

MEET AC, INC.

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

**FOR THE PERIOD APRIL 22, 2014
(DATE OF INCEPTION) TO DECEMBER 31, 2014**

AND

INDEPENDENT AUDITORS' REPORT



FRIEDMAN LLP
ACCOUNTANTS AND ADVISORS

MEET AC, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Meet AC, Inc.

We have audited the accompanying financial statements of Meet AC, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets and cash flows for the period April 22, 2014 (date of inception) to December 31, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meet AC, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the period April 22, 2014 (date of inception) to December 31, 2014 in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses shown on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Friedman LLP". The signature is written in a cursive, flowing style.

March 9, 2015

MEET AC, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

ASSETS

Current assets

Cash and cash equivalents	\$ 2,052,993
Accounts receivable	26,670
Prepaid expenses	121,346
Total current assets	2,201,009

Noncurrent assets

Computer equipment - at cost, less accumulated depreciation of \$1,636	31,128
Compensating cash balance account	98,500
Total noncurrent assets	129,628
Total assets	\$ 2,330,637

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable and accrued expenses	\$ 177,087
Accrued payroll and related expenses	311,785
Refundable advances	1,841,765
Total current liabilities	2,330,637

Commitments

Unrestricted net assets	-
Total unrestricted net assets	-
Total liabilities and net assets	\$ 2,330,637

See notes to financial statements.

MEET AC, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE PERIOD APRIL 22, 2014 (DATE OF INCEPTION) TO DECEMBER 31, 2014

Revenues and other support	
Contract revenue	\$ 3,558,230
Registration staffing	71,223
Interest income	1,478
Total revenues and other support	3,630,931
Expenses	
Program services	
Meetings, conventions and groups	2,962,205
Registration staffing	59,305
Total program services	3,021,510
Supporting services	
Management and general	609,421
Total expenses	3,630,931
Change in unrestricted net assets	-
Net assets, beginning of period	-
Net assets, end of period	\$ -0-

See notes to financial statements.

MEET AC, INC.

STATEMENT OF CASH FLOWS

FOR THE PERIOD APRIL 22, 2014 (DATE OF INCEPTION) TO DECEMBER 31, 2014

Cash flows from operating activities	
Change in unrestricted net assets	\$ -
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities	
Depreciation expense	1,636
Changes in assets and liabilities	
Accounts receivable	(26,670)
Prepaid expenses	(121,346)
Accounts payable and accrued expenses	177,087
Accrued payroll and related expenses	311,785
Refundable advances	1,841,765
<hr/> Net cash provided by operating activities	2,184,257
Cash flows from investing activities	
Equipment purchases	(32,764)
Cash flows from financing activities	
Establishment of compensating cash balance account	(98,500)
<hr/> Net increase in cash and cash equivalents	2,052,993
Cash and cash equivalents, beginning of period	-
<hr/> Cash and cash equivalents, end of period	<hr/> \$ 2,052,993

See notes to financial statements.

MEET AC, INC.

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Meet AC, Inc. (the "Organization") was incorporated on April 22, 2014. Effective June 18, 2014, the Casino Reinvestment Development Authority ("CRDA") approved the restructuring and outsourcing of the sales function of its Convention Sales Division through the creation of this separate and distinct not-for-profit business league entity. The Organization's purpose is to promote, market and advance the City of Atlantic City as a premium destination for conventions, meetings, and tradeshows, all with the goal of expanding the convention and tourism industries in Atlantic City and promoting the general business conditions of the community at large. As such, the CRDA and the Organization have entered into a public-private partnership agreement, whereby the CRDA provides funding to the Organization in exchange for these services, including booking convention space at Atlantic City Convention Center and Historic Boardwalk Hall, hotel rooms and off-site venues within Atlantic City, and promoting other Atlantic City amenities.

Basis of Presentation

The accompanying financial statements have been presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Net assets, revenues and other support, and expenses are classified based on the existence or absence of donor-imposed restrictions.

Unrestricted net assets consist of assets, revenues and other support which are available and used for operations and programs.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Unrestricted Revenues and Support

All contract revenues and other support are recorded as refundable advances until they are expended in accordance with the terms of the Organization's agreement with the CRDA, at which time they are recognized as unrestricted revenues and support and reported as an increase in unrestricted net assets. If, at the end of the contract term, the CRDA requests a return of unexpended monies, the refundable advances would then be reclassified as due back to the CRDA. Accordingly, revenue is recognized only to the extent of expenses incurred (exchange transaction), resulting in a net zero change in net assets. Net assets are also expected to equal zero.

MEET AC, INC.

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations. For purposes of the statement of cash flows, the Organization considers all cash and cash equivalents with original maturities of three months or less when purchased to be cash or cash equivalents.

Accounts Receivable

Accounts receivable represent amounts due from registration activities, and are stated at the amounts management expects to collect. Management evaluates its accounts receivable and records an allowance for doubtful accounts, when deemed necessary, based on a combination of historical experience, aging analysis, and information on specific accounts. Based on the Organization's review of accounts receivable, no allowance for doubtful accounts is considered necessary at December 31, 2014.

Equipment

Equipment is stated at cost, less accumulated depreciation. The Organization's policy is to capitalize all assets with estimated useful lives greater than one year and with an original cost over \$1,000. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. The principal useful life for computers and computer equipment is estimated to be five years.

Compensated Absences

Certain employees of the Organization have earned a vested right to compensation for unused personal absence time. Accordingly, the Organization has made an accrual for personal absence compensation that employees have earned but not taken. As of December 31, 2014, the Organization has accrued approximately \$17,000 of earned vacation.

Functional Allocation of Expenses

Expenses are charged to programs and supporting services on the basis of time and expense analysis. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

Advertising Costs

It is the Organization's policy to expense advertising costs as incurred. The Organization incurred approximately \$383,000 in advertising costs for the year ended December 31, 2014.

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(6) of the Internal Revenue Code. Contributions to the Organization are neither solicited nor tax deductible. All of the Organization's tax filings are subject to examination by tax authorities.

MEET AC, INC.

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

These financial statements were approved by management and available for issuance on March 9, 2015. Management has evaluated subsequent events through this date.

2 - PROGRAM AND SUPPORTING SERVICES

Program Services

Program services have been established, in accordance with the Organization's agreement with the CRDA, to promote and market the Atlantic City Convention Center and Historic Boardwalk Hall (the "Facilities") as premier destinations for conventions, meetings, trade shows and group leisure events; conduct coordinated advertising, publicity and promotion campaigns emphasizing attractions offered in Atlantic City (the "City") for meetings and groups; sell and coordinate the booking and reservation of convention, meeting and trade show space, hotel rooms and other off-site venues; participate in appropriate convention and destination marketing associations' events and trade shows to assure favorable publicity about the City and the Facilities; solicit convention, tradeshow and meeting organizations to use the Facilities and other venues throughout the City; provide tourism and event-planning services to associations, businesses, organizations and groups convening or holding conventions, meetings or events; prepare, publish and update materials providing specific information on the Facilities, hotels, restaurants, entertainment and other amenities located in the City, and distribute said materials to event planners or coordinators; coordinate with City hotels, restaurants and entertainment venues the cross-selling and booking of said facilities in connection with the booking of a convention, tradeshow or other meeting events at the Facilities; and create and maintain strategic relationships for the coordination of services with the CRDA and its business partners, as they relate to the convention and meeting business in the City.

Supporting Services

Management and general services include those functions necessary to obtain and manage the Organization's financial and other resources, ensure an adequate working environment, develop and administer Organization programs and services and, in conjunction with the Board, oversee the articulation of Organization policies and procedures, as well as long-term Organization strategies.

MEET AC, INC.

NOTES TO FINANCIAL STATEMENTS

3 - COMPENSATING CASH BALANCE ACCOUNT

The Organization is required to maintain a compensating cash balance account as pledged collateral in consideration of the Organization's bank extending a commercial credit card with a limit of \$98,500.

4 - REFUNDABLE ADVANCES

The Organization operates under an agreement with the CRDA. At December 31, 2014, the Organization received funds in advance of and in excess of expenses incurred, which are reflected as refundable advances of \$1,841,765.

5 - RETIREMENT PLAN

The Organization sponsors a 401(k) retirement plan, covering all full-time employees. The Organization contributes a Safe Harbor amount equal to 3% of each full-time employee's compensation. The discretionary contribution for the period ended December 31, 2014 was \$24,194.

6 - RELATED PARTY TRANSACTIONS

Contract Revenues

The Organization is funded by the CRDA as part of its collaborative, public-private partnership agreement with the CRDA in exchange for promotional, marketing and sales efforts rendered, including booking convention space, leisure groups, hotel rooms and off-site venues.

Rental Expense

The Organization leases its operating facilities from the CRDA. The monthly rental expense is based upon the percentage of floor space used, which for the period ended December 31, 2014 totaled \$35,000.

Miscellaneous Expenses

Occasionally the CRDA will pay for various administrative/office expenses on behalf of the Organization, for which the Organization will reimburse the CRDA. Amounts have been de minimis.

MEET AC, INC.

NOTES TO FINANCIAL STATEMENTS

7 - CONCENTRATIONS

Major Sources of Revenue

The Organization receives its funding from the CRDA, based on a pro-rated contract agreement for the first year of the Organization's existence, plus another five-year contract agreement, which provides for quarterly funding totaling \$8.1 million per year. However, in the event of an extraordinary reduction in the amount of annual Luxury Tax Revenue collected by the CRDA in any year, the funding commitment to the Organization may be adjusted by the CRDA in consultation with the Organization. Any decreases in funding from the CRDA would have a significant effect on the Organization and its programs and activities.

Concentrations of Credit Risk

Concentrations of credit risk with respect to accounts receivable are limited, since they are represented by a variety of signed agreements with a collection rate of 100%.

SUPPLEMENTARY INFORMATION

MEET AC, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE PERIOD APRIL 22, 2014 (DATE OF INCEPTION) TO DECEMBER 31, 2014

	Program Services			Supporting Services	Total Functional Expenses
	Meetings, Conventions and Groups	Registration Staffing	Total Program Services	Management and General	
Payroll	\$ 797,671	\$ 54,474	\$ 852,145	\$ 223,198	\$ 1,075,343
Payroll taxes	116,036	4,831	120,867	30,013	150,880
Benefits	123,443	-	123,443	53,388	176,831
Salaries and related expenses	1,037,150	59,305	1,096,455	306,599	1,403,054
Marketing	748,216	-	748,216	6,020	754,236
Client entertainment	349,044	-	349,044	-	349,044
Convention development fund	22,714	-	22,714	-	22,714
Advertising and print	380,830	-	380,830	2,343	383,173
Public relations	102,625	-	102,625	15,214	117,839
Office and computer expenses	152,112	-	152,112	37,991	190,103
Equipment rental	12,760	-	12,760	-	12,760
Memberships and subscriptions	45,995	-	45,995	419	46,414
Other expenses	10,470	-	10,470	-	10,470
Utilities	42,828	-	42,828	2,278	45,106
Rent and insurance	31,382	-	31,382	10,318	41,700
Relocation	-	-	-	23,316	23,316
Professional fees	23,346	-	23,346	204,498	227,844
Use tax	1,522	-	1,522	-	1,522
Depreciation	1,211	-	1,211	425	1,636
Total expenses	\$ 2,962,205	\$ 59,305	\$ 3,021,510	\$ 609,421	\$ 3,630,931