

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Financial Statements and
Independent Auditors' Report

March 31, 2020 and 2019

INDEPENDENT AUDITORS' REPORT

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, 2020 and 2019, and the related notes to financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 Corporation'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 Corporation'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 financial position of the New York Convention Center Operating Corporation as of March 31, 2020 and 2019, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in note 1(g) to the financial statements, the Corporation adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 87 - "Leases," during the year ended March 31, 2020. Our opinion is not modified with respect to this matter.

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 14 and the additional information on pages 35 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 22, 2020, 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 solely 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 the effectiveness of the Corporation's 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.

EFPR Group, CPAs, PLLC

Williamsville, New York
June 22, 2020

FINANCIAL STATEMENTS

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Statements of Net Position
March 31, 2020 and 2019

Assets	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and equivalents	\$ 5,331,859	5,198,845
Short-term investments	60,728,135	68,078,385
Accounts receivable, net of allowances of \$1,207,609 in 2020 and 2019	4,874,926	10,730,949
Unbilled show costs	388,862	932,306
Other assets	<u>10,176,720</u>	<u>4,372,325</u>
Total current assets	81,500,502	89,312,810
Property and equipment, net	43,124,502	41,733,396
Other assets	<u>5,470,400</u>	<u>5,677,334</u>
Total assets	<u>130,095,404</u>	<u>136,723,540</u>
Deferred outflows of resources	<u>5,288,416</u>	<u>8,277,340</u>
Liabilities		
Current liabilities:		
Accounts payable	5,816,798	9,172,147
Accrued expenses, current	3,037,636	3,040,038
Unearned revenue	4,934,709	16,947,652
Capital lease liability, current	6,041,766	307,354
Insurance claim reserve	5,432,119	5,279,949
Advances for capital improvements from affiliate	2,446,612	4,378,486
Other postemployment employee benefits obligation, current	<u>571,200</u>	<u>676,895</u>
Total current liabilities	28,280,840	39,802,521
Accrued expenses, net of current portion	780,933	779,059
Net pension liability	3,668,886	1,795,946
Capital lease liability, net of current portion	5,721,852	732,350
Other postemployment benefits obligation, net of current portion	<u>37,925,800</u>	<u>37,108,105</u>
Total liabilities	<u>76,378,311</u>	<u>80,217,981</u>
Deferred inflows of resources	<u>5,588,665</u>	<u>8,503,772</u>
Net position		
Investment in capital assets, net	36,493,639	40,693,692
Unrestricted - board designated for other postemployment benefit obligation	38,497,000	37,785,081
Unrestricted deficit	<u>(21,573,795)</u>	<u>(22,199,646)</u>
Total net position	<u>\$ 53,416,844</u>	<u>56,279,127</u>

See accompanying notes to financial statements.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Statements of Revenue, Expenses and Changes in Net Position
Years ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenue:		
Event-related services	\$ 154,913,381	173,163,175
Space rentals	25,895,418	27,831,092
Concession commissions	1,965,953	6,581,747
Advertising and other income	<u>2,205,886</u>	<u>2,428,587</u>
Total operating revenue	<u>184,980,638</u>	<u>210,004,601</u>
Operating expenses:		
Employee compensation and benefits	151,304,316	169,266,588
Facility operating expenses	19,736,603	21,082,251
Selling, general and administrative expenses	8,738,215	8,411,010
Annual other postemployment benefits expenses	<u>2,916,000</u>	<u>2,922,000</u>
Total operating expenses	<u>182,695,134</u>	<u>201,681,849</u>
Operating income before depreciation and amortization	2,285,504	8,322,752
Depreciation and amortization expense	<u>(6,592,120)</u>	<u>(7,982,632)</u>
Operating income (loss)	(4,306,616)	340,120
Nonoperating revenue - interest income, net	<u>1,444,333</u>	<u>1,081,471</u>
Change in net position	(2,862,283)	1,421,591
Net position at beginning of year	<u>56,279,127</u>	<u>54,857,536</u>
Net position at end of year	<u>\$ 53,416,844</u>	<u>56,279,127</u>

See accompanying notes to financial statements.

NEW YORK CONVENTION CENTER
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Statements of Cash Flows
Years ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 178,823,717	201,817,404
Cash paid for operating expenses	<u>(183,111,277)</u>	<u>(193,607,759)</u>
Net cash provided by (used in) operating activities	<u>(4,287,560)</u>	<u>8,209,645</u>
Cash flows from capital and related financing activities:		
Principal payments on capital lease obligations	(1,228,345)	(926,905)
Interest payments on capital lease obligations	(74,060)	(3,478)
Advance for capital improvements from affiliate	(1,931,874)	(595,461)
Acquisition of property and equipment	<u>(1,445,537)</u>	<u>(4,318,884)</u>
Net cash used in capital and related financing activities	<u>(4,679,816)</u>	<u>(5,844,728)</u>
Cash flows from investing activities:		
Purchase of short-term investments	(828,376,000)	(722,460,000)
Proceeds from sales and maturities of short-term investments	835,726,249	717,776,250
Interest received on investments	1,543,207	1,084,949
Cash paid for collateral	(199,998)	(82,073)
Cash received for collateral	<u>406,932</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>9,100,390</u>	<u>(3,680,874)</u>
Net change in cash and equivalents	133,014	(1,315,957)
Cash and equivalents at beginning of year	<u>5,198,845</u>	<u>6,514,802</u>
Cash and equivalents at end of year	<u>\$ 5,331,859</u>	<u>5,198,845</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	(4,306,616)	340,120
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	6,592,120	7,982,632
Changes in:		
Accounts receivables	5,856,023	(2,554,339)
Unbilled show costs	543,444	10,600,771
Other assets	546,112	16,880
Due from affiliate	(935,935)	(1,331,808)
Accounts payable	(3,355,349)	(2,826,591)
Accrued expenses	(25,343)	(816,100)
Unearned revenue	(12,012,943)	(5,632,858)
Insurance claim reserve	152,170	8,118
Other postemployment employee benefits obligation	712,000	3,750,000
Net pension and OPEB related accounts	<u>1,946,757</u>	<u>(1,327,180)</u>
Net cash provided by (used in) operating activities	<u>\$ (4,287,560)</u>	<u>8,209,645</u>
Supplemental disclosure of non-cash financing activities - equipment financed with capital lease	<u>\$ 11,952,260</u>	<u>1,039,704</u>

See accompanying notes to financial statements.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Notes to Financial Statements
March 31, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies

(a) 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 rental.

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.

(b) Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(c) Basis of Presentation

Net position of the Corporation and changes therein are classified and reported as follows:

Net investment in capital assets - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of related debt obligations of those 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 (note 8).

Unrestricted net position - reports the balance of net position that does not meet the definition of the above two categories.

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 Governments" 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 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.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Notes to Financial Statements, Continued

Note 1 - Summary of Significant Accounting Policies, Continued

(d) Cash and Equivalents

The Corporation considers cash to consist of all cash on deposit with financial institutions that can be withdrawn without prior notice or penalty. Cash and equivalents are wholly collateralized with government securities held by a financial institution in the name of the Corporation.

(e) Short-Term Investments

As of March 31, 2020 and 2019, the Corporation's short-term investments consist of U.S. Treasury bills, commercial paper 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.

(f) Recognition of Revenue and Reserve for Doubtful Accounts

Amounts received for space rental 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 occurs. 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.

(g) Capitalized Costs and Depreciation

Capitalized costs include all capital costs related to the Javits Center since it began operations, including major additions and improvements. These expenditures include construction, design, and engineering costs.

At March 31, 2020 and 2019, the construction in progress capital cost reflected a total of \$12,748,641 and \$7,390,989, respectively, related to the on-going capital maintenance and improvements and early action work intended to facilitate the planned new expansion.

Depreciation is calculated on a straight-line basis ranging from 3 to 15 years, which is the estimated useful life of the assets.

During the year ended March 31, 2020, the Corporation adopted the provisions of GASB Statement No. 87 - "Leases." The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

NEW YORK CONVENTION CENTER
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Notes to Financial Statements, Continued

Note 1 - Summary of Significant Accounting Policies, Continued

(h) Security Deposit

During October 2013 and 2014, the Corporation contracted with a new insurance company. The terms of the contracts required the Corporation to pay security deposits which will be held for an indefinite amount of time. As a result, the security deposit of \$5,470,400 and \$5,677,334 as of March 31, 2020 and 2019, respectively, is reflected as non-current other assets in the statements of net position.

(i) Deferred Outflows and Inflows of Resources

In the statements of net position, in addition to assets, the Corporation will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Corporation has two items that qualify for reporting in this category. The first item is related to pensions. This represents the effect of the net change in the Corporation's proportion of the collective net pension liability and difference during the measurement period between the Corporation's contributions and its proportionate share of total contributions to the pension systems not included in pension expense, and contributions to the pension system subsequent to the measurement date. The second item is related to other postemployment benefits. This represents the Corporation's changes of assumptions or other inputs to the health insurance program and contributions to the health insurance program subsequent to the measurement date.

In the statements of net position, in addition to liabilities, the Corporation will sometimes report a separate section of deferred inflows of resources. The separate financial statement element reflects an increase in net position that applies to future periods. The Corporation will not recognize the related revenues until a future event occurs. The Corporation has two items that qualify for reporting in this category. The first item is related to pensions. This represents the change in the proportion between the Corporation's contributions and the proportionate share of total plan contributions. The second item is related to other postemployment benefits. This represents the change of assumptions or other inputs and the difference between the expected and actual experience related to the health insurance program.

(j) Retirement Benefits

The Corporation provides retirement benefits for its employees through contributions to the New York State and Local Retirement System (the System). The System provides various plans and options, some of which require employee contributions. See note 7 of the financial statements for additional details.

(k) Other Postemployment Benefits (OPEB)

The Corporation provides health care benefits for certain of its qualifying retirees through the New York State Health Insurance Program. See note 8 of the financial statements for additional details.

(l) Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Notes to Financial Statements, Continued

Note 1 - Summary of Significant Accounting Policies, Continued

(m) Subsequent Events

The Corporation has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued (note 13).

(n) Reclassifications

Reclassifications have been made to certain 2019 balances in order to conform them to the 2020 presentation.

Note 2 - Short-term Investments

Authorization for investment in securities is governed by written internal guidelines, statutes, and State guidelines. The investments are reported at amortized cost in the statements of net position and amounted to \$60,728,135 and \$68,078,385 as of March 31, 2020 and 2019, respectively.

The interest rate earned on investments approximated 1.63% and 2.35% for the years ended March 31, 2020 and 2019, respectively.

Fair Value Measurements

Accounting principles generally accepted in the United States of America established a framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are as follows:

- Level 1 - Valuations are based on quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.
- Level 2 - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable directly, or indirectly.
- Level 3 - Valuations are based on inputs that are unobservable and significant to overall fair value measurement.

The Corporation's short-term investments at March 31, 2020 and 2019 are classified as follows:

	<u>2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury bills	\$ 17,774,163	-	-	17,774,163
Commercial papers	<u>-</u>	<u>42,953,972</u>	<u>-</u>	<u>42,953,972</u>
	<u>\$ 17,774,163</u>	<u>42,953,972</u>	<u>-</u>	<u>60,728,135</u>
	<u>2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury bills	\$ 38,078,385	-	-	38,078,385
Repurchase agreements	<u>-</u>	<u>30,000,000</u>	<u>-</u>	<u>30,000,000</u>
	<u>\$ 38,078,385</u>	<u>30,000,000</u>	<u>-</u>	<u>68,078,385</u>

NEW YORK CONVENTION CENTER
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Notes to Financial Statements, Continued

Note 3 - 2009 Renovation Project and Due From Affiliate

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

In August 2006, the Corporation entered into an agreement to sell the Yale Building to 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 fully reserved this amount in prior years.

The Corporation has previously funded capital expenditures related to the 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 as of March 31, 2020 and 2019.

The Corporation has entered into an agreement for the procurement of furniture, fixtures, and equipment for the Expansion (“FF&E”) on behalf of NYCCDC. NYCCDC is reimbursing an equipment lease as part of the agreement. The Corporation has recorded this lease as a liability and recognized an offsetting receivable from NYCCDC in the statements of net position, as the related FF&E is property of NYCCDC.

Note 4 - Other Assets

Other assets at March 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Current other assets:		
Due from affiliate	\$ 9,149,495	2,798,987
Prepaid maintenance, current portion	63,003	207,706
Prepaid software license subscription	327,578	360,717
Prepaid insurance	202,073	574,945
Prepaid workers compensation escrow	400,000	400,000
Prepaid other	<u>34,571</u>	<u>29,970</u>
	<u>\$ 10,176,720</u>	<u>4,372,325</u>
Non-current other assets - security deposit	<u>\$ 5,470,400</u>	<u>5,677,334</u>

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Notes to Financial Statements, Continued

Note 5 - Property and Equipment

The property and equipment activities for the years ended March 31, 2020 and 2019 are summarized as follows:

	2020				Balance at March 31, 2020
	Balance at March 31, 2019	<u>Additions</u>	<u>Transfers</u>	<u>Retirement</u>	
Depreciable assets:					
Furniture, fixtures, and equipment*	\$ 20,215,417	40,404	931,469	(1,121,073)	20,066,217
Video display equipment	194,519	-	-	-	194,519
Telephone equipment	1,715,551	-	-	-	1,715,551
Other equipment	993,551	-	-	-	993,551
Improvements to center	40,222,563	-	1,653,701	(251,358)	41,624,906
Right of use asset*	8,056,206	-	-	(312,779)	7,743,427
Construction in progress	<u>7,390,989</u>	<u>7,942,822</u>	<u>(2,585,170)</u>	-	<u>12,748,641</u>
Total depreciable assets	<u>78,788,796</u>	<u>7,983,226</u>	-	<u>(1,685,210)</u>	<u>85,086,812</u>
Accumulated depreciation and amortization:					
Furniture, fixtures, and equipment*	14,046,663	2,894,429	-	(1,121,073)	15,820,019
Video display equipment	31,730	43,870	-	-	75,600
Telephone equipment	1,702,308	9,347	-	-	1,711,655
Other equipment	968,712	24,839	-	-	993,551
Improvements to center	13,667,720	3,016,072	-	(251,358)	16,432,434
Right of use asset*	<u>6,638,267</u>	<u>603,563</u>	-	<u>(312,779)</u>	<u>6,929,051</u>
Total accumulated depreciation and amortization	<u>37,055,400</u>	<u>6,592,120</u>	-	<u>(1,685,210)</u>	<u>41,962,310</u>
Total property and equipment, net	<u>\$ 41,733,396</u>	<u>1,391,106</u>	-	-	<u>43,124,502</u>
	2019				Balance at March 31, 2019
Balance at March 31, 2018	<u>Additions</u>	<u>Transfers</u>	<u>Retirement</u>		
Depreciable assets:					
Furniture, fixtures, and equipment*	\$ 20,384,591	-	1,047,070	(1,216,244)	20,215,417
Video display equipment	219,128	-	157,269	(181,878)	194,519
Telephone equipment	1,851,907	-	-	(136,356)	1,715,551
Other equipment	993,551	-	-	-	993,551
Improvements to center	40,281,975	326,508	441,674	(827,594)	40,222,563
Right of Use Asset*	7,016,502	-	1,039,704	-	8,056,206
Construction in progress	<u>5,044,626</u>	<u>5,032,080</u>	<u>(2,685,717)</u>	-	<u>7,390,989</u>
Total depreciable assets	<u>75,792,280</u>	<u>5,358,588</u>	-	<u>(2,362,072)</u>	<u>78,788,796</u>

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Notes to Financial Statements, Continued

Note 5 - Property and Equipment, Continued

	Balance at March 31, <u>2018</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirement</u>	Balance at March 31, <u>2019</u>
Accumulated depreciation and amortization:					
Furniture, fixtures, and equipment*	\$ 11,515,945	3,746,962	-	(1,216,244)	14,046,663
Video display equipment	188,086	25,522	-	(181,878)	31,730
Telephone equipment	1,823,541	15,123	-	(136,356)	1,702,308
Other equipment	869,357	99,355	-	-	968,712
Improvements to center	11,623,633	2,871,681	-	(827,594)	13,667,720
Right of Use Asset*	<u>5,414,278</u>	<u>1,223,989</u>	-	-	<u>6,638,267</u>
Total accumulated depreciation and amortization	<u>31,434,840</u>	<u>7,982,632</u>	-	(2,362,072)	<u>37,055,400</u>
Total property and equipment, net	\$ <u>44,357,440</u>	<u>(2,624,044)</u>	-	-	<u>41,733,396</u>

* Reclassifications have been made to certain 2019 balances to conform them for the implementation of GASB Statement No. 87.

The Corporation recorded depreciation and amortization expense of \$6,592,120 and \$7,982,632 for the years ended March 31, 2020 and 2019, respectively.

Note 6 - Unearned Revenue

Unearned revenue consisted of the following at March 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Event-related services	\$ 400,090	1,860,126
Space rentals	4,442,324	14,850,026
Advertising	<u>92,295</u>	<u>237,500</u>
	\$ <u>4,934,709</u>	<u>16,947,652</u>

Note 7 - Pension Plan

(a) New York State and Local Retirement System

The Corporation participates in the New York State and Local Retirement System (the "System"). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net position and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law. Once a public employer elects to

NEW YORK CONVENTION CENTER
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Notes to Financial Statements, Continued

Note 7 - Pension Plan, Continued

(a) New York State and Local Retirement System, Continued

participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Corporation also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information regarding benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

The System was noncontributory until July 27, 1976. Employees who joined after July 27, 1976 contribute 3.0 percent of their salary for the first ten years of membership and employees who joined on or after January 1, 2010 contribute 3.0 percent to 6.0 percent of their salary for their entire length of service. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the fiscal year ending March 31.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2020	\$2,011,120
2019	\$2,051,164
2018	\$2,176,080

(b) Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At March 31, 2020 and 2019, the Corporation reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2019 and 2018, respectively. The total pension liability used to calculate the net pension liability was determined by the actuarial valuation. The Corporation's proportionate share of the net pension liability was based on a projection of the Corporation's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the Corporation.

	<u>2020</u>	<u>2019</u>
Measurement date	3/31/2019	3/31/2018
Net pension liability	\$3,668,886	1,795,946
Corporation's proportion of the System's net pension liability	0.0517816%	0.0556461%

For the years ended March 31, 2020 and 2019, the Corporation recognized pension expense of \$2,389,002 and \$2,191,395, respectively. At March 31, 2020, the Corporation's proportionate share was 0.0517816% which was a percentage decrease of 0.0038645 from its proportionate share at March 31, 2019. At March 31, 2020 and 2019, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NEW YORK CONVENTION CENTER
OPERATING CORPORATION
Notes to Financial Statements, Continued

Note 7 - Pension Plan, Continued

(b) Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

	<u>2020</u>		<u>2019</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 722,480	246,285	640,556	529,331
Changes of assumptions	922,208	-	1,190,861	-
Net difference between projected and actual earnings on pension plan investments	-	941,639	2,608,470	5,148,858
Changes in proportion and differences between the Corporation's contributions and proportionate share of contributions	142,458	204,741	157,960	63,583
Contributions subsequent to the measurement date	<u>2,011,120</u>	<u>-</u>	<u>2,051,164</u>	<u>-</u>
Total	<u>\$ 3,798,266</u>	<u>1,392,665</u>	<u>6,649,011</u>	<u>5,741,772</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of March 31, 2019 will be recognized in pension expense as follows:

Plan's Year Ended March 31:

2020	\$ 743,772
2021	(716,659)
2022	(90,220)
2023	457,588
2024	-
Thereafter	<u>-</u>
Total	<u>\$ 394,481</u>

The Corporation's contributions subsequent to March 31, 2019 measurement date will be recognized as a reduction of the net pension liability in the year ending March 31, 2020.

(c) Actuarial Assumptions

The total pension liability at March 31, 2020 and 2019 was determined by using an actuarial valuation as noted in the following table, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuation used the following actuarial assumptions:

NEW YORK CONVENTION CENTER
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Notes to Financial Statements, Continued

Note 7 - Pension Plan, Continued

(c) Actuarial Assumptions, Continued

	<u>2020</u>	<u>2019</u>
Measurement date	March 31, 2019	March 31, 2018
Actuarial valuation date	April 1, 2018	April 1, 2017
Investment rate of return, net of investment expenses	7.0%	7.0%
Salary scale	3.8% Average	3.8% Average
Decrement tables	April 1, 2010 - March 25, 2015 System Experience	April 1, 2010 - March 25, 2015 System Experience
Inflation rate	2.5%	2.5%

Annuitant mortality rates are based on April 1, 2010 - March 1, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the April 1, 2018 and 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

In 2019 and 2018 the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return*</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return*</u>
Asset type:				
Domestic equity	36.00%	4.55%	36.00%	4.55%
International equity	14.00%	6.35%	14.00%	6.35%
Private equity	10.00%	7.50%	10.00%	7.50%
Real estate	10.00%	5.55%	10.00%	5.55%
Absolute return strategies	2.00%	3.75%	2.00%	3.75%
Opportunistic portfolio	3.00%	5.68%	3.00%	5.68%
Real assets	3.00%	5.29%	3.00%	5.29%
Bonds and mortgages	17.00%	1.31%	17.00%	1.31%
Cash	1.00%	(0.25%)	1.00%	(0.25%)
Inflation-indexed bonds	4.00%	1.25%	4.00%	1.25%
	<u>100.00%</u>		<u>100.00%</u>	

*The real rate of return is net of the long-term inflation assumption of 2.50%.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Notes to Financial Statements, Continued

Note 7 - Pension Plan, Continued

(d) Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(e) Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Corporation's proportionate share of the net pension liability as of March 31, 2020 and 2019 calculated using the discount rate of 7.0%, as well as what the Corporation's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	2020		
	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Proportionate share of the net pension (asset) liability	\$ <u>16,040,954</u>	<u>3,668,886</u>	<u>(6,724,529)</u>
	2019		
	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Proportionate share of the net pension (asset) liability	\$ <u>13,588,614</u>	<u>1,795,946</u>	<u>(8,180,179)</u>

(f) Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of all participating employers as of the respective measurement dates, were as follows:

	(Dollars in Millions)	
	3/31/2019	3/31/2018
Total pension liability	\$(189,803)	(183,400)
Net position	<u>182,718</u>	<u>180,173</u>
Net pension liability	\$ <u>(7,085)</u>	<u>(3,227)</u>
ERS net position as a percentage of total pension liability	96.27%	98.24%

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Notes to Financial Statements, Continued

Note 8 - Postemployment Benefits

As a participating employer of New York State Health Insurance Program (the Program), the Corporation provides healthcare benefits for retirees and other former employees under the provisions of the Program. Eligibility, under the Program for the 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 the Program 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.

Employees covered by benefit terms

At March 31, 2020 and 2019, the following employees were covered by the benefit terms:

	<u>2020</u>	<u>2019</u>
Inactive plan members or beneficiaries currently receiving benefits	64	57
Inactive plan members entitled to but not yet receiving benefits	3	2
Active plan members	<u>119</u>	<u>117</u>
	<u>186</u>	<u>176</u>

Total OPEB Liability

The Corporation's total OPEB liability as of March 31, 2020 and 2019, amounting to \$38,497,000 and \$37,785,000, were determined by an actuarial valuation as of April 1, 2018 and 2017, respectively.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the April 1, 2019 and 2017 actuarial valuations were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	<u>2020</u>	<u>2019</u>
Inflation	2.50%	2.50%
Salary increases including wage inflation	3.00% - 8.00%	3.00% - 8.00%
Discount rate	3.29%	3.51%
Healthcare cost trend rates:		
• Drugs	9.00% decreasing to 4.50%	
• Pre-Medicare Medical	5.75% decreasing to 4.50%	
• Medicare Medical	5.10% decreasing to 4.50%	

The discount rate was calculated using the S&P Municipal Bond 20 Year High Grade Rate Index.

Annuitant mortality rates are based on April 1, 2010 - March 1, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2014.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Notes to Financial Statements, Continued

Note 8 - Postemployment Benefits, Continued

Changes in the Total OPEB Liability

	<u>2020</u>	<u>2019</u>
Total OPEB liability as of April 1,	\$ <u>37,785,000</u>	<u>34,035,000</u>
Changes for the year:		
Service cost	2,081,000	1,902,000
Interest on total OPEB liability	1,388,000	1,310,000
Differences between actual and expected experience	(1,015,000)	(94,000)
Changes of assumptions	(1,103,000)	1,120,000
Plan sponsor contributions	<u>(639,000)</u>	<u>(488,000)</u>
Total changes	<u>712,000</u>	<u>3,750,000</u>
Total OPEB liability as of March 31,	\$ <u>38,497,000</u>	<u>37,785,000</u>

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the Corporation as of March 31, 2020 and 2019, as well as what the Corporation's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>2020</u>		
	1% Decrease (2.29%)	Discount Rate (3.29%)	1% Increase (4.29%)
Total OPEB liability	\$ <u>47,598,000</u>	<u>38,497,000</u>	<u>31,677,000</u>

	<u>2019</u>		
	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB liability	\$ <u>45,978,000</u>	<u>37,785,000</u>	<u>31,487,000</u>

Sensitivity of the total OPEB liability to changes in the healthcare costs trend rates

The following presents the total OPEB liability of the Corporation as of March 31, 2020 and 2019, as well as what the Corporation's total OPEB liability would be if it were calculated using a rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>2020</u>		
	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ <u>30,960,000</u>	<u>38,497,000</u>	<u>48,797,000</u>

	<u>2019</u>		
	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ <u>30,510,000</u>	<u>37,785,000</u>	<u>47,601,000</u>

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Notes to Financial Statements, Continued

Note 8 - Postemployment Benefits, Continued

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the years ended March 31, 2020 and 2019, the Corporation recorded OPEB expense of \$2,916,000 and \$2,922,000, respectively. At March 31, 2020 and 2019, the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	961,000	-	83,000
Changes of assumptions	858,000	3,235,000	989,000	2,679,000
Corporation's contributions subsequent to the measurement date	632,150	-	639,329	-
Total	\$ <u>1,490,150</u>	<u>4,196,000</u>	<u>1,628,329</u>	<u>2,762,000</u>

The Corporation's contribution subsequent to the measurement date will be recognized as a reduction of the other postemployment benefits liability in the year ended March 31, 2020. Other amounts reported as deferred outflows of resources related to other postemployment benefits are as follows:

<u>Year ending</u>	
2021	\$ (553,000)
2022	(553,000)
2023	(553,000)
2024	(553,000)
2025	(553,000)
Thereafter	(573,000)
Total	\$ <u>(3,338,000)</u>

Note 9 - Leases

The Corporation leases equipment under various lease agreements that expire through August 2024. The gross amount of the equipment under the leases for the years ended March 31, 2020 and 2019 was \$19,695,688 and \$8,056,207, respectively. At March 31, 2020, \$5,414,572 of equipment is recorded in other assets on the statements of net position due to the FF&E with NYCCDC. Accumulated amortization on the equipment amounted to \$6,929,051 and \$6,638,267 at March 31, 2020 and 2019, respectively. Amortization of this leased equipment is included in depreciation and amortization expense on the statements of revenue, expenses, and changes in net position.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Notes to Financial Statements, Continued

Note 9 - Leases, Continued

The total of the finance lease for the equipment for the years ended March 31, 2020 and 2019 amounted to \$11,763,618 and \$1,039,704, respectively. The principal payments on the leases for the years ended March 31, 2020 and 2019 totaled \$1,228,345 and \$926,905, respectively.

Future minimum payments under the finance agreement are as follows:

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 6,041,766	59,929
2022	1,843,719	42,816
2023	1,541,345	28,179
2024	1,554,534	14,991
2025	<u>782,254</u>	<u>2,508</u>
	\$ <u>11,763,618</u>	<u>148,423</u>

Note 10 - 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 11 - Other Commitments and Contingencies

The Corporation previously contracted with a food vendor to provide all food and beverage services at the Center through 2021, whereby, under the agreement, the Corporation earns a percentage on food and beverage sales computed at specified rates. On June 16, 2019, the parties agreed to terminate the agreement.

The Corporation entered into a food and beverage agreement effective May 3, 2019 with a new vendor. The new vendor began operating on June 16, 2019. The agreement is for 10 years and runs through June 15, 2029 with an optional 5-year period at the Corporation’s discretion, contingent on the approval of the State Comptroller. The agreement provides for a share of the net receipts for the concession services.

At March 31, 2020, the Corporation’s management proposed a Capital Plan and Repair and Maintenance Expenditure Plan amounting to \$135,505,949 and \$58,151,340, 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.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Notes to Financial Statements, Continued

Note 11 - Other Commitments and Contingencies, Continued

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 2020 operations, no appropriations were made by the State Legislature. As of March 31, 2020, the Company is not aware of any State Legislature proposed appropriations for Fiscal 2021.

Note 12 - Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 88 - "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement, issued in April of 2018, requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The provisions of this Statement are effective for reporting periods beginning after June 15, 2019, which is the fiscal year beginning April 1, 2020 for the Corporation. This Statement is not expected to have a material effect on the financial statements of the Corporation.

GASB Statement No. 89 - "Accounting for Interest Cost Incurred before the End of a Construction Period." This Statement, issued in June 2018, establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" which are superseded by this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, which is the fiscal year beginning April 1, 2021 for the Corporation. Management is in the process of evaluating the potential impact of this Statement on the financial statements of the Corporation.

GASB Statement No. 91 - "Conduit Debt Obligations." This Statement, issued in May of 2019, requires a single method be used for the reporting of conduit debt obligations. The focus of the Statement is to improve financial reporting by eliminating diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021, which is the fiscal year beginning April 1, 2022 for the Corporation. This Statement is not expected to have a material impact on the financial statements of the Corporation.

GASB Statement No. 92 - "Omnibus 2020." This Statement, issued in January 2020, clarifies implementation of GASB Statements No. 73, 74, 84 and 87, generally effective for fiscal years beginning after June 15, 2021, which is the fiscal year beginning April 1, 2022 for the Corporation. Management is in the process of evaluating the potential impact of this Statement on the financial statements of the Corporation.

NEW YORK CONVENTION CENTER
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Notes to Financial Statements, Continued

Note 12 - Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 93 - "Replacement of Interbank Offered Rates." This Statement, issued in March 2020, addresses the accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) - most notably, the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021. The requirements of this Statement are effective for reporting periods after June 15, 2021, which is the fiscal year beginning April 1, 2022 for the Corporation. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Corporation.

GASB Statement No. 94 - "Public-Private and Public-Public Partnerships and Availability Payment Arrangements." This Statement, issued in March 2020, addresses issues related to public-private and public-public partnerships (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022, which is the fiscal year beginning April 1, 2023 for the Corporation. This Statement is not expected to have a material effect on the financial statements of the Corporation.

GASB Statement No. 96 - "Subscription-Based Information Technology Arrangements." This Statement, issued in May 2020, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. To the extent relevant, the standard for SBITAs are based on the standards established in Statement No. 87 - "Leases," as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, which is the fiscal year beginning April 1, 2023 for the Corporation. Management is in the process of evaluating the potential impact of implementation on the financial statements of the Corporation.

Note 13 - Subsequent Events

On January 31, 2020, United States Health and Human Services Secretary declared a public health emergency for the United States to aid the nation's healthcare community in responding to COVID-19. In response to the COVID-19 outbreak, Governor Cuomo issued an Executive Order on March 7, 2020 declaring a state of emergency in New York State, and shortly thereafter mandated the temporary conversion of the Corporation from a convention center to a medical station. The outbreak of the disease has affected travel, commerce and financial markets globally, and is expected to result in a significant economic impact and affect economic growth worldwide. The impact to the Corporation and its financial position and future results are not presently determinable due to the uncertainties related to the duration and severity of the COVID-19 outbreak, as well as with regard to what actions may be taken by governmental and other health care authorities, to contain or mitigate its impact.

GASB issued Statement No. 95 - "Postponement of the Effective Dates of Certain Authoritative Guidance" in May 2020. This Statement has the primary objective of providing temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued. Disclosures in note 12 have been updated accordingly.

REQUIRED SUPPLEMENTARY INFORMATION

NEW YORK CONVENTION CENTER
OPERATING CORPORATION
Required Supplementary Information
Schedule of the Corporation's Proportionate Share of the Net Pension Liability
Year ended March 31, 2019

	New York State and Local Retirement System				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Corporation's proportion of the net pension liability	0.0517816%	0.0556461%	0.0539285%	0.0515835%	0.0544342%
Corporation's proportionate share of the net pension liability	\$ 3,668,886	\$ 1,795,946	\$ 5,067,243	\$ 8,279,299	\$ 1,838,920
Corporation's covered payroll	\$ 15,918,333	\$ 15,819,063	\$ 16,195,996	\$ 15,730,483	\$ 14,570,941
Corporation's proportionate share of the net pension liability as a percentage of its covered payroll	23.05%	11.35%	31.29%	52.63%	12.62%
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.70%	97.90%

Notes to schedule:

(1) The following is a summary of assumption changes:

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Inflation	2.5%	2.5%	2.5%	2.5%
Salary increase	4.2%	3.8%	3.8%	3.8%
Cost of living adjustments	1.3%	1.4%	1.3%	1.3%
Investment rate of return	7.0%	7.0%	7.0%	7.0%
Discount rate	7.0%	7.0%	7.0%	7.0%

(2) The amounts presented for each fiscal year were determined as of the March 31, 2019, 2018, 2017, 2016 and 2015 measurement dates of the plans.

(3) Data not available prior to fiscal year 2015 implementation of GASB No. 68 - "Accounting and Financial Reporting for Pensions."

NEW YORK CONVENTION CENTER
OPERATING CORPORATION
Required Supplementary Information
Schedule of the Corporation's Pension Contributions
Year ended March 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 2,011,120	2,051,164	2,176,080	2,168,869	2,203,928	2,672,399	2,600,268	2,471,405	2,400,999	1,977,387
Contribution in relation to the contractually required contribution	<u>(2,011,120)</u>	<u>(2,051,164)</u>	<u>(2,176,080)</u>	<u>(2,168,869)</u>	<u>(2,203,928)</u>	<u>(2,672,399)</u>	<u>(2,600,268)</u>	<u>(2,471,405)</u>	<u>(2,400,999)</u>	<u>(1,977,387)</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Corporation's covered payroll	\$ 15,918,333	15,819,063	16,195,996	15,730,483	14,570,941	14,323,790	13,488,121	14,252,494	14,750,026	15,248,162
Contribution as a percentage of covered payroll	12.63%	12.97%	13.44%	13.79%	15.13%	18.66%	19.28%	17.34%	16.28%	12.97%

NEW YORK CONVENTION CENTER
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Required Supplementary Information
Schedule of Changes in the Corporation's
Total OPEB Liability and Related Ratios
Years ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 2,081,000	1,902,000	2,106,000
Interest	1,388,000	1,310,000	1,156,000
Changes of benefit terms	(1,015,000)	(94,000)	-
Changes of assumptions or other inputs	(1,103,000)	1,120,000	(3,499,000)
Plan sponsor contributions	<u>(639,000)</u>	<u>(488,000)</u>	<u>(471,000)</u>
Net change in total OPEB liability	712,000	3,750,000	(708,000)
Total OPEB liability at beginning of year	<u>37,785,000</u>	<u>34,035,000</u>	<u>34,743,000</u>
Total OPEB liability at end of year	<u>\$ 38,497,000</u>	<u>37,785,000</u>	<u>34,035,000</u>
Covered payroll	<u>\$ 10,879,968</u>	<u>10,922,438</u>	<u>10,922,438</u>
Total OPEB liability as a percentage of covered payroll	353.83%	345.94%	311.61%

Notes to schedule:

- (1) Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2020	3.29%
2019	3.51%
2018	3.67%

- (2) This schedule is presented to illustrate the requirement to show information for 10 years. However, information is presented for those years that are available.

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

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"), which comprise the statement of net position as of March 31, 2020, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated June 22, 2020.

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 opinion 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 Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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 Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
June 22, 2020

INDEPENDENT AUDITORS' REPORT ON INVESTMENT COMPLIANCE

The Board of Directors
New York Convention Center
Operating Corporation:

Report on Investment Program Compliance

We have audited the New York Convention Center Operating Corporation's (the "Corporation"), compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York for the year ended March 31, 2020.

Management's Responsibility

Management is responsible for compliance with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York.

Auditor's Responsibility

Our responsibility is to express an opinion on investment compliance based on our audit of the compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence supporting the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on investment compliance. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Investment Compliance

In our opinion, the New York Convention Center Operating Corporation complied, in all material respects, with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York for the year ended March 31, 2020.

Other

In accordance with Government Auditing Standards, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws and regulations that have a material effect on the Corporation's compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our audit to express an opinion on whether the Corporation complied with the aforementioned requirements and not for the purpose of expressing an opinion on the internal control over compliance with those requirements or other matters; accordingly, we express no such opinion. The results of our tests disclosed no matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management of the Corporation, the New York State Office of the State Comptroller, the New York State Division of the Budget, and the New York State Authority Budget Office and is not intended to be and should not be used by anyone other than those specified parties.

EFPR Group, CPAs, PLLC

Williamsville, New York
June 22, 2020