NEW YORK CONVENTION CENTER OPERATING CORPORATION

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Years Ended March 31, 2014 and 2013

NEW YORK CONVENTION CENTER OPERATING CORPORATION

TABLE OF CONTENTS

UHY LLP
Certified Public Accountants

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 years ended March 31, 2014 and 2013, and the related notes to the 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 an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 position of the Corporation as of March 31, 2014 and 2013, and the statements of revenue, expenses, and 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

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 10 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 18, 2014, 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 18, 2014

MANAGEMENT’S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

This annual report includes management's discussion and analysis, 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 Position 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 position 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 settled during the subsequent fiscal year.

The Statement of Revenues, Expenses and Changes in Net Position presents the Javits Center's revenues and expenses, for the fiscal years ended March 31, 2014 and 2013. 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 presents cash receipts, cash payments and net changes in cash resulting from operating, 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 Major Initiatives

The Javits Center opened in 1986 and had 760,000 gross square feet ("GSF") of exhibit space with 100 meeting rooms and 1,000,000 GSF of support and pre-function space. In 2010, the Javits Center embarked on a 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.

- **Renovation** Javits Center North was completed in July of 2010. It was instrumental in the offering of alternative space to customers during the renovation and has now become an integral part of the Javits Center's available space. This addition increased the Javits Center total exhibit space to 840,000 gross square feet. The renovation is coming to an end in the summer of 2014. The most visible accomplishments of the renovation are new concession spaces, refinished terrazzo floors, new glass curtain walls and the automated banner system. The less visible renovations are a 6.5 acre green roof, expansive Information Technology ("IT") infrastructure changes, upgrades to heating, ventilation, and air conditioning, mechanical lighting systems and security and fire alarm systems.

- **Hurricane Sandy** The hurricane deposited 4 to 12 inches of contaminated water over the 800,000 GSF of the1st level. This required extensive repairs and replacements which will be completed by the end of 2014. Over $20 million of damage was paid by the Javits Center's insurance coverage, less deductibles of over $800,000. NYCCOC has now revisited its flood prevention plan and installed flood gates the entry points on 12th Avenue. NYCCOC has also planned further improvements to prevent flooding from more severe storms and has applied to FEMA to absorb the cost of additional flood gates in other locations. In April 2014 FEMA awarded NYCCOC $760,000 as reimbursement for the insurance deductibles.

- **Information Technology Infrastructure** The low voltage wiring for level 1 was replaced due to Hurricane Sandy. As part of the flood protection plan it was decided to relocate the computer center, telephone and internet room from level 1 to level 4. The Javits Center has been significantly behind the competition in delivering Wi-Fi and Internet services to our customers due to the outdated hardware and cabling. The decision was made to invest in the hardware and infrastructure and continue the Sandy related cabling begun on level 1 throughout the facility. This will allow the Javits Center to deliver High Definition Wi-Fi and high speed Internet in order to compete successfully with other convention centers.

- **Office Renovations** As a result of Hurricane Sandy the staff offices on level 1 and all the operations shops were contaminated and had to be totally renovated. As part of the business planning process it was decided to relocate level 1 administrative offices to level 2. This also created new revenue sources through rental of level 1 spaces to the contractors that do business in the Javits Center. There are now 11 storage facilities and 3 office spaces which generate in excess of $200,000 in annual rental revenue. The level 1 operations area was renovated in an open office design to provide for easier communication and teamwork. The Javits Center is continuing the open office design for administrative staff on level 3. This will take approximately 1 year to complete.

- **Sustainability** New York State (NYS) executive order 88 mandates that the Javits Center reduce energy consumption by 23% by 2020. An Energy and Sustainability Manager (ESM) has been hired, and will be instrumental in implementing energy and sustainability programs in order to comply with those requirements The ESM has launched the Javits Center's first sustainability committee to provide advocacy for green initiatives, to communicate with local and national associations, as well as to appeal to green events within the exhibition industry. The Javits Center also established community outreach programs with the Audubon Society, Drexel University and Parsons University to assist in sustainability research efforts.

  The renovation has provided improved building management systems, the 2nd largest green roof in the United States, over 100 new energy efficient heating, ventilation and air-conditioning units and a new efficient curtain wall. Energy dashboards have been implemented measuring energy usage in the building in order to regulate usage more efficiently. Variable air volume boxes have also been installed, providing better temperature control throughout the Javits Center.

Current Business and 2014 Financial Highlights

- ***Current Business*** The Javits Center is in the events business. This broad heading includes many specific kinds of activity including business to business events, business to consumer events and special events. The latter includes conferences, lectures, seminars, graduations, film premieres, charitable events and other forms of entertainment. Revenue is generated by fees associated with the renting of space to event managers and providing the necessary services and labor required to produce an event. Services include but are not limited to electrical, telecommunications, plumbing, audio/visual, set up materials, cleaning, food (through concessionaires), medical services (through contractor), advertising and sponsorship opportunities. The labor provided includes labor for freight movement, rigging, carpet installation, electrical services, internet based products, cleaning, booth erection and dismantling. In Fiscal 2014, 3,300 employees worked approximately 1.7 million hours, representing a 13.3% increase over 2013, to produce events. Space rental was $22.9 million or 15.0% of the $152.6 million in total operating revenues for the fiscal year. The remainder was generated primarily by provision of services and labor. The Javits Center experienced significant growth in revenue in the current fiscal year with an increase in both number and complexity of events, an increase in Net Square Footage ("NSF") sold and a more comprehensive and predictable pricing policy.

- ***Industry Averages*** The latest data available from the Javits Center for Exhibition Industry Research ("CEIR") Index Report, a leading resource for Trade Show Industry data, indicates the 2013 overall exhibition industry increases were; NSF 0.8%, Exhibitors 0.5%, Attendees 2.0% and Revenues 0.9% with overall industry increase of 1.0%. The growth in number of attendees outpaced other metrics and it continues a strong trend since the end of the recession. The CEIR is forecasting the overall Industry to grow modestly in 2014 by 2.0% and then grow just slightly below 3.0% in both 2015 and 2016.

- ***2014 Financial Highlights***

  - The number of trade shows increased by 7 to 63 or 12.5% and Special Events increased by 7 to 87 or 8.8%. This resulted in a GSF increase of 3.7 million GSF to 17.9 million GSF (26.2%) and a NSF increase of 1.1 million to 6.8 million NSF (19.3%).

  - NYCCOC's Total Operating Revenues increased $27.0 million (21.9%) to $152.6 million. Rental revenue increased by $4.7 million primarily related to the addition of 14 events compared to Fiscal 2013. Service revenue increased by $22.7 million due to the increase in number and complexity of shows, a more comprehensive and predictable pricing policy and an increase in NSF.

  - NYCCOC's Operating Expenses increased $25.3 million (19.7%) to $153.5 million as a result of an increased event activity and an increase in labor related Employee Compensation and Benefits of $19.4 million (18.1%). Facility operating expenses also increased by $3.0 million (32.1%), as did selling, general and administrative expenses by $2.6 million (31.6%) and postemployment benefits expense increased by $0.2 million (6.7%).

  - NYCCOC's Total Net Position decreased $2.7 million (8.1%) to $31.1 million. This was driven by a net loss from operations of $2.8 million.

CONDENSED STATEMENT OF NET POSITION

A condensed comparison of NYCCOC's Assets, Liabilities and Net Position at March 31, 2014 and 2013 is as follows:

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

	March 31, 2014	March 31, 2013	Increase (Decrease)
ASSETS			
Current assets	**$ 80,611**	$ 94,626	$ (14,014)
Capital assets - noncurrent	**$ 27,055**	$ 12,536	14,519
Total assets	**$ 107,666**	$ 107,162	504
LIABILITIES			
Current liabilities	**$ 38,024**	$ 44,417	(6,393)
Noncurrent liabilities	**$ 38,587**	$ 28,945	9,642
	$ 76,611	$ 73,362	3,249
NET ASSETS			
Invested in capital assets net or related debt	**$ 23,556**	$ 12,536	11,020
Unrestricted - board designated	**$ 31,526**	$ 28,445	3,081
Unrestricted	**$ (24,027)**	$ (7,180)	(16,847)
Total net position	**$ 31,055**	$ 33,800	(2,745)

Financial Analysis

- ***Current Assets –*** Current Assets decreased $14.0 million (14.8%) to $80.6 million resulting in a current ratio of 2.1 to 1. The decrease includes an $8.8 million decrease in cash and short-term investments primarily as a result of the cash used for operating and investing activities and a decrease of $8.4 million in other assets related to deferred salaries and benefits because of the timing of the auto show move-out and labor incurred compared to the prior year. The decrease in current assets is off-set by a $3.2 million increase in accounts receivable due to increase in revenue volume and timing of collections near year-end.

- ***Current Liabilities*** – Current liabilities decreased by $6.4 million (14.4%) to $38.0 million in fiscal 2014. This decrease is primarily related to a decrease in accounts payable of $4.4 million (41.3%) and a decrease in unearned revenue of $4.3 million (22.2%) to $15.1 million. The unearned revenue decrease is a result of the timing of the move out of the International Auto Show which occurred later in April 2014 as compared to April 2013. The decrease above is offset by an increase in a short-term capital lease of $1.8 million which was entered into during fiscal 2014.

- ***Liabilities*** **–** Total Liabilities increased $3.2 million (4.4%) to $76.6 million due to the increase in the other post-employment benefit obligation ("OPEB") of $3.1 million and the long-term portion of the capital lease of $6.4 million. The capital lease was entered into in November 2013 in order to finance the upgrade of the information technology infrastructure of the Javits Center.

- ***Net Position*** **–** Total Net Position decreased $2.7 million (8.1%) to $31.1 million. This decrease was the result of the $2.8 million loss from operations in fiscal 2014. The current period loss includes an additional $3.1 million for OPEB. The Board of Directors increased the unrestricted board designated for other postretirement employee benefit obligation amount to $31.5 million as of March 31, 2014 to include the fiscal 2014 portion. The investment in capital assets increased $11.0 million to $23.6 million. These two increases resulted in an unrestricted negative balance of $24.0 million.

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

	March 31, 2014	March 31, 2013	Increase (Decrease)
Improvements to the Javits Center	**$ 22,447**	$ 19,915	$ 2,532
Other Fixed Assets	**17,636**	13,657	3,979
Total Fixed Assets	**40,083**	33,572	6,511
Less Accumulated Depreciation	**26,825**	24,966	1,859
Construction in Progress	**10,299**	3,930	6,369
	$ 23,556	$ 12,536	$ 11,020

- ***Capital Assets*** - Capital Assets, net of depreciation for 2014 increased $11.0 million to $23.6 million or 87.9% over fiscal 2013. The increase included expenditures of $12.9 million in improvements to the Javits Center, furniture and equipment and construction in progress. Construction in progress consists of various operations and information technology capital improvement projects that are not completed as of year-end.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

A Condensed Statement of Revenues, Expenses and Changes in Net Position for the years ended March 31, 2014 and 2013 is provided below:

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

	2014	2013	Increase (Decrease)
Space Rental	**$ 22,961**	$ 18,285	$ 4,676
Services	**123,378**	100,665	22,713
Other	**6,281**	6,235	46
Total Operating Revenue	**152,621**	125,186	27,435
Total Operating Expenses	**153,538**	128,220	25,318
Depreciation and Amortization	**1,859**	1,257	602
Loss from Operations	**(2,776)**	(4,292)	1,515
Total Non-Operating Income	**31**	98	(67)
Net Loss	**(2,745)**	(4,193)	1,448
Total Net Position (Beginning)	**33,801**	37,994	(4,193)
Total Net Position (Ending)	**$ 31,055**	$ 33,801	$ (2,745)

- ***Operating Revenues*** – Total Operating Revenues were $152.6 million, an increase of $27.4 million (21.9%) from $125.2 million in 2013. The Space Rental revenue increase of $4.7 million (25.6%) was driven by 14 additional events over fiscal 2013. The increase in events also increased the GSF and NSF by 3.7 million (26.2%) and 1.1 million (19.0%), respectively. The increase in NSF drives event related service revenue.

  Event Related Services increased by $22.7 million (22.6%). The increase in services provided is directly related to the additional events and NSF increase, a more comprehensive and predictable pricing policy and the increase in the amount of labor requests. Specifically, the increase in event related service revenue over fiscal 2013 was mainly attributed to electrical ($5.4 million), telecommunications ($1.0 million), cleaning ($1.3 million) and exhibit labor ($14.0 million). The increase in other revenue was related to concession commissions ($393,000), off-set by the decrease in advertising income ($331,000) and other income ($15,000).

- ***Operating Expenses* –** Total Operating Expenses increased $25.3 million (19.7%) to $153.5 million. Event Related Service Revenue represents 80.8% of the Javits Center's Total Operating Revenue and is generated by labor which represents 82.5% of the Total Operating Expenses. Employee Compensation and Benefits increased $19.4 million (18.1%) to $126.6 million driven by the increases in Event Related Revenue while OPEB increased $211,000 (6.7%) to $3.4 million. Selling, General and Administrative costs increased $2.6 million (31.6%) to $10.8 million, driven by increases in legal fees ($317,000), insurance ($348,000), consulting ($534,000), equipment rental ($197,000), architect fees ($215,000), supplies ($204,000), internet ($101,000) and overall increases due to the increase in activity. Facilities costs increased $3.1 million (32.1%) primarily driven by an increase in utilities ($1.4 million), information technology maintenance ($521,000), window cleaning ($390,000), waste and snow removal ($379,000) and elevator/escalator maintenance ($285,000).

- ***Non-Operating Income* –** The decrease in investment income of $67,000 reflects the low interest rates throughout the report period combined with interest expense on the new capital lease.

- ***Change in Net Position* –** The Change in Net Position was a decrease of $2.7 million to $31.1 million as a result of the net loss from operations.

OPERATING PLAN HIGHLIGHTS

2014 showed significant growth in trade shows (12.5%), special events (8.8%), GSF (26.2%), NSF (19.0%) and gross revenues (21.9%).The Operating Plan (the "Plan" or "Plan") was aggressive given the number and magnitude of projects and repairs undertaken related to the renovation and Hurricane Sandy. The significant projects included terrazzo replacement, air wall replacement, office renovation, build out of tenant spaces, total building low voltage rewiring, relocating the computer center from level 1 to level 4 and the purchase and installation of a new IT system so that the building could meet the needs of its customers.

NYCCOC prepares and obtains approval from the Board of Directors for an annual Operating Budget, a Five Year Capital Plan ($35.5 million) and a Five Year Repair and Maintenance ("R&M") Plan ($11.1 million). These plans are not changed during the year and are tools to assist in the management of the business. The Operating Budget for 2013-2014 included $2.0 million in funding 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 renovation, except to the extent necessary to maintain operations. Overall the Javits Center performed well compared to the Plan with an operating loss of $2.8 million as compared to the Plan loss of $3.8 million (26.3%). A summary or condensed version of the Plan follows on the next page.

NEW YORK CONVENTION CENTER OPERATING CORPORATION
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Plan vs. Actual As of March 31, 2014
(000's)

	Actual	Plan	Variance
Operating Revenue			
Space Rental	$ 22,961	$ 21,650	$ 1,311
Services	123,378	119,045	4,333
Other	6,281	6,109	172
Total Operating Revenue	152,621	146,805	5,816
Operating Expenses			
Employee compensation and benefits	126,645	123,445	3,200
Facility operating expenses	12,701	10,812	1,889
SG&A	10,825	9,531	1,294
Annual other postemployment benefits expenses	3,368	3,108	260
Total Operating Expenses	153,538	146,895	6,643
Depreciation and Amortization	1,859	3,719	(1,861)
Loss from Operations	(2,776)	(3,810)	1,034
Total Non-Operating Income	31	85	(54)
Change in Net Position	$ (2,745)	$ (3,725)	$ 980

Total Operating Revenues for the year ended March 31, 2014 were $152.6 million which was $5.8 million (4.0%) better than Plan of $146.8 million. Space Rental revenue was $1.3 million (6.1%) over Plan driven by the events. Service revenues were $4.3 million (3.6%) over Plan driven by electrical ($1.8 million), labor ($458,000), audio visual ($600,000), cleaning ($630,000) and telephone and internet ($842,000).

Total Operating Expenses were $153.5 million which was $6.6 million (4.5%) over Plan of $146.9 million. Employee compensation and benefits was $3.2 million (2.6%) over Plan as a result of the goal focusing on preventative maintenance rather than a response to failure. The strategy was executed using house staff to minimize the costs. As a consequence all departments were over Plan. Facility operating expenses were $1.9 million (17.4%) over Plan mainly related to contract services ($1.0 million) including; window cleaning, waste and snow removal and elevator and escalator maintenance and repair and Utilities ($836,000). Selling, general and administrative expenses were $1.3 million (13.6%) over Plan driven by professional services of $1.1 million due to legal expenses ($304,000), telecom and IT consultants ($423,000) and operations management ($332,000), which includes architect expense ($215,000).

The loss from operations of $2.8 million was $1.0 million better than Plan of $3.8 million.

FINANCIAL STATEMENTS

NEW YORK CONVENTION CENTER OPERATING CORPORATION
STATEMENTS OF NET POSITION

	March 31, 2014	March 31, 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 2,884,656**	$ 6,182,730
Short-term investments	**64,499,496**	69,987,189
Accounts receivable, net of allowances of $1,207,609 in 2014 and 2013, respectively	**9,196,869**	6,041,066
Other assets	**4,030,404**	12,414,771
Total current assets	**80,611,425**	94,625,756
PROPERTY, PLANT AND EQUIPMENT, NET	**23,556,316**	12,535,943
OTHER ASSETS	**3,498,279**	-
Total assets	**$ 107,666,020**	$ 107,161,699
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	**$ 6,311,072**	$ 10,754,236
Accrued expenses, current	**10,947,043**	10,577,878
Unearned revenue	**15,118,879**	19,408,453
Reserve for emergency repairs	**2,964,088**	2,593,011
Estimated litigation and insurance claims	**599,364**	741,504
Capital lease liability, current	**1,785,668**	-
Other postretirement employee benefits obligation, current	**297,789**	341,851
Total current liabilities	**38,023,903**	44,416,933
Accrued expenses, net of current portion	**966,430**	841,743
Capital lease liability, net of current portion	**6,392,174**	-
Other postretirement employee benefits obligation	**31,228,392**	28,102,841
Total liabilities	**76,610,899**	73,361,517
COMMITMENTS AND CONTINGENCIES		
NET POSITION		
Invested in capital assets, net	**23,556,316**	12,535,943
Unrestricted - board designated for other postretirement employee benefit obligation	**31,526,181**	28,444,692
Unrestricted deficit	**(24,027,376)**	(7,180,453)
Total net position	**$ 31,055,121**	$ 33,800,182

See notes to financial statements.

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

	Years Ended March 31, 2014	2013
OPERATING REVENUES		
Space rentals	**$ 22,961,092**	$ 18,285,464
Event-related services	**123,378,457**	100,665,300
Concession commissions	**4,966,124**	4,573,474
Advertising income	**1,288,245**	1,619,384
Other income	**26,759**	41,932
Total operating revenues	**152,620,677**	125,185,554
OPERATING EXPENSES		
Employee compensation and benefits	**126,644,542**	107,226,029
Facility operating expenses	**12,701,335**	9,612,962
Selling, general and administrative expenses	**10,824,550**	8,223,843
Annual other postemployment benefits expenses	**3,367,767**	3,156,932
Total operating expenses	**153,538,194**	128,219,766
OPERATING LOSS BEFORE DEPRECIATION AND AMORTIZATION	**(917,517)**	(3,034,212)
DEPRECIATION AND AMORTIZATION	**1,858,877**	1,257,301
OPERATING LOSS	**(2,776,394)**	(4,291,513)
NON-OPERATING REVENUES		
Interest income, net	**31,333**	98,030
NET LOSS	**(2,745,061)**	(4,193,483)
NET POSITION, Beginning	**33,800,182**	37,993,665
NET POSITION, Ending	**$ 31,055,121**	$ 33,800,182

See notes to financial statements.

NEW YORK CONVENTION CENTER OPERATING CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended March 31,	
	2014	**2013**
OPERATING ACTIVITIES		
Cash receipts from customers	**$ 145,175,300**	$ 127,788,823
Cash paid for operating expenses	**(145,208,381)**	(122,895,146)
Net cash (used in) provided by operating activities	**(33,081)**	4,893,677
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payment on capital lease obligation	**(908,828)**	-
Net cash used in capital and related financing activities	**(908,828)**	-
INVESTING ACTIVITIES		
Purchase of short-term investments	**(347,000,092)**	(450,011,314)
Proceeds from sales and maturities of short-term investments	**352,487,785**	455,515,988
Interest received	**31,333**	98,030
Cash paid for the security deposit	**(1,745,260)**	-
Acquisition of property, plant and equipment	**(6,129,931)**	(6,338,245)
Net cash used in investing activities	**(2,356,165)**	(735,541)
NET (DECREASE) INCREASE IN CASH	**(3,298,074)**	4,158,136
CASH AND CASH EQUIVALENTS, Beginning	**6,182,730**	2,024,594
CASH AND CASH EQUIVALENTS, Ending	**$ 2,884,656**	$ 6,182,730
RECONCILIATION OF NET LOSS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
NET LOSS	**$ (2,745,061)**	$ (4,193,483)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Interest income	**(31,333)**	(98,030)
Depreciation and amortization	**1,858,877**	1,257,301
Changes in:		
Accounts receivable	**(3,155,803)**	(584,333)
Other assets	**8,968,699**	(11,726,569)
Accounts payable	**(4,443,164)**	7,130,302
Accrued expenses	**493,852**	5,109,994
Reserve for emergency repairs	**371,077**	2,112,857
Estimated litigation and insurance claims	**(142,140)**	(220,345)
Other postretirement employee benefits obligation	**3,081,489**	2,918,381
Unearned revenue	**(4,289,574)**	3,187,602
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	**$ (33,081)**	$ 4,893,677
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
Equipment and maintenance financed with capital lease	**$ 9,086,670**	$ -
Capital paid for interest	**$ 21,553**	$ -

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 ("NYCCDC"), 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 position, revenues, expenses, gains and losses are classified based on the existence or absence of Board of Directors designated restrictions. Accordingly, net position of the Corporation and changes therein are classified and reported as follows:

> Unrestricted net position – Net position that is not subject to board-imposed stipulations. If the related liabilities exceed the assets on hand, then the "shortfall", by default, is covered by this unrestricted net position.
>
> Invested in capital assets – Net position that represents those resources used for board approved capital assets.
>
> Unrestricted - board designated net position – Net position 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 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)

Reclassifications

Certain reclassifications were made to prior year amounts to conform to the current period presentation. None of the reclassifications affected the net loss of the prior year.

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. 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, 2014 and 2013, the Corporation's short-term investments consist of U.S. Treasury bills and repurchase agreements. 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, 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 unearned revenue. Such amounts are recognized as revenue in the accounting period in which the event moves out. 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 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. Accordingly, these estimates could change in the near term.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

Property, plant and equipment is recorded at cost less accumulated depreciation. Expenditures for major additions and improvements are capitalized, while minor replacements, maintenance, and repairs are charged to expense as incurred. Leased property meeting certain criteria is capitalized and the present value of the related lease payments is recorded as a liability and included in current and/or long term capital lease liability based on the lease terms.

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.

Security Deposit

During October 2013, the Corporation contracted with a new insurance company. Based on the terms of the contract, the Corporation paid a security deposit which will be held for the term of the contract. The contract expires in one year; however, management intends to continue to renew the contract for the foreseeable future. As a result, the security deposit of $1,745,260 is reflected as a long term asset.

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.

NOTE 2 — EXPANSION PROJECT AND DUE FROM AFFILIATE (Continued)

In August 2006, the Corporation entered into an agreement to sell the Yale Building to NYCCDC, a related party. The agreement provided that NYCCDC defeased the 2003 Certificates in the amount of $66,200,000. In addition to the defeasance amount, NYCCDC 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 has previously funded capital expenditures related to the expansion and renovation projects of the Javits Center, on behalf of NYCCDC amounting to $3,392,071. These amounts have been recorded as a receivable from NYCCDC and management has also recorded an offsetting reserve of $3,392,071 due to the uncertainty regarding its collectability.

NOTE 3 — OTHER ASSETS

Other assets consist of the following:

	March 31,	
	2014	2013
Current other assets		
Unbilled show costs	$ 2,745,200	$ 12,338,082
Prepaid maintenance, current portion	467,471	-
Prepaid other	817,733	76,689
	$ 4,030,404	$ 12,414,771
Non-current other assets		
Security deposit	$ 1,745,260	$ -
Prepaid maintenance, net of current portion	1,753,019	-
	$ 3,498,279	$ -

NOTE 4 — PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment activities for the years ended March 31, 2014 and 2013 are summarized as follows:

March 31, 2014	Beginning Balance	Additions	Transfers	Ending Balance
Depreciable assets				
Furniture, fixtures and equipment	$ 8,953,821	$ 88,137	$3,852,065	$ 12,894,024
Video display equipment	1,073,319	-	-	1,073,319
Telephone equipment	1,785,356	-	38,512	1,823,867
Other equipment	1,844,672	-	-	1,844,672
Improvements to Center	19,914,719	-	2,532,036	22,446,755
Construction in progress	3,930,436	12,791,113	(6,422,613)	10,298,936
Total depreciable assets	37,502,323	12,879,250	-	50,381,573
Accumulated depreciation				
Furniture, fixtures and equipment	3,577,116	1,278,760	-	4,855,877
Video display equipment	1,016,169	22,860	-	1,039,028
Telephone equipment	1,758,747	13,751	-	1,772,498
Other equipment	1,223,703	99,355	-	1,323,058
Improvements to Center	17,390,645	444,151	-	17,834,796
Total accumulated depreciation	24,966,380	1,858,877	-	26,825,257
Total property, plant and equipment, net	$ 12,535,943	$ 11,020,373	$ -	$ 23,556,316

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 5 — UNEARNED REVENUE

Unearned revenue consisted of the following:

	March 31, 2014	March 31, 2013
Event-related services	$ 8,092,078	$ 12,658,293
Space rentals	6,995,658	6,740,874
Advertising	31,143	9,286
	$ 15,118,879	$ 19,408,453

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.

NOTE 6 — RETIREMENT PLANS (Continued)

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

	For the Years Ended March 31,		
	2014	2013	2012
Related compensation	$ 13,488,121	$ 14,252,494	$ 14,750,026
Contribution	2,600,268	2,471,405	2,400,999
Percentage of compensation	19%	17%	16%

The employer contributions are equal to 100 percent of the required contribution under the system. Additionally, pension contributions for the years ended March 31, 2014 and 2013 for multi-employer union employees not covered under the System totaled $11,377,721 and $12,199,756, respectively, and are included in employee compensation and benefits on the statements of revenue, expenses, and changes in net position.

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 $286,278 and $238,552 for current premiums for March 31, 2014 and 2013, respectively, and are included in employee compensation and benefits on the Statements of Revenue, Expenses, and Changes in Net Position.

NOTE 7 — OTHER POSTRETIREMENT EMPLOYEE BENFITS OBLIGATION (Continued)

Annual OPEB Cost and Net OPEB Obligation

The Corporation's Annual OPEB Cost ("AOC") and OPEB obligation for the fiscal years ended March 31, 2014 and 2013 are composed of the following (as calculated by an external actuary):

	2014	2013
OPEB obligation, beginning of the year	$ 28,444,692	$ 25,526,311
Annual OPEB cost (AOC)		
Annual required contribution (ARC)		
Normal cost	2,052,417	1,954,683
Amortization of unfunded actuarial accrued liability over one year	30,766,257	27,950,412
Interest at 4.155%	1,250,470	1,140,074
ARC	34,069,144	31,045,169
ARC Adjustment	(31,787,685)	(28,864,317)
Interest on net OPEB obligation	1,086,308	976,081
AOC	3,367,767	3,156,932
OPEB obligation	31,812,459	28,683,244
Less: Corporation payments for retired employees' health care benefits	286,278	238,552
Net OPEB obligation, end of year	31,526,181	28,444,692
Less: Current portion of net OPEB obligation	297,789	341,851
OPEB obligation, non-current	$ 31,228,392	$ 28,102,841

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, 2014	$ 28,444,691	$ 3,367,767	$ 286,278	8.50%	$ 31,526,180
March 31, 2013	$ 25,526,311	$ 3,156,932	$ 238,552	7.56%	$ 28,444,691
March 31, 2012	$ 22,766,665	$ 2,956,620	$ 196,974	6.66%	$ 25,526,311

Funding Status and Funding Progress

For the years ended March 31, 2014 and 2013 the Corporation satisfies current obligations on a pay-as-you-go basis.

The Board of Directors has designated $31,526,181 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 $31,526,181 is recorded as unrestricted - board designated net position on the Statement of Net Position.

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 latest actuarial valuations, dated April 1, 2014, the basis for the ARC calculations for the fiscal year end March 31, 2014. The actuarial assumptions include an annual healthcare cost trend rate of 7.8% initially, reduced by decrements to an ultimate healthcare cost trend rate of 4.75% after eight years. Both rates include a 2.75% inflation assumption

NOTE 8 — CAPITAL LEASES

The Corporation leased equipment under a capital lease agreement that expires November 2018. At March 31, 2014, the gross amount of the equipment under the capital lease was $6,749,313, of which $3,500,431 was placed in service. Accumulated amortization on the equipment amounted to $176,823 at March 31, 2014. Amortization of this leased equipment is included in depreciation and amortization expense on the Statements of Revenue, Expenses and Changes in Net Position.

In addition to the leased equipment, the Corporation prepaid maintenance for the equipment. At March 31, 2014, the gross amount of the maintenance and related accumulated amortization was $2,337,357 and $116,866, respectively. Amortization of this prepaid maintenance is included in facility operating expenses on the Statement of Revenue, Expenses and Changes in Net Position.

The total of the finance lease for the equipment and maintenance was $9,086,670. The principal payments on the lease for the year ended March 31, 2014 totaled $908,828.

Future minimum payments under the finance agreement are as follows:

Years Ending March 31,	
2015	$ 1,860,764
2016	1,860,764
2017	1,860,764
2018	1,860,764
2019	930,383
	8,373,439
Less: amount representing interest	195,597
Present value of minimum lease payments	$ 8,177,842

NOTE 9 — ESTIMATED LITIGATION AND INSURANCE CLAIMS

There are various litigation and claims 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 10 — 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, 2014, the Corporation's management proposed a Capital Plan and Repair and Maintenance Expenditure Plan amounting to $60,839,989 and $13,309,319, 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 NYCCDC and the Corporation 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 2014 operations, no appropriations were made by the State Legislature.

SUPPLEMENTARY INFORMATION

UHY LLP Certified Public Accountants

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, 2014, and the related notes to the financial statements, and have issued our report thereon dated June 18, 2014.

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, including *Investment Guidelines for Public Authorities* issued by the Office of the State Comptroller of New York State and the Corporation's investment guidelines, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

UHY LLP

New York, New York
June 18, 2014