NEW YORK CONVENTION CENTER OPERATING CORPORATION

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Years Ended March 31, 2013 and 2012

NEW YORK CONVENTION CENTER OPERATING CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New York Convention Center Operating Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of New York Convention Center Operating Corporation (the "Corporation") as of and for the year ended March 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 entity'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 purpose of expressing an opinion on the effectiveness of the entity'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 statements of net assets of the Corporation as of March 31, 2013 and 2012, and the respective statements of revenue, expenses and changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2013, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

UHY LLP

New York, New York
June 26, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

This annual report includes management's discussion and analysis report, the independent auditor's report and the financial statements of New York Convention Center Operating Corporation ("NYCCOC" or the "Javits Center"). The financial statements include supplementary information and footnotes that explain in more detail the information in the annual report. Readers should consider management's discussion and analysis in conjunction with the financial statements as a whole.

The financial statements of NYCCOC report information using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about NYCCOC's financial activities and may be summarized as follows:

The Statement of Net Assets presents the financial position of the Javits Center at the end of each fiscal year reported. It includes all of the Javits Center's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Javits Center creditors (liabilities). It also provides the basis for evaluating the net asset structure of the Javits Center and assessing the Javits Center's liquidity and financial strength. The current portion of assets and liabilities represent assets expected to be converted into cash and/or utilized and liabilities expected to be paid and/or utilized during the subsequent fiscal year.

The Statement of Revenues, Expenses and Changes in Net Assets accounts for all of a fiscal year's revenues and expenses. This statement measures the financial performance of the Javits Center over the fiscal years presented and can be used to determine whether the Javits Center has recovered all its costs through space rentals and related event services.

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash originate from, what cash was used for, and what was the change in Javits Center's cash position for the fiscal years presented.

Overview of the Expansion and Renovation Project

The Javits Center opened in 1986 and had 760,000 square feet of exhibit space with 100 meeting rooms and 1,000,000 square feet of support and pre-function space. In response to the immediate needs of the convention and trade show industry, the Javits Center has embarked on an expansion and renovation project. The project was initiated to solve a number of critical issues which were required for the Javits Center to remain competitive in the trade show and convention business.

- **The Expansion Phase** The expansion phase began in the summer of 2009 and was completed in July 2010 with the construction of Javits Center North. Javits Center North is a pre-engineered structure that has 80,000 gross square feet ("GSF") of exhibition space, its own loading docks and entrances that are attached to the main facility. This addition increased the Javits Center total exhibit space to 840,000 GSF. In order to complete the renovation project it was necessary for the Javits Center to add new exhibit space which allowed the Javits Center to be open and fully functional during the renovation.

- **The Renovation Phase** The completion of Javits Center North has allowed for the renovation to continue with limited interruption of the trade show business. The renovation phase of the project commenced in the spring of 2010 and is approximately 85% complete. The expected date of completion is December 31, 2013. The renovation includes the replacement of the curtain wall and skylight with high-performance transparent glass, complete replacement of the roof and replacement of the HVAC (heating, ventilation and air conditioning) systems. The renovation also includes the installation of a 6.75 acre green roof making it the second largest in the United States. The renovation provides for new vestibules, security and safety upgrades, a 3rd floor food court, new terrazzo floors, and improvements to the inner roadway and electrical transformer yard. The new roof, curtain wall and HVAC system will reduce operating risks, improve comfort and increase the building's insulation capabilities. In addition, there were further upgrades of the building's mechanical and lighting systems that will reduce the building's energy consumption by 26% and earn it Leadership in Energy and Environmental Design ("LEED") Silver status. Lastly, the main entrance will be enlarged and reconfigured, making it more attractive to patrons.

- **11th Avenue Viaduct** in conjunction with the renovation and expansion undertaken by the Javits Center, The City of New York began the reconstruction of the 11th Avenue Viaduct (37th Street to 34th Street) to strengthen it and build an air shaft for the 7 Line subway extension. The reconstruction of the viaduct was completed in September 2012. This once again provides full access to the main entrances of the Javits Center for exhibitor hand carry, show buses and taxi drop off. The extension of the 7 Line subway is underway and will provide easier access for both patrons and exhibitors to the Javits Center with the station being located at 34th Street and 11th Avenue.

- **Funding** New York Convention Center Development Corporation ("NYCCDC") by statute is the owner of the present Javits Center and the property where the expansion will be located. In 2004, the New York State Legislature gave authority to NYCCDC to expand and renovate the Javits Center and issue additional bonds to fund the renovation and expansion. In 2005, NYCCDC issued $700 million in Hotel Unit Fee-Secured Revenue Bonds to fund the renovation. The Bond issue is supported by a $1.50 hotel tax imposed for a 40 year period on daily hotel room rentals in the five boroughs of New York City. NYCCDC is constructing the expansion and renovating the present facility utilizing the proceeds of the bond issue to fund the projects. The General Project Plan ("GPP") received Public Authority Control Board ("PACB") approval in July of 2009. The current budget for this expansion and renovation is adequate to complete as planned.

Overview of Hurricane Sandy

- ***Facility Impact*** On October 29, 2012 Hurricane Sandy hit New York City. The storm surge brought water from the Hudson River onto 12th Avenue and into the Javits Center. The water level in the loading docks reached 5 1/2 feet and the entire first level of the Javits Center was flooded. 800,000 GSF of level 1 was impacted with 4 to 12 inches of contaminated salt water throughout. All mechanical equipment, including elevators and escalators, the terrazzo floor, carpeting, walls, furniture, show floor boxes (electrical power, internet and telephone), electrical control panels, etc. needed replacing or repair.

  There were 50 staff members manning the Javits Center who continued to reduce electrical power to 5% to protect transformers avoiding fires, kept drains clean from debris so pumps would work as well as moved all equipment, vehicles and tools up to the third level. Without this shut down the Javits Center would have experienced more extensive damage and the facility would not have been able to operate for an unknown period of time.

- ***Event Impact*** The Javits Center plan was in 2 phases. First, to become operational as soon as possible. Two remediation/recovery companies and an air sampling company were operational within 2 days removing contaminated salt water, all damaged materials, drying out the facility and continuously testing of materials and air to maintain the health and safety of the building. It was critical to have the building safe for a third level move in on Wednesday, October 31, 2012 for the NYC Marathon. Four events were rescheduled for February through March and the Javits Center prepared for Governor Cuomo's press conference on Sunday, November 4, 2012 where the Javits Center received and unloaded 15 trailer loads of donated materials for distribution throughout the NYC area. On Monday, November 5, 2012 the Javits Center had a full building show move in utilizing temporary carpet, drying activity and air monitoring proceeding around the shows continued without interruption of the event schedule.

  The second phase was to evaluate the damage, estimate the total cost of the recovery, not interfering with the show schedule and work closely with the insurance companies and their adjusters to meet these goals. The goal is to complete the work by December 31, 2013.

- ***Financial Impact*** The Javits Center maintains flood insurance that provides for a maximum coverage of $25 million with a $500,000 deductible. The estimate for the damage caused by Hurricane Sandy, including replacements and repairs is $20 million. The Javits Center was able to do this with no business interruption insurance claims. The total cost of the project is being mitigated by the Javit Center's ability to utilize Javits Center labor which permits us to work around the show schedule, a critical factor in managing the project. Insurance companies are all in agreement with the plan and approach to the project. The Javits Center has applied for Federal Funds through NYS to cover the deductible and our Flood Prevention Plan Project to prepare for future storms.

- ***Recovery Progress*** The challenge that management faces is to keep the Javits Center fully operational while all facility repairs are being performed. This is critical and must be done around the show schedule. Repairs and replacements have been performed in many areas such as walls, show floor box power, elevators and escalators, control panels, pumps and furniture. Some of the larger projects are still in process such as replacement of the terrazzo floor, air walls, show floor box low voltage wiring, and carpeting. The estimated completion date for the remaining recovery projects is December 31, 2013.

- ***Flood Prevention Plan Project*** In response to the unprecedented damage caused by Hurricane Sandy and the Javits Center being located in Zone 2, the Javits Center has begun developing and implementing a flood prevention project. There are three entry points on 12th Avenue where the water entered the Javits Center. Flood doors have been designed and will be installed this year. The remaining projects include Telecommunications, Internet and Wi-Fi system relocation to the 4th level and raising of the electrical transformer yard to a second level to avoid water damage. The Javits Center is evaluating the purchase of new transformers for the second level. Lastly, the purchase of generators to provide self-sufficient power in the event of a power outage and the shedding of power during peak demand periods is also being evaluated.

Current Business and 2013 Financial Highlights

- ***Current Business*** The Javits Center is in the "event business" which operates on a 24/7 basis, as needed, to maximize the number of events. Revenue is generated by fees associated with the renting of space to show managers and providing the necessary services and labor required to produce a show. Show managers sublease space to exhibitors who are also customers for services provided by NYCCOC. The services include but are not limited to: electric, telecommunications, plumbing, audio/visual, cleaning, food (through concessionaire), medical (through contractor), advertising, etc. The labor provided includes labor for freight movement, rigging, carpet installation, electrical, internet, cleaning, booth erection and dismantling. 2,600 employees worked approximately 1.5 million hours, representing a 15% increase over 2012, to produce the shows for fiscal year 2013. Space rental was $18.3 million or 14.6% of the $125.2 million in total operating revenues for the year ended March 31, 2013 with the remainder generated primarily by services and labor. The Javits Center experienced some significant challenges with the major renovation in and around the facility, 11th Avenue Viaduct reconstruction, an anemic economy and damages caused by Hurricane Sandy in excess of $20.0 million.

- ***Industry Averages*** The 2013 Center for Exhibition Industry Research ("CEIR") Index Report, a leading resource for Trade Show Industry data, indicates the 2012 overall exhibition industry increases were; Net Square Feet ("NSF") 1.2%, Exhibitors 0.5%, Attendees 2.5% and Revenues 1.6% with Overall Industry increase of 1.5%. While this is significantly better than 2010 negative growth performance with an Overall Industry increase of 1.5% is lower than 2012. The CEIR is forecasting the Overall Industry to grow at a 1.1% rate in 2013. The Overall Industry forecast indicates 2014 and 2015 to be increasing more rapidly at 2.1% and 3.2% respectively.

- ***2013 Financial Highlights* –** Current year results were mixed in numbers of shows, GSF and NSF, Gross Revenues, Expenses, profitability and the full year plan.

  - The number of trade shows decreased by 1 to 56 or 1.8% and Special Events decreased by 30 to 80 or 27.3% resulting in a Gross Square Feet decline of 1.5 million feet to 18.7 million feet or 7.4% and a Net Square Feet decline of 347K to 6.9 million NSF.

  - NYCCOC's Total Net Assets decreased $4.2 million or 11% to $33.8 million for fiscal 2013. This was driven by a net loss from operations of $4.3 million before non-operating income and expenses. Although a loss, this performance was significantly better than plan.

  - NYCCOC's Total Operating Revenues increased $3.0 million or 2.5% to $125.2 million in 2013. While Rental Revenue was lower due to several factors indicated below, increased orders for labor plus other products and services resulted in Service and Other Revenues driving the Total Operating Revenue increases.

  - NYCCOC's Operating Expenses increased $5.4 million or 4.4% to $128.2 million in 2013 which is primarily the result of an increase in labor related Employee Compensation and Benefits of $2.7 million or 2.6%, Selling, General and Administrative expenses increased $1.0 million or 13.8% and Facility Operating expenses increased $1.5 million or 18.4% while Postemployment Benefits Expense increased $200K or 6.8%.

CONDENSED STATEMENT OF NET ASSETS

A condensed comparison of NYCCOC's Assets, Liabilities and Net Assets at March 31, 2013 and 2012 is as follows:

NEW YORK CONVENTION CENTER OPERATING CORPORATION
CONDENSED STATEMENTS OF NET ASSETS
(000's)

	March 31, 2013	March 31, 2012	Increase (Decrease)
ASSETS			
Current assets	**$ 94,626**	$ 83,662	$ 10,964
Capital assets - noncurrent	**12,536**	7,455	5,081
Total assets	**107,162**	91,117	16,045
LIABILITIES			
Current liabilities	**44,417**	26,489	17,928
Noncurrent liabilities	**28,945**	26,634	2,311
	73,362	53,123	20,239
NET ASSETS			
Invested in capital assets net or related debt	**12,536**	7,455	5,081
Restricted- board designated	**28,445**	25,526	2,919
Unrestricted	**(7,181)**	5,013	(12,194)
Total net assets	**33,800**	37,994	(4,194)
Total liabilities and net assets	**$ 107,162**	$ 91,117	$ 16,045

Financial Analysis

- ***Current Assets –*** Current Assets increased $11.0 million or 13.1% to $94.6 million in 2013 resulting in a current ratio of 2.1 to 1. The increase includes a $4.2 million increase in cash offset by a $5.5 million decrease in Short Term investments mainly as a result of the Auto Show deposits prior to move-in, payrolls paid and investments in Capital Assets. The increase also includes $11.8 million increase in Other Assets and Prepaid Expenses primarily related to an increase in prepaid salaries of $7.3 million and benefits of $5.1 million for the move-in of the Auto Show.

- ***Capital Assets – Noncurrent –*** Capital Assets-Noncurrent increased $5.1 million which is detailed below.

- ***Current Liabilities*** – Primarily a combination of Deferred Revenue increasing $3.2 million to $19.4 million, Accrued Expenses increasing $5.7 million to $10.6 million and a $7.1 million increase in Accounts Payable to $10.8 million resulted in Current Liabilities increasing by $17.9 million or 67.7%. The deferred revenue increase was the result of the Auto Show move-in during fiscal year ending 2013 and the move-out during fiscal year 2014, while the increase in accrued expenses was driven by a $3.1 million salaries and benefits accrual for expired labor contracts and $2.3 million salaries payable in April 2013. The Accounts Payable is primarily driven by items for the renovation, costs related to Hurricane Sandy, accounting system change and benefits.

- ***Liabilities*** **–** Total Liabilities increased $20.2 million or 38.1% to $73.4 million due to the increase in Current Liabilities of $17.9 million and the $2.3 million net increase in Non-Current Liabilities. The Non-Current Liability increase is the result of $2.9 million in Other Post-Employment Benefits ("OPEB") required funding.

- ***Net Assets*** **–** Total Net Assets decreased $4.2 million or 11% to $33.8 million. This decrease was the result of the $4.3 million loss from operations in 2013. The current period loss included an additional $2.9 million for OPEB. The Board of Directors increased the Restricted-Board-Designated amount to $28.4 million for OPEB as of March 31, 2013, resulting in an unrestricted negative balance of $7.2 million.

NEW YORK CONVENTION CENTER OPERATING CORPORATION
CAPITAL ASSETS
(000's)

	March 31, 2013	March 31, 2012	Increase (Decrease)
Improvements to Center	**$ 19,915**	$ 18,940	$ 975
Other Fixed Assets	**13,657**	9,737	3,920
Total Fixed Assets	**33,572**	28,677	4,895
Less Accumulated Depreciation	**24,966**	23,709	1,257
Construction in Progress	**3,930**	2,487	1,443
	$ 12,536	$ 7,455	$ 5,081

- ***Capital Assets*** - Capital Assets net of depreciation for 2013 increased $5.1 million to $12.5 million or 68.2% over 2012. The increase included expenditures of $975K in Building Improvements (IT system, Transformers, Asphalt, WIFI System, BMS upgrade, etc.) and $3.8 million for a new Accounting System. The construction in progress increase of $1.4 million consisted of the continuing upgrade of the Accounting System.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

A Condensed Statement of Revenues, Expenses and Changes in Net Assets for the years ended March 31, 2013 and 2012 is provided below:

NEW YORK CONVENTION CENTER OPERATING CORPORATION
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(000's)

	2013	2012	Increase (Decrease)
Space Rental	**$ 18,286**	$ 18,886	$ (600)
Services	**100,610**	98,284	2,326
Other	**6,290**	4,982	1,308
Total Operating Revenue	**125,186**	122,152	3,034
Total Operating Expenses	**128,221**	122,793	5,428
Depreciation and Amortization	**1,257**	883	374
Loss from Operations	**(4,292)**	(1,524)	(2,768)
Total Non-Operating Income	**98**	99	(1)
Net Loss	**(4,194)**	(1,425)	(2,769)
Total Net Assets (Beginning)	**37,994**	39,419	(1,425)
Total Net Assets (Ending)	**$ 33,800**	$ 37,994	$ (4,194)

- ***Operating Revenues*** – Total Operating Revenues for the year ended March 31, 2013 totaled $125.2 million, an increase of $3.0 million or 2.5% from the $122.2 million in 2012. The Space Rentals decrease of $600K or 3.2% was driven by three shows that adjusted their schedules moving the shows into fiscal year 2013/2014 and the decrease of Special Events from 110 to 80 resulting in a GSF decline of 1.5 million to 18.7 million or 7.4%.

  In contrast to the Rental declines, Event Related Services increased by $2.3 million or 2.4% caused by Electrical Services revenue increasing $229K, Exhibit Labor by $1.5 million, Telephone Revenue increasing $443K and Cleaning Revenue increasing $349K. The increase in other revenue was related to Concession Commissions increasing $575K, Advertising income increasing $756K and miscellaneous revenue decreasing $22K. We have experienced an increase in complexity of shows, labor requests, other services and advertising.

- ***Operating Expenses* –** Total Operating Expenses increased $5.4 million or 4.4% to $128.2 million for the fiscal year ended March 31, 2013. Event Related Service Revenue represents 80.4% of the Javits Center's Total Operating Revenue and is generated by labor which represents 83.6% of the Total Operating Expenses. Employee Compensation and Benefits increased $2.7 million or 2.6% to $107.2 million which was driven by the increases in Event Related Revenue while OPEB increased $200K or 6.8% to $3.2 million. Selling, General and Administrative costs increased $997K driven mainly by increases in Supplies of $355K, $152K Employee Expense and the net difference of two reserve reversals in $478K in 2012 and 2013. This was partially offset by $220K decrease in renovation reward. Facilities costs increased $1.5 million primarily driven by an increase in Utilities of $659K and Supplies of $437K*.*

- ***Non-Operating Income* –** Investment Income was flat due to rates remaining low and in a narrow range.

- ***Change in Net Assets* –** The Change in Net Assets for fiscal 2013 was a decrease of $4.2 million to $33.8 million as a result of the net loss from operations. The Javits Center experienced a number of challenges that contributed to this reduction in Net Assets including an anemic economy, shortfall in Special Events, three shows rescheduling to next fiscal year, continued major renovation, implementation of a new software system and Hurricane Sandy.

OPERATING PLAN HIGHLIGHTS

As with the year to year comparisons, the Javits Center performance to plan was affected by the economy, three shows moving to next fiscal year, renovation, new software system and the impacts of Hurricane Sandy. In addition to the strain on expenses the Javits Center's labor resources were maximized. NYCCOC prepares and obtains approval from the Board of Directors an annual Operating Budget, a Five Year Capital Plan ($41.1 million) and a Five Year Repair and Maintenance Plan ($8.5 million). These plans are not changed during the year and are tools to assist in the management of the business. The Operating Budget for 2012-2013 included $1.4 million in funding for repairs and maintenance ("R&M"). All other R&M or Capital Projects are released as funding permits. In light of the expansion, R&M and Capital Projects are evaluated carefully to avoid investment dollars in projects that will be completed as part of, or may be demolished or rendered obsolete by the expansion and renovation, except to the extent necessary to maintain operations. Overall the Javits Center performed well compared to plan while overcoming the challenges with an Operating Loss of $4.3 million as compared to its plan loss of $5.4 million or 21% better than plan. A summary or condensed version of the Operating Plan is as follows on the next page.

NEW YORK CONVENTION CENTER OPERATING CORPORATION
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Plan vs. Actual As of March 31, 2013
(000's)

	Actual	Plan	Variance
Operating Revenue			
Space Rental	$ 18,286	$ 19,814	$ (1,528)
Services	100,610	102,531	(1,921)
Other	6,290	5,338	952
Total Operating Revenue	125,186	127,683	(2,497)
Operating Expenses			
Employee compensation and benefits	110,384	113,234	(2,850)
Facility operating expenses	9,613	9,731	(118)
SG&A	8,224	8,735	(511)
Total Operating Expenses	128,221	131,699	(3,478)
Depreciation and Amortization	1,257	1,417	(160)
Loss from Operations	(4,292)	(5,433)	1,141
Total Non-Operating Income	98	110	(12)
Change in Net Assets	$ (4,194)	$ (5,323)	$ 1,129

Total Operating Revenues for the year ended March 31, 2013 were $125.2 million which was $2.5 million or 2.0% worse than plan at $127.7 million. Total Operating Expenses were $128.2 million which was $3.5 million or 2.6% better the $131.7 million plan. This produced a reduction in loss from operations from a plan of $5.3 million to an actual $4.2 million loss which contributed to a change in Net Assets of $4.2 million.

The negative Gross Revenue performance, while better than 2012, was driven by Rental Revenue of $1.5 million or 7.7% worse than plan and Event Related Revenue of $1.9 million or 1.9% worse than plan. Both were driven by the shortfall in special events, three shows moving to next year and Hurricane Sandy. In addition, the renovation took 80K square feet out of service which caused some shows to choose other venues. Total Expenses were $3.5 million better than plan as a result of controlling labor expenses given the Event Related Revenue shortfall. Selling, General and Administrative Expenses were $511K or 5.9% better than plan driven by the controlling of employee training expenses and Insurance expenses. Total Facilities Operating Expenses were $118K or 1.2% better than plan due to Repair and Maintenance.

For the year ended March 31, 2013 the Javits Center had a year in which Operating Revenues performed below plan while controlling expenses was the driving force for above plan performance for total expenses. Exhibition industry research indicates an optimistic forecast for years 2013 through 2015 with overall increases being 1.1%, 2.1% and 3.2% respectively in line with the expected growth in GDP. The Javits Center has planned a 25.8% increase in NSF (Net Square Feet) for fiscal 2013-2014 and nearly break even performance. Both the Hurricane Sandy repairs plus the major renovation will be completed in December of 2013, 11th Avenue Viaduct is complete and the 3 shows rescheduled for this year all contribute to the 25.8% increase in NSF as well as a more efficient operation.

FINANCIAL STATEMENTS

NEW YORK CONVENTION CENTER OPERATING CORPORATION
STATEMENTS OF NET ASSETS

	March 31, 2013	March 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 6,182,730**	$ 2,024,594
Short-term investments	**69,987,189**	75,491,863
Accounts receivable, net of allowances of $1,207,609 and $1,316,739 in 2013 and 2012, respectively	**6,041,066**	5,456,733
Other assets	**12,414,771**	688,202
Total current assets	**94,625,756**	83,661,392
PROPERTY, PLANT AND EQUIPMENT, NET	**12,535,943**	7,454,999
Total assets	**$ 107,161,699**	$ 91,116,391
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	**$ 10,754,236**	$ 3,623,934
Accrued expenses, current	**10,577,878**	4,923,131
Unearned revenue	**19,408,453**	16,220,851
Reserve for emergency repairs	**2,593,011**	480,154
Estimated litigation and insurance claims	**741,504**	961,849
Other postretirement employee benefits obligation, current	**341,851**	278,912
Total current liabilities	**44,416,933**	26,488,831
Accrued expenses	**841,743**	1,386,496
Other postretirement employee benefits obligation	**28,102,841**	25,247,399
Total liabilities	**73,361,517**	**53,122,726**
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Invested in capital assets	**12,535,943**	7,454,999
Board designated for other postretirement employee benefit obligation	**28,444,692**	25,526,311
Unrestricted	**(7,180,453)**	5,012,355
Total net assets	**33,800,182**	37,993,665
Total liabilities and net assets	**$ 107,161,699**	$ 91,116,391

See notes to financial statements.

NEW YORK CONVENTION CENTER OPERATING CORPORATION
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

	Years Ended March 31,	
	2013	**2012**
OPERATING REVENUES		
Space rentals	**$ 18,285,464**	$ 18,885,786
Event-related services	**100,610,074**	98,284,337
Concession commissions	**4,573,474**	3,998,943
Advertising income	**1,619,384**	863,390
Other income	**97,158**	119,406
Total operating revenues	**125,185,554**	122,151,862
OPERATING EXPENSES		
Employee compensation and benefits	**107,226,029**	104,493,077
Facility operating expenses	**9,612,962**	8,115,805
Selling, general and administrative expenses	**8,223,888**	7,227,063
Annual other postemployment benefits expenses	**3,156,932**	2,956,620
Total operating expenses	**128,219,811**	122,792,565
OPERATING LOSS BEFORE DEPRECIATION AND AMORTIZATION	**(3,034,257)**	(640,703)
DEPRECIATION AND AMORTIZATION	**1,257,301**	883,363
OPERATING LOSS	**(4,291,558)**	(1,524,066)
NON-OPERATING REVENUES		
Interest Income	**98,075**	99,305
NET LOSS	**(4,193,483)**	(1,424,761)
NET ASSETS, Beginning	**37,993,665**	39,418,426
NET ASSETS, Ending	**$ 33,800,182**	$ 37,993,665

See notes to financial statements.

NEW YORK CONVENTION CENTER OPERATING CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended March 31, 2013	2012
OPERATING ACTIVITIES		
Cash receipts from customers	**$ 127,788,823**	$ 128,803,564
Cash paid for operating expenses	**(122,895,191)**	(120,171,212)
Net cash provided by operating activities	**4,893,632**	8,632,352
INVESTING ACTIVITIES		
Purchase of short-term investments	**(450,011,314)**	(330,503,582)
Proceeds from sales and maturities of short-term investments	**455,515,988**	323,969,214
Interest received	**98,075**	99,305
Acquisition of property, plant and equipment	**(6,338,245)**	(3,526,827)
Net cash used in investing activities	**(735,496)**	(9,961,890)
NET INCREASE (DECREASE) IN CASH	**4,158,136**	(1,329,538)
CASH AND CASH EQUIVALENTS, Beginning	**2,024,594**	3,354,132
CASH AND CASH EQUIVALENTS, Ending	**$ 6,182,730**	$ 2,024,594
RECONCILIATION OF NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
NET LOSS	**$ (4,193,483)**	$ (1,424,761)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Interest income	**(98,075)**	(99,305)
Depreciation and amortization	**1,257,301**	883,363
Changes in:		
Accounts receivable	**(584,333)**	(292,885)
Other assets	**(11,726,569)**	330,507
Accounts payable	**7,130,302**	(86,222)
Accrued expenses	**5,109,994**	(186,140)
Estimated litigation and insurance claims and reserve for emergency repairs	**1,892,512**	(196,438)
Other postretirement employee benefits obligation	**2,918,381**	2,759,646
Unearned revenue	**3,187,602**	6,944,587
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 4,893,632**	$ 8,632,352

See notes to financial statements.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The New York Convention Center Operating Corporation (the "Corporation") is a public benefit corporation established by the State of New York (the "State") to operate the Jacob K. Javits Convention Center of New York (the "Javits Center" or "Center"). As such, it is included as a component unit enterprise fund in the State's annual financial report. As a component unit of the State, the Javits Center is eligible for, and subject to, appropriation of funds as approved in the State's budget. Operating revenues are principally comprised of amounts derived from event-related support services and space rentals.

The Center was constructed by the New York Convention Center Development Corporation ("CCDC"), another component unit of the State which is jointly owned by the New York State Urban Development Corporation and the Triborough Bridge and Tunnel Authority ("TBTA"), also component units of the State. Construction of the Center was financed with TBTA bonds. Accordingly, the cost of the original construction and financing of the Center are excluded from the accompanying financial statements. The Corporation leases the Center from the State for a nominal amount.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of Board of Directors designated restrictions. Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

> Unrestricted net assets – Net assets that are not subject to board-imposed stipulations. If the related liabilities exceed the assets on hand, then the "shortfall", by default, is covered by these unrestricted net assets.
>
> Invested in capital assets – Net assets that represent those resources used for board approved capital assets.
>
> Board designated net assets – Net Assets that the Board of Directors approved and designated to be used to fund the Other Postemployment Benefits ("OPEB") liability (see note 7).

The Corporation has adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government" and Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus". The two statements require that State and Local governments' financial statements include management's discussion and analysis, government wide financial statements, fund financial statements, notes to the financial statements and required supplementary information. The statements also require State and Local governments to report infrastructure assets.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed to the extent they do not conflict or contradict guidance of the GASB. Governments also have the option of following subsequent private sector guidance for their business type activities and enterprise funds. The Corporation has elected to not follow subsequent private sector guidance.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid financial instruments with original maturities of three months or less. Cash is maintained in Federal Deposit Insurance Corporation ("FDIC") insured accounts at credit qualified financial institutions. At times, such amounts may exceed the FDIC insurance limits. All deposits are collateralized with U.S. Government guaranteed securities up to $8.6 million. The collateral is maintained by JP Morgan Chase Bank for the benefit of the State of New York Commissioner of Tax & Finance AFA New York Convention Center Operating Corporation.

Short-Term Investments

As of March 31, 2013 and 2012, the Corporation's short-term investments consist primarily of U.S. Treasury bills, repurchase agreements and Zero principal separate trading of registered interest and principal securities ("STRIPS"). These investments are specifically identified and held in segregated accounts at depository institutions in the name of the New York State Department of Taxation and Finance. Short-term investments are carried at amortized cost, which approximates fair market value, plus accrued interest receivable.

New York State's statutes and guidelines authorize the Corporation to invest in obligations of the U.S. Government and its agencies, certificates of deposit, repurchase agreements, STRIPS and obligations of the State of New York.

Recognition of Revenue and Reserve for Doubtful Accounts

Amounts received for space rentals and event-related services in advance of the scheduled event are reported as deferred revenue. Such amounts are recognized as revenue in the accounting period in which the event ends. Similarly, costs incurred which are directly attributable to an event (primarily labor) are initially recorded as other assets and either expensed or billed to customers at the events conclusion.

Revenue from advertising is deferred and recognized on a straight-line basis over the term of the advertising agreement.

The allowance for possible credit losses provides for risks of losses inherent in the credit extension process. The Corporation maintains this allowance on a specific and general basis at levels considered adequate to meet present and future losses of receivables on other show costs. Accordingly, these estimates could change in the near term.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, and include equipment acquired and financed under leases. Depreciation and amortization are recorded using the straight-line method over the estimated useful lives of the respective assets ranging from 3 to 15 years.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits (OPEB)

The Corporation provides health care benefits for certain of its qualifying retirees. The Corporation's annual OPEB expense is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. On an ongoing basis, management evaluates its estimates and judgments, including those related to revenue recognition, and other long-lived assets, allowance for doubtful accounts, and accrued expenses. Making these estimates requires management to exercise significant judgment. Accordingly, actual results could differ from those estimates.

NOTE 2 — EXPANSION PROJECT AND DUE FROM AFFILIATE

In December 1999, the United States Trust Company of New York ("USTC") sold $53,500,000 principal amount of Certificates of Participation (the "1999 Certificates"). The 1999 Certificates were sold to provide funds to make a loan to the Corporation, pursuant to a loan agreement dated as of December 31, 1999, between the Corporation and USTC to be used to pay a portion of the purchase price for the acquisition of a parcel of property and the building and improvements thereon (the "Yale Building"), for the purpose of the future expansion of the Convention Center.

In August 2006, the Corporation entered into an agreement to sell the Yale Building to CCDC, a related party. The agreement provided that CCDC defeased the 2003 Certificates in the amount of $66,200,000. In addition to the defeasance amount, CCDC has agreed to make an additional $15,000,000 payment to the Corporation upon the sale or lease of certain property (as defined in the Purchase and Sale Agreement). The Corporation has further agreed to provide additional funding for certain future capital improvements to the Javits Center and its related expansion and has reserved this amount in prior years.

The Corporation had previously funded capital expenditures, principally related to a prior expansion project of the Javits Center, on behalf of CCDC amounting to $3,392,071. These amounts have been recorded as a receivable from CCDC and management has also recorded an offsetting reserve of $3,392,071 due to the uncertainty regarding its collectability.

CCDC is currently undertaking a new expansion project at the Javits Center. During the current expansion project the Corporation has incurred certain expenses on behalf of CCDC for which it will be reimbursed.

NOTE 3 — OTHER ASSETS

Other assets consist of the following:

	March 31, 2013	March 31, 2012
Deferred show costs	$ 12,338,082	$ 576,488
Prepaid other	76,689	111,714
	$ 12,414,771	$ 688,202

NOTE 4 — PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment activities for the years ended March 31, 2013 and 2012 are summarized as follows:

March 31, 2013	Beginning Balance	Additions	Transfers	Ending Balance
Depreciable assets				
Furniture, fixtures and equipment	$5,033,422	$ 159,662	$3,760,737	$ 8,953,821
Video display equipment	1,073,319	-	-	1,073,319
Telephone equipment	1,785,356	-	-	1,785,356
Other equipment	1,844,672	-	-	1,844,672
Improvements to Center	18,940,084	974,635	-	19,914,719
Construction in progress	2,487,224	5,203,948	(3,760,737)	3,930,436
Total depreciable assets	31,164,077	6,338,245	-	37,502,323
Accumulated depreciation				
Furniture, fixtures and equipment	2,816,052	761,064	-	3,577,116
Video display equipment	993,309	22,860	-	1,016,169
Telephone equipment	1,746,922	11,825	-	1,758,747
Other equipment	1,124,347	99,356	-	1,223,703
Improvements to Center	17,028,448	362,196	-	17,390,645
Total accumulated depreciation	23,709,078	1,257,301	-	24,966,380
Total property, plant and equipment, net	$7,454,999	$5,080,944	$ -	$ 12,535,943

NOTE 4 — PROPERTY, PLANT AND EQUIPMENT (Continued)

March 31, 2012	Beginning Balance	Additions	Transfers	Ending Balance
Depreciable assets				
Furniture, fixtures and equipment	$ 4,413,890	$ 225,747	$ 393,785	$ 5,033,422
Video display equipment	981,879	91,440	-	1,073,319
Telephone equipment	1,785,356	-	-	1,785,356
Other equipment	1,844,672	-	-	1,844,672
Improvements to Center	17,984,702	583,909	371,473	18,940,084
Construction in progress	626,751	2,625,731	(765,258)	2,487,224
Total depreciable assets	27,637,250	3,526,827	-	31,164,077
Accumulated depreciation				
Furniture, fixtures and equipment	2,307,619	508,433	-	2,816,052
Video display equipment	981,879	11,430	-	993,309
Telephone equipment	1,735,097	11,825	-	1,746,922
Other equipment	1,024,992	99,355	-	1,124,347
Improvements to Center	16,776,128	252,320	-	17,028,448
Total accumulated depreciation	22,825,715	883,363	-	23,709,078
Total property, plant and equipment, net	$ 4,811,535	$ 2,643,464	$ -	$ 7,454,999

NOTE 5 — UNEARNED REVENUE

Unearned revenue consisted of the following:

	March 31, 2013	March 31, 2012
Event-related services	$ 12,658,293	$ 9,297,049
Space rentals	6,740,874	6,902,553
Advertising	9,286	12,399
Long-term contracts	-	8,850
	$ 19,408,453	$ 16,220,851

NOTE 6 — RETIREMENT PLANS

The Corporation participates in the New York State and Local Employees' Retirement System (the "System") which is a cost sharing multiple public employer system offering a wide range of plans and benefits which are related to years of service and final average salary, and provide for death and disability benefits and for optional methods of benefit payments. All benefits generally vest after ten years of credited service. Obligations of participating employers and employees to contribute, and benefits payable to employees are governed by the New York State Retirement and Social Security Law. The law provides that all participating employers in the System are jointly and severally liable for any unfunded actuarially-determined amounts.

The retirement system issues a publicly available financial report that includes financial statements and supplementary information. The report may be obtained by writing to:

New York State and Local Employees’ Retirement System
110 State Street
Albany, New York 12244

The Corporation is billed annually for contributions. Employer contributions are actuarially determined.

Generally, all non-union employees, except certain full time, part-time and temporary employees, participate in the System. Employees are required to contribute between 3% and 6% of their salary based on the date the member joined the System. Those who joined the system before July 1976 or have completed their 10 years are noncontributory. Those who joined after July 1976 make contributions until they have contributed for 10 years. Newer members are required to contribute for their entire career. Employee contributions are deducted from employees' compensation for remittance to the System.

The Corporation's related compensation, contribution, and percentage of compensation contributed were as follows:

	For the Years Ended March 31,		
	2013	2012	2011
Related compensation	$ 14,252,494	$ 14,750,026	$ 15,248,162
Contribution	2,471,405	2,400,999	1,977,387
Percentage of compensation	17%	16%	13%

The employer contributions are equal to 100 percent of the required contribution under the system. Additionally, pension contributions for the years ended March 31, 2013 and 2012 for multi-employer union employees not covered under the System totaled approximately $12,199,756 and $10,279,657, respectively.

NOTE 7 — OTHER POSTRETIREMENT EMPLOYEE BENFITS OBLIGATION

The Corporation provides health care benefits for certain of its qualifying retirees. The Corporation follows GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement establishes standards for the recognition, measurement and presentation of other postemployment benefits (healthcare benefits) expenses and related liabilities and note disclosures.

Plan Description

As a participating employer of New York State Health Insurance Program ("NYSHIP"), the Corporation provides healthcare benefits for retirees and other former employees under the plan provisions of NYSHIP. Eligibility, under NYSHIP, for retiree healthcare benefits require that (i) the employee must have at least 10 years of State service with the Corporation or at least 10 years of combined service with participating employers or agencies of New York State, (ii) the employee must qualify for retirement as a member of a retirement system administered by New York State and (iii) the employee must be enrolled in NYSHIP as an enrollee or dependent when they retire. The plan does not currently issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Funding Policy

The Corporation elected at March 31, 2008 to record the full OPEB liability and corresponding expense in the year of adoption of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities. The ARC adjustment represents the discounted present value of the balance of the net OPEB obligation at the beginning of the year. The Corporation contributed approximately $239,000 and $197,000 for current premiums for March 31, 2013 and 2012, respectively.

NOTE 7 — OTHER POSTRETIREMENT EMPLOYEE BENFITS OBLIGATION (Continued)

Annual OPEB Cost and Net OPEB Obligation

The Corporation's AOC and OPEB obligation for the fiscal years ended March 31, 2013 and 2012 are composed of the following (as calculated by an external actuary):

	2013	2012
OPEB obligation, beginning of the year	$ 25,526,311	$ 22,766,665
Annual OPEB cost (AOC)		
Annual required contribution (ARC)		
Normal cost	1,954,683	1,861,603
Amortization of unfunded actuarial accrued liability over one year	27,950,412	25,291,529
Interest at 4.155%	1,140,074	1,035,447
ARC	31,045,169	28,188,579
ARC Adjustment	(28,864,317)	(26,103,923)
Interest on net OPEB obligation	976,081	871,964
Other Post Employment Benefit Expense	3,156,933	2,956,620
AOC	28,683,244	25,723,285
Less: Corporation payments for retired employees' health care benefits	238,552	196,974
Net OPEB obligation, end of year	28,444,692	25,526,311
Less: Current portion of net OPEB obligation	341,851	278,912
OPEB obligation, non-current	$ 28,102,841	$ 25,247,399

NOTE 7 — OTHER POSTRETIREMENT EMPLOYEE BENFITS OBLIGATION (Continued)

Trend Information

Three-year trend information is presented as follows:

Years Ended	Beginning OPEB Obligation	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
March 31, 2013	$ 25,526,311	$ 3,156,933	$ 238,552	7.56%	$ 28,444,692
March 31, 2012	$ 22,766,665	$ 2,956,620	$ 196,974	6.66%	$ 25,526,311
March 31, 2011	$ 20,478,789	$ 2,469,331	$ 181,455	7.35%	$ 22,766,665

Funding Status and Funding Progress

For the years ended March 31, 2013 and 2012 the Corporation satisfies current obligations on a pay-as-you-go basis.

The Board of Directors has designated $28,444,692 of investments to be used to fund the OPEB liability. The Corporation is currently investigating measures to establish a trust to allow for the funding of the obligation. The $28,444,692 is recorded as board designated on the Statement of Net Assets.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the ARC are subject to periodic revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and employees to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The unit credit actuarial cost method was used in the April 1, 2011 actuarial valuations, the basis for the ARC calculations for the fiscal year end March 31, 2013 and 2012. The actuarial assumptions include an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate healthcare cost trend rate of 5% after five years. Both rates include a 3% inflation assumption.

NOTE 8 — ESTIMATED LITIGATION AND INSURANCE CLAIMS

There are various litigation proceedings in which the Corporation is involved, including arbitration proceedings with Unions which currently or formerly represented Corporation employees, Equal Employment Opportunity Commission ("EEOC") complaints, personal injury and property damage claims, as well as contractual claims. Generally, these develop in the normal course of business.

While the ultimate outcome of these matters cannot presently be determined, estimated liabilities for litigation and insurance claims are provided in the financial statements when management believes a settlement is probable and the amount can be reasonably estimated.

Management believes the ultimate amounts which may be required to settle such litigation in excess of insurance coverage carried by the Corporation will not have a material effect on its financial condition, beyond that which has been provided for in the financial statements.

NOTE 9 — OTHER COMMITMENTS AND CONTINGENCIES

The Corporation has contracted with a food vendor to provide all food and beverage services at the Center through 2016, with an option for one five-year extension. Under the agreement, the Corporation earns a percentage on food and beverage sales computed at specified rates.

At March 31, 2013, the Corporation's management proposed a Capital Plan and Repair and Maintenance Expenditure Plan amounting to approximately $41,080,000 and $8,455,480, respectively, to be made under the five year budget for the Javits Center. The proposed plans are intended to allow the Center to continue to operate effectively while bringing the building up to peak maintenance condition. It is the intention of the Corporation that both CCDC and it pay for and record their respective capital outlays in their separate financial statements.

Future operations of the Corporation may require additional financing by the State to the extent that operating and capital expenditures exceed revenues from operations. For fiscal 2013 operations, no appropriations were made by the State Legislature.

SUPPLEMENTARY INFORMATION

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

To the Board of Directors
New York Convention Center Operating Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New York Convention Center Operating Corporation (the "Corporation"), as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated June 26, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Corporation in a separate letter dated June 26, 2013.

Purpose of this Report

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

UHY LLP

New York, New York
June 26, 2013