NEW YORK CONVENTION CENTER OPERATING CORPORATION

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Years Ended March 31, 2017 and 2016

UHY LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New York Convention Center Operating Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of New York Convention Center Operating Corporation (the "Corporation") as of March 31, 2017 and 2016 and for the years then ended, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the statements of net position of the Corporation as of March 31, 2017 and 2016, and the statements of revenue, expenses, and changes in net position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in Note 1 to the financial statements, the Corporation adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, Accounting and Financial Reporting for Pensions in the year ended March 31, 2016. Our opinion is not modified with respect to this item.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and other supplementary schedules on pages 27 through 28 as required by GASB 68, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2017, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

UHY LLP

New York, New York
June 14, 2017

FINANCIAL STATEMENTS

NEW YORK CONVENTION CENTER OPERATING CORPORATION

STATEMENTS OF NET POSITION

	March 31, 2017	March 31, 2016
ASSETS		
CURRENT ASSETS		
Cash	**$ 2,853,791**	$ 5,297,740
Short-term investments	**70,752,971**	63,768,616
Accounts receivable, net of allowances of $1,207,609 in 2017 and 2016	**7,083,278**	3,969,199
Unbilled show costs	**1,011,222**	17,437,015
Other assets	**2,978,141**	6,932,715
Total current assets	**84,679,403**	97,405,285
PROPERTY, PLANT AND EQUIPMENT, NET	**43,966,792**	39,413,201
OTHER ASSETS	**5,083,364**	4,780,038
Total assets	**$ 133,729,559**	$ 141,598,524
Deferred outflows of resources	**$ 9,335,687**	$ 2,589,400
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	**$ 6,136,331**	$ 12,673,780
Accrued expenses, current	**10,241,515**	13,018,437
Unearned revenue	**26,592,896**	33,838,007
Capital lease liability, current	**1,839,981**	2,095,970
Insurance claim reserve	**4,447,608**	3,512,314
Advance for capital improvements from affiliate	**2,501,474**	2,600,000
Other postretirement employee benefits obligation, current	**580,458**	405,072
Total current liabilities	**52,340,263**	68,143,580
Accrued expenses, net of current portion	**785,305**	728,573
Net pension liability	**8,279,299**	1,838,920
Capital lease liability, net of current portion	**926,905**	2,766,886
Other postretirement employee benefits obligation, net of current portion	**37,993,470**	35,759,311
Total liabilities	**100,325,242**	109,237,270
Deferred inflows of resources	**$ 1,073,549**	$ -
COMMITMENTS AND CONTINGENCIES		
NET POSITION		
Invested in capital assets, net	**43,966,792**	39,413,201
Unrestricted - board designated for other postretirement employee benefit obligation	**38,573,928**	36,164,383
Unrestricted deficit	**(40,874,265)**	(40,626,930)
Total net position	**$ 41,666,455**	$ 34,950,654

See notes to financial statements.

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

	Years Ended March 31,	
	2017	**2016**
OPERATING REVENUE		
Event-related services	**$ 162,768,652**	$ 155,546,527
Space rentals	**28,945,878**	27,608,081
Concession commissions	**6,851,815**	6,103,800
Advertising and other income	**1,986,019**	1,699,961
Total operating revenue	**200,552,364**	190,958,369
OPERATING EXPENSES		
Employee compensation and benefits	**158,258,338**	151,609,474
Facility operating expenses	**17,913,512**	18,674,818
Selling, general and administrative expenses	**8,739,983**	8,191,285
Annual other postemployment benefits expenses	**2,880,787**	2,776,635
Total operating expenses	**187,792,620**	181,252,212
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	**12,759,744**	9,706,157
DEPRECIATION AND AMORTIZATION	**6,206,724**	4,442,240
OPERATING INCOME	**6,553,020**	5,263,917
NON-OPERATING REVENUES AND (EXPENSES)		
Impairment of fixed assets	**-**	(2,689,052)
Interest income, net	**162,781**	13,447
Total non-operating expenses	**162,781**	(2,675,605)
NET INCOME	**6,715,801**	2,588,312
NET POSITION, Beginning	**34,950,654**	32,149,747
Prior Period Adjustment Related to Adoption of Pension Accounting Standard (Note 1)	**-**	212,595
NET POSITION, Beginning, Adjusted	**34,950,654**	32,362,342
NET POSITION, Ending	**$ 41,666,455**	$ 34,950,654

See notes to financial statements.

NEW YORK CONVENTION CENTER OPERATING CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended March 31, 2017	2016
OPERATING ACTIVITIES		
Cash receipts from customers	**$ 190,193,174**	$ 209,253,994
Cash paid for operating expenses	**(172,242,240)**	(188,210,279)
Net cash provided by operating activities	**17,950,934**	21,043,715
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on capital lease obligations	**(2,095,970)**	(1,937,279)
Interest payments on capital lease obligations	**(49,931)**	(66,055)
Proceeds from disposal of asset	**131,201**	-
Acquisition of property, plant and equipment	**(10,837,741)**	(13,245,721)
Net cash used in capital and related financing activities	**(12,852,441)**	(15,249,055)
INVESTING ACTIVITIES		
Purchase of short-term investments	**(870,410,000)**	(900,120,140)
Proceeds from sales and maturities of short-term investments	**863,425,645**	897,842,166
Interest received on investments	**212,712**	79,502
Cash paid for collateral	**(770,799)**	(1,050,001)
Net cash used in investing activities	**(7,542,442)**	(3,248,473)
NET INCREASE (DECREASE) IN CASH	**(2,443,949)**	2,546,187
CASH, Beginning	**5,297,740**	2,751,553
CASH, Ending	**$ 2,853,791**	$ 5,297,740
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
NET INCOME	**$ 6,715,801**	$ 2,588,312
Adjustments to reconcile net income to net cash provided by operating activities:		
Interest (income) expense	**(162,781)**	(13,447)
Depreciation and amortization	**6,206,724**	4,442,240
Gain on disposal of equipment	**(53,775)**	-
Impairment of fixed assets	**-**	2,689,052
Changes in:		
Accounts receivable	**(3,114,079)**	4,143,575
Unbilled show costs	**16,425,793**	(11,603,159)
Other assets	**4,323,521**	(1,431,662)
Accounts payable	**(6,537,449)**	5,469,299
Accrued expenses	**(2,720,190)**	(4,190,965)
Insurance claim reserve	**935,294**	2,968,428
Other postretirement employee benefits obligation	**2,409,545**	2,367,877
Unearned revenue	**(7,245,111)**	14,152,050
Net pension related accounts	**767,641**	(537,885)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 17,950,934**	$ 21,043,715
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
Equipment financed with capital lease	**$ -**	$ 407,961

See notes to financial statements.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The New York Convention Center Operating Corporation (the "Corporation") is a public benefit corporation established by the State of New York (the "State") to operate the Jacob K. Javits Convention Center of New York (the "Javits Center" or "Center"). As such, it is included as a component unit enterprise fund in the State's annual financial report. As a component unit of the State, the Javits Center is eligible for, and subject to, appropriation of funds as approved in the State's budget. Operating revenues are principally comprised of amounts derived from event-related support services and space 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.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net position of the Corporation and changes therein are classified and reported as follows:

> <u>Unrestricted net position</u> – Net position that is not subject to board-imposed stipulations. If the related liabilities exceed the assets on hand, then the "shortfall", by default, is covered by this unrestricted net position.
>
> <u>Invested in capital assets</u> – Net position that represents those resources used for capital assets.
>
> <u>Unrestricted - board designated net position</u> – Net position that the Board of Directors approved and designated to be used to fund the Other Postemployment Benefits ("OPEB") liability (see note 7).

The Corporation has adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government" and Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus". The two statements require that State and Local governments' financial statements include management's discussion and analysis, government wide financial statements, fund financial statements, notes to the financial statements and required supplementary information. The statements require State and Local governments to report infrastructure assets.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed to the extent they do not conflict or contradict guidance of the GASB. Governments also have the option of following subsequent private sector guidance for their business type activities and enterprise funds. The Corporation has elected to not follow subsequent private sector guidance.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

Cash is maintained in Federal Deposit Insurance Corporation ("FDIC") insured accounts at credit qualified financial institutions. At times, such amounts may exceed the FDIC insurance limits. All deposits are collateralized with U.S. Government guaranteed securities. The collateral is maintained by JP Morgan Chase Bank for the benefit of the State of New York Commissioner of Tax & Finance AFA New York Convention Center Operating Corporation.

Short-Term Investments

As of March 31, 2017 and 2016, the Corporation's short-term investments consist of U.S. Treasury bills, repurchase agreements and commercial paper. These investments are specifically identified and held in segregated accounts at depository institutions in the name of the New York State Department of Taxation and Finance. Short-term investments are carried at amortized cost, which approximates fair value, plus accrued interest receivable.

New York State's statutes and guidelines authorize the Corporation to invest in obligations of the U.S. Government and its agencies, certificates of deposit, commercial paper, banker's acceptances, repurchase agreements, and obligations of the State of New York.

Recognition of Revenue and Reserve for Doubtful Accounts

Amounts received for space 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 moves out. Similarly, costs incurred which are directly attributable to an event (primarily labor) are initially recorded as other assets and either expensed or billed to customers at the event's conclusion.

Revenue from advertising is recognized on a straight-line basis over the term of the advertising agreement.

The allowance for possible credit losses provides for risks of losses inherent in the credit extension process. The Corporation maintains this allowance on a specific and general basis at levels considered adequate to meet present and future losses of receivables. Accordingly, these estimates could change in the near term.

Property, Plant and Equipment

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

Depreciation and amortization are recorded using the straight-line method over the estimated useful lives of the respective assets ranging from 3 to 15 years.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Security Deposit

During October 2013 and 2014, the Corporation contracted with a new insurance company. Based on the terms of the contracts, the Corporation paid security deposits which will be held for an indefinite amount of time. As a result, the security deposit of $4,732,760 and $3,961,961 for the years ended March 31, 2017 and 2016, respectively, is reflected as non-current other assets.

Retirement Benefits

The Corporation provides retirement benefits for its employees through contributions to the New York State Employees' Retirement System (ERS). The retirement program provides various plans and options, some of which require employee contributions.

The Corporation uses GASB Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68") to recognize the net pension liability, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plan.

Change in Accounting Principle

Effective April 1, 2015, the Corporation adopted GASB 68. This statement addresses accounting and financial reporting for pensions provided to the Corporation employees that are administered by ERS. The statement also requires various note disclosures and required supplementary information. As a result of the adoption of this new accounting principle, the net position as of April 1, 2015, has been restated as follows:

Net position previously report, April 1, 2015	$	32,149,747
Net pension liability - ERS		(2,459,805)
Deferred outflows of resources		2,672,400
Net position, as restated, April 1, 2015	$	32,362,342

Other Postemployment Benefits (OPEB)

The Corporation provides health care benefits for certain of its qualifying retirees. The Corporation's annual OPEB expense is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and any unfunded actuarial liabilities are amortized over a period of thirty years.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. On an ongoing basis, management evaluates its estimates and judgments, including those related to revenue recognition, other long-lived assets, allowance for doubtful accounts, and accrued expenses. Making these estimates requires management to exercise significant judgment. Accordingly, actual results could differ from those estimates.

Reclassifications

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

NOTE 2 — 2009 RENOVATION PROJECT AND DUE FROM AFFILIATE

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

In August 2006, the Corporation entered into an agreement to sell the Yale Building to NYCCDC, a related party. The agreement provided that NYCCDC defeased the 2003 Certificates in the amount of $66,200,000. In addition to the defeasance amount, NYCCDC has agreed to make an additional $15,000,000 payment to the Corporation upon the sale or lease of certain property (as defined in the Purchase and Sale Agreement). The Corporation has further agreed to provide additional funding for certain future capital improvements to the Javits Center and its related expansion and has reserved this amount in prior years.

The Corporation has previously funded capital expenditures related to the expansion and renovation projects of the Javits Center, on behalf of NYCCDC amounting to $3,392,071. These amounts have been recorded as a receivable from NYCCDC and management has also recorded an offsetting reserve of $3,392,071 due to the uncertainty regarding its collectability, as of March 31, 2017 and 2016.

NOTE 3 — OTHER ASSETS

Other assets consist of the following:

	March 31, 2017	March 31, 2016
Current other assets		
Due from affiliate	$ 1,354,648	$ 5,511,286
Prepaid maintenance, current portion	467,471	467,471
Prepaid insurance	679,358	857,066
Prepaid other	476,664	96,892
	$ 2,978,141	$ 6,932,715
Non-current other assets		
Security deposit	$ 4,732,760	$ 3,961,961
Prepaid maintenance, net of current portion	350,604	818,077
	$ 5,083,364	$ 4,780,038

NOTE 4 — PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment activities for the years ended March 31, 2017 and 2016 are summarized as follows:

March 31, 2017	Beginning Balance	Additions	Transfers	Disposals	Ending Balance
Depreciable assets					
Furniture, fixtures and equipment	$ 19,614,825	$ 791,703	$ 5,358,143	$ (140,773)	$ 25,623,898
Video display equipment	1,073,319	-	-	-	1,073,319
Telephone equipment	1,823,867	-	-	-	1,823,867
Other equipment	1,844,672	-	-	-	1,844,672
Improvements to center	41,465,581	24,900	6,279,059	-	47,769,540
Construction in progress	8,233,585	10,021,138	(11,637,202)	-	6,617,521
Total depreciable assets	74,055,849	10,837,741	-	(140,773)	84,752,817
Accumulated depreciation					
Furniture, fixtures and equipment	10,000,993	3,894,866	-	(63,347)	13,832,512
Video display equipment	1,073,319	-	-	-	1,073,319
Telephone equipment	1,802,684	7,702	-	-	1,810,386
Other equipment	1,521,768	99,355	-	-	1,621,123
Improvements to center	20,243,884	2,204,801	-	-	22,448,685
Total accumulated depreciation	34,642,648	6,206,724	-	(63,347)	40,786,025
Total property, plant and equipment, net	$ 39,413,201	$ 4,631,017	$ -	$ (77,426)	$ 43,966,792

During 2017, the Center determined that a portion of equipment under capital lease was impaired. The Center disposed of the equipment and was reimbursed by the vendor for the original cost. Proceeds of $131,201 and a gain of $53,755 was recorded related to this transaction.

NOTE 4 — PROPERTY, PLANT AND EQUIPMENT (Continued)

March 31, 2016	Beginning Balance	Additions	Transfers	Impairment	Ending Balance
Depreciable assets					
Furniture, fixtures and equipment	$ 17,326,136	$ 1,863,602	$ 425,087	$ -	19,614,825
Video display equipment	1,073,319	-	-	-	1,073,319
Telephone equipment	1,823,867	-	-	-	1,823,867
Other equipment	1,844,672	-	-	-	1,844,672
Improvements to center	32,856,769	-	8,608,812	-	41,465,581
Construction in progress	8,166,456	11,790,080	(9,033,899)	(2,689,052)	8,233,585
Total depreciable assets	63,091,219	13,653,682	-	(2,689,052)	74,055,849
Accumulated depreciation					
Furniture, fixtures and equipment	7,269,238	2,731,755	-	-	10,000,993
Video display equipment	1,061,889	11,430	-	-	1,073,319
Telephone equipment	1,792,026	10,658	-	-	1,802,684
Other equipment	1,422,413	99,355	-	-	1,521,768
Improvements to center	18,654,842	1,589,042	-	-	20,243,884
Total accumulated depreciation	30,200,408	4,442,240	-	-	34,642,648
Total property, plant and equipment, net	$ 32,890,811	$ 9,211,442	$ -	$ (2,689,052)	$ 39,413,201

Following the completion of the analysis of the Oracle software modules, classified in construction in progress, the Center determined that the fair value of the software modules not in use was less than the carrying value due to a change in management implementation plans. For the year ended March 31, 2016, the Company recognized an impairment charge in the amount of $2,698,052, relating to the software modules, which is reflected as impairment of fixed assets on the statement of revenue, expenses and changes in net position. There was no such impairment charge during the year ended March 31, 2017.

NOTE 5 — UNEARNED REVENUE

Unearned revenue consisted of the following:

	March 31,	
	2017	2016
Event-related services	$ 17,587,741	$ 22,618,548
Space rental	8,911,514	11,206,227
Advertising	93,641	13,232
	$ 26,592,896	$ 33,838,007

NOTE 6 — RETIREMENT PLANS

Retirement Benefits

The Corporation participates in the New York State and Local Employees Retirement System (ERS). This is a cost-sharing, multiple-employer, defined benefit public plan administered by the State Comptroller.

Obligations of employers and employees to contribute, and related benefits, are governed by the New York State Retirement and Social Security Law (“NYSRSSL”). This plan offers a wide range of programs and benefits. Benefits are related to years of credited service and final average salary, vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments.

Generally, all non-union employees, except certain full time, part-time and temporary employees, participate in the system. Employee contributions are required based on the date the member joined the system. Those who joined the system before July 1976, certain others who joined after July 1976 and have completed their 10 years are noncontributory. Those who joined after July 1976 make contributions until they have contributed for 10 years. Newer members are required to contribute for their entire career. Employee contributions are deducted from employees' compensation for remittance to the system.

Plan Description

ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

Benefits: The System provides retirement, disability, and death benefits for eligible members, including an automatic cost of living adjustment. In general, retirement benefits are determined based on an employee’s individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual’s employment tier. Pension factors are determined based on tier and an employee’s years of service, among other factors.

Contribution Requirements: No employee contribution is required for those hired prior to July 1976. The System requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3% of compensation throughout their active membership in the Systems. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. The Comptroller annually certifies the rates used for employer contributions, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the Corporation to the pension accumulation fund. For the year ended March 31, 2017, these rates ranged from 9.2% - 15.8% for the Corporation’s active employees.

NOTE 6 — RETIREMENT PLANS (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

At March 31, 2017 and 2016, the Corporation reported a liability of $8,279,299 and $1,838,920 for its proportionate share of the ERS net pension liability.

The ERS net pension liability was measured as of March 31, 2016, and the total pension liability was determined by an actuarial valuation as of April 1, 2015, with updated procedures used to roll forward the total pension liability to March 31, 2016. The Corporation's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contribution for the fiscal year ended on the measurement date. At March 31, 2016 (the Measurement date), the Corporation's proportion of the ERS net pension liability was 0.0515835%.

For the year ended March 31, 2017 and 2016, the Corporation recognized net pension expense of $2,936,510 and $1,666,043, respectively. At March 31, 2017 and 2016, the Corporation reported deferred outflows and deferred inflows of resources as follows:

	ERS	
	March 31, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 41,837	$ 981,373
Changes of assumptions	2,207,839	-
Net difference between projected and actual earnings on pension plan investments	4,911,734	-
Changes in proportion and differences between Corporation contributions and proportionate share of contributions	5,408	92,176
Contributions subsequent to the measurement date	2,168,869	-
	$ 9,335,687	$ 1,073,549

	ERS	
	March 31, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 58,866	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	319,397	-
Changes in proportion and differences between Corporation contributions and proportionate share of contributions	7,209	-
Contributions subsequent to the measurement date	2,203,928	-
	$ 2,589,400	$ -

NOTE 6 — RETIREMENT PLANS (Continued)

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

Years Ending March 31,		
2017	$	1,546,171
2018		1,546,171
2019		1,546,171
2020		1,454,755
2021		-
	$	6,093,268

At March 31, 2017, the timing of the amortization into pension expense of $2,168,869 in deferred outflows resulting from the Corporation's Fiscal 2017 payment into ERS could not be estimated because the information is not yet available.

Actuarial Assumptions

The actuarial assumptions used in the April 1, 2015 valuation, with update procedures used to roll forward the total pension liability to March 31, 2016. The actuarial valuations for ERS used the following actuarial assumptions:

	For the years ended March 31, 2017	2016
Inflation	2.5%	2.7%
Salary increases	3.8%	4.9%
Investment rate of return	7.0%	7.5%
Cost of Living adjustments	1.3%	0.0%
Mortality	April 1, 2010 - March 31, 2015	April 1, 2005 - March 31, 2010
Discount Rate	7.0%	7.5%

The long-term expected rate of return on the System's pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

NOTE 6 — RETIREMENT PLANS (Continued)

Investment Asset Allocation

Best estimates of arithmetic real rates of return for each major asset class and the System's target asset allocations as of the applicable valuation dates are summarized as follows:

	ERS at March 31, 2017		ERS at March 31, 2016	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	38.00%	7.30%	38.00%	7.30%
International equities	13.00%	8.50%	13.00%	8.50%
Private equities	10.00%	11.00%	10.00%	11.00%
Real estate	8.00%	8.25%	8.00%	8.30%
Alternative investments	0.00%	0.00%	0.00%	0.00%
Domestic fixed income securities	0.00%	0.00%	2.00%	400.00%
Global fixed income securities	0.00%	0.00%	0.00%	0.00%
Bonds and mortgages	18.00%	4.00%	18.00%	400.00%
Cash	2.00%	2.25%	2.00%	230.00%
Other	0.00%	0.00%	9.00%	6.8%-8.7%
Absolute return strategies	3.00%	6.75%	0.00%	0.00%
Opportunistic portfolio	3.00%	8.60%	0.00%	0.00%
Real assets	3.00%	8.65%	0.00%	0.00%
Inflation-indexed bonds	2.00%	4.00%	0.00%	0.00%
	100.00%		100.00%	

Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those 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.

NOTE 6 — RETIREMENT PLANS (Continued)

The following presents the Corporation's proportionate share of its net pension asset and liability calculated using the discount rate of 7.0% and 7.5% as of March 31, 2017 and 2016, respectively, and the impact of using a discount rate that is 1% higher or lower than the current rate.

	March 31, 2017		
Asset Class	1.0% Decrease in Discount Rate	Discount Rate of 7.0%	1.0% Increase in Discount Rate
Corporation's proportionate share of the ERS net pension liability (asset)	$ 18,669,218	$ 8,279,299	$ (499,738)

	March 31, 2016		
Asset Class	1.0% Decrease in Discount Rate	Discount Rate of 7.5%	1.0% Increase in Discount Rate
Corporation's proportionate share of the ERS net pension liability (asset)	$ 12,257,198	$ 1,838,920	$ (6,956,960)

NOTE 7 — OTHER POSTRETIREMENT EMPLOYEE BENEFITS OBLIGATION

The Corporation provides health care benefits for certain of its qualifying retirees. The Corporation follows GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement establishes standards for the recognition, measurement and presentation of other postemployment benefits (healthcare benefits) expenses and related liabilities and note disclosures.

Plan Description

As a participating employer of New York State Health Insurance Program ("NYSHIP"), the Corporation provides healthcare benefits for retirees and other former employees under the plan provisions of NYSHIP. Eligibility, under NYSHIP, for retiree healthcare benefits require that (i) the employee must have at least 10 years of State service with the Corporation or at least 10 years of combined service with participating employers or agencies of New York State, (ii) the employee must qualify for retirement as a member of a retirement system administered by New York State and (iii) the employee must be enrolled in NYSHIP as an enrollee or dependent when they retire. The plan does not currently issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

NOTE 7 — OTHER POSTRETIREMENT EMPLOYEE BENEFITS OBLIGATION (Continued)

Funding Policy

The Corporation elected at March 31, 2008 to record the full OPEB liability and corresponding expense in the year of adoption of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities. The ARC adjustment represents the discounted present value of the balance of the net OPEB obligation at the beginning of the year. The Corporation contributed $471,240 and $408,749 for current premiums for March 31, 2017 and 2016, respectively, and are included in employee compensation and benefits on the Statements of Revenue, Expenses, and Changes in Net Position.

Annual OPEB Cost and Net OPEB Obligation

The Corporation's Annual OPEB Cost ("AOC") and OPEB obligation for the fiscal years ended March 31, 2017 and 2016 are composed of the following (as calculated by an external actuary):

	2017	2016
OPEB obligation, beginning of the year	$ 36,164,383	$ 33,796,506
Annual OPEB cost (AOC)		
Annual required contribution (ARC)		
Normal cost	1,847,953	1,819,834
Amortization of unfunded actuarial accrued liability over one year	38,495,437	35,917,161
Interest	1,249,232	1,167,191
ARC	41,592,622	38,904,186
ARC Adjustment	(39,837,271)	(37,179,307)
Interest on net OPEB obligation	1,125,436	1,051,747
AOC	2,880,787	2,776,626
OPEB obligation	39,045,170	36,573,132
Less: Corporation payments for retired employees' health care benefits	471,242	408,749
Net OPEB obligation, end of year	38,573,928	36,164,383
Less: Current portion of net OPEB obligation	580,458	405,072
OPEB obligation, non-current	$ 37,993,470	$ 35,759,311

NOTE 7 — OTHER POSTRETIREMENT EMPLOYEE BENEFITS OBLIGATION (Continued)

Trend Information

Three-year trend information is presented as follows:

Years Ended	Beginning OPEB Obligation	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
March 31, 2017	$ 36,164,383	$ 2,880,787	$ 471,242	16.36%	$ 38,573,928
March 31, 2016	$ 33,796,506	$ 2,776,626	$ 408,749	14.72%	$ 36,164,383
March 31, 2015	$ 31,526,181	$ 2,568,114	$ 297,789	11.60%	$ 33,796,506

Funding Status and Funding Progress

For the years ended March 31, 2017 and 2016 the Corporation satisfies current obligations on a pay-as-you-go basis.

The Board of Directors has designated $38,573,928 and $36,164,383 of investments to be used to fund the OPEB liability for the years ended March 31, 2017 and 2016, respectively. The Corporation is currently investigating measures to establish a trust to allow for the funding of the obligation. The $38,573,928 and $36,164,383 is recorded as unrestricted - board designated net position on the Statement of Net Position for the years ended March 31, 2017 and 2016, respectively.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the ARC are subject to periodic revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and employees to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The unit credit actuarial cost method was used in the latest actuarial valuations, dated April 1, 2017, the basis for the ARC calculations for the fiscal year end March 31, 2017. The actuarial assumptions include an annual healthcare cost trend rate of 6.75% initially, reduced by decrements to an ultimate healthcare cost trend rate of 4.75% after eight years. Both rates include a 2.5% inflation assumption.

NOTE 8 — CAPITAL LEASES

The Corporation leases equipment under capital lease agreements that expire through November 2018. The gross amount of the equipment under the capital lease and placed into service was $7,016,503 and $7,157,275 at March 31, 2017 and 2016, respectively. Accumulated amortization on the equipment amounted to $4,047,846 and $2,728,512 at March 31, 2017 and 2016, respectively. Amortization of this leased equipment is included in depreciation and amortization expense on the Statements of Revenue, Expenses and Changes in Net Position.

In addition to the leased equipment, the Corporation prepaid maintenance for the equipment. At both March 31, 2017 and 2016, the gross amount of the prepaid maintenance was $2,337,357. At March 31, 2017 and 2016, the related accumulated amortization was $1,519,281 and $1,051,809, respectively. Amortization of this prepaid maintenance is included in facility operating expenses on the Statement of Revenue, Expenses and Changes in Net Position.

The total of the finance leases for the equipment and maintenance for both the year ended March 31, 2017 and 2016 was $9,494,631. The principal payments on the leases for the year ended March 31, 2017 and 2016 totaled $2,095,970 and $1,937,279, respectively.

Future minimum payments under the finance agreement are as follows:

Years Ending March 31,		
2018	$	1,860,764
2019		930,382
		2,791,146
Less: amount representing interest		24,260
Present value of minimum lease payments	$	2,766,886

NOTE 9 — ESTIMATED LITIGATION AND INSURANCE CLAIMS

There are various litigation and claims proceedings in which the Corporation is involved, including arbitration proceedings with Unions which currently or formerly represented Corporation employees, Equal Employment Opportunity Commission ("EEOC") complaints, personal injury and property damage claims, as well as contractual claims. Generally, these develop in the normal course of business.

While the ultimate outcome of these matters cannot presently be determined, estimated liabilities for litigation and insurance claims are provided in the financial statements when management believes a settlement is probable and the amount can be reasonably estimated.

Management believes the ultimate amounts which may be required to settle such litigation in excess of insurance coverage carried by the Corporation will not have a material effect on its financial condition, beyond that which has been provided for in the financial statements.

NOTE 10 — OTHER COMMITMENTS AND CONTINGENCIES

The Corporation has contracted with a food vendor to provide all food and beverage services at the Center through 2021. Under the agreement, the Corporation earns a percentage on food and beverage sales computed at specified rates.

At March 31, 2017, the Corporation's management proposed a Capital Plan and Repair and Maintenance Expenditure Plan amounting to $156,495,539 and $42,493,707, respectively, to be made under the five year budget for the Javits Center. The proposed plans are intended to allow the Center to continue to operate effectively while bringing the building up to peak maintenance condition. It is the intention of the Corporation that both NYCCDC and the Corporation pay for and record their respective capital outlays in their separate financial statements.

Future operations of the Corporation may require additional financing by the State to the extent that operating and capital expenditures exceed revenues from operations. For Fiscal 2017 operations, no appropriations were made by the State Legislature. As of March 31, 2017, the Company is not aware of any State Legislature proposed appropriations for Fiscal 2018.

SUPPLEMENTARY INFORMATION

NEW YORK CONVENTION CENTER OPERATING COPRORATION
SCHEDULE OF THE CORPORATION'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
NEW YORK STATE AND LOCAL EMPLOYEES' RETIREMENT SYSTEM

As of the measurement date of March 31,	2016	2015
Corporation's proportion of the net pension liability	0.0515835%	0.0544342%
Corporation's proportionate share of the net pension liability	$ 8,279,299	$ 1,838,920
Corporation's covered-employee payroll	$ 15,730,483	$ 14,570,941
Corporation's proportionate share of the net pension liability as a percentage of its covered-employee payroll	52.63%	12.62%
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%

Data prior to 2015 is unavailable.

NEW YORK CONVENTION CENTER OPERATING COPRORATION
SCHEDULE OF THE CORPORATION'S CONTRIBUTIONS
NEW YORK STATE AND LOCAL EMPLOYEES' RETIREMENT SYSTEM

March 31,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 2,168,869	$ 2,203,928	$ 2,672,399	$ 2,600,268	$ 2,471,405	$ 2,400,999	$ 1,977,387	$ 1,295,416	$ 1,432,892	$ 1,448,733
Contribution in relation to the contractually required contribution	(2,168,869)	(2,203,928)	(2,672,399)	(2,600,268)	(2,471,405)	(2,400,999)	(1,977,387)	(1,295,416)	(1,432,892)	(1,448,733)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Corporation's covered-employee payroll	$ 15,730,483	$ 14,570,941	$ 14,323,790	$ 13,488,121	$ 14,252,494	$ 14,750,026	$ 15,248,162	$ 14,913,578	$ 14,477,871	$ 14,681,596
Contributions as a percentage of covered-employee payroll	13.79%	15.13%	18.66%	19.28%	17.34%	16.28%	12.97%	8.69%	9.90%	9.87%

UHY LLP
Certified Public Accountants

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

To the Board of Directors
New York Convention Center Operating Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New York Convention Center Operating Corporation (the "Corporation"), as of and for the year ended March 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 22, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

UHY LLP

New York, New York
June 14, 2017