

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Financial Statements and
Independent Auditors' Report

March 31, 2023 and 2022

NEW YORK CONVENTION CENTER OPERATING CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
New York Convention Center
Operating Corporation:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the New York Convention Center Operating Corporation (the "Corporation"), as of and for the years ended March 31, 2023 and 2022, and the related notes to financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of March 31, 2023 and 2022, and the 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in notes 1(n) and 12 to the financial statements, the Corporation adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96 - "Subscription-Based Information Technology Arrangements," during the year ended March 31, 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the additional information on pages 40 through 42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by 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 21, 2023 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 Corporation's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
June 21, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Management's Discussion and Analysis

March 31, 2023 and 2022

Overview of the Financial Statements

This annual report includes the independent auditors' report, management's discussion and analysis, and the financial statements of New York Convention Center Operating Corporation ("NYCCOC", the "Javits Center", or the "Center"). The financial statements include notes and required supplementary information 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 taken as a whole.

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

The Statements of Net Position present the financial position of the Javits Center at the end of each fiscal year reported. It includes all the Center's assets, deferred outflows of resources, liabilities and deferred inflows of resources, and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Center's creditors (liabilities). It also provides the basis for evaluating the net position of the Center and assessing the Center's liquidity and financial strength. The current 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 Statements of Revenue, Expenses and Changes in Net Position present the Javits Center's revenue and expenses, for the fiscal years ended March 31, 2023 and 2022. These statements measure the financial performance of the Center during the fiscal years presented and can be used to determine whether the Center has recovered all its costs through space rental and related event services.

The Statements of Cash Flows present cash receipts, cash payments and net changes in cash and equivalents resulting from operating, noncapital financing, capital and related financing and investing activities, and provides answers to such questions as where cash originated from, what cash was used for, and what was the change in Javits Center's cash position for the fiscal years presented.

The mission of the Javits Center is to serve the citizens of the State and City of New York by generating new business and employment opportunities, serving as a catalyst for the continued redevelopment of the local community and operating in the public interest, consistent with the social, economic, and environmental priorities of existing state policy. The Center meets these objectives through maximizing the booking of trade events, public events, and special events (corporate events and conferences) that stimulate spending within the regional economy, create jobs at the Center and in the surrounding community and generate a reliable source of revenue for the State and City of New York.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Management's Discussion and Analysis, Continued

Business Overview and Major Initiatives

Fiscal Year 2023 was another year of transition for the Javits Center. The events and meetings industry continued its steady recovery from the impact of the COVID-19 pandemic. For the Javits Center, it was the first full year of operation of the new 1.2 million square feet of expansion space, referred to now as North Javits. While challenges remain, and operations are not yet back to pre-pandemic levels, the Javits Center continues in the right direction in serving its statutory purpose of generating positive economic impact for the City and State of New York.

An Evolving Business Environment

Even prior to the pandemic, the events industry was going through significant changes as both attendees and exhibitors were looking for more experiential and dynamic experience. That changing environment was one of the driving forces behind the Javits Center's expansion. The expansion created the opportunity for the Javits Center to diversify its offering to the market and meet the market's new demands. The expansion created a significant increase in meeting room space, dramatic new special event space, and for the first time, outdoor space with views of the Hudson River. These features were well timed coming out of the pandemic. The Javits Center saw a significant increase in its corporate and association events business in Fiscal Year 2023, as well as an increase in galas and fundraising. In many instances these events introduced new customers to the Javits Center's portfolio, positioning the Center with a broader customer base for the future. In addition, this higher margin business helped the Javits Center meet market demands while compensating for trends away from the more traditional trade show format. With the new space operational, the sales team has been working on more all-inclusive packages to attract additional customers to the space. With business continuing to grow, the Javits Center expects to return to pre-pandemic levels for the 2024 calendar year.

Capital Projects and Facilities Improvements

While North Javits provided important new event space and back of house areas to enhance operational efficiency, it is critical for the Javits Center to continually maintain and upgrade the facility as a whole. While resources were limited in Fiscal Year 2023, the Javits Center continued to improve the overall facilities. Major projects included:

- The continued upgrade of the life safety systems, including the fire alarm system, in the original Javits Center and integrating it into the new life safety system in North Javits. This system will increase safety for attendees while improving operational efficiencies around monitoring safety issues.
- The installation of the largest solar farm in New York City, which involves 1400 solar panels on the Javits Center's 6.75-acre green roof. The project includes the first contained, solar battery storage unit in New York City. The project will reduce the Center's carbon footprint while providing energy savings during the life of the project. This is a no cost capital project for the Javits Center.
- Fiscal Year 2023 saw the new rooftop farm in operations for a full growing season. This one-acre farm generated over 50 different crops last year, including crops such as corn, squash, and tomatoes. All produce is used within the Javits Center or donated to local community food banks, while providing significant environmental benefits to the community.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Management's Discussion and Analysis, Continued

- Partnering with a new Out-of-Home advertising agency, the Javits Center was able to replace its aging 11th Avenue marquee at no cost to the Javits Center while increasing advertising revenue.

Community Engagement

Building on its recent efforts to engage with the community on a higher level, a number of initiatives continued to help make the Javits Center a part of the local community.

- The Javits Center expanded and formalized its rooftop tour program. A team of "Ambassadors" were hired and trained to perform tours from April through October. Tours were provided to groups such as schools and local community groups free of charge, and to private sector organizations for a fee. In addition, individuals were able to book through a new online booking system for a small administrative fee.
- The Javits Juniors continued its Javits Juniors Scholarship program for the fifth year, in conjunction with the Mariam B. and Jacob K Javits Foundation. Since 2018 the program has distributed \$180,000 in scholarship money to local college bound high school seniors.
- Sustainability continued to be a key theme for the Javits Center. As part of the sustainability program, the Center continued to be enrolled in three demand response programs, under which the Center is compensated for reducing energy during peak periods of local high demand. Utilizing the building management system, the Center monitors the energy consumption level and responds accordingly to assist local agencies managing the region's output. As a result, the Center has achieved significant financial savings while reducing its carbon footprint during peak demand periods.
- Javits Cares resumed its pre-pandemic role of repurposing materials left behind at the end of events and making them available to non-profit groups and schools in the tri state area. Most significantly, the Javits Center resumed its partnership with Material for the Arts, a NYC run organization which provides materials for arts programs throughout New York City.

Looking Forward

The Javits Center will look to build upon its successes in Fiscal Year 2023 as it continues to work toward returning to pre-pandemic levels of business. Key initiatives for the next fiscal year will include:

- Continue to attract new and diversified customer base to the Javits Center. As part of that process, the Center will increase its sales staff and tailor it to the new market conditions and demands.
- Explore new revenue sources to ensure the Javits Center remains operationally self-sufficient for years to come.
- Continue to ensure the Javits Center capital needs are being addressed and ensuring that the Center remains a premier destination for events of all kinds.
- Ensure the Javits Center is hiring and retaining the necessary talent to continue its historical success.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Management's Discussion and Analysis, Continued

2023 Financial Highlights

In Fiscal 2023, there were 65 trade and public events and 46 special events, which was 49 events more than the prior fiscal year including the return of New York International Automobile Show, Summer Fancy Food Show, International Vision Expo and ICSC@New York from Fiscal 2020.

The Javits Center's total operating revenue increased \$44.8 million (35.9%) to \$169.7 million, mostly driven by the increases in event labor and services for major recurring events and significant new trade, public and special events.

The Javits Center's total operating expenses increased \$63.8 million (59.2%) to \$171.5 million, primarily resulting from an increase in event related labor and services expense, utilities, and insurance premiums.

Javits Center's total net position decreased to \$51.8 million, due to the current year net loss of \$9.4 million. The Unrestricted - board designated reserve to cover the other postemployment benefits obligation, decreased by \$13.6 million. The decrease is mainly driven by favorable medical premiums negotiated by New York State with the insurance carriers and a higher discount rate used to calculate the present value for this liability. This combined impact of these two changes was offset by a \$3.9 million decrease in net investment in capital assets related to fiscal year depreciation net of change in lease liabilities.

During Fiscal 2023, the Center adopted the provisions of GASB Statement No. 96, "Subscription-Based Information Technology Arrangements" ("GASB 96"). This accounting standard requires entities to record the value of multi-year, subscription-based software license contracts as intangible capital assets and amortize the total value over the term of the contract. The effects of GASB 96 were implemented retrospectively by restating prior years' financial statements and disclosures, as applicable. The restatement activity reflects the addition to capital assets, accumulated depreciation/amortization, and the corresponding current and noncurrent contract liabilities. Additionally, applicable prepaid expense balances were reclassified from other current assets to capital assets and the related software license expenses were reclassified from facility operating expenses to depreciation and amortization expense.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Management's Discussion and Analysis, Continued

Summarized Statements

SUMMARIZED STATEMENTS OF NET POSITION

Summarized statements of net position at March 31, 2023 and 2022 are as follows:

	March 31, 2023 <u>(000's)</u>	March 31, 2022* <u>(000's)</u>	Increase/ <u>(Decrease)</u>
Assets:			
Current assets	\$ 107,286	110,064	(2,778)
Capital assets, noncurrent	29,240	34,968	(5,728)
Noncurrent assets	<u>6,272</u>	<u>4,516</u>	<u>1,756</u>
Total assets	<u>142,798</u>	<u>149,548</u>	<u>(6,750)</u>
Deferred outflows of resources	<u>7,292</u>	<u>13,820</u>	<u>(6,528)</u>
Liabilities:			
Current liabilities	40,228	35,737	4,491
Noncurrent liabilities	2,906	4,629	(1,723)
Other postemployment benefits obligation, noncurrent	<u>28,875</u>	<u>42,467</u>	<u>(13,592)</u>
Total liabilities	<u>72,009</u>	<u>82,833</u>	<u>(10,824)</u>
Deferred inflows of resources	<u>26,263</u>	<u>19,320</u>	<u>6,943</u>
Net position:			
Net investment in capital assets	25,079	28,954	(3,875)
Unrestricted - board designated	29,635	43,255	(13,620)
Unrestricted deficit	<u>(2,896)</u>	<u>(10,994)</u>	<u>8,098</u>
Total net position	<u>\$ 51,818</u>	<u>61,215</u>	<u>(9,397)</u>

*Restated for implementation of GASB Statement No. 96.

Financial Analysis

- **Current Assets** - Current assets decreased by \$2.8 million (2.5%) to \$107.3 million, resulting in a current ratio of 2.7 to 1. Lower current assets are primarily attributable to a \$10 million reduction in the combined balance of cash, cash equivalents, and investments, partially offset by \$7.2 million increase in accounts receivable. The lower net cash and investment balance reflects timing of event related labor expenditures incurred prior to customer invoicing and payment. The increase in accounts receivable at year-end is generally driven by the overall increase of services performed and billed for events.
- **Capital Assets, Noncurrent** - Capital assets, noncurrent decreased by \$5.7 million (16.4%) to \$29.2 million. The decrease reflects the impact from \$8.3 million of depreciation and amortization expense, partially offset by \$2.6 million of Javits-funded capital additions during the year. The GASB 96 adoption accounts for \$1.9 million of the depreciation and amortization expense and \$1.3 million of the capital additions.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Management's Discussion and Analysis, Continued

- **Deferred Outflows of Resources** - Deferred outflows of resources are sums paid towards future contributions for retirement and other postemployment benefits, which will be reflected in actuarial valuations in subsequent years. As a result of accounting and financial reporting under GASB Statements No. 68 and No. 75 and the accompanying changes of assumptions or other inputs and net differences between planned and actual investment earnings on respective plan investments, deferred outflows of resources decreased by \$6.5 million.
- **Current Liabilities** - Current liabilities increased by \$4.5 million (12.6%) to \$40.2 million. The change is primarily driven by a \$6.7 million increase of unearned revenue for deposits on hand for future events, partially offset by a \$2.1 million reduction in accounts payable and accrued expenses. The increase in unearned revenue and changes in accounts payable and accrued expenses are related to the timing of cash payments received in advance of events closing out, as well as cash payments disbursed for operations in relation to year end.
- **Noncurrent Liabilities** - Noncurrent liabilities decreased by \$1.7 million (37.2%) to \$2.9 million. The decrease is primarily related to a \$2.0 million reduction in lease liabilities related to payments made on leased equipment and software subscriptions.
- **Other Postemployment Benefits Obligation, Noncurrent** - Other postemployment benefit obligation, noncurrent ("OPEB") decreased by \$13.6 million (32.0%) to \$28.9 million. The decrease is mainly driven by favorable medical premiums negotiated by New York State with the insurance carriers and a higher discount rate used to calculate the present value for this liability. The favorable impact of these factors was slightly lessened by the annual modest liability increase due to employees accruing benefits for an additional year of service.
- **Deferred Inflows of Resources** - Deferred inflows of resources reflect the difference between changes in the actuarial valuations for Pension and Other Postemployment Benefits (OPEB). As a result of accounting and financial reporting for pensions and OPEB, GASB Statements No. 68 and No. 75, and the accompanying changes of actuarial assumptions and net differences between planned and actual investment earnings on pension plan investments, deferred inflows of resources increased by \$6.9 million.
- **Net Position** - Net position decreased by \$9.4 million (15.4%) to \$51.8 million as a result of the net loss in fiscal year 2023. The Board of Directors reserved \$29.6 million in unrestricted net position for other postemployment benefit obligations, a decrease of \$13.6 million from fiscal year 2022 as described above. This impact was supplemented by a \$3.9 million decrease in the net investment in capital assets related to fiscal year depreciation and amortization expense and the net of change in lease liabilities and partially offset by a \$8.1 million reduction in the unrestricted deficit.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Management's Discussion and Analysis, Continued

2022 Financial Highlights

The Javits Center has reopened to full capacity for trade shows, conventions, conferences, and special events in August 2021. A total of 62 events were held in fiscal year 2022 which included 44 recurring events and 18 new events.

The Javits Center's total operating revenue increased \$64.8 million (107.8%) to \$124.9 million driven by the return of hosting events and rental fees from the Field Hospital and JAVAX.

The Javits Center's total operating expenses increased \$51.6 million (92.0%) to \$107.7 million, primarily resulting from an increase in event related labor and facility maintenance.

Javits Center's total net position increased to \$61.2 million, mainly driven by net income of \$9.3 million. Unrestricted - board designated increased by \$4.3 million to cover the total liability for the other postemployment benefits obligation. This impact was substantially offset by a \$4.0 million decrease in net investment in capital assets related to fiscal year 2022 depreciation and amortization net of change in lease liabilities.

Summarized Statements

SUMMARIZED STATEMENTS OF NET POSITION

Summarized statements of net position at March 31, 2022 and 2021 are as follows:

	March 31, 2022*	March 31, 2021	Increase/ (Decrease)
	<u>(000's)</u>	<u>(000's)</u>	<u>(Decrease)</u>
Assets:			
Current assets	\$ 110,064	102,010	8,054
Capital assets, noncurrent	34,968	37,909	(2,941)
Noncurrent assets	<u>4,516</u>	<u>4,776</u>	<u>(260)</u>
Total assets	<u>149,548</u>	<u>144,695</u>	<u>4,853</u>
Deferred outflows of resources	<u>13,820</u>	<u>11,828</u>	<u>1,992</u>
Liabilities:			
Current liabilities	35,737	41,609	(5,872)
Noncurrent liabilities	4,629	18,623	(13,994)
Other postemployment benefits obligation, noncurrent	<u>42,467</u>	<u>38,282</u>	<u>4,185</u>
Total liabilities	<u>82,833</u>	<u>98,514</u>	<u>(15,681)</u>
Deferred inflows of resources	<u>19,320</u>	<u>6,067</u>	<u>13,253</u>
Net position:			
Net investment in capital assets	28,954	32,983	(4,029)
Unrestricted - board designated	43,255	38,971	4,284
Unrestricted deficit	<u>(10,994)</u>	<u>(20,012)</u>	<u>9,018</u>
Total net position	<u>\$ 61,215</u>	<u>51,942</u>	<u>9,273</u>

*Restated for implementation of GASB Statement No. 96.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Management's Discussion and Analysis, Continued

Financial Analysis

- **Current Assets** - Current assets increased by \$8.1 million (7.9%) to \$110.1 million, resulting in a current ratio of 3.1 to 1. The increase is primarily attributable to a \$4.2 million increase in other assets, a \$2.2 million increase in accounts receivable, and a \$1.1 million increase in unbilled show costs. The increase in other assets is mainly driven by \$4.9 million of construction in progress costs for expansion related projects funded by NYCCDC and the timing of the related billing and payments. The increase in both accounts receivable and unbilled show costs at year-end are generally driven by the overall increase of services performed and billed for events.
- **Capital Assets, Noncurrent** - Capital assets, noncurrent decreased by \$2.9 million (7.8%) to \$35.0 million. The decrease reflects the impact from \$7.8 million of depreciation and amortization expense, partially offset by a modest amount of Javits-funded capital additions during the year of \$0.9 million. The GASB 96 adoption accounts for \$1.5 million of the depreciation and amortization expenses and \$0.4 million of the capital additions in fiscal year 2022. Fiscal year 2021 was not restated in the MD&A for GASB 96 adoption but would have had an impact of \$4.0 million on net capital assets.
- **Deferred Outflows of Resources** - Deferred outflows of resources are sums paid towards future contributions for retirement and other postemployment benefits, which will be reflected in actuarial valuations in subsequent years. As a result of accounting and financial reporting under GASB Statements No. 68 and No. 75 and the accompanying changes of assumptions or other inputs and net differences between planned and actual investment earnings on respective plan investments, deferred outflows of resources increased by \$2.0 million.
- **Current Liabilities** - Current liabilities decreased by \$5.9 million (14.1%) to \$35.7 million in fiscal year 2022. The decrease is primarily driven by a \$17.3 million reduction in advances for capital improvements from affiliate, which relates to the payments received in fiscal year 2021 from NYCCDC for the acquisition of furniture, fixtures and equipment for the expansion project. This impact was partially offset by an increase of \$7.7 million of unearned revenue for deposits on hand for future events, an increase of \$1.8 million in accounts payable and \$1.5 million in accrued expenses. The increase of unearned revenue, accounts payable and accrued expenses are related to the timing of cash payments received in advance of events closing out, as well as cash payments disbursed for operations in relation to year end.
- **Noncurrent Liabilities** - Noncurrent liabilities decreased by \$14.0 million (75.1%) to \$4.6 million. The decrease is primarily related to a \$13.8 million decrease in the net pension liability related to the changes in actuarial assumptions and the difference between projected and actual investments earnings on pension plan investments related to GASB Statement No. 68. Additionally, the overall decrease reflects a \$1.5 million reduction in lease liabilities related to the payments mostly offset by a \$1.3 million increase to the liability related to the adoption of GASB 96.
- **Other Postemployment Benefits Obligation, Noncurrent** - Other postemployment benefit obligation, noncurrent ("OPEB") increased by \$4.2 million (10.9%) to \$42.5 million, mainly due to employees accruing benefits for and additional year of service and the decrease in the discount rate.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Management's Discussion and Analysis, Continued

- **Deferred Inflows of Resources** - Deferred inflows of resources reflect the difference between changes in the actuarial valuations for Pension and Other Postemployment Benefits (OPEB). As a result of accounting and financial reporting for Pensions and OPEB, GASB Statements No. 68 and No. 75, and the accompanying changes of actuarial assumptions and net differences between planned and actual investment earnings on pension plan investments, deferred inflows of resources increased by \$13.3 million.
- **Net Position** - Net position increased to \$9.3 million (17.9%) to \$61.2 million as a result of net income in fiscal year 2022. The Board of Directors reserved \$43.3 million in unrestricted net position for other postemployment benefit obligations, an increase of \$4.3 million over fiscal year 2021 due to the obligation's annual growth. This impact was substantially offset by a \$4.0 million decrease in the net investment in capital assets related to fiscal year depreciation and amortization expense and the net of change in lease liabilities.

SUMMARIZED CAPITAL ASSETS

Summarized capital assets at March 31, 2023 and 2022 are as follows:

	March 31, 2023 (000's)	March 31, 2022* (000's)	Increase/ (Decrease)
Construction in progress	\$ 190	-	190
Furniture, fixtures and equipment	25,195	27,095	(1,900)
Other capital assets	2,904	2,904	-
Improvements to Center	41,827	41,728	99
Right to use assets	7,578	14,281	(6,703)
Intangible asset, subscription-based information technology arrangement	<u>7,000</u>	<u>6,161</u>	<u>839</u>
Total capital assets	84,694	92,169	(7,475)
Less accumulated depreciation and amortization	<u>(55,454)</u>	<u>(57,201)</u>	<u>1,747</u>
	<u>\$ 29,240</u>	<u>34,968</u>	<u>(5,728)</u>

*Restated for implementation of GASB Statement No. 96.

- **Capital Assets** - Capital assets, net of accumulated depreciation and amortization for fiscal year 2023 decreased by \$5.7 million (16.4%) to \$29.2 million. The decrease reflects the impact from \$8.3 million of depreciation and amortization expense, partially offset by \$2.6 million of Javits-funded capital additions during the year. The GASB 96 adoption accounts for \$1.9 million of the depreciation and amortization expense and \$1.3 million of the capital additions.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Management's Discussion and Analysis, Continued

Summarized capital assets at March 31, 2022 and 2021 are as follows:

	March 31, 2022*	March 31, 2021	Increase/ (Decrease)
	<u>(000's)</u>	<u>(000's)</u>	<u>(Decrease)</u>
Construction in progress	\$ -	6,792	(6,792)
Furniture, fixtures and equipment	27,095	26,297	798
Other capital assets	2,904	2,904	-
Improvements to Center	41,728	41,728	-
Right to use assets	14,281	7,743	6,538
Intangible asset, subscription-based information technology arrangement	<u>6,161</u>	<u>-</u>	<u>6,161</u>
Total capital assets	92,169	85,464	6,705
Less accumulated depreciation and amortization	<u>(57,201)</u>	<u>(47,555)</u>	<u>(9,646)</u>
	<u>\$ 34,968</u>	<u>37,909</u>	<u>(2,941)</u>

*Restated for implementation of GASB Statement No. 96.

- Capital Assets** - Capital assets, net of accumulated depreciation and amortization for fiscal year 2022 decreased \$2.9 million to \$35.0 million (16.4%) compared to fiscal year 2021. The decrease is attributable to \$7.9 million in depreciation and amortization for the fiscal year. Subsequent to the COVID-19 pandemic, the Center incurred a modest amount of capital additions to furniture, fixtures, and equipment which increased by \$0.9 million. In addition, \$6.8 million related to the completed network infrastructure project was transferred from construction in progress to furniture, fixtures and equipment, and right of use assets, respectively, which did not impact the net Capital asset balance..

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Management's Discussion and Analysis, Continued

SUMMARIZED STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Summarized statements of revenue, expenses, and changes in net position for the years ended March 31, 2023 and 2022 are as follows:

	March 31, 2023 <u>(000's)</u>	March 31, 2022* <u>(000's)</u>	Increase/ <u>(Decrease)</u>
Operating revenue:			
Event-related services	\$134,578	69,350	65,228
Space rental	28,920	49,925	(21,005)
Advertising, concession and other	<u>6,224</u>	<u>5,619</u>	<u>605</u>
Total operating revenue	<u>169,722</u>	<u>124,894</u>	<u>44,828</u>
Total operating expenses	<u>171,475</u>	<u>107,686</u>	<u>63,789</u>
Depreciation and amortization	<u>8,294</u>	<u>7,869</u>	<u>425</u>
Income (loss) from operations	(10,047)	9,339	(19,386)
Total nonoperating income (expense)	<u>650</u>	<u>(67)</u>	<u>717</u>
Change in net position	(9,397)	9,272	(18,669)
Total net position at beginning of year	<u>61,215</u>	<u>51,943</u>	<u>9,272</u>
Total net position at end of year	<u>\$ 51,818</u>	<u>61,215</u>	<u>(9,397)</u>

*Restated for implementation of GASB Statement No. 96.

- **Operating Revenue** - Total operating revenue was \$169.7 million, an increase of \$44.8 million (35.9%) from \$124.9 million in fiscal year 2022. The increase of \$65.2 million (94.1%) in event related services is directly related to the hosting of 49 (79.0%) more events than the prior year, which also covered \$13.5 million of JAVAX related non-recurring revenue from fiscal year 2022. Space rental revenue decreased by \$21.0 million (42.1%) as a result of non-recurring fiscal year 2022 revenue from the Field Hospital and JAVAX (\$34.7 million), partially offset by higher revenue from the increased number of events in the current year. Advertising, concession, and other revenue increased by \$0.6 million (10.8%) primarily resulting from favorable food and beverage commission and event advertising.
- **Operating Expenses** - Total operating expenses increased by \$63.8 million (59.2%) to \$171.5 million from \$107.7 million. Employee compensation and benefits expense increased by \$57.3 million (75.8%), which reflects the higher number of hosted events. These expense increases were partially offset by lower actuarially-determined pension and other postemployment benefits (OPEB) costs, due to higher discount rates, favorable pension asset investment performance and lower NY State-negotiated retiree healthcare insurance premiums. Facility operating expenses increased by \$6.4 million (32.8%) driven by higher utilities cost, event related professional services, additional facility repair and maintenance costs and renewed service contracts which were paused in fiscal year 2022. Selling, general and administrative expenses increased by \$2.1 million (21.9%) primarily driven by higher insurance premiums related to the expansion and increases in credit card fees, consultant services and sales commissions.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Management's Discussion and Analysis, Continued

- **Depreciation and Amortization** - increased by \$0.4 million (5.4%) due to GASB 96 adoption.
- **Nonoperating Income (Expense)** - Net interest income (expense) increased by \$1.8 million (>1,000%) mainly due to higher interest rates for US Treasury securities partially offset by a reserve for disputed IRS penalties for the late filing of administrative forms, while the government considers our penalty abatement request.
- **Change in Net Position** - Net position decreased \$9.4 million (15.4%) to \$51.8 million as a result of the net loss in fiscal year 2023.

Summarized statements of revenue, expenses, and changes in net position for the years ended March 31, 2022 and 2021 are as follows:

	March 31, 2022*	March 31, 2021	Increase/ (Decrease)
	<u>(000's)</u>	<u>(000's)</u>	<u>(Decrease)</u>
Operating revenue:			
Event-related services	\$ 69,350	42,841	26,509
Space rental	49,925	278	49,647
Advertising, concession and other	<u>5,619</u>	<u>16,998</u>	<u>(11,379)</u>
Total operating revenue	<u>124,894</u>	<u>60,117</u>	<u>64,777</u>
Total operating expenses	<u>107,686</u>	<u>56,073</u>	<u>51,613</u>
Depreciation and amortization	<u>7,869</u>	<u>5,593</u>	<u>2,276</u>
Income (loss) from operations	9,339	(1,549)	10,888
Total nonoperating income (expense)	<u>(67)</u>	<u>74</u>	<u>(141)</u>
Change in net position	9,272	(1,475)	10,747
Total net position at beginning of year	<u>51,943</u>	<u>53,417</u>	<u>(1,474)</u>
Total net position at end of year	<u>\$ 61,215</u>	<u>51,942</u>	<u>9,273</u>

*Restated for implementation of GASB Statement No. 96.

- **Operating Revenue** - Total operating revenue was \$124.9 million, an increase of \$64.8 million (107.8%) from \$60.1 million in fiscal year 2021. The increase of \$49.6 million (>10,000%) in event related services and space rental revenue of \$26.5 million (61.9%) were attributed to revenue from the Field Hospital of \$24.6 million, JAVAX of \$23.6 million and the return of event hosting in August 2021. Advertising, concession, and other revenue decreased by \$11.4 million (66.9%) which was primarily due to services and maintenance in connection with the Field Hospital and JAVAX in fiscal year 2021.
- **Operating Expenses** - Total operating expenses increased by \$51.6 million (92.0%) to \$107.7 million from \$56.1 million. Employee compensation and benefits increased by \$47.1 million (164.5%) driven by event and JAVAX related labor. Facility operating expenses increased by \$2.9 million (17.5%) driven by higher utilities cost, additional facility repair and maintenance and reiterated service contracts which were paused in fiscal year 2021. Selling, general and administrative expenses increased by \$1.7 million (20.4%) primarily driven by higher insurance premiums related to the expansion.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Management's Discussion and Analysis, Continued

- **Depreciation and Amortization** - Increased by \$2.3 million (40.7%) mostly due to GASB 96 adoption. While fiscal year 2022 was required to be restated in the audited financial statements, fiscal year 2021 was not restated in the MD&A.
- **Nonoperating Income (Expense)** - Net interest income (expense) decreased by \$141K attributable to significantly lower interest rates available on investments and lower investment position throughout the year.
- **Change in Net Position** - Net position increased \$9.3 million (17.9%) to \$61.2 million as a result of the net surplus in fiscal year 2022.

OPERATING RESULTS AND HIGHLIGHTS

The Javits Center prepares and obtains approval from the Board of Directors for an annual operating budget and also maintains a rolling a five-year capital plan (\$145.7 million). These plans are not changed during the year and are tools to assist in the management of the business. Elements of the five-year capital plan in any given year are only approved by management as cash and investment surplus is available for the project to proceed. The capital plan provides for replacement of many assets that are past their useful life and other areas that require a retrofit or complete upgrade. Management has prioritized needs across the facility with the goal of maintaining infrastructure in a sustainable manner and safeguarding the facility's assets by directing appropriate resources to them. The Center has established a funding agreement with NYCCDC to make available funds to keep the building in peak maintenance condition. When a surplus is achieved, moderate goals are set to make necessary improvements. Funding for capital expenditures was constrained during the COVID-19 pandemic and continues to be somewhat challenging. We recognize the importance of making funds available to support and maintain the investments we have made in the building to keep the Center aligned to remain competitive.

SUMMARIZED STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

A Summarized Statement of Revenue, Expenses and Changes in Net Position, Actual vs. Plan for the year ended March 31, 2023 is as follows:

	2023 Actual (000's)	2023 Plan (000's)	Variance (000's)
Operating revenue:			
Event-related services	\$ 134,578	113,711	20,867
Space rental	28,920	26,165	2,755
Advertising, concession and other	6,224	3,177	3,047
Total operating revenue	<u>169,722</u>	<u>143,053</u>	<u>26,669</u>

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Management's Discussion and Analysis, Continued

	2023 Actual <u>(000's)</u>	2023 Plan <u>(000's)</u>	Variance <u>(000's)</u>
Operating expenses:			
Employee compensation and benefits	\$ 133,006	123,088	9,918
Facility operating expenses	26,022	27,451	(1,429)
Selling, general and administrative	11,892	10,612	1,280
Annual other postemployment benefits expenses	<u>555</u>	<u>3,000</u>	<u>(2,445)</u>
Total operating expenses	<u>171,475</u>	<u>164,151</u>	<u>7,324</u>
Depreciation and amortization	<u>8,294</u>	<u>6,595</u>	<u>1,699</u>
Income (loss) from operations	(10,047)	(27,693)	17,646
Total nonoperating income (expense)	<u>650</u>	<u>(89)</u>	<u>739</u>
Net income (loss)	<u>\$ (9,397)</u>	<u>(27,782)</u>	<u>18,385</u>

Fiscal Year 2023, the first full year of operations post-pandemic, presented more uncertainty from a planning perspective than a typical year prior to 2020. Total operating revenue for the year ended March 31, 2023 was \$169.7 million, which was \$26.7 million (18.6%) higher than plan of \$143.1 million. Event-related services and Space rental revenues favorable variances to plan were driven by 33 unplanned events, strong performance of recurring events and an increase in significant new events. Advertising, concession, and other revenue was \$3.0 million (95.9%) higher than plan attributed to an increase in food and beverage commission and event advertising.

Total operating expenses were \$171.4 million, which was \$7.3 million (4.5%) higher than the plan of \$164.2 million. Employee compensation and benefits expense was \$9.9 million (8.1%) higher than plan directly related to an increase in event related labor and workers compensation expense, partially offset by lower other postemployment benefits and pension expense and favorable house labor expense. Facility operating expenses were \$1.4 million (5.2%) lower than plan mainly related to deferring various facility maintenance costs and the impact of GASB 96 adoption which was partially offset by an increase in event related professional service and supplies. Selling, general and administrative expenses were \$1.2 million (12.1%) higher than the plan driven by increases in consultant and temporary services, bad debt reserve and event related equipment rental which was partially offset by lower cost in insurance premiums, promotional and telephone expenses.

Depreciation and amortization expense was \$1.7 million higher than the plan mainly due to the reclassification of operating expenses to depreciation and amortization expense related to the GASB 96 adoption. The plan amounts were not restated.

Net loss of \$9.4 million was \$18.4 million better than the plan net loss of \$27.8 million mainly related to unplanned events and over plan performance of new and recurring planned events as well as controlling variable expenses.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Management's Discussion and Analysis, Continued

A Summarized Statement of Revenue, Expenses and Changes in Net Position, Actual vs. Plan for the year ended March 31, 2022 is as follows:

	2022*	2022	Variance
	Actual	Plan	Variance
	<u>(000's)</u>	<u>(000's)</u>	<u>(000's)</u>
Operating revenue:			
Event-related services	\$ 69,350	61,541	7,809
Space rental	49,925	16,655	33,270
Advertising, concession and other	<u>5,619</u>	<u>2,406</u>	<u>3,213</u>
Total operating revenue	<u>124,894</u>	<u>80,602</u>	<u>44,292</u>
Operating expenses:			
Employee compensation and benefits	75,642	74,364	1,278
Facility operating expenses	19,597	16,756	2,841
Selling, general and administrative	9,758	8,443	1,315
Annual other postemployment benefits expenses	<u>2,689</u>	<u>3,514</u>	<u>(825)</u>
Total operating expenses	<u>107,686</u>	<u>103,077</u>	<u>4,609</u>
Depreciation and amortization	<u>7,869</u>	<u>6,433</u>	<u>1,436</u>
Income (loss) from operations	9,339	(28,908)	38,247
Total nonoperating income (expense)	<u>(67)</u>	<u>42</u>	<u>(109)</u>
Net income (loss)	<u>\$ 9,272</u>	<u>(28,866)</u>	<u>38,138</u>

*Restated for implementation of GASB Statement No. 96.

Total operating revenue for the year ended March 31, 2022 was \$124.9 million, which was \$44.3 million (55%) higher than plan of \$80.6 million. Space Rental was \$33.3 million over plan primary due to rental revenue from the Field Hospital and JAVAX. Service revenue of \$69.4 million and Advertising, concession and other revenue of \$5.6 million were higher than plan attributed to the return of 62 events and services provided to the Field Hospital and JAVAX.

Total operating expenses were \$107.7 million, which was \$4.6 million (4.5%) higher than the plan of \$103.1 million. Employee compensation and benefits was \$1.3 million (1.7%) higher than the plan due to JAVAX labor and an increase of expansion related facility staff. Facility operating expenses were \$2.8 million (17.0%) higher than the plan primarily driven by JAVAX related service contracts and higher cost in utilities, less \$1.5 million reclassified to depreciation and amortization expense as part of the GASB 96 restatement. Selling, general and administrative expenses were \$1.3 million (15.6%) higher than the plan driven by increases in consultant, temporary service, JAVAX and events related equipment rental and promotion expenses which was partially offset by lower insurance premiums.

Depreciation and amortization expense was \$1.4 million higher than the plan mainly due to the restatement related to GASB 96 adoption. The plan amounts were not restated.

Net surplus of \$9.3 million was \$38.1 million better than plan net loss of \$28.9 million primarily due to rental and service revenue from the Field Hospital and JAVAX.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Management's Discussion and Analysis, Continued

Request for Information

This financial report is designed to provide a general overview of the Javits Center's finances for all those with an interest in the New York Convention Center Operating Corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Audit Committee Chairman, Jacob K. Javits Convention Center, 655 West 34th Street, New York, New York 10001-1188.

FINANCIAL STATEMENTS

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Statements of Net Position
March 31, 2023 and 2022

	<u>2023</u>	<u>2022</u> (as restated)
Assets		
Current assets:		
Cash and equivalents	\$ 20,901,746	10,026,223
Short-term investments	60,451,752	80,992,865
Accounts receivable, net of allowances of \$1,104,927 in 2023 and \$205,515 in 2022	17,812,189	10,580,983
Unbilled show costs	1,132,340	1,053,594
Other current assets	<u>6,988,560</u>	<u>7,410,657</u>
Total current assets	107,286,587	110,064,322
Capital assets, net	29,239,751	34,968,426
Net pension asset - proportionate share	1,870,079	-
Other assets	<u>4,401,682</u>	<u>4,515,689</u>
Total assets	<u>142,798,099</u>	<u>149,548,437</u>
Deferred outflows of resources	<u>7,291,998</u>	<u>13,819,862</u>
Liabilities		
Current liabilities:		
Accounts payable	4,183,600	7,025,882
Accrued expenses, current	5,459,342	4,755,218
Unearned revenue	20,936,613	14,255,681
Lease liability, current	2,871,243	2,965,676
Insurance claim reserve	3,754,489	2,520,935
Advances for capital improvements from affiliate	2,262,158	3,425,746
Other postemployment benefits obligation, current	<u>760,000</u>	<u>788,000</u>
Total current liabilities	40,227,445	35,737,138
Accrued expenses, net of current portion	1,276,119	962,151
Net pension liability - proportionate share	-	49,107
Lease liability, net of current portion	1,630,260	3,617,675
Other postemployment benefits obligation, net of current portion	<u>28,875,000</u>	<u>42,467,000</u>
Total liabilities	<u>72,008,824</u>	<u>82,833,071</u>
Deferred inflows of resources	<u>26,263,112</u>	<u>19,320,450</u>
Net position		
Net investment in capital assets	25,079,335	28,953,555
Unrestricted - board designated for other postemployment benefit obligation	29,635,000	43,255,000
Unrestricted deficit	<u>(2,896,174)</u>	<u>(10,993,777)</u>
Total net position	<u>\$ 51,818,161</u>	<u>61,214,778</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, 2023 and 2022

	<u>2023</u>	<u>2022</u> <u>(as restated)</u>
Operating revenue:		
Event-related services	\$ 134,578,041	69,349,951
Space rentals	28,919,770	49,924,750
Concession commissions	2,976,874	1,636,200
Advertising and other income	<u>3,247,634</u>	<u>3,982,360</u>
Total operating revenue	<u>169,722,319</u>	<u>124,893,261</u>
Operating expenses:		
Employee compensation and benefits	133,005,847	75,641,864
Facility operating expenses	26,022,428	19,597,386
Selling, general and administrative expenses	11,891,203	9,757,263
Annual other postemployment benefits expenses	<u>555,000</u>	<u>2,689,000</u>
Total operating expenses	<u>171,474,478</u>	<u>107,685,513</u>
Operating income before depreciation and amortization expense	(1,752,159)	17,207,748
Depreciation and amortization expense	<u>(8,294,295)</u>	<u>(7,868,682)</u>
Operating income (loss)	(10,046,454)	9,339,066
Nonoperating income (expense)	<u>649,837</u>	<u>(66,678)</u>
Change in net position	(9,396,617)	9,272,388
Net position at beginning of year	<u>61,214,778</u>	<u>51,942,390</u>
Net position at end of year	<u>\$ 51,818,161</u>	<u>61,214,778</u>

See accompanying notes to financial statements.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Statements of Cash Flows
Years ended March 31, 2023 and 2022

	<u>2023</u>	<u>2022</u> <u>(as restated)</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 169,172,045	130,352,151
Cash paid for operating expenses	<u>(174,904,895)</u>	<u>(104,386,884)</u>
Net cash provided by (used in) operating activities	<u>(5,732,850)</u>	<u>25,965,267</u>
Cash flows from noncapital financing activities:		
Principal payments on insurance financing agreement	-	(4,209,855)
Interest payments on insurance financing agreement	<u>-</u>	<u>(28,064)</u>
Net cash used in noncapital financing activities	<u>-</u>	<u>(4,237,919)</u>
Cash flows from capital and related financing activities:		
Principal payments on lease obligations	(3,350,576)	(3,522,064)
Interest payments on lease obligations	(56,908)	(83,278)
Payments for capital improvements for affiliate	(1,163,588)	(17,292,987)
Acquisition of capital assets	<u>(1,296,892)</u>	<u>(544,444)</u>
Net cash used in capital and related financing activities	<u>(5,867,964)</u>	<u>(21,442,773)</u>
Cash flows from investing activities:		
Purchase of short-term investments	(213,542,910)	(320,000,000)
Proceeds from sales and maturities of short-term investments	234,927,242	304,004,378
Interest received on investments	977,998	40,770
Cash received for collateral	<u>114,007</u>	<u>260,492</u>
Net cash provided by (used in) investing activities	<u>22,476,337</u>	<u>(15,694,360)</u>
Net change in cash and equivalents	10,875,523	(15,409,785)
Cash and equivalents at beginning of year	<u>10,026,223</u>	<u>25,436,008</u>
Cash and equivalents at end of year	<u>\$ 20,901,746</u>	<u>10,026,223</u>

(Continued)

See accompanying notes to financial statements.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Statements of Cash Flows, Continued

	<u>2023</u>	<u>2022</u> <u>(as restated)</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (10,046,454)	9,339,066
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	8,294,295	7,868,682
Insurance financing agreement	-	4,209,855
Changes in:		
Accounts receivable	(7,231,206)	(2,225,678)
Unbilled show costs	(78,746)	(1,053,594)
Other assets	580,520	(233,737)
Due from affiliate	(158,423)	(3,955,354)
Accounts payable	(2,842,282)	1,768,211
Accrued expenses	(96,380)	1,563,621
Unearned revenue	6,680,932	7,684,568
Insurance claim reserve	1,233,554	(773,341)
Other postemployment benefits obligation	(13,620,000)	4,284,000
Net pension and OPEB related accounts	<u>11,551,340</u>	<u>(2,511,032)</u>
Net cash provided by (used in) operating activities	<u>\$ (5,732,850)</u>	<u>25,965,267</u>
Supplemental disclosure of non-cash financing activities:		
Insurance financing agreement	<u>\$ -</u>	<u>4,209,855</u>
Intangible right to use assets - software arrangements obtained in exchanged for lease liabilities	<u>\$ 1,268,728</u>	<u>360,239</u>
Accumulated amortization on disposals:		
Right to use assets - equipment	6,703,723	-
Intangible right to use assets - software arrangements	<u>429,297</u>	<u>391,313</u>
	<u>\$ 7,133,020</u>	<u>391,313</u>

See accompanying notes to financial statements.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Notes to Financial Statements
March 31, 2023 and 2022

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 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 revenue is 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 GASB 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 primarily collateralized with government securities held by a financial institution in the name of the Corporation. During fiscal year 2023, the Corporation, through the New York State Department of Taxation and Finance, established a money market account into which surplus funds in the Center's operating bank account are swept each day. As a result, substantially all of the balance in cash and equivalents are held in an interest bearing account.

(e) Short-Term Investments

As of March 31, 2023 and 2022, the Corporation's short-term investments consist of U.S. Treasury notes and bills, respectively. 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.

The 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, and obligations of the State.

(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 an 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, Depreciation and Amortization

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, engineering and software subscription costs.

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

(h) Security Deposit

During October 2013 and 2014, the Corporation contracted with two insurance companies. 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, security deposits of \$4,401,682 and \$4,515,689 as of March 31, 2023 and 2022, respectively, are reflected as non-current other assets in the statements of net position.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Notes to Financial Statements, Continued

Note 1 - Summary of Significant Accounting Policies, Continued

(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, 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 pension. 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 system 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 difference between expected and actual experience and 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 represents an increase in net position that applies to future periods and so will not be recognized as an inflows of resources until then. The Corporation has two items that qualify for reporting in this category. The first item is related to pension. 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 difference between the expected and actual experience and changes of assumptions or other inputs 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 Employees' Retirement System (the "System" or "ERS"). 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.

(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.

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Notes to Financial Statements, Continued

Note 1 - Summary of Significant Accounting Policies, Continued

(n) Recent Accounting Standards Adopted

For the year ended March 31, 2023, the Corporation adopted GASB Statement No. 96 - "Subscription-Based Information Technology Arrangements." This Statement 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. This Standard was effective for reporting periods beginning after June 15, 2022. These financial statements and notes reflect the adoption of this new Standard.

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 \$60,451,752 and \$80,992,865 as of March 31, 2023 and 2022, respectively.

The interest rate earned on investments approximated 3.00% and 0.16% for the years ended March 31, 2023 and 2022, 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 not 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, 2023 and 2022 are classified as follows:

	2023			
	Level 1	Level 2	Level 3	Total
U.S. Treasury notes	\$ <u>60,451,752</u>	-	-	<u>60,451,752</u>
	2022			
	Level 1	Level 2	Level 3	Total
U.S. Treasury bills	\$ <u>80,992,865</u>	-	-	<u>80,992,865</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 Javits 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, 2023 and 2022.

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 reimbursed an equipment lease as part of the agreement. The Corporation has recorded this lease as a lease liability amounting to \$341,087 and \$568,480 as of March 31, 2023 and 2022, respectively, in the statements of net position, as the related FF&E is property of NYCCDC.

Note 4 - Other Assets

Other assets at March 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Current other assets:		
Due from affiliate	\$ 6,236,485	6,078,062
Prepaid maintenance	38,296	282,292
Prepaid software license subscription	140,252	264,810
Prepaid insurance	145,036	298,205
Prepaid workers compensation escrow	400,000	400,000
Prepaid other	<u>28,491</u>	<u>87,288</u>
	<u>\$ 6,988,560</u>	<u>7,410,657</u>
Non-current other assets - security deposit	<u>\$ 4,401,682</u>	<u>4,515,689</u>

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Notes to Financial Statements, Continued

Note 5 - Capital Assets

Capital asset activity for the years ended March 31, 2023 and 2022 are summarized as follows:

	2023				
	Balance at March 31, 2022	Additions	Transfers	Retirements	Balance at March 31, 2023
	Non-depreciable assets - construction in progress	\$ -	1,296,892	(1,106,548)	-
Depreciable assets:					
Furniture, fixtures, and equipment	27,095,431	-	979,579	(2,880,338)	25,194,672
Video display equipment	194,519	-	-	-	194,519
Telephone equipment	1,715,551	-	-	-	1,715,551
Other equipment	993,551	-	-	-	993,551
Improvements to center	41,728,357	-	126,969	(28,098)	41,827,228
Right to use assets - equipment	14,281,116	-	-	(6,703,723)	7,577,393
Intangible right to use assets - software arrangements	<u>6,160,900</u>	<u>1,268,728</u>	<u>-</u>	<u>(429,297)</u>	<u>7,000,331</u>
Total depreciable assets	<u>92,169,425</u>	<u>1,268,728</u>	<u>1,106,548</u>	<u>(10,041,456)</u>	<u>84,503,245</u>
Accumulated depreciation and amortization:					
Furniture, fixtures, and equipment	19,909,648	2,413,063	-	(2,880,338)	19,442,373
Video display equipment	144,712	31,454	-	-	176,166
Telephone equipment	1,715,551	-	-	-	1,715,551
Other equipment	993,551	-	-	-	993,551
Improvements to center	22,371,104	2,680,247	-	(28,098)	25,023,253
Right to use assets - equipment	8,724,080	1,307,538	-	(6,703,723)	3,327,895
Intangible right to use assets - software arrangements	<u>3,342,353</u>	<u>1,861,993</u>	<u>-</u>	<u>(429,297)</u>	<u>4,775,049</u>
Total accumulated depreciation and amortization	<u>57,200,999</u>	<u>8,294,295</u>	<u>-</u>	<u>(10,041,456)</u>	<u>55,453,838</u>
Total capital assets, net	<u>\$ 34,968,426</u>	<u>(5,728,675)</u>	<u>-</u>	<u>-</u>	<u>29,239,751</u>
	2022				
	Balance at March 31, 2021	Additions	Transfers	Retirements	Balance at March 31, 2022
Non-depreciable assets - construction in progress	\$ 6,792,445	517,831	(7,310,276)	-	-
Depreciable assets:					
Furniture, fixtures, and equipment	26,296,231	26,613	772,587	-	27,095,431
Video display equipment	194,519	-	-	-	194,519
Telephone equipment	1,715,551	-	-	-	1,715,551
Other equipment	993,551	-	-	-	993,551
Improvements to center	41,728,357	-	-	-	41,728,357
Right to use assets - equipment	7,743,427	-	6,537,689	-	14,281,116
Intangible right to use assets - software arrangements	<u>6,191,974</u>	<u>360,239</u>	<u>-</u>	<u>(391,313)</u>	<u>6,160,900</u>
Total depreciable assets	<u>84,863,610</u>	<u>386,852</u>	<u>7,310,276</u>	<u>(391,313)</u>	<u>92,169,425</u>

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Notes to Financial Statements, Continued

Note 5 - Capital Assets, Continued

	Balance at March 31, <u>2021</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	Balance at March 31, <u>2022</u>
Accumulated depreciation and amortization:					
Furniture, fixtures, and equipment	\$ 18,153,179	1,756,469	-	-	19,909,648
Video display equipment	113,262	31,450	-	-	144,712
Telephone equipment	1,715,549	2	-	-	1,715,551
Other equipment	993,551	-	-	-	993,551
Improvements to center	19,442,389	2,928,715	-	-	22,371,104
Right to use assets - equipment	7,137,050	1,587,030	-	-	8,724,080
Intangible right to use assets - software arrangements	<u>2,168,650</u>	<u>1,565,016</u>	<u>-</u>	<u>(391,313)</u>	<u>3,342,353</u>
Total accumulated depreciation and amortization	<u>49,723,630</u>	<u>7,868,682</u>	<u>-</u>	<u>(391,313)</u>	<u>57,200,999</u>
Total capital assets, net	\$ <u>41,932,425</u>	<u>(6,963,999)</u>	<u>-</u>	<u>-</u>	<u>34,968,426</u>

The Corporation recorded depreciation and amortization expense of \$8,294,295 and \$7,868,682 for the years ended March 31, 2023 and 2022, respectively.

Note 6 - Unearned Revenue

Unearned revenue consisted of the following at March 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Event-related services	\$ 11,729,529	3,682,818
Space rentals	8,541,233	10,150,592
Advertising and other	<u>665,851</u>	<u>422,271</u>
	<u>\$ 20,936,613</u>	<u>14,255,681</u>

Note 7 - Pension Plan

(a) New York State and Local Employees' Retirement System

The Corporation participates in the New York State and Local Employees' Retirement System (the "System" or "ERS"). 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 participate in the System, the election is irrevocable. The New York

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Notes to Financial Statements, Continued

Note 7 - Pension Plan, Continued

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

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:

2023	\$1,127,734
2022	\$1,140,321
2021	\$2,075,113

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

At March 31, 2023 and 2022, the Corporation reported the following liability (asset) for its proportionate share of the net pension liability (asset) for the System. The net pension liability (asset) was measured as of March 31, 2022 and 2021, respectively. The total pension liability used to calculate the net pension liability (asset) was determined by the actuarial valuation. The Corporation's proportionate share of the net pension liability (asset) 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>2023</u>	<u>2022</u>
Measurement date	3/31/2022	3/31/2021
Net pension liability (asset) - proportionate share	(\$1,870,079)	49,107
Corporation's proportion of the System's net pension liability (asset)	0.0228767%	0.0493169%

For the years ended March 31, 2023 and 2022, the Corporation recognized pension expense (income) of (\$470,039) and \$1,095,286, respectively. At March 31, 2023, the Corporation's proportionate share was 0.0228767% which was a percentage decrease of 0.0264402 from its proportionate share at March 31, 2022. At March 31, 2023 and 2022, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

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

Note 7 - Pension Plan, Continued

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

	<u>2023</u>		<u>2022</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	\$ 141,624	183,694	599,727	-
Changes of assumptions	3,120,952	52,663	9,029,157	170,293
Net difference between projected and actual investment earnings on pension plan investments	-	6,123,725	-	14,106,365
Changes in proportion and differences between the Corporation's contributions and proportionate share of contributions	144,856	2,265,030	107,710	368,792
Contributions subsequent to the measurement date	<u>1,127,734</u>	<u>-</u>	<u>1,140,321</u>	<u>-</u>
Total	<u>\$ 4,535,166</u>	<u>8,625,112</u>	<u>10,876,915</u>	<u>14,645,450</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension as of March 31, 2023 will be recognized in pension expense as follows:

System's Year Ending March 31:

2024	\$ (1,044,737)
2025	(1,227,845)
2026	(2,129,244)
2027	<u>(815,854)</u>
Total	\$ <u>(5,217,680)</u>

The Corporation's contributions subsequent to the March 31, 2022 measurement date will be recognized as a reduction (addition) of the net pension liability (asset) in the system year ended March 31, 2023.

(c) Actuarial Assumptions

The total pension liability at March 31, 2023 and 2022 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
OPERATING CORPORATION

Notes to Financial Statements, Continued

Note 7 - Pension Plan, Continued

(c) Actuarial Assumptions, Continued

	<u>2023</u>	<u>2022</u>
Measurement date	March 31, 2022	March 31, 2021
Actuarial valuation date	April 1, 2021	April 1, 2020
Investment rate of return, net of investment expenses	5.9%	5.9%
Salary scale	4.4% Average	4.4% Average
Decrement tables	April 1, 2015 - March 31, 2020 System Experience	April 1, 2015 - March 31, 2020 System Experience
Inflation rate	2.7%	2.7%

Annuitant mortality rates are based on April 1, 2015 - March 1, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries (SOA) Scale MP-2020. The previous actuarial valuation as of April 1, 2022 used the same assumptions to measure the total pension liability.

The actuarial assumptions used in the April 1, 2021 and 2020 valuations are based on the results of an actuarial experience studies for the periods April 1, 2015 - March 31, 2020.

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:

	Target <u>Allocation</u>	Long-term Expected Rate <u>of Return*</u>	Target <u>Allocation</u>	Long-term Expected Rate <u>of Return*</u>
Domestic equity	32.00%	3.30%	32.00%	4.05%
International equity	15.00%	5.85%	15.00%	6.30%
Private equity	10.00%	6.50%	10.00%	6.75%
Real estate	9.00%	5.00%	9.00%	4.95%
Opportunistic/ARS portfolio	3.00%	4.10%	3.00%	4.50%
Credit	4.00%	3.78%	4.00%	3.63%
Real assets	3.00%	5.80%	3.00%	5.95%
Fixed income	23.00%	0.00%	23.00%	0.00%
Cash	1.00%	(1.00%)	1.00%	0.50%
	<u>100.00%</u>		<u>100.00%</u>	

*The real rate of return is net of the long-term inflation assumption of 2.50% and 2.00% for 2023 and 2022, respectively.

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 5.9% as of March 31, 2023 and 2022. 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 (Asset) to the Discount Rate

Assumption

The following presents the Corporation's proportionate share of the net pension liability (asset) as of March 31, 2023 and 2022 calculated using the current discount rate, as well as what the Corporation's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	2023		
	1% Decrease (4.9%)	Current Rate (5.9%)	1% Increase (6.9%)
Proportionate share of the net pension liability (asset)	\$ <u>4,813,563</u>	<u>(1,870,079)</u>	<u>(7,460,622)</u>
	2022		
	1% Decrease (4.9%)	Current Rate (5.9%)	1% Increase (6.9%)
Proportionate share of the net pension liability (asset)	\$ <u>13,630,148</u>	<u>49,107</u>	<u>(12,475,792)</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)	
	3/31/2022	3/31/2021
Total pension liability	\$ 223,875	220,680
Net position	<u>(232,050)</u>	<u>(220,580)</u>
Net pension liability (asset)	\$ <u>(8,175)</u>	<u>100</u>
ERS net position as a percentage of total pension liability	103.65%	99.95%

NEW YORK CONVENTION CENTER
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Notes to Financial Statements, Continued

Note 8 - Other 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 the State, (ii) the employee must qualify for retirement as a member of a retirement system administered by the 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 and there are no assets accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4.

Employees covered by benefit terms

At March 31, 2023 and 2022, the following employees were covered by the benefit terms:

	<u>2023</u>	<u>2022</u>
Inactive plan members or beneficiaries currently receiving benefits	63	53
Covered spouse of retirees	26	25
Inactive plan members entitled to but not yet receiving benefits	1	1
Active plan members	<u>83</u>	<u>105</u>
	<u>173</u>	<u>184</u>

Total OPEB Liability

The Corporation’s total OPEB liability as of March 31, 2023 and 2022, amounting to \$29,635,000 and \$43,255,000, were determined by an actuarial valuation as of April 1, 2022 and 2021, respectively.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the April 1, 2022 and 2021 actuarial valuations were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	<u>2023</u>	<u>2022</u>
Inflation	2.50%	2.50%
Salary increases including wage inflation	3.30% - 8.80%	3.00% - 8.00%
Discount rate	2.83%	2.27%

Healthcare cost trend rates:

- Drugs 5.50% in 2023 and 6.00% in 2022, decreasing to 4.50%
- Pre-Medicare Medical 5.50% in 2023 and 2022, decreasing to 4.50%
- Medicare Medical 4.80% in 2023 and 2022, decreasing to 4.50%

The discount rate was calculated using the Fidelity Municipal GO AA Index as of March 31, 2022 and 2021 for the 2023 and 2022 valuation.

Annuitant mortality rates are based on PUB 2010 general table with adjustments for mortality improvements based on the SOA Scale MP-2021. The previous annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System experience with adjustments for mortality improvements based on SOA Scale MP-2020.

NEW YORK CONVENTION CENTER
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Notes to Financial Statements, Continued

Note 8 - Other Postemployment Benefits, Continued

Changes in the Total OPEB Liability

	<u>2023</u>	<u>2022</u>
Total OPEB liability as of April 1,	\$ <u>43,255,000</u>	<u>38,971,000</u>
Changes for the year:		
Service cost	2,148,000	2,139,000
Interest	1,021,000	1,198,000
Changes of benefit terms	194,000	-
Differences between expected and actual experience	(1,489,000)	796,000
Changes of assumptions	(14,623,000)	861,000
Plan sponsor contributions	<u>(871,000)</u>	<u>(710,000)</u>
Total changes	<u>(13,620,000)</u>	<u>4,284,000</u>
Total OPEB liability as of March 31,	\$ <u>29,635,000</u>	<u>43,255,000</u>

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

The following presents the Corporation's total OPEB liability as of March 31, 2023 and 2022, using the current discount rate 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>2023</u>		
	1% Decrease <u>(1.83%)</u>	Current Rate <u>(2.83%)</u>	1% Increase <u>(3.83%)</u>
Total OPEB liability	\$ <u>36,271,000</u>	<u>29,635,000</u>	<u>24,678,000</u>

	<u>2022</u>		
	1% Decrease <u>(1.27%)</u>	Current Rate <u>(2.27%)</u>	1% Increase <u>(3.27%)</u>
Total OPEB liability	\$ <u>53,325,000</u>	<u>43,255,000</u>	<u>35,708,000</u>

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

The following presents the Corporation's total OPEB liability as of March 31, 2023 and 2022, using current healthcare cost trend rates as well as what the Corporation's total OPEB liability would be if it were calculated using rates that are 1-percentage-point lower or 1-percentage-point higher than the current rates:

	<u>2023</u>		
	1% Decrease <u>(1.83%)</u>	Current Trend Rates <u>(2.83%)</u>	1% Increase <u>(3.83%)</u>
Total OPEB liability	\$ <u>24,246,000</u>	<u>29,635,000</u>	<u>36,942,000</u>

	<u>2022</u>		
	1% Decrease <u>(1.27%)</u>	Current Trend Rates <u>(2.27%)</u>	1% Increase <u>(3.27%)</u>
Total OPEB liability	\$ <u>34,841,000</u>	<u>43,255,000</u>	<u>54,794,000</u>

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Notes to Financial Statements, Continued

Note 8 - Other Postemployment Benefits, Continued

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

For the years ended March 31, 2023 and 2022, the Corporation recorded OPEB expense of \$555,000 and \$2,689,000, respectively. At March 31, 2023 and 2022, the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 619,000	1,839,000	722,000	687,000
Changes of assumptions or other inputs Corporation's contributions subsequent to the measurement date	1,112,000	15,799,000	1,350,000	3,988,000
	1,025,832	-	870,947	-
Total	\$ 2,756,832	17,638,000	2,942,947	4,675,000

The Corporation's contribution subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended March 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits are as follows:

<u>Year ending</u>	
2024	\$ (2,808,000)
2025	(2,808,000)
2026	(2,617,000)
2027	(2,452,000)
2028	(2,269,000)
Thereafter	(2,953,000)
Total	\$ (15,907,000)

Note 9 - Leases

The Corporation leases equipment and subscription based software under various lease agreements that bear interest ranging between 0% and 1% as explicitly stated in the agreements, except for contracts related to software subscription. Management has elected not to discount these payments as the portion of payment allocated to interest was determined not to be material. All agreements contain expiration dates through January 2026. The gross amount of the equipment and subscription based software under the leases as of March 31, 2023 and 2022 was \$14,577,724 and \$20,442,016, respectively. Accumulated amortization on the equipment amounted to \$8,102,944 and \$12,066,433 at March 31, 2023 and 2022, respectively. Decreases in the gross amount of the equipment, as well as accumulated amortization, is due to retirement of leased equipment and subscription based software in the amount of \$7,133,020. Amortization of 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 lease liabilities for the equipment and subscription based software for the years ended March 31, 2023 and 2022 amounted to \$4,501,503 and \$6,583,351, respectively. The principal payments on these leases for the years ended March 31, 2023 and 2022 totaled \$3,350,576 and \$3,522,064, respectively.

Future minimum payments under the finance agreement are as follows:

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 2,871,243	30,273
2025	1,470,689	5,065
2026	<u>159,571</u>	<u>-</u>
	<u>\$ 4,501,503</u>	<u>35,338</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 entered into a food and beverage agreement effective May 3, 2019 with a vendor. The 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. In December 2020, the Center entered into an amendment to the agreement with the vendor to guarantee any negative net receipts from the period April 1, 2020 through March 31, 2022, if the Center does not exercise the option for the extended term of the agreement or terminates the current agreement early. The Center has no plans to terminate the agreement. On January 6, 2023, the Center entered into a second amendment to the food and beverage agreement which suspends the guarantee through March 31, 2025.

The Corporation’s management proposed a Capital Plan amounting to \$145,700,000, to be made under the five-year budget for the Javits Center. The proposed plan is 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 revenue from operations. For Fiscal 2023 operations, no appropriations were made by the State Legislature. As of March 31, 2023, the Corporation is not aware of any State Legislature proposed appropriations for Fiscal 2024.

Note 12 - Cumulative Effect of Change in Accounting Principle

The Corporation adopted the provisions of GASB Statement No. 96 - "Subscription - Based Information Technology Arrangements" during the year ended March 31, 2023. The March 31, 2022 balances were restated as follows:

	2022 As previously stated		2022 as restated
Other current assets	\$ <u>7,664,014</u>	<u>(253,357)</u>	<u>7,410,657</u>
Capital assets, net	\$ <u>32,149,879</u>	<u>2,818,547</u>	<u>34,968,426</u>
Accrued expenses, current	\$ <u>4,895,246</u>	<u>(140,028)</u>	<u>4,755,218</u>
Lease liability, current	\$ <u>1,541,345</u>	<u>1,424,331</u>	<u>2,965,676</u>
Lease liability, net of current portion	\$ <u>2,336,788</u>	<u>1,280,887</u>	<u>3,617,675</u>
Facility operating expenses	\$ <u>21,162,402</u>	<u>(1,565,016)</u>	<u>19,597,386</u>
Depreciation and amortization expenses	\$ <u>6,303,666</u>	<u>1,565,016</u>	<u>7,868,682</u>

Note 13 - Accounting Standards Issued But Not Yet Implemented

GASB has issued the following pronouncements which will be implemented in the years required. The effects of the implementation of these pronouncements are not known at this time.

Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 99 - Omnibus 2022. Effective for various periods through fiscal years beginning after June 15, 2023.

Statement No. 101 - Compensated Absences. Effective for fiscal years beginning after December 15, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

NEW YORK CONVENTION CENTER
OPERATING CORPORATION
Required Supplementary Information
Schedule of the Corporation's Proportionate Share of the Net Pension Liability (Asset)
Year ended March 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Corporation's proportion of the net pension liability (asset)	0.0228767%	0.0493169%	0.0521947%	0.0517816%	0.0556461%	0.0539285%	0.0515835%	0.0544342%
Corporation's proportionate share of the net pension liability (asset)	\$ (1,870,079)	49,107	13,821,461	3,668,886	1,795,946	5,067,243	8,279,299	1,838,920
Corporation's covered payroll	\$ 10,891,924	8,030,523	16,069,337	15,918,333	15,819,063	16,195,996	15,730,483	14,570,941
Corporation's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	17.17%	0.61%	86.01%	23.05%	11.35%	31.29%	52.63%	12.62%
Plan fiduciary net position as a percentage of the total pension liability (asset)	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%

Notes to schedule:

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Inflation	2.7%	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increase	4.4%	4.4%	4.2%	4.2%	3.8%	3.8%	3.8%	4.9%
Cost-of-living adjustments	1.4%	1.4%	1.3%	1.3%	1.4%	1.3%	1.3%	1.4%
Investment rate of return	5.9%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	5.9%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%

(2) The amounts presented for each fiscal year were determined as of the March 31, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015 measurement dates of the plans.

(3) Data not available prior to fiscal year 2016 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, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,127,734	1,140,321	2,075,113	2,011,120	2,051,164	2,176,080	2,168,869	2,203,928	2,672,399	2,600,268
Contribution in relation to the contractually required contribution	<u>(1,127,734)</u>	<u>(1,140,321)</u>	<u>(2,075,113)</u>	<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>
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	\$ 10,891,924	8,030,523	16,069,337	15,918,333	15,819,063	16,195,996	15,730,483	14,570,941	14,323,790	13,488,121
Contribution as a percentage of covered payroll	10.35%	14.20%	12.91%	12.63%	12.97%	13.44%	13.79%	15.13%	18.66%	19.28%

NEW YORK CONVENTION CENTER
OPERATING CORPORATION

Required Supplementary Information
Schedule of Changes in the Corporation's
Total OPEB Liability and Related Ratios
Year ended March 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability						
Service cost	\$ 2,148,000	2,139,000	2,201,000	2,081,000	1,902,000	2,106,000
Interest	1,021,000	1,198,000	1,329,000	1,388,000	1,310,000	1,156,000
Changes of benefit terms	194,000	-	-	-	-	-
Differences between expected and actual experience	(1,489,000)	796,000	33,000	(1,015,000)	(94,000)	-
Changes of assumptions or other inputs	(14,623,000)	861,000	(2,457,000)	(1,103,000)	1,120,000	(3,499,000)
Plan sponsor contributions	<u>(871,000)</u>	<u>(710,000)</u>	<u>(632,000)</u>	<u>(639,000)</u>	<u>(488,000)</u>	<u>(471,000)</u>
Net change in total OPEB liability	(13,620,000)	4,284,000	474,000	712,000	3,750,000	(708,000)
Total OPEB liability at beginning of year	<u>43,255,000</u>	<u>38,971,000</u>	<u>38,497,000</u>	<u>37,785,000</u>	<u>34,035,000</u>	<u>34,743,000</u>
Total OPEB liability at end of year	<u>\$ 29,635,000</u>	<u>43,255,000</u>	<u>38,971,000</u>	<u>38,497,000</u>	<u>37,785,000</u>	<u>34,035,000</u>
Covered payroll	<u>\$ 10,342,278</u>	<u>10,342,278</u>	<u>10,879,968</u>	<u>10,879,968</u>	<u>10,922,438</u>	<u>10,922,438</u>
Total OPEB liability as a percentage of covered payroll	286.54%	418.23%	358.19%	353.83%	345.94%	311.61%

Notes to schedule:

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

<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
2.83%	2.27%	2.94%	3.29%	3.51%	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.

(3) There are no assets accumulated in a trust that meet the criteria in GASB Statement No. 75, paragraph 4.

**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"), and the related notes to financial statements, and have issued our report thereon dated June 21, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 21, 2023

INDEPENDENT AUDITORS' REPORT ON INVESTMENT COMPLIANCE

The Board of Directors
New York Convention Center
Operating Corporation:

Report on Investment Compliance

Opinion on Investment 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, 2023.

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, 2023.

Basis for Opinion Investment Compliance

We conducted our audit of compliance 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Investment Compliance section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on investment compliance. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Investment Compliance

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 Responsibilities for the Audit of Investment Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation's investment compliance.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Corporation's internal control over investment compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over investment compliance but not for the purpose of expressing an opinion on the effectiveness of Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over investment compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over investment compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Investment Compliance section above and was not designed to identify all deficiencies in internal control over investment compliance that might be material weaknesses or significant deficiencies in internal control over investment compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over investment compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over investment compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over investment compliance. Accordingly, no such opinion is expressed.

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 21, 2023