# NEW YORK CONVENTION CENTER OPERATING CORPORATION

## AUDITED FINANCIAL STATEMENTS
## AND
## SUPPLEMENTARY INFORMATION

**Years Ended March 31, 2015 and 2014**

# 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, 2015 and 2014, 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, 2015 and 2014, 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 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 17, 2015, 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 17, 2015

# 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's 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, 2015 and 2014. 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/Recent Developments

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. As the Javits Center's recent top-to-bottom renovation project was implemented, several significant technological upgrades were installed throughout the building in order to ensure reliable connectivity, provide visitors with easier web access and offer greater flexibility for customers. Prior to this technological overhaul, there were severe connectivity issues inside the building, including outdated circuits, limited wireless signals and service gaps, that mandated a new focus on technology to enhance the customer experience and adapt for future advances in technology. The Javits Center has an increased customer service focus and is striving for operating efficiency while providing the best experience for our customers.

**Information Technology ("IT") Infrastructure**. Among the new system's highlights are free wireless service to all visitors throughout the facility in order to enhance the mobile experience at the Javits Center, upgraded 85% of the exhibition hall data cabling to Category 6 Ethernet standards (8,000 data drops) – enhancing our capability to provide more reliable and consistent IT services; Installed and cabled more than 700 wireless access points, forming the foundation of a high-density wireless system, which provides more reliable connectivity for up to 70,000 users at any one time throughout the building; High-quality networking equipment was installed which will enable the Javits Center to design and deliver IT services to provide the best value and return on investment for the Javits Center and our customers; Installed back-up uninterruptible power supply units (UPS), which will keep IT equipment powered up in the event of a short-power failure until full extricate power is restored; Comprehensive on-site redundancy has been built into the design of the critical core and edge IT networking equipment. All such dual equipment has been configured to failover seamlessly or with minimal service interruption; and a Distributed Antenna System (DAS) was installed with the country's major wireless carriers, including AT&T, Verizon, T-Mobile and Sprint, enabling reliable cellphone signals throughout the entire facility.

**Hurricane Sandy.** The hurricane deposited 4 to 12 inches of contaminated water over the 800,000 GSF of the1$^{st}$ level.  NYCCOC has applied and Federal Emergency Management Agency ("FEMA") has approved $1.6 million for the design and installation for additional flood gates to provide complete flood protection from future storms whose conditions are more severe than Hurricane Sandy.

**Sustainability.** New York State (NYS) executive order 88 mandates that the Javits Center reduce energy consumption by 23% by 2020. Located on 11th Avenue between West 34th and West 40th streets in Manhattan, the Javits Center has sought to improve New York's economy for nearly 30 years by hosting a variety of events that support the hotel, restaurant and tourism industries. Funded through a public-private partnership, the renovation project allowed the Javits Center to expand its mission and focus on improving the environment and quality of life for the West Side community. With the installation of significant sustainable upgrades – and the creation of a comprehensive sustainability program to accompany the renovation -- the Javits Center has re-engineered its infrastructure and reinforced its commitment to sustainability and efficiency. On track to achieve Leadership in Energy and Environmental Design ("LEED") Silver certification, the Javits Center is meeting the goal of exceeding New York State's mandate of reducing energy and water consumption by 20% by the year 2020 — and reducing office waste by more than the required 10% annually. More than at any time in its history, the Javits Center is poised to sustain a green environment far into the future, thanks to a number of improvements within the renovation project

**Green Roof.** The second largest of its kind in the United States, the 6.75-acre green roof, which contains an underground drip irrigation system, serves a model of sustainability and will help the facility move to receive LEED Silver status for the renovation work. The roof, which measures 290,000 square feet, is comprised of sedum mats that are grown in Syracuse, NY. Sedum is a plant type that grows in the Northern Hemisphere and has water-storing leaves. These plants require minimal maintenance and grow back every year. Currently, the roof is the subject of several studies to determine its impact on the building and the surrounding community. Drexel University has installed a series of climate monitoring stations on the roof, and these stations can determine the effect of the roof on storm water runoff, the surrounding microclimate, the urban heat island effect and wind speeds. As a part of an ongoing biodiversity study to determine the roof's impact on the migratory paths of birds and bats, the New York City Audubon and Fordham University found that 524 birds from 11 species utilized the roof as a habitat in the spring and summer months of 2014. The Javits Center is exploring the possibility of conducting a feasibility study for wind turbines and the housing of honey bees on the green roof.

**Energy Dashboard.** The Javits Center has invested in a cutting-edge energy dashboard that allows designated engineers and employees to monitor consumption levels for electric, gas and water. With 12,600 unique measuring points, the Energy Dashboard facilitates the tracking of consumption levels, which can be specified by individual meters or time frames.

**Bird-Friendly Glass.** The Javits Center has installed more than 6,000 glass panels, which are not only energy efficient, but protect the area's bird population. The fritted glass panels along the façade and rooftop are designed to prevent birds from sustaining injury by accentuating the structure in front of them. Since the installation, the number of bird collisions has dropped 90%, creating a healthier environment for the West Side community.

**Green Technology.** With the installation of more than 100 new air-conditioning systems, Javits Center engineers are able to monitor and adjust the temperature in hundreds of locations for visitors' additional comfort. In order to maintain this new system, filter changes performed quarterly for pre filters and annually for the box filters on HVAC units. Greasing and belt adjustments are performed every six months and power washing and flushing of condensers are performed on an annual basis. All HVAC units also are inspected prior to cooling season for any refrigerant leaks. This work ensures that units are running at 100% efficiency and the least amount of electricity is consumed with their use.

**Tracking Show Sustainability.** The Javits Center has implemented a host of upgrades to increase the building's sustainability, from the installation of energy-efficient lighting and mechanical units to the construction of a 6.75 acre green roof, the second largest in the United States. With all of the upgrades implemented, the building will reduce its energy consumption by approximately 26%. Now, the Javits Center is offering its customers the ability to track the sustainability of their own events when they visit New York. With the use of a state-of-the-art energy dashboard at the Javits Center, our staff can monitor a show's consumption of water, gas and electric. We're also offering waste tracking where the rates of diversion, recycling and composting are calculated for a particular show. The consumption data also can be compared to events of similar size and the building's annual usage so industry members can gauge how truly eco-friendly they are. By better understanding their consumption rates on the show floor, event managers can seek to refine their operations in order to improve the sustainability of the overall event and the activity of their exhibitors. Under this new program, the Javits Center can help event managers establish base lines of consumption for their shows, as well as future goals for year-to-year comparisons. Pre-event meetings with Javits Center staff are available to address any special needs, concerns or suggestions.

## Current Business and 2015 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 2015, 4,905 employees worked approximately 2.0 million hours, representing a 21% increase over 2014 to produce events. In Fiscal 2014, 3,877 employees worked approximately 1.8 million hours. Space rental was $25.4 million or 15.0% of the $170.0 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 an increase in price per NSF.

- ***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 2014 overall exhibition industry increases were; NSF 2.0%, Exhibitors 1.6%, Attendees 1.7% and Revenues 1.9% with overall industry increase of 1.8%. Attendance continues its upward trend since the end of the recession in 2009, and in 2014, the number of attendees of 68.9 million exceeded its previous peak of 68.4 million in 2007. Attendance growth is largely reflective of strengthening job growth. The CEIR is forecasting the overall Industry to growth of 2.8% and 2.4% in 2015 and 2016, respectively.

- ***2015 Financial Highlights***

  - The number of trade shows remained consistent at 63 for Fiscal 2015 which resulted in GSF and NSF of 17.4 million and 6.9 million and 17.9 million and 6.8 million in 2015 and 2014, respectively. The number of Special Events increased by 8 to 95 or 9.2%.

  - NYCCOC's Total Operating Revenues increased $17.4 million (11.4%) to $170.0 million. Rental revenue increased by $2.4 million primarily related to the addition of 8 special events compared to Fiscal 2014. Service revenue increased by $14.0 (11.3%) million due to the increase in number and complexity of shows, an increase in pricing and an increase in NSF.

  - NYCCOC's Operating Expenses increased $11.9 million (7.8%) to $165.5 million as a result of an increased event activity and an increase in labor related Employee Compensation and Benefits of $12.8 million (10.1%). Facility operating expenses decreased by $547,000 (3.9%), and selling, general and administrative expenses increased by $504,000 (5.4%) and postemployment benefits expense decreased by $800,000 (23.7%).

  - NYCCOC's Total Net Position increased $1.1 million (3.5%) to $32.1 million. This was driven by net income of $1.1 million.

## CONDENSED STATEMENT OF NET POSITION

A condensed comparison of NYCCOC's Assets, Liabilities and Net Position at March 31, 2015 and 2014 is as follows:

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

| | **March 31, 2015** | March 31, 2014 | Increase (Decrease) |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets | **$ 80,622** | $ 80,611 | $ 11 |
| Capital assets - noncurrent | **37,088** | 27,055 | 10,033 |
| Total assets | **117,710** | 107,666 | 10,044 |
| **LIABILITIES** | | | |
| Current liabilities | **46,641** | 38,024 | 8,617 |
| Noncurrent liabilities | **38,920** | 38,587 | 333 |
| | **85,561** | 76,611 | 8,950 |
| **NET ASSETS** | | | |
| Invested in capital assets net or related debt | **32,891** | 23,556 | 9,335 |
| Unrestricted - board designated | **33,797** | 31,526 | 2,271 |
| Unrestricted | **(34,538)** | (24,027) | (10,511) |
| Total net position | **$ 32,150** | $ 31,055 | $ 1,095 |

***Financial Analysis***

- ***Current Assets –*** Current Assets remained consistent at $80.6 million resulting in a current ratio of 1.7 to 1. The $80.6 million includes a $3.1 million decrease in cash and short-term investments primarily as a result of the cash used for operating and investing activities primarily for building and infrastructure improvements and a decrease of $1.1 million in accounts receivable related to timing of show billing and collections at year-end. These decreases in current assets are off-set by a $4.2 million increase in other assets and prepaid expenses primarily related to unbilled show costs at year-end mainly attributable to the International Auto-Show.

- ***Other Assets-noncurrent –*** Non-current assets increased $10.0 million (37%) from $27.1 million to $37.1 million. This increase is related to property, plant and equipment investments of $9.3 million and other non-current assets increase of $699,000 related to increase in security deposit for insurance claims.

- ***Current Liabilities*** – Current liabilities increased by $8.6 million (22.7%) to $46.6 million in fiscal 2015. This increase is primarily related to an increase in accounts payable of $893,000, accrued expenses of $6.1 million (55.5%) and an increase in unearned revenue of $4.6 million (30.2%) to $19.7 million. The unearned revenue increase is a result of the move in of the International Auto Show which began in the last two weeks of March 2015 as compared to April 2014. The increase above is offset by a decrease of $3.0 million in reserve for emergency repairs which related to funds expended for Hurricane Sandy renovations.

- ***Non-current Liabilities*** **–** Total Non-current liabilities increased by $333,000 (.9%) to $38.9 million. This amount includes an increase in the other post-employment benefit obligation ("OPEB") of $2.2 million and a decrease in the capital lease liability related to payments made during Fiscal 2015 of $1.8 million.

- ***Net Position*** **–** Total Net Position increased $1.1 million (3.5%) to $32.1 million. This increase was the result of the net $1.1 million net income in Fiscal 2015. The Board of Directors increased the unrestricted board designated for other postretirement employee benefit obligation amount to $33.8 million as of March 31, 2015 to include the Fiscal 2015 portion. The investment in capital assets increased $9.3 million to $32.9 million. These two increases resulted in an unrestricted negative balance of $34.5 million.

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

| | **March 31, 2015** | March 31, 2014 | Increase (Decrease) |
|---|---|---|---|
| Improvements to the Javits Center | **$ 32,857** | $ 22,447 | $ 10,410 |
| Other Fixed Assets | **22,068** | 17,636 | 4,432 |
| Total Fixed Assets | **54,925** | 40,083 | 14,842 |
| Less Accumulated Depreciation | **30,200** | 26,825 | 3,375 |
| Construction in Progress | **8,166** | 10,299 | (2,133) |
| | **$ 32,891** | $ 23,556 | $ 9,334 |

- ***Capital Assets*** - Capital Assets, net of depreciation for 2015 increased $9.3 million to $32.9 million or 39.6% over Fiscal 2014. The increase included expenditures of $12.7 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, 2015 and 2014 is provided below:

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

| | **2015** | 2014 | Increase (Decrease) |
|---|---|---|---|
| Space Rental | **$ 25,394** | $ 22,961 | $ 2,433 |
| Services | **137,363** | 123,378 | 13,985 |
| Other | **7,230** | 6,281 | 949 |
| Total Operating Revenue | **169,987** | 152,620 | 17,367 |
| Total Operating Expenses | **165,473** | 153,537 | 11,936 |
| Depreciation and Amortization | **3,375** | 1,859 | 1,516 |
| Income (Loss) from Operations | **1,139** | (2,776) | 3,915 |
| Total Non-Operating (Expense) Income | **(44)** | 31 | (75) |
| Net Income (Loss) | **1,095** | (2,745) | 3,840 |
| Total Net Position (Beginning) | **31,055** | 33,801 | (2,746) |
| Total Net Position (Ending) | **$ 32,150** | $ 31,055 | $ 1,094 |

- ***Operating Revenues*** – Total Operating Revenues were $170.0 million, an increase of $17.4 million (11.4%) from $152.6 million in 2014. The Space Rental revenue increase of $2.4 million (10.6%) was driven by 8 additional special events over Fiscal 2014.

- Event Related Services increased by $14.0 million (11.3%). The increase in services provided is directly related to the additional events and NSF increase, an increase in pricing and the increase in the amount of labor requests. Specifically, the increase in event related service revenue over fiscal 2014 was mainly attributed to electrical ($5.5 million), telecommunications ($2.1 million), cleaning and set-up ($0.4 million) and exhibit labor ($5.8 million). The increase in other revenue was related to concession commissions ($921,000), advertising income ($38,000) and other income ($9,500).

- ***Operating Expenses* –** Total Operating Expenses increased $12.0 million (7.8%) to $165.5 million. Event Related Service Revenue represents 80.8% of the Javits Center's Total Operating Revenue and is generated by labor which represents 84.3% of the Total Operating Expenses. Employee Compensation and Benefits increased $12.8 million (10.1%) to $139.4 million driven by the increases in Event Related Revenue while OPEB decreased $800,000 (23.7%) to $2.6 million. Selling, general and Administrative costs increased $504,000 (5.4%) to $9.9 million, driven by increases in professional services ($1.1 million), training and education ($101,000) and insurance ($89,000), partially offset by decreases in legal fees ($338,000), consulting ($411,000) and internet ($116,000). Facilities costs decreased $547,000 (3.9%) primarily driven by a decrease in utilities ($1.1 million) and window cleaning ($436,000), off-set by increases in repair and maintenance ($846,000) and building equipment ($175,000).

- ***Non-Operating Income* –** The decrease in non-operating income of $75,000 reflects the low interest rates throughout the report period and interest income of $31,000 combined with interest expense of $75,000 on the capital lease.

- ***Change in Net Position* –** The Change in Net Position was an increase of $1.1 million to $32.1 million as a result of the Fiscal 2015 net income.

## OPERATING PLAN HIGHLIGHTS

Fiscal 2015 was an extremely busy year. While the number of trade shows, the GSF and NSF remained consistent with Fiscal 2014, special events increased by 8 or 9.2%. These events were complex and very labor intense driving revenues up 11.4% over the prior year. The event schedule was very tight and included shows on multi-year rotation (American Psychiatric Assoc. and Project), new shows (ICSC NY National Conference and Agenda) and significant new special events (NBC Upfront, X-Men Red Carpet, Strata and Hadoop). While nearing their completion, the CCDC major renovation, repairs from Hurricane Sandy and the Center's own renovation work continued. Additionally, significant IT infrastructure investment continued with cabling (Cat 6 and Fiber Optic) throughout the facility and the construction of a new MDF room on level 4. These improvements will allow us to compete with other convention centers in Internet, Wi-Fi and Distributed Antenna System capabilities. The significant improvements required scheduling around the compressed show schedule. As a result, a significant portion of the work was completed around move-in and move-outs and at night which resulted in departments going over budget due to over-time wages.

NYCCOC prepares and obtains approval from the Board of Directors for an annual Operating Budget, a Five Year Capital Plan ($76.7 million) and a Five Year Repair and Maintenance ("R&M") Plan ($13.6 million). These plans are not changed during the year and are tools to assist in the management of the business. The Operating Budget for 2014-2015 included $2.5 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 net income of $1,024,000 as compared to the Plan loss of $5.3 million. 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 | $ 25,394 | $ 24,811 | $ 583 |
| Services | 137,363 | 126,886 | 10,477 |
| Other | 7,230 | 6,559 | 671 |
| Total Operating Revenue | 169,987 | 158,256 | 11,731 |
| Operating Expenses | | | |
| Employee compensation and benefits | 139,422 | 131,918 | 7,504 |
| Facility operating expenses | 13,580 | 13,609 | (29) |
| SG&A | 9,903 | 9,706 | 197 |
| Annual other postemployment benefits expenses | 2,568 | 3,705 | (1,137) |
| Total Operating Expenses | 165,473 | 158,938 | 6,535 |
| Depreciation and Amortization | 3,375 | 4,654 | (1,279) |
| Income (Loss) from Operations | 1,139 | (5,336) | 6,475 |
| Total Non-Operating (Expense) Income | (44) | 60 | (104) |
| Change in Net Position | $ 1,095 | $ (5,276) | $ 6,371 |

Total Operating Revenues for the year ended March 31, 2015 were $170.0 million which was $11.7 million (7.4%) better than Plan of $158.3 million. Space Rental revenue was $583,000 (2.4%) over Plan driven by the events. Service revenues of $137.4 million were $10.5 million (8.3%) over Plan driven by electrical ($4.7 million), Exhibit Labor ($4 million), telephone and internet ($1.1 million), set-up ($206,000) and misc. show revenue ($192,000).

Total Operating Expenses were $165.5 million which was $6.6 million (4.1%) over Plan of $158.9 million. Employee compensation and benefits was $7.6 million (5.7%) 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. Selling, general and administrative expenses were $197,000 (2.0%) over Plan driven by increases in professional services of $752,000, off-set by decreases in training and education ($225,000), insurance ($280,000) and internet/website ($96,000).

The net income of $1.1 million was $6.4 million better than the Plan loss of $5.3 million mainly related to significant revenue driven by the unanticipated special events and two trade shows and less depreciation due to timing.

# FINANCIAL STATEMENTS

# NEW YORK CONVENTION CENTER OPERATING CORPORATION
## STATEMENTS OF NET POSITION

| | March 31, | |
|---|---|---|
| | **2015** | **2014** |
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash | **$ 2,751,553** | $ 2,884,656 |
| Short-term investments | **61,490,642** | 64,499,496 |
| Accounts receivable, net of allowances of $1,207,609 in, 2015 and 2014, respectively | **8,112,774** | 9,196,869 |
| Other assets | **8,267,438** | 4,030,404 |
| Total current assets | **80,622,407** | 80,611,425 |
| PROPERTY, PLANT AND EQUIPMENT, NET | **32,890,811** | 23,556,316 |
| OTHER ASSETS | **4,197,508** | 3,498,279 |
| Total assets | **$ 117,710,726** | $ 107,666,020 |
| **LIABILITIES AND NET POSITION** | | |
| CURRENT LIABILITIES | | |
| Accounts payable | **$ 7,204,481** | $ 6,311,072 |
| Accrued expenses, current | **17,049,649** | 10,947,043 |
| Unearned revenue | **19,685,957** | 15,118,879 |
| Capital lease liability, current | **1,803,592** | 1,785,668 |
| Estimated litigation and insurance claims | **543,886** | 599,364 |
| Other postretirement employee benefits obligation, current | **353,071** | 297,789 |
| Reserve for emergency repairs | **-** | 2,964,088 |
| Total current liabilities | **46,640,636** | 38,023,903 |
| Accrued expenses, net of current portion | **888,326** | 966,430 |
| Capital lease liability, net of current portion | **4,588,582** | 6,392,174 |
| Other postretirement employee benefits obligation, net of current portion | **33,443,435** | 31,228,392 |
| Total liabilities | **85,560,979** | 76,610,899 |
| COMMITMENTS AND CONTINGENCIES | | |
| NET POSITION | | |
| Invested in capital assets, net | **32,890,811** | 23,556,316 |
| Unrestricted - board designated for other postretirement employee benefit obligation | **33,796,506** | 31,526,181 |
| Unrestricted deficit | **(34,537,570)** | (24,027,376) |
| Total net position | **$ 32,149,747** | $ 31,055,121 |

*See notes to financial statements.*

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

| | Years Ended March 31, | |
|---|---|---|
| | **2015** | **2014** |
| OPERATING REVENUES | | |
| Space rentals | **$ 25,393,920** | $ 22,961,092 |
| Event-related services | **137,362,793** | 123,378,457 |
| Concession commissions | **5,886,677** | 4,966,124 |
| Advertising income | **1,326,077** | 1,288,245 |
| Other income | **17,234** | 26,759 |
| | **169,986,701** | 152,620,677 |
| OPERATING EXPENSES | | |
| Employee compensation and benefits | **139,421,863** | 126,644,542 |
| Facility operating expenses | **13,579,717** | 14,127,161 |
| Selling, general and administrative expenses | **9,903,152** | 9,398,724 |
| Annual other postemployment benefits expenses | **2,568,112** | 3,367,767 |
| Total operating expenses | **165,472,844** | 153,538,194 |
| OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION | **4,513,857** | (917,517) |
| DEPRECIATION AND AMORTIZATION | **3,375,151** | 1,858,877 |
| OPERATING INCOME (LOSS) | **1,138,706** | (2,776,394) |
| NON-OPERATING EXPENSES (REVENUES) | | |
| Interest expense (income), net | **44,080** | (31,333) |
| **NET INCOME (LOSS)** | **1,094,626** | (2,745,061) |
| **NET POSITION, Beginning** | **31,055,121** | 33,800,182 |
| **NET POSITION, Ending** | **$ 32,149,747** | $ 31,055,121 |

*See notes to financial statements.*

# NEW YORK CONVENTION CENTER OPERATING CORPORATION
## STATEMENTS OF CASH FLOWS

| | Years Ended March 31, | |
|---|---|---|
| | **2015** | **2014** |
| **OPERATING ACTIVITIES** | | |
| Cash receipts from customers | **$ 175,637,874** | $ 145,175,300 |
| Cash paid for operating expenses | **(163,616,304)** | (145,229,935) |
| Net cash provided by (used in) operating activities | **12,021,570** | (54,635) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Principal payment on capital lease obligation | **(1,785,668)** | (908,828) |
| Net cash used in capital and related financing activities | **(1,785,668)** | (908,828) |
| **INVESTING ACTIVITIES** | | |
| Purchase of short-term investments | **(750,500,237)** | (347,000,092) |
| Proceeds from sales and maturities of short-term investments | **753,509,091** | 352,487,785 |
| Interest received | **31,016** | 52,887 |
| Cash paid for security deposits | **(699,229)** | (1,745,260) |
| Acquisition of property, plant and equipment | **(12,709,646)** | (6,129,931) |
| Net cash used in investing activities | **(10,369,005)** | (2,334,611) |
| **NET DECREASE IN CASH** | **(133,103)** | (3,298,074) |
| **CASH, Beginning** | **2,884,656** | 6,182,730 |
| **CASH, Ending** | **$ 2,751,553** | $ 2,884,656 |
| **RECONCILIATION OF NET LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES** | | |
| **NET INCOME (LOSS)** | **$ 1,094,626** | $ (2,745,061) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Interest income | **(31,016)** | (52,887) |
| Depreciation and amortization | **3,375,151** | 1,858,877 |
| Changes in: | | |
| Accounts receivable | **1,084,095** | (3,155,803) |
| Other assets | **(4,237,034)** | 8,968,699 |
| Accounts payable | **893,409** | (4,443,164) |
| Accrued expenses | **6,024,502** | 493,852 |
| Reserve for emergency repairs | **(2,964,088)** | 371,077 |
| Estimated litigation and insurance claims | **(55,478)** | (142,140) |
| Other postretirement employee benefits obligation | **2,270,325** | 3,081,489 |
| Unearned revenue | **4,567,078** | (4,289,574) |
| **NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES** | **$ 12,021,570** | $ (54,635) |
| **SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:** | | |
| Equipment and maintenance financed with capital lease | **$ -** | $ 9,086,670 |

*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**

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, 2015 and 2014, 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 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, commercial paper, banker's acceptances, 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 event's 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 and 2014, the Corporation contracted with a new insurance company. Based on the terms of the contracts, the Corporation paid security deposits which will be held for an indefinite amount of time. As a result, the security deposit of $2,911,960 and $1,745,260 for the years ended March 31, 2015 and 2014, respectively, is reflected as non-current other assets.

### 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, | |
|---|---|---|
| | 2015 | 2014 |
| Current other assets | | |
| Unbilled show costs | $ 5,833,856 | $ 2,745,200 |
| Prepaid maintenance, current portion | 467,471 | 467,471 |
| Prepaid insurance | 775,094 | 545,031 |
| Reimbursable building disaster recovery | 795,143 | - |
| Prepaid other | 395,874 | 272,702 |
| | $ 8,267,438 | $ 4,030,404 |
| Non-current other assets | | |
| Security deposit | $ 2,911,960 | $ 1,745,260 |
| Prepaid maintenance, net of current portion | 1,285,548 | 1,753,019 |
| | $ 4,197,508 | $ 3,498,279 |

## NOTE 4 — PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment activities for the years ended March 31, 2015 and 2014 are summarized as follows:

| March 31, 2015 | Beginning Balance | Additions | Transfers | Ending Balance |
|---|---|---|---|---|
| Depreciable assets | | | | |
| Furniture, fixtures and equipment | $ 12,894,024 | $ 468,386 | $ 3,963,726 | $ 17,326,136 |
| Video display equipment | 1,073,319 | - | - | 1,073,319 |
| Telephone equipment | 1,823,867 | - | - | 1,823,867 |
| Other equipment | 1,844,672 | - | - | 1,844,672 |
| Improvements to Center | 22,446,755 | - | 10,410,014 | 32,856,769 |
| Construction in progress | 10,298,936 | 12,241,260 | (14,373,740) | 8,166,456 |
| Total depreciable assets | 50,381,573 | 12,709,646 | - | 63,091,219 |
| Accumulated depreciation | | | | |
| Furniture, fixtures and equipment | 4,855,877 | 2,413,361 | - | 7,269,238 |
| Video display equipment | 1,039,028 | 22,861 | - | 1,061,889 |
| Telephone equipment | 1,772,498 | 19,528 | - | 1,792,026 |
| Other equipment | 1,323,058 | 99,355 | - | 1,422,413 |
| Improvements to Center | 17,834,796 | 820,046 | - | 18,654,842 |
| Total accumulated depreciation | 26,825,257 | 3,375,151 | - | 30,200,408 |
| Total property, plant and equipment, net | $ 23,556,316 | $ 9,334,495 | $ - | $ 32,890,811 |

| 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 |

## NOTE 5 — UNEARNED REVENUE

Unearned revenue consisted of the following:

| | March 31, 2015 | March 31, 2014 |
|---|---|---|
| Event-related services | $ 10,571,600 | $ 8,092,078 |
| Space rentals | 8,861,449 | 6,995,658 |
| Advertising | 252,908 | 31,143 |
| | $ 19,685,957 | $ 15,118,879 |

## 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, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Related compensation | $ 14,323,790 | $ 13,488,121 | $ 14,252,494 |
| Contribution | $ 2,672,399 | $ 2,600,268 | $ 2,471,405 |
| Percentage of compensation | 19% | 19% | 17% |

The employer contributions are equal to 100 percent of the required contribution under the system. Additionally, pension contributions for the years ended March 31, 2015 and 2014 for multi-employer union employees not covered under the System totaled $14,229,973 and $11,377,721, 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 $297,789 and $286,278 for current premiums for March 31, 2015 and 2014, 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, 2015 and 2014 are composed of the following (as calculated by an external actuary):

| | 2015 | 2014 |
|---|---|---|
| OPEB obligation, beginning of the year | $ 31,526,181 | $ 28,444,692 |
| Annual OPEB cost (AOC) | | |
| Annual required contribution (ARC) | | |
| Normal cost | 1,684,158 | 2,052,417 |
| Amortization of unfunded actuarial accrued liability over one year | 33,442,256 | 30,766,257 |
| Interest at 4.155% | 1,088,536 | 1,250,470 |
| ARC | 36,214,950 | 34,069,144 |
| ARC Adjustment | (34,627,931) | (31,787,685) |
| Interest on net OPEB obligation | 981,095 | 1,086,308 |
| AOC | 2,568,114 | 3,367,767 |
| OPEB obligation | 34,094,295 | 31,812,459 |
| Less: Corporation payments for retired employees' health care benefits | 297,789 | 286,278 |
| Net OPEB obligation, end of year | 33,796,506 | 31,526,181 |
| Less: Current portion of net OPEB obligation | 353,071 | 297,789 |
| OPEB obligation, non-current | $ 33,443,435 | $ 31,228,392 |

**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, 2015 | $ 31,526,181 | $ 2,568,114 | $ 297,789 | 11.60% | $ 33,796,506 |
| March 31, 2014 | $ 28,444,692 | $ 3,367,767 | $ 286,278 | 8.50% | $ 31,526,181 |
| March 31, 2013 | $ 25,526,311 | $ 3,156,933 | $ 238,552 | 7.56% | $ 28,444,692 |

***Funding Status and Funding Progress***

For the years ended March 31, 2015 and 2014 the Corporation satisfies current obligations on a pay-as-you-go basis.

The Board of Directors has designated $33,796,506 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 $33,796,506 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, 2015. 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. The gross amount of the equipment under the capital lease was $6,749,313, of which $6,749,313 and $3,500,431 was placed in service at March 31, 2015 and 2014, respectively. Accumulated amortization on the equipment amounted to $1,371,445 and $176,823 at March 31, 2015 and 2014, respectively. 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, 2015 and 2014, the gross amount of the maintenance was $2,337,357. At March 31, 2015 and 2014, the related accumulated amortization was $584,338 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, 2015 and 2014 totaled $1,785,668 and $908,828, respectively.

Future minimum payments under the finance agreement are as follows:

| Years Ending March 31, | | |
|---|---|---|
| 2015 | $ | 1,860,764 |
| 2017 | | 1,860,764 |
| 2018 | | 1,860,764 |
| 2019 | | 930,383 |
| | | 6,512,675 |
| Less: amount representing interest | | 120,501 |
| Present value of minimum lease payments | $ | 6,392,174 |

## 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, 2015, the Corporation's management proposed a Capital Plan and Repair and Maintenance Expenditure Plan amounting to $76,721,501 and $13,594,410, 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 2015 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, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 17, 2015.

**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 17, 2015