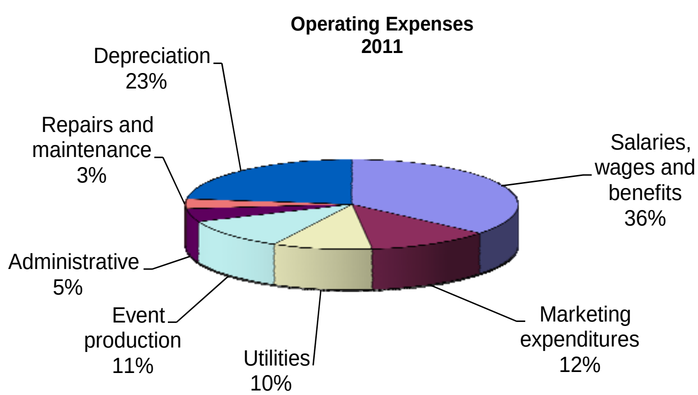

Sources of Revenue
2011
Operating
revenues
28%
Interest
0%
Marketing fee
revenue
15%
Luxury tax
revenue
57%

Sources of expenses consisted of:

- Operating expenses - all of the costs associated with promoting the destination of Atlantic City and operating the facilities, except for costs of a capital nature that are depreciated.

- Depreciation expenses - recognizes the cost of capital assets, such as buildings, furniture, fixtures, and equipment, and building and leasehold improvements over their estimated useful lives, which is usually between three and sixty years.





Operating Highlights

Number of Attendees

	2012	2011	2010
Boardwalk Hall	297,512	279,140	317,736
Convention Center	266,931	326,465	307,545
	564,443	605,605	625,281

Number of Events

	2012	2011	2010
Boardwalk Hall	37	40	40
Convention Center	100	104	106
	137	144	146

Operating Revenues & Expenses by Facility (000's)

	2012	2011	2010
Operating Revenues:			
Boardwalk Hall	$ 6,950	$ 6,746	$ 6,369
Convention Center	7,080	7,865	7,576
Marketing Operations	703	567	577
	$ 14,733	$ 15,178	$ 14,522
Operating Expenses:			
Boardwalk Hall	$ 11,030	$ 10,596	$ 9,802
Convention Center	11,680	12,089	11,901
Luxury Tax Reserve	30,988	9,751	11,496
Marketing Operations	10,304	10,703	10,228
	$ 64,002	$ 43,139	$ 43,427

<u>For the Year Ended December 31, 2012</u>

<u>Operating Revenues</u>

Operating revenues for the Authority decreased by $444,088 to $14,733,633 for the year ended December 31, 2012. The Convention Center's operating revenues decreased by $784,757 while Boardwalk Hall and Marketing Operations' operating revenues increased by $204,307 and $136,362, respectively.

<u>Boardwalk Hall</u>

Special services revenue increased by $580,839 primarily due to facility fees of $711,705 assessed and collected on tickets, licenses, and permits purchased for admission. These funds are used for enhanced maintenance, alterations and improvements at the Hall. This increase was offset, somewhat by lower billable income from security, carpenters and outside electrical contractors. Facilities rental and other revenues decreased by $238,134 and $193,650, respectively. Facilities rental revenue decreased primarily due to lower arena rental. There were more arena events in 2012; however, in 2012 there were only 7 events with rents greater than $100,000 versus 10 events in 2011. Ballroom rent exceeded 2011 levels by $43,499 partially offsetting the loss of arena rent. Other revenues declined in 2012 primarily due to the recognition of revenue in 2011 related to a settlement with a former vendor. Concession revenue decreased slightly in 2012 mainly due to less alcohol sales. There were more concert type events in 2012 which favor concession sales versus sporting events which favor alcohol sales.

Convention Center

Attendance was down at the Convention Center by 59,534 in 2012 primarily due to postponed or cancelled events such as Marine Equipment and Supply Company, National College Fair, Association of Schools and Agencies for Handicapped, New Jersey Education Association, and New Jersey State League of Municipalities in late October and November because of Hurricane Sandy. The decrease in attendance was primarily responsible for a collective decrease of $330,774 in special services, parking, and concessions revenues. Unfavorable variances of $147,442 in special service revenue related to carpenter, security, police, equipment rental and cleaning revenue were offset by increases in ticket incentive and client utilities service revenue of $74,028. The negative impact to concession revenue from cancelled and non-returning shows of $199,824 was partially offset by $75,197 in concession revenue from new shows such as The Big Show. Facilities rental revenue, however, decreased by $298,725 primarily due to late October and November postponed or cancelled events and non-returning events from 2011, such are Corvette, Delta Sigma, and Fast Lane Biker. The negative impact of the events was offset by some new and returning events, such as Pet Show whose rental alone was $70,000 higher in 2012.

Marketing Operations

Advertising revenue for the Atlantic City Visitors Guide, previously produced by an outside vendor, netted an increase in operating revenue for Marketing Operations of $88,608. Grant revenue also increased by $25,482 mainly due to the receipt of a new grant, which will be used for international marketing, from the State of New Jersey offset by the completion of the Restaurant Week Grant early in 2012. These two items contributed to the majority of the $136,362 increase in operating revenues for the Marketing Operations.

Operating Expenses

For the year ended December 31, 2012 compared to 2011, operating expenses for the Authority increased by $20,862,808 to $64,002,133. Operating expenses for the Luxury Tax Reserve Fund and Boardwalk Hall increased by $21,237,248 and $433,502, respectively. Operating expenses for the Convention Center and Marketing Operations, however, decreased by $408,076 and $399,866, respectively.

Boardwalk Hall

Operating expenses for Boardwalk Hall increased by $433,502 to $11,029,748 primarily due to the $1,044,039 increase in marketing expenditures, offset by decreases in salaries, contract services, and production of $277,515, $168,132, and $281,513, respectively in 2012. Marketing expenditures increased due to building promoted events such as AHL hockey, ECAC hockey and the A10 basketball tournament. The ECAC hockey and A10 basketball tournament net expenses were absorbed by Marketing Operations in 2011. Payroll expenses directly related to the events were lower by $258,292 in 2012. In 2011, the New Jersey Devils played four hockey games in the arena versus only one in 2012 resulting in a $274,471 reduction in production expense.

Convention Center

The decrease in operating expenses of $408,076 to $11,680,490 at the Convention center is primarily due to a decrease in utilities of $406,224 in 2012 compared to 2011. Thermal heating and cooling and electric decreased by $253,834 and $165,403, respectively, offset by an increase of $13,549 in solar. Salaries, wages and benefits decreased by $67,918 due to lower security and parking labor of $104,111 from unfilled positions and a reallocation of labor on non-event days. This decrease was offset by an increase in Hurricane Sandy related labor of $33,562. Repairs and maintenance increased by $66,500 due to Hurricane Sandy related repairs of $29,832 and equipment repairs of $21,082. Also, inspection and testing expense of $19,367 related to the roll doors was not incurred in 2011.

Luxury Tax Reserve Fund

Operating expense increased $21,237,248 primarily due to the recording of a $21,800,000 litigation reserve related to the Tax Benefit Guaranty between the PB Historic Renovations, LLC and NJSEA as Managing Member of the Historic Boardwalk Hall, LLC. (See Note 11)

Marketing Operations

Marketing Operations' operating expenses decreased by $399,866 to $10,303,873. In 2012, the net expenses related to the A10 basketball tournament and the ECAC hockey tournament were moved to Boardwalk Hall operations and accounted for $704,455 of the reduction in Marketing Operations' expenses. These savings were offset by additional expenses in print and photo services totaling $358,991 related to the in-house printing of the Atlantic City Visitors Guide, the rebranding expense associated with the "DO AC" campaign, and new B-roll, which is used in the background of filmed advertising, for the new and rebranded properties in the city. Enhancements and redesign of the Authority's and Restaurant Week's website helped to increase marketing service expense by $121,774. In January 2012, Marketing Operations sponsored an American Hockey League event held in Boardwalk Hall for $120,000. Salaries, wages and benefits also decreased $318,282 in 2012 due to several vacant positions throughout the year.

For the Year Ended December 31, 2011

Operating Revenues

Operating revenues for the Authority for the year ended December 31, 2011 increased by $655,733 over 2010 to $15,177,721. Boardwalk Hall's and the Convention Center's operating revenues increased by $376,330 and $289,766, respectively, while Marketing Operations' operating revenues decreased by $10,363.

Boardwalk Hall

As a result of the change in the composition of events held at Boardwalk Hall in 2011 compared to 2010, special services revenue increased by $750,163, while facilities rental revenue and concessions revenue decreased by $281,021and $206,036, respectively. In 2011, there were more sporting and family type events compared to the higher number of arena concerts and boxing events in 2010. Sporting and family type events typically have more services billed with lower rent, while arena concerts and boxing events typically have higher rents and less billable services. There were thirteen mid-to-large concerts and boxing events in 2011 compared to seventeen of these types of events in 2010 including a 3-day Phish concert which had an attendance of 42,250 and generated over $300,000 in concessions revenue.

Convention Center

Attendance was up at the Convention Center by 18,920 in 2011 due to new and annual events such as Pet Industry, North Atlantic AKA Conference, Eastern Area Links and New Jersey School Boards. The increase in attendance helped to drive increases in special services, parking, and concessions revenues a collective $399,598. Two of the new events in 2011, Delta Sigma Theta and Eastern Area Links, had catering sales of $70,362 and $92,262, respectively, which helped to increase concessions revenues in 2011 by $161,169. Facilities rental revenue, however, decreased by $128,909 primarily due to the downsizing of some of the larger shows. The annual Power Boat Show, for example, downsized its 2011 show which resulted in a reduction of its rent by $75,000 compared to 2010.

Operating Expenses

For the year ended December 31, 2011 compared to 2010, operating expenses for the Authority decreased by $288,115 to $43,139,325. Operating expenses for Boardwalk Hall, the Convention Center, and Marketing Operations increased by $794,371, $187,318, and $475,784, respectively. Operating expenses for the Luxury Tax Reserve Fund, however, decreased by $1,745,588 primarily due to the $1,747,743 decrease in depreciation expense in 2011.

Boardwalk Hall

In 2011, the increase in multiple-day family and sporting events held at Boardwalk Hall resulted in higher salaries, wages, and benefits, marketing expenditures, and production expenses. These three line-item expenses increased a collective $841,502 in 2011 over 2010. The Alegria-Cirque, ECAC and Devils hockey games, and the Atlantic City Boardwalk Rodeo are just a few of the events that require high labor and production needs for staging set ups, cleaning and breakdowns.

Convention Center

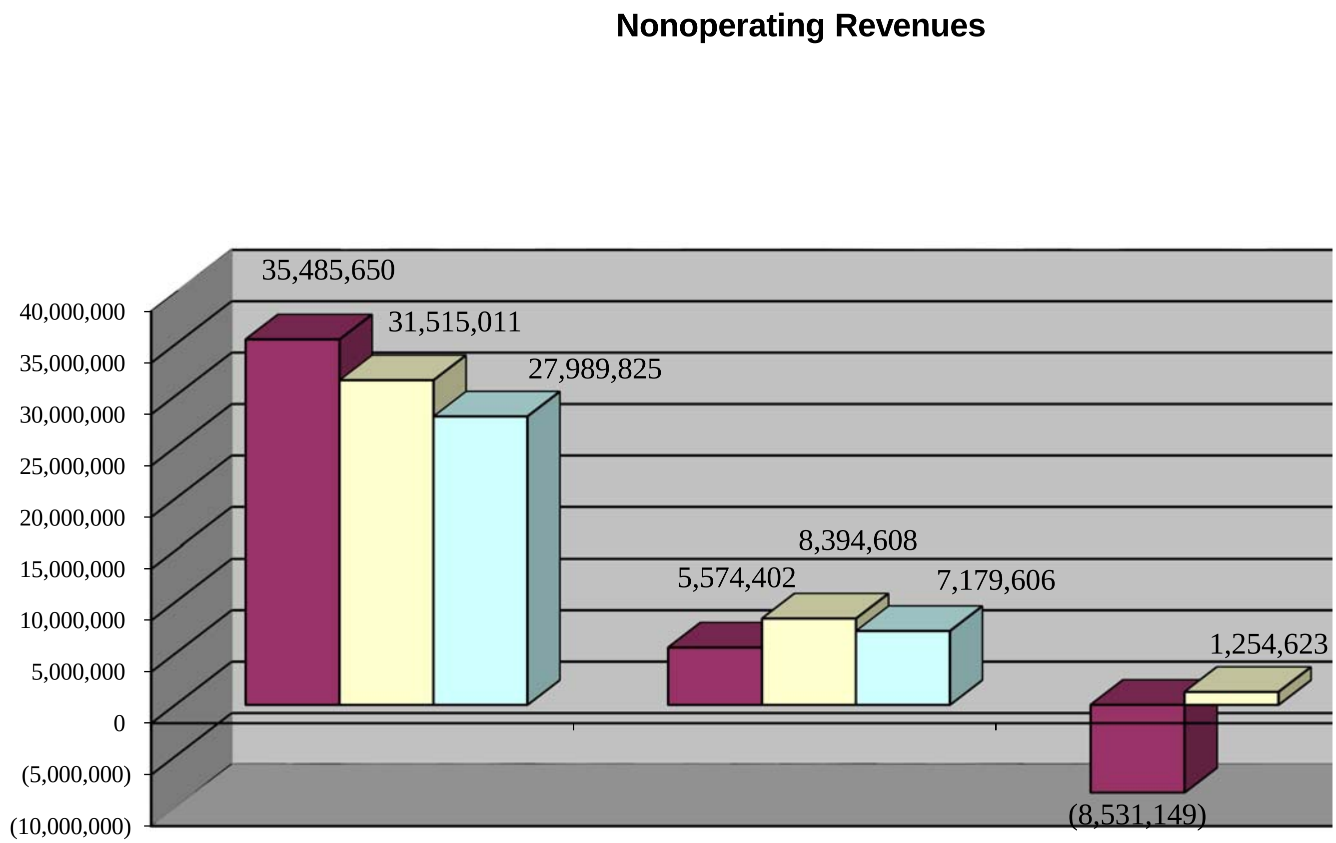
Utilities and salaries, wages and benefits increased a collective $199,374 in 2011 over 2010 primarily due to utility rate increases and the types of events held at the Convention Center in 2011. Utilities increased in 2011 primarily due to a $45,452 increase in thermal heating and cooling, a $20,929 increase in solar, and a $12,231 increase in water and sewer. Larger events like the New Jersey School Boards were a primary reason for the increase in event-related payroll, while non-event related payroll increased due to contracted union rate increases and an increase in health benefit expenses.

Marketing Operations

Marketing Operations' $475,784 increase in operating expenses is due primarily to the $455,045 increase in marketing expenses. The ECAC hockey tournament came to Atlantic City for the first time in 2011. The net operating expenses and payment guarantee for the first year of this tournament were $319,868. In 2011, the net operating expenses and the payment guarantee for the Atlantic 10 basketball tournament also increased a collective $66,758.

Nonoperating Highlights (000's)

	2012	2011	2010
Nonoperating Income and (Expenses)			
Luxury tax revenue	$ 35,486	$ 31,515	$ 27,990
Marketing fees revenue, net	5,574	8,394	7,179
Marketing fees recapture (rebates) - prior year	(8,531)	1,255	-
Interest revenue	26	37	54
Capital reimbursement revenue	500	-	-
Capital grant revenue	-	100	-
Interest expense	(5,359)	(5,717)	(6,058)
Other nonoperating expense	(110)	(110)	(109)
Total nonoperating income	$ 27,586	$ 35,474	$ 29,056



For the Year Ended December 31, 2012

Nonoperating Revenues

Luxury tax revenue for the Authority increased by $3,970,639 over 2011 to $35,485,650. Luxury taxes are used for the Authority's debt service requirements, capital expenditures, deficit operations, and working capital and maintenance reserve requirements. The increase in the Authority's luxury taxes is primarily due to the increase in luxury tax certifications by the State in 2012.

Marketing Operations

Marketing fees are collected from casino and non-casino hotels in Atlantic City based on occupied rooms. The State of New Jersey collects the marketing fees from the casinos and non-casino hotel properties.

In 2006, through legislation of an Urban Revitalization Program ("URP"), part of this fee is redirected to hotel properties meeting the identified criteria. The redirected amounts ("rebates") are netted out from marketing fee revenue. Certain hotel properties in the City of Atlantic City have URP projects for which they receive rebates of the marketing fees imposed on them and collected by the State of New Jersey in accordance with the aforementioned legislation. The amount of the rebate, in any given year, will equal the incremental luxury taxes collected for the URP project over its base year , which is the year immediately preceding the project's final approval. The calculation is performed annually by the New Jersey Department of Taxation.

The New Jersey Department of Taxation (the "Department") calculates and certifies the rebates within the first 120 days of the subsequent year. Such amounts are subject to review and audit by the Department. If the certification is not finalized prior to the completion of the Authority's annual audit report, any difference between the accrued rebate and the final rebate is recorded in the subsequent year when such amounts become known.

While marketing fees collected by the State of New Jersey increased $221,394, to $10,794,002 in 2012, Marketing Operations' marketing fee revenue decreased by $2,820,206 compared to 2011. The decrease is primarily due to an increase in marketing fee rebates of $3,041,600 in 2012, which are netted out from marketing fees.

In 2012, based upon an audit conducted by the Department, it was determined that the rebates calculated and paid to the hotel properties during the years of 2008 through 2011 had been understated for a total amount of $8,531,149 and that the hotels were due such amounts. The entire $8,531,149 is recorded as an expense in 2012.

Nonoperating Expenses

Luxury Tax Reserve Fund

During the years ended December 31, 2012 and 2011, interest expense totaling $5,358,813 and $5,717,174, respectively, represents interest paid and accrued on the Authority's debt, net of the annual amortization of the related bond premiums and discounts.

For the Year Ended December 31, 2011

Nonoperating Revenues

Luxury tax revenue for the Authority increased by $3,525,186 over 2010 to $31,515,011. Luxury taxes are used for the Authority's debt service requirements, capital expenditures, deficit operations, and working capital and maintenance reserve requirements. The increase in the Authority's luxury taxes is primarily due to the $3,036,474 increase in luxury tax certifications by the State in 2011.

Marketing fees are collected from casino and non-casino hotels in Atlantic City based on occupied rooms. The State of New Jersey collects the marketing fees, sets an estimated amount aside for year-end rebates to casinos and the CRDA with urban revitalization projects, and remits the balance to the Authority.

Marketing Operations

Marketing Operations' marketing fee revenue increased by $2,469,625 over 2010 to $9,649,231 in 2011. Marketing fees collected by the State of New Jersey amounted to $10,572,608 in 2011 compared to the $9,939,608 collected in 2010, an increase of $633,002. Marketing fee rebates, which are netted out from Marketing Operations' marketing fee revenue, are lower by $582,000 in 2011 compared to 2010, which actually increases the revenue recognized.

Marketing Operations also recovered $1,254,623 of 2010 marketing fee revenue in 2011. The prior year revenue recovery consisted of the following two components:

1) A $579,380 favorable difference between the estimated 2010 marketing fee rebates accrued at the end of 2010 and the actual rebates certified in 2011 for 2010.

2) A $675,243 recovery of under-certified 2010 marketing fees.

Marketing Operations received both the favorable certification of 2010 marketing fee rebates and the recovery of the under-certified 2010 marketing fees in the second quarter of 2011.

EXHIBIT 3

Capital Assets

	December 31, 2010	Additions	December 31, 2011	Additions	December 31, 2012
Land	$ 81,311,000	$ -	$ 81,311,000	$ -	$ 81,311,000
Buildings	408,663,301	314,214	408,977,515	2,315,793	$ 411,293,308
Furniture, fixtures and equipment	54,998,896	912,686	55,911,582	1,843,550	$ 57,755,132
Building and leasehold improvements	1,536,769	207,974	1,744,743	284,648	2,029,391
Total at cost	546,509,966	1,434,874	547,944,840	4,443,991	552,388,831
Less accumulated depreciation	(144,457,090)	(9,948,390)	(154,405,480)	(9,300,609)	(163,706,089)
Investment in capital assets — net	$ 402,052,876	$ (8,513,516)	$ 393,539,360	$ (4,856,618)	$ 388,682,742

At the end of 2012 and 2011, the Authority had invested $388,682,742 and $393,539,360 in net capital assets, respectively, at costs of $552,388,831 and $547,944,840 net of $163,706,089 and $154,405,480 in accumulated depreciation, respectively.

Capital asset additions during 2012 and 2011 consisted of normal purchases and improvements of infrastructure, mechanical systems, computer and network systems, as well as various website and safety system upgrades. The Authority considers any asset with a value over $5,000 and an estimated useful life over three years a depreciable asset. Capital assets are depreciated using the straight-line method from three to sixty years (See Note 5).

Current Economic Conditions

Atlantic City's casino industry's gaming revenue fell in 2012 to its lowest level since the early 1990's, due to the week-long shutdown from Hurricane Sandy, competition from surrounding states and a sluggish economy. Including 2012, Atlantic City has suffered six straight years of revenue declines, off 42 percent from its 2006 peak of $5.2 billion. Prior to Sandy, casino revenue for the industry was down approximately five percent through September 2012. While many New Jersey shore towns still struggle to rebuild in the aftermath of Hurricane Sandy, Atlantic City's expansive year-round resorts, restaurants, entertainment venues and convention facilities experienced minimal disruptions and were able to quickly return to business.

In April 2012, the highly anticipated Revel Atlantic City, a 130,000 square foot casino with 1,399 hotel rooms, opened to the public. The property features two nightclubs, thirteen restaurants, two live entertainment venues and multiple swimming pools. While this new property helped to add revenues to the overall economy, the property, itself, never became one of the top revenue producers as widely projected and has consistently placed in the bottom half of the market in gaming revenue. The Revel, however, will be open for all twelve months in 2013 compared to nine months in 2012

Budgetary Controls

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

Contacting the Authority's Financial Management

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

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ATLANTIC CITY CONVENTION & VISITORS AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
STATEMENTS OF NET POSITION
DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 2D and 4)	$ 36,625,350	$ 33,312,587
Restricted cash and cash equivalents (Notes 2D and 4)	623,141	721,869
Due from the State of New Jersey — marketing fees & luxury taxes	8,059,733	13,228,684
Receivables — net of allowance for doubtful accounts of $40,676 in 2012 and $64,181 in 2011	830,449	658,554
Prepaid expenses and other assets	1,503,321	1,139,417
Total current assets	47,641,994	49,061,111
LONG-TERM ASSETS:		
Restricted investments (Notes 2E and 4)	4,798,497	4,798,015
Investment in capital assets (Note 2H and 5)	388,682,742	393,539,360
Other long-term assets (Note 2I)	935,274	1,044,241
TOTAL ASSETS	$ 442,058,507	$ 448,442,727
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 4,366,469	$ 4,142,746
Interest payable on bonds and notes	9,570,675	9,197,491
Deferred revenue	2,675,139	2,413,333
Current portion of bonds payable (Notes 6 and 8)	7,600,000	7,225,000
Litigation reserve (Note 11)	21,800,000	-
Total current liabilities	46,012,283	22,978,570
LONG-TERM LIABILITIES:		
Long-term portion of notes payable (Note 7)	8,600,000	8,600,000
Long-term portion of bonds payable (Notes 6 and 8)	86,752,758	94,488,297
Total liabilities	141,365,041	126,066,867
NET POSITION:		
Invested in capital assets, net of related debt	286,957,742	284,589,360
Restricted for statutory requirements	5,921,638	5,519,884
Unrestricted	7,814,086	32,266,616
Total net position	300,693,466	322,375,860
TOTAL LIABILITIES AND NET POSITION	$ 442,058,507	$ 448,442,727

See notes to financial statements.

ATLANTIC CITY CONVENTION & VISITORS AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
OPERATING REVENUES:		
Special services	$ 7,226,314	$ 6,715,896
Facilities rental	3,717,606	4,254,465
Parking	1,688,009	1,790,029
Concessions	1,061,635	1,205,673
Promotion reimbursement and fees	839,863	695,140
Other	200,206	516,518
Total operating revenues	14,733,633	15,177,721
OPERATING EXPENSES:		
Salaries, wages, and benefits	14,902,557	15,566,272
Marketing expenditures	6,068,374	5,160,331
Utilities	3,844,299	4,174,140
Contract services	2,627,633	2,806,382
Insurance	840,517	803,670
Repairs and maintenance	1,608,369	1,491,905
Supplies	439,341	378,496
Professional fees	555,529	472,519
Management fees	458,904	426,024
Bad debt expense	21,613	56,292
Parking participation (Note 11)	190,000	190,000
Depreciation (Notes 2H and 5)	9,300,609	9,948,390
Production	1,185,896	1,490,084
Other	158,492	174,820
Litigation reserve (Note 11)	21,800,000	-
Total operating expenses	64,002,133	43,139,325
OPERATING LOSS	(49,268,500)	(27,961,604)
NONOPERATING INCOME AND (EXPENSES):		
Luxury tax revenue (Note 3)	35,485,650	31,515,011
Marketing fee revenue (Note 3)	10,794,002	10,572,608
Marketing fee rebates - current year (Note 3)	(5,219,600)	(2,178,000)
Marketing fee revenue, net (Note 3)	5,574,402	8,394,608
Marketing fee recapture (rebate) - prior year (Note 3)	(8,531,149)	1,254,623
Interest revenue	25,983	37,367
Interest expense (Notes 6 and 7)	(5,358,813)	(5,717,174)
Capital reimbursement revenue	500,000	-
Capital grant revenue	-	100,000
Other nonoperating expense	(109,967)	(109,967)
Total nonoperating revenue	27,586,106	35,474,468
CHANGE IN NET POSITION	(21,682,394)	7,512,864
NET POSITION — Beginning of year	322,375,860	314,862,996
NET POSITION — End of year	$ 300,693,466	$ 322,375,860

See notes to financial statements.

ATLANTIC CITY CONVENTION & VISITORS AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 14,797,320	$ 14,909,624
Payments to suppliers	(14,095,021)	(16,053,861)
Payments to employees	(14,890,764)	(15,293,918)
Net cash used in operating activities	(14,188,465)	(16,438,155)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Luxury tax revenue	18,940,095	16,836,367
Marketing fee revenue	2,211,352	6,505,830
Net cash provided by noncapital financing activities	21,151,447	23,342,197
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments of bonds	(7,225,000)	(6,880,000)
Additions to investment in facilities	(3,774,837)	(1,528,505)
Interest paid on bonds and notes	(5,121,169)	(5,473,769)
Capital grant proceeds	-	100,000
Luxury tax revenues	12,346,169	12,353,769
Net cash used in capital and related financing activities	(3,774,837)	(1,428,505)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	25,890	37,293
Net cash provided by investing activities	25,890	37,293
INCREASE IN CASH AND CASH EQUIVALENTS	3,214,035	5,512,830
CASH AND CASH EQUIVALENTS — Beginning of year	34,034,456	28,521,626
CASH AND CASH EQUIVALENTS — End of year	$ 37,248,491	$ 34,034,456
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (49,268,500)	$ (27,961,604)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	9,300,609	9,948,390
Decrease (increase) in current assets:		
Receivables — net	3,009,703	3,017,986
Prepaids and other assets	135,707	(89,134)
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	22,372,210	(1,052,941)
Deferred revenues	261,806	(300,852)
NET CASH USED IN OPERATING ACTIVITIES	$ (14,188,465)	$ (16,438,155)

NONCASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

At December 31, 2012 and 2011, the Authority had other long-term assets related to its investment in facilities related bonds payable of $935,274 and $1,044,241, respectively (See Notes 2I, 6, and 8).

At December 31, 2012 and 2011, the Authority had bonds payable and notes payable of $94,352,758 and $8,600,000 and $101,713,297 and $8,600,000, respectively (See Notes 6, 7, and 8) related to the investment in facilities.

See notes to financial statements.

1. BACKGROUND AND AUTHORIZING LEGISLATION

Chapter 459 of P.L. 198l, approved on January 12, l982, and amended effective January 13, 1992, created the Atlantic City Convention Center Authority (the "Authority"). The Authority is responsible for the promotion, operation, and maintenance of the Historic Boardwalk Hall ("Boardwalk Hall"), the West Hall, as well as the Atlantic City Convention Center ("Convention Center"), which opened in May 1997. In addition, the Authority, through the Destination Marketing Organization ("Marketing Operations"), promotes tourism into the greater Atlantic City area. The Authority consists of seven board members, of which six public members, at least two of whom shall be representatives of the New Jersey casino industry, are appointed by the Governor of the State of New Jersey, with the advice and consent of the Senate. The Treasurer of the State of New Jersey serves as an ex-officio member.

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

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

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

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

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

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

Effective January 1, 2010, all of the costs and capital improvements of the Atlantic City Project, which specifically includes the Boardwalk Hall, the West Hall, and the Convention Center were transferred to the Authority, and the Atlantic City Project is no longer reflected in the Consolidated Financial Statements of the NJSEA.

On February 1, 2011, The Governor of the State of New Jersey signed legislation that provided for the establishment of the Atlantic City Tourism District and for the transfer of the Authority, together with its functions, powers, and duties, to the CRDA. The tourism district would be an area in which the CRDA would have authority to impose land use regulations, implement a tourism district master plan promoting cleanliness, commercial development, and safety within the tourism district, undertake redevelopment projects, and institute public safety infrastructure improvements. Upon transfer, the CRDA will assume the Authority's powers, duties, assets, and responsibilities, the date on which (a) the chairs of the CRDA and the Authority certify to the Governor that all of the bonds issued by the Authority cease to be outstanding within the meaning of the resolutions pursuant to which the bonds were issued, and (b) the CRDA assumes all debts and statutory responsibilities of the Authority. At December 31, 2012, the Authority's bonds remain outstanding.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **General** — In its accounting and financial reporting, the Authority follows GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

b. **Reporting Entity** — The GASB establishes the criteria used in determining which organizations should be included in financial statements. Accounting principles generally accepted in the United States of America require the inclusion of the transactions of government organizations for which an organization is financially accountable. The Authority has no other organizations that should be included in its financial statements.

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

   Until December 31, 2009, the Authority was a component unit of the NJSEA, which was a component unit of the State of New Jersey. In 2010, the Authority became an independent authority and a component unit of the State of New Jersey.

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

d. **Cash and Cash Equivalents** — Cash and cash equivalents include short-term investments that are carried at cost, which approximates market. The Authority considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Restricted cash, cash equivalents, and investments are cash and short-term investments that are required for a specific purpose related to restrictions that may be contained in bond resolutions or grant agreements.

   Restricted cash, cash equivalents, and investments include $623,141 for Organ restoration at Boardwalk Hall (Note 11) and $4,798,497 in investments held for the Historic Boardwalk Hall.

e. **Valuation of Investments —** State and local government securities, repurchase agreements, and certificates of deposit are investments in nonparticipating investment contracts which management concludes are not significantly affected by the impairment of the credit standing of the Authority or other factors. Credit ratings for these investments are not available. These investments are recorded at fair market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools.*

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

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

h. **Investment in Capital Assets** — Investment in capital assets is stated at cost, which includes all costs during the construction period for acquisition of land, rights of way, acquisition cost of acquiring capital, surveys, engineering costs, roads, construction costs and additions to facilities, administrative and financial expenses and interest during construction, net of interest income earned on the unexpended funds, including debt service reserve funds net of accumulated depreciation. Depreciation is computed by the straight-line method based on estimated useful lives of the related assets.

i. **Other Long-Term Assets** — Other assets include deferred issuance costs incurred to issue debt, including but not limited to, legal and accounting costs. These costs have been deferred and are being amortized over the life of the issuance on a straight-line basis in other nonoperating expense.

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

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

l. **Litigation Reserve** — The litigation reserve is related to the Tax Benefit Guaranty between the PB Historic Renovations, LLC and NJSEA as Managing Member of the Historic Boardwalk Hall, LLC. (See Note 11)

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

   Full-time employees sick days accumulate from year to year with no limit on accumulation. Eligible employees separating from employment with the authority are entitled to one half pay for unused accumulated sick time at separation, up to a maximum of $15,000.

n. **Use of Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Management is also required to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

The Authority has completed the process of evaluating the impact that will result from implementing GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements.* The Authority has concluded that the adoption of GASB Statement No. 60 has no impact on its financial position, results from operations and cash flows. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The Statement is effective for reporting periods beginning after December 15, 2011.

The Authority has completed the process of evaluating the impact that will result from implementing GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34.* The Authority has concluded that the adoption of GASB Statement No. 61 has no impact on its financial position, results from operations and cash flows. The requirements of Statement No. 14, *The Financial Reporting Entity,* and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.

The Authority has completed the process of evaluating the impact that will result from implementing GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The Authority has concluded that the adoption of GASB Statement No. 62 has no impact on its financial position, results from operations and cash flows. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

i. Financial Accounting Standards Board (FASB) Statements and Interpretations

ii. Accounting Principles Board Opinions

iii. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

The requirements of this Statement are effective for financial statements beginning after December 15, 2011.

The Authority has completed the process of evaluating the impact that will result from implementing GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* The Authority has concluded that the adoption of GASB Statement No. 63 has no impact on its financial position, results from operations, and cash flows. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

The Authority has completed the process of evaluating the impact that will result from implementing GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions — an amendment of GASB Statement No. 53*. The Authority has concluded that the adoption of GASB Statement No. 64 has no impact on its financial position, results from operations and cash flows. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establishes when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011.

The Authority has not completed the process of evaluating the impact that will result from implementing GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement reclassifies and recognizes certain items currently reported as assets and liabilities as one of four financial statement elements:

- Deferred outflows of resources.
- Outflows of resources.
- Deferred inflows of resources.
- Inflows of resources.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

The Authority has completed the process of evaluating the impact that will result from implementing GASB Statement No. 66, *Technical Corrections — 2012*. The Authority has concluded that the adoption of GASB Statement No. 66 has no impact on its financial position, results from operations and cash flows. This Statement removes the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type, amending Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. This requires governments to base their decisions about governmental fund type usage for risk financing activities on the guidance in Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In addition, Statement No. 66 amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Statement No. 66 modifies specific guidance on accounting for:

- Operating lease payments that vary from a straight-line basis.
- The difference between the initial investment, or purchase price, and the principal amount of a purchased loan or group of loans.
- Servicing fees related to mortgage loans sold when the stated service fee rate differs significantly from a current or normal servicing fee rate.

This guidance is designed to eliminate uncertainty regarding the application of Statement No. 13, *Accounting for Operating Leases With Scheduled Rent Increases*, and provide guidance consistent with requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

The Authority has not completed the process of evaluating the impact that will result from implementing GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and No. 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

The scope of this Statement addresses accounting and financial reporting for the activities of pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013.

The Authority has not completed the process of evaluating the impact that will result from implementing GASB Statement No. 68, *Accounting and Reporting for Pension Plans – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statements No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014.

The Authority has not completed the process of evaluating the impact that will result from implementing GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. A disposal of a government's operations results in the removal of specific activities of a government.

The provisions of this Statement are effective for government combinations and disposals of government operations occurring in financial statements for periods beginning after December 15, 2013, and should be applied on a prospective basis.

3. LUXURY TAXES AND MARKETING FEES

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

On January 13, 1992, amendments to the Luxury Tax Act were adopted which authorized the NJSEA to undertake the Authority (see Note 1) and authorized the State to transfer the proceeds of the Luxury Tax to the NJSEA. Luxury Tax proceeds were deposited into the Revenue Fund and transferred to other funds to pay debt service on the Luxury Tax Bonds and fund the operating deficits and capital expenditures for Boardwalk Hall, the West Hall, the Convention Center, and certain marketing operations as of 2006. Until December 31, 2009, the costs and capital improvements of the Boardwalk Hall, the West Hall, and the Convention Center were recorded on the financial statements of the NJSEA.

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

December 2009, the Authority and the NJSEA adopted Board Resolutions authorizing various actions to effectuate the transfer of the Atlantic City Convention Center Project from the NJSEA to the Authority. Beginning January 1, 2010, all of the costs and capital improvements of the Boardwalk Hall, the West Hall, and the Convention Center were transferred to the financial statements of the Authority. Also beginning in January 2010, the State began transferring the luxury tax proceeds directly to the Trustee in order to reserve an amount sufficient to meet the debt service requirements and pay the debt service on the Luxury Tax Bonds. Once the debt service requirements are met, the Trustee forwards the balance of the luxury tax receipts to the Authority to fund its capital expenditures, operating deficits, and working capital and maintenance reserve requirements.

Marketing Fees — The New Jersey legislature adopted a bill that authorized the State of New Jersey to impose marketing fees of $3.00 per occupied room on hotels in Atlantic City. The proceeds from the fees collected pursuant to this legislation are paid into a special fund established and held by the State on behalf of the Authority.

In 2006, through legislation of an Urban Revitalization Program ("URP"), part of this fee is redirected to hotel properties meeting the identified criteria. The redirected amounts ("rebates") are netted out from marketing fee revenue. Certain hotel properties in the City of Atlantic City have URP projects for which they receive rebates of the marketing fees imposed on them and collected by the State of New Jersey in accordance with the aforementioned legislation. The amount of the rebate, in any given year, will equal the incremental luxury taxes collected for the URP project over its base year , which is the year immediately preceding the project's final approval. The calculation is performed annually by the New Jersey Department of Taxation.

The New Jersey Department of Taxation (the "Department") calculates and certifies the rebates within the first 120 days of the subsequent year. Such amounts are subject to review and audit by the Department. If the certification is not finalized prior to the completion of the Authority's annual audit report, any difference between the accrued rebate and the final rebate is recorded in the subsequent year when such amounts become known. In 2012, it was determined based upon an audit conducted by the Department that the rebates calculated and paid to the hotel properties during the years of 2008 through 2011 had been understated for a total amount of $8,531,149 and that the hotels were due such amounts. The entire $8,531,149 is recorded as an expense in 2012.

4. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents, restricted cash and cash equivalents, and investments as of December 31, 2012 and 2011 are as follows:

	December 31,			
	2012		2011	
Cash and cash equivalents	**Book Balance**	**Bank Balance**	**Book Balance**	**Bank Balance**
Demand deposits	$ 4,151,803	$ 5,293,591	$ 4,383,088	$ 4,325,069
State of New Jersey Cash Management Fund	32,473,547	32,473,547	28,929,499	28,929,499
Total cash and cash equivalents	$ 36,625,350	$ 37,767,138	$ 33,312,587	$ 33,254,568

	December 31,			
	2012		2011	
Restricted Cash and cash equivalents	**Book Balance**	**Bank Balance**	**Book Balance**	**Bank Balance**
Demand deposits	$ -	$ -	$ 100,000	$ 100,000
State of New Jersey Cash Management Fund	623,141	623,141	621,869	621,869
Total restricted cash and cash equivalents	$ 623,141	$ 623,141	$ 721,869	$ 721,869

	December 31,	
	2012	2011
Investments (Note 2E):	Fair Market Value	
Treasury bills	$ 4,798,497	$ 4,798,015
Total investments	$ 4,798,497	$ 4,798,015

As of December 31, 2012 and 2011, $623,141 and $721,869 of cash and cash equivalents and $4,798,497 and $4,798,015 of investments were restricted for organ restoration at Boardwalk Hall (Note 11) and for the Historic Boardwalk Hall, respectively.

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

All demand deposits, except deposits held by the Trustee, of any depository must be fully secured by lodging collateral security of obligations secured by the United States of America with the bank, Trustee or bank designated by the Trustee. At December 31, 2012 and 2011, the Authority's demand deposits were fully collateralized.

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

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

5. INVESTMENT IN CAPITAL ASSETS

Investment in capital assets at December 31, 2012, 2011, and 2010 consist of the following:

	Balance, December 31, 2010	Additions	Balance, December 31, 2011	Additions	Balance, December 31, 2012
Land	$ 81,311,000	$ -	$ 81,311,000	$ -	$ 81,311,000
Buildings	408,663,301	314,214	408,977,515	2,315,793	$ 411,293,308
Furniture, fixtures and equipment	54,998,896	912,686	55,911,582	1,843,550	$ 57,755,132
Building and leasehold improvements	1,536,769	207,974	1,744,743	284,648	2,029,391
Total at cost	546,509,966	1,434,874	547,944,840	4,443,991	552,388,831
Less accumulated depreciation	(144,457,090)	(9,948,390)	(154,405,480)	(9,300,609)	(163,706,089)
Investment in capital assets — net	$ 402,052,876	$ (8,513,516)	$ 393,539,360	$ (4,856,618)	$ 388,682,742

Asset lives used in the calculation of depreciation are generally as follows:

Buildings	35 – 60 years
Furniture, fixtures and equipment	3 – 20 years
Building and leasehold improvements	10 – 20 years

The Authority considers any asset acquired or improvement made to any building or facility, with a value over $5,000 and an estimated useful life of at least three years, a depreciable capital asset.

6. BONDS PAYABLE

Bonds payable consist of the following (in thousands):

	Date Issued	Original Amount	Balance December 31, 2012	Balance December 31, 2011
Luxury tax bonds:				
Convention Center Luxury Tax Bonds 2004, Series A, $23,085,000 Serial Bonds 5.5%, due 2008 through 2022	4/12/2004	$ 23,085	$ 23,085	$ 23,085
Convention Center Luxury Tax Refunding Bonds 1999, Series A, $128,270,000 Serial Bonds 4.25% - 5.125%, due 2008 through 2020	2/15/1999	128,270	70,040	77,265
Total bond principal payable			93,125	100,350
Plus: Unamortized bond premium			1,228	1,363
Total bonds payable			94,353	101,713
Less: Current portion of bonds payable			7,600	7,225
Long-term portion of bonds payable			$ 86,753	$ 94,488

Until December 31, 2009, all of the Luxury Tax Bonds and related issuance costs were recorded on the financial statements of the NJSEA. Beginning January 1, 2010, all of the Luxury Tax Bonds and related issuance costs were transferred to the financial statements of the Authority (See Note 1). Under the Pledged Property Agreement, the Authority agreed that the property pledged to the bond holders, i.e. the luxury tax revenues, shall remain subject to the liens of and as security for the NJSEA bond holders and agreed to all of the terms and conditions of the NJSEA Bond Resolutions. These documents were approved by the Board of Directors as part of the adopted resolution. Also, as part of the adopted resolution, the Authority’s Board of Directors consented to the adoption of the Third Supplemental Resolution by the NJSEA and to the terms and provisions of the Third Supplemental Resolution and acknowledged, assumed and agreed to be bound by all of the terms and provisions of the Bond Resolution. Beginning in January 2010, the State began transferring the luxury tax proceeds directly to the Trustee in order to reserve an amount sufficient to meet the debt service requirements and pay the debt service on the Luxury Tax Bonds. Once the debt service requirements are met, the Trustee forwards the balance of the luxury tax receipts to the Authority to fund its capital expenditures, its operating deficits, and its working capital and maintenance reserve requirements.

On February 1, 2011, The Governor of the State of New Jersey signed legislation that provided for the establishment of the Atlantic City Tourism District and for the transfer of the Authority, together with its functions, powers, and duties, to the CRDA. Pursuant to this legislation effective February 1, 2011, all of the powers, rights, assets, and duties of the Authority will be transferred to and vested in the CRDA upon a “transfer date.” The transfer date will take place when the Chairs of the Authority and CRDA certify to the Governor of New Jersey that all of the bonds issued by the NJSEA cease to be outstanding. It is the intent of the Authority and CRDA to effect the transfer date by receiving certain consents from the equity investors in Convention Hall and Boardwalk Hall to assign financial transactions affecting them from the NJSEA to the Authority or the CRDA and causing the Authority or CRDA to redeem the outstanding bonds prior to their maturity date.

Convention Center Luxury Tax Bonds — *1999 Series* – On February 15, 1999, the NJSEA issued $128,270,000 of Convention Center Luxury Tax Refunding Bonds, Series 1999, to provide funds to the NJSEA to: (1) fund an escrow, the proceeds of which were to be used for the purpose of advance refunding a portion of 1992 Luxury Tax Bonds, Series A; and (2) to pay certain costs incurred in connection with the issuance of the 1999 Luxury Tax Bonds.

The repayment of these bonds are payable solely from the proceeds of a luxury tax levied and collected in the city of Atlantic City, New Jersey, and other pledged property pursuant to the Convention Center Luxury Tax Bond Resolution.

2004 Series — On April 12, 2004, the NJSEA issued $23,085,000 of Convention Center Luxury Tax Refunding Bonds, Series 2004, to (1) refund on a current basis the NJSEA's presently outstanding Convention Center Luxury Tax Bonds, 1992 Series A; and (2) to pay certain costs incurred in connection with the issuance of the 2004 Luxury Tax Bonds.

The 2004 Luxury Tax Bonds are special obligations of the NJSEA and are payable solely from the proceeds of a luxury tax levied and collected in the city of Atlantic City, New Jersey, and paid to the Trustee and from other pledged property under the resolution.

The payment, when due (other than by reason of acceleration or optional redemption) of principal and interest on these bonds is secured by a guaranty policy issued by MBIA.

Interest Costs — Interest costs for the years 2012 and 2011 were $5,358,813 and $5,717,174, respectively.

7. NOTES PAYABLE

Notes payable consist of the following (in thousands):

	Date Issued	Original Amount	Balance December 31, 2012	Balance December 31, 2011
Loan from the Casino Reinvestment Development Authority, 4.06% interest through June 2, 1997 then 5.773% thereafter, due February 10, 2007	2/10/1997	$ 8,600	$ 8,600	$ 8,600
			$ 8,600	$ 8,600

On February 10, 1997, the Authority received the proceeds of an $8,600,000 loan from the Casino Reinvestment Development Authority ("CRDA"). These funds constitute subordinated debt payable from the Luxury Tax Revenues. The proceeds were used to pay for the costs of the Convention Center Project as provided for in the project budget. The interest was calculated at 4.06% per annum through June 2, 1997. The rate was adjusted to 5.773% per annum on June 3, 1997 due to replacement bonds being issued by CRDA to pay its Bond Anticipation Notes. The term of the loan is 10 years or such longer term as shall be required for repayment of the loan and the interest thereon from Available Cash Flow as defined in the agreement.

The Authority's Working Capital and Maintenance Reserve Requirement was not met for the years ended December 31, 2012 or 2011, therefore there was no Available Cash Flow for repayment of the loan or interest thereon in either year.

The Note Payable and related accrued interest, if still outstanding when the Authority is transferred to the CRDA, will be eliminated in the consolidated financial statements.

8. MATURITIES ON BONDS AND NOTES

Principal and interest payments to be funded to the trustees on outstanding bonds and notes (in thousands) during the next five years and thereafter are as follows:

	Principal Luxury Tax	Interest	Total
2013	$ 7,600	$ 4,751	$ 12,351
2014	7,990	4,361	12,351
2015	8,395	3,952	12,347
2016	8,815	3,532	12,347
2017	9,260	3,091	12,351
2018-2022	39,215	7,364	46,579
2023-2024	11,850	326	12,176
	$ 93,125	$ 27,377	$ 120,502

9. RELATED PARTY

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

Although the Foundation has been in existence since 2004, most of the expenditures were made on its behalf by the Authority through 2007 in the form of loans to be repaid. Most of the expenditures pertained to reporting and filing fees, legal services, consulting services, and general start-up costs. As of December 31, 2012 and 2011, the Authority had been reimbursed by the Foundation for all of the expenditures made on its behalf.

10. PENSION PLANS

The Public Employees’ Retirement System of the State of New Jersey (“PERS”), a multiple-employer public retirement system, covers salaried employees of Marketing Operations. The Division of Pensions and Benefits within the Treasury Department of the State of New Jersey is the administrator of the funds and charges the employee and employer annually for their respective contributions. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The payroll for employees covered by PERS for the years ended December 31, 2012 and 2011 was $2,989,969 and $3,155,072, respectively. Marketing Operations’ total payroll for the years ended December 31, 2012 and 2011 was $3,268,942 and $3,553,270, respectively.

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

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

Covered Marketing Operations' employees are required by PERS to pay a certain percentage of defined salary. In 2010, the percentage was 5.5%. In 2011, the percentage was 5.5% through nine months and beginning October 1, the percentage increased to 6.5%. Marketing Operations is required by State statute to contribute the remaining amounts necessary to pay benefits when due. PERS certifies the amount of Marketing Operations' contribution each year on the recommendation of an actuary who makes an annual actuarial valuation. The valuation is a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary, and interest. The most recent valuation was issued on July 2011 for the year ended December 31, 2012.

The contribution requirements of Plan members and the Authority are established and may be amended by the Board of Trustees of the Plan. The covered employee contributions required for the years ended December 31, 2012, 2011, and 2010 were $196,412 (6.6%), $181,030 (5.7%), and $180,115 (5.5%), respectively. The employees made the contributions for 2012, 2011, and 2010. The employer contributions for 2012, 2011, and 2010 were $361,695, $367,009, and $377,934, respectively.

All eligible employees of SMG may participate in a section 401(k) deferred compensation plan. SMG's employer contributions were $38,082 and $32,698 in 2012 and 2011, respectively. SMG's total payroll for the years ended December 31, 2012, 2011, and 2010 was $7,007,932, $7,077,092, and $6,679,393, respectively.

Additionally, some of the Authority's employees are participants in certain pension plans administered by local unions and contributions are made in accordance with terms of union agreements of those employees. There are four active unions participating in their own pension plans in accordance with each specific union agreement and based on each of the applicable union job trades. The total combined contributions for all participating unions were $243,555, $233,012, and $229,330 in 2012, 2011, and 2010, respectively. The total combined payroll for all participating unions was $2,018,879, $1,859,296, and $1,792,150 in 2012, 2011, and 2010, respectively.

11. COMMITMENTS AND CONTINGENCIES

- The Historic Boardwalk Hall, LLC was formed as a limited liability company under the laws of the State of New Jersey on June 26, 2000, for the purpose of acquiring, developing, rehabilitating, and maintaining a subleasehold interest in the East Hall of the Boardwalk Hall, and operating the East Hall as a special events center.

  The building is a certified historic structure that is eligible for investment tax credits on qualifying rehabilitation expenditures pursuant to Section 47 of the Internal Revenue Code.

  On September 14, 2000, PB Historic Renovations, LLC was admitted as the investor member. The managing member is the New Jersey Sports & Exposition Authority (NJSEA, or managing member).

  NJSEA, as Managing Member, signed a "Tax Benefits Guaranty" whereby Historic Boardwalk Hall, LLC agreed to pay PB Historic Renovations, LLC for any reduction in projected tax benefits as a result of an IRS challenge; for any additional tax liability as a result of an IRS challenge; for any interest and penalties imposed by the IRS; for an amount sufficient to compensate PB Historic Renovations, LLC for reasonable third-party legal and administrative expenses related to such a challenge; and an amount sufficient to pay any federal income tax liability owed by PB Historic Renovations, LLC.

The IRS performed an audit on the returns of Historic Boardwalk Hall, LLC for the years 2000 through 2002 and determined that all separately stated partnership items reported by the Historic Boardwalk Hall, LLC on its returns for the Subject Years should be reallocated from PB Historic Renovations, LLC to the NJSEA.

During 2005, the Historic Boardwalk Hall, LLC was informed that the IRS had denied all of the qualified rehabilitation expenditures allocations to PB Historic Renovations, LLC. In June 2005, the Historic Boardwalk Hall, LLC protested and requested a conference with the IRS Appeals Office. In 2006, the Historic Boardwalk Hall, LLC attended IRS Appeals Office conferences. A settlement was not reached, and in February 2007, a petition to the U.S. Tax Court was filed. This matter was heard before the U.S. Tax Court in April 2009 and a favorable decision for the Historic Boardwalk Hall, LLC was entered by the U.S. Tax Court in January 2011. The Decision further stated that there were no penalties due from the Historic Boardwalk Hall, LLC for the applicable taxable years upon which this case was based.

The IRS filed a notice of appeal to the U.S. Tax Court Decision in March 2011. In August 2012, the United States Court of Appeals for the Third Circuit reversed the Tax Court's January 2011 decision. The Historic Boardwalk Hall, LLC has petitioned the Supreme Court to review the Third Circuit decision.

The Authority has determined that it is probable that a loss of a reasonably estimated amount of $21,800,000 has occurred as of December 31, 2012 and this liability is accrued in the Authority's financial statements.

There is a reasonable possibility that the Authority has exposure to an additional liability under the Third Circuit's decision, but any such amount cannot be determined at the current time.

The potential liability is being recorded in the Authority's financial statements and footnotes because the Authority is the successor to NJSEA under a Pledged Property Agreement. Under the Pledged Property Agreement, executed between the Authority and NJSEA, the Authority agreed that the property pledged to the luxury tax bond holders, i.e. the luxury tax revenues, shall remain subject to the liens of and as security for the NJSEA bond holders and agreed to all of the terms and conditions of the NJSEA Bond Resolutions. The Authority receives and maintains the luxury tax revenues and the payment of the litigation reserve would be made from the luxury taxes.

- The Authority is the subject of, or a party to, various pending or threatened legal actions involving outside interests. The Authority believes that any ultimate liability arising from these actions should not have a material effect on its financial position or operations.

- The Authority is a party to an ongoing agreement with New Jersey Transit. As long as rail service is operated to the Atlantic City Convention Center, New Jersey Transit is entitled to a share of the revenue of the garage at the convention center. An annual lump-sum amount of $190,000 would satisfy this agreement. The payments were $190,000 and $190,000 for 2012 and 2011, respectively.

- On June 26, 2000, the NJSEA formed The Historic Boardwalk Hall, L.L.C. (the LLC), a limited liability company in the State of New Jersey for the purpose of financing and operating the Historic East Hall of the Atlantic City Boardwalk Convention Center (the "East Hall"). The LLC, which assumes the leasehold interest and contractual obligations of the Authority, admitted an investing member on September 14, 2000, through capital contributions. Of the contributed capital already received, $523,139 is being held in escrow and can only be used to restore or repair the organ at the Historic Boardwalk Hall. Subject to a notice issued by a governmental agency, an expense has been recorded in the 2004 financial statements. (See Note 1).

On October 11, 2011, the Authority was awarded a *Save America's Treasures Grant* in the amount of $100,000 from the National Endowment for the Arts to reimburse for capital improvement costs incurred in making the Swell Chamber of the organ functionally and mechanically reliable. Matching funds in the amount of $100,000 for grant supported work were secured from the aforementioned escrow account, with oversight from the Historic Organ Restoration Committee. The grant period covered from December 30, 2007 to December 31, 2010 and the total project outlays were $201,318.

In 2007, the NJSEA and the CRDA entered into an Intergovernmental Agreement which provided that $500,000, allocated by the CRDA for the Boardwalk Revitalization Program, would be used toward the restoration of the Boardwalk Hall façade, in exchange for the NJSEA's contribution of $500,000 towards the restoration of the historic Midmer-Losh pipe organ in Historic Boardwalk Hall. At December 31, 2012, the NJSEA was in possession of the $500,000 from the CRDA for the completion of the façade restoration; therefore, the Authority has a restricted asset - Due from the NJSEA - in the amount of $500,000 recorded as of December 31, 2012.

- On March 1, 2001, the NJSEA entered into an agreement leasing the Convention Center for a term of 99 years for a single payment equal to the appraised value of the Convention Center, at that date, and concurrently leasing-back the property for a term of 35 years. The major portion of the proceeds received have been invested to sufficiently fund the NJSEA's future lease payments and exercise its option to repurchase the initial lease in 26 years without having to provide any additional funds. Repurchase options are also available after 10 and 20 years. The NJSEA's payment obligations are additionally secured by contingent State Contract Bonds ($100,000,000) and legally available luxury tax and convention center revenues, as defined. Upon entering this transaction, the NJSEA received a cash payment of approximately $7,945,000.

12. INFORMATION ON AUTHORITY OPERATIONS BY OPERATING SEGMENT

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

	Year Ended December 31, 2012					
	Boardwalk Center Operations	**New Center**	**Marketing Operations**	**Luxury Tax Reserve Fund**	**Elimination Entries**	**Combined December 31, 2011**
Operating revenues:						
Special services	$ 4,083,699	$ 3,159,063	$ -	$ -	$ (16,448)	$ 7,226,314
Facilities rental	1,819,909	1,897,697	-	-	-	3,717,606
Parking	252,994	1,435,015	-	-	-	1,688,009
Concessions	593,228	468,407	-	-	-	1,061,635
Promotion reimbursement and fees	133,431	43,907	662,525	-	-	839,863
Other	219,610	89,753	40,843	-	(150,000)	200,206
Total operating revenue	7,102,871	7,093,842	703,368		(166,448)	14,733,633
Operating expenses:						
Salaries, wages and benefits	4,742,295	5,253,127	4,907,135	-	-	14,902,557
Marketing expenditures	1,492,788	2,782	4,589,252	-	(16,448)	6,068,374
Utilities	1,277,041	2,417,682	149,576	-	-	3,844,299
Contract services	952,511	1,641,413	33,709	-	-	2,627,633
Insurance	388,318	429,525	22,674	-	-	840,517
Repairs and maintenance	504,264	961,229	142,876	-	-	1,608,369
Supplies	124,698	227,225	87,418	-	-	439,341
Professional fees	238,902	127,033	185,284	4,310	-	555,529
Management fees	229,452	229,452	-	-	-	458,904
Bad debts expense	1,962	17,790	1,861	-	-	21,613
Parking participation	-	190,000	-	-	-	190,000
Depreciation	-	-	116,897	9,183,712	-	9,300,609
Production	1,023,796	162,100	-	-	-	1,185,896
Other	53,721	21,132	233,639		(150,000)	158,492
Litigation reserve	-	-	-	21,800,000	-	21,800,000
Total operating expense	11,029,748	11,680,490	10,470,321	30,988,022	(166,448)	64,002,133
Operating loss	(3,926,877)	(4,586,648)	(9,766,953)	(30,988,022)		(49,268,500)
Nonoperating income and (expense)						
Luxury tax revenue	3,922,298	4,585,141	12,720,988	14,257,223	-	35,485,650
Marketing fee revenue, net	-	-	5,574,402	-	-	5,574,402
Marketing fee rebates - prior year	-	-	(8,531,149)	-	-	(8,531,149)
Interest Income	4,579	1,507	2,712	17,185	-	25,983
Interest expense	-	-	-	(5,358,813)	-	(5,358,813)
Capital reimbursement revenue	-	-	-	500,000	-	500,000
Capital grant	-	-	-	-	-	
Other nonoperating income(expense)	-	-	-	(109,967)	-	(109,967)
	3,926,877	4,586,648	9,766,953	9,305,628		27,586,106
Change in net position				(21,682,394)		(21,682,394)
Net position — Beginning of year	-	-	7,610,623	314,765,237	-	322,375,860
Net position — End of year	$	$	$ 7,610,623	$ 293,082,843	$	$ 300,693,466

INFORMATION ON AUTHORITY OPERATIONS BY OPERATING SEGMENT (CONTINUED)

	Year Ended December 31, 2011					
	Boardwalk Center Operations	New Center	Marketing Operations	Luxury Tax Reserve Fund	Elimination Entries	Combined December 31, 2011
Operating revenues:						
Special services	$ 3,502,860	$ 3,229,562	$ -	$ -	$(16,526)	$ 6,715,896
Facilities rental	2,058,043	2,196,422	-	-	-	4,254,465
Parking	229,110	1,560,919	-	-	-	1,790,029
Concessions	602,895	602,778	-	-	-	1,205,673
Promotion reimbursement and fees	104,707	28,217	562,216	-	-	695,140
Other	413,260	248,468	4,790	-	(150,000)	516,518
Total operating revenues	6,910,875	7,866,366	567,006	-	(166,526)	15,177,721
Operating expenses:						
Salaries, wages and benefits	5,019,810	5,321,045	5,225,417	-	-	15,566,272
Marketing expenditures	448,749	3,566	4,723,444	-	(15,428)	5,160,331
Utilities	1,211,374	2,823,906	139,958	-	(1,098)	4,174,140
Contract services	1,120,643	1,656,147	29,592	-	-	2,806,382
Insurance	367,953	415,057	20,660	-	-	803,670
Repairs and maintenance	456,271	894,729	140,905	-	-	1,491,905
Supplies	124,302	182,881	71,313	-	-	378,496
Professional fees	257,328	129,273	81,608	4,310	-	472,519
Management fees	213,012	213,012	-	-	-	426,024
Bad debts expense	23,107	33,185	-	-	-	56,292
Parking participation	-	190,000	-	-	-	190,000
Depreciation	-	-	201,926	9,746,464	-	9,948,390
Production	1,305,309	184,775	-	-	-	1,490,084
Other	48,388	40,990	235,442	-	(150,000)	174,820
Total operating expenses	10,596,246	12,088,566	10,870,265	9,750,774	(166,526)	43,139,325
Operating loss	(3,685,371)	(4,222,200)	(10,303,259)	(9,750,774)	-	(27,961,604)
Nonoperating income and (expense):						
Luxury tax revenue	3,680,375	4,220,048	647,768	22,966,820	-	31,515,011
Marketing fee revenue	-	-	8,394,608	-	-	8,394,608
Marketing fee recapture (rebates)			1,254,623			1,254,623
Interest income	4,996	2,152	6,260	23,959	-	37,367
Interest expense	-	-	-	(5,717,174)	-	(5,717,174)
Capital reimbursement revenue		-	-	-	-	-
Capital grant revenue	-	-	-	100,000	-	100,000
Other nonoperating income(expense)	-	-	-	(109,967)	-	(109,967)
	3,685,371	4,222,200	10,303,259	17,263,638	-	35,474,468
Change in net position				7,512,864		7,512,864
Net position — Beginning of year	-	-	7,610,623	307,252,373	-	314,862,996
Net position — End of year	$ -	$ -	$ 7,610,623	$314,765,237	$ -	$322,375,860

13. SUBSEQUENT EVENTS

On April 10, 2013, the transfer of the Authority, together with all of its debts and statutory responsibilities and obligations, to the Casino Reinvestment Development Authority (“CRDA”) was made pursuant to P.L 2011, c.18, signed by the Governor of the State of New Jersey on February 1, 2011, which created the Atlantic City Tourism District. The transferring of all of the Authority’s debts and statutory responsibilities and obligations into CRDA was effectuated based upon the certification by both the Chairman of CRDA and the Chairman of the ACCVA, to the Governor of the State of New Jersey of such transfer retroactive to April 1, 2013.