

**NEW YORK CONVENTION
CENTER OPERATING
CORPORATION**

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

Years Ended March 31, 2012 and 2011

NEW YORK CONVENTION CENTER OPERATING CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New York Convention Center Operating Corporation

We have audited the accompanying statements of net assets of New York Convention Center Operating Corporation (the "Corporation") as of March 31, 2012 and 2011, and the related statements of revenue, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New York Convention Center Operating Corporation as of March 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2012, on our consideration of New York Convention Center Operating 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

UHY LLP

New York, New York
June 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

NEW YORK CONVENTION CENTER OPERATING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2012 and 2011

Overview of the Financial Statements

This annual report includes management's discussion and analysis report, the independent auditor's report and the financial statements of New York Convention Center Operating Corporation ("NYCCOC" or the "Javits Center"). The financial statements include supplementary information and footnotes that explain in more detail the information in the annual report. Readers should consider management's discussion and analysis in conjunction with the financial statements as a whole.

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

The Statement of Net Assets presents the financial position of the Javits Center at the end of each fiscal year reported. It includes all of the Javits Center's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Javits Center creditors (liabilities). It also provides the basis for evaluating the Net Asset structure of the Javits Center and assessing the Javits Center's liquidity and financial strength. The current portion of assets and liabilities represent assets expected to be converted into cash and/or utilized and liabilities expected to be paid and/or utilized during the subsequent fiscal year.

The Statement of Revenues, Expenses and Changes in Net Assets accounts for all of a fiscal year's revenues and expenses. This statement measures the financial performance of the Javits Center over all fiscal years presented and can be used to determine whether the Javits Center has recovered all its costs through space rentals and related event services.

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash originate from, what cash was used for, and what was the change in Javits Center's cash position for the years presented.

**Overview of Current and Anticipated
Expansion and Renovation Project**

- ***Expansion and Renovation Project Summary*** The Javits Center opened in 1986 and has 760,000 square feet of exhibit space with 100 meeting rooms and 1,000,000 square feet of support and pre-function space. In response to the immediate needs of the convention and trade show industry, the Javits Center has embarked on an expansion and renovation project. The project was initiated to solve a number of critical issues which were required for the Javits Center to remain competitive in the trade show and convention business. Initially, the Javits Center needs to install a new roof which will correct problems from the original construction and stop disruptive and costly leaks that have plagued the Javits Center since it was first constructed. Further, the Javits Center will also replace the curtain wall and install a new HVAC system which will address issues of comfort for both exhibitors and patrons. In order to complete the above mentioned renovations it is necessary that the Javits Center add new exhibit space (the "Expansion Phase") which will allow for the Javits Center to be open and fully operational during the renovation to the main facility. The Expansion Phase will also offer the Javits Center the opportunity to accommodate other types of events.

NEW YORK CONVENTION CENTER OPERATING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Years Ended March 31, 2012 and 2011

The Expansion Phase began in the summer of 2009 and was completed in July 2010 with the construction of Javits Center North. Javits Center North is a pre-engineered structure that has 80,000 gross square feet ("GSF") of exhibition space, its own loading docks and entrances that are attached to the main facility. The additional space created by Javits Center North also creates an alternative space rental for shows that are ongoing while certain areas of the Javits Center are under construction for the renovation. It has also become the perfect venue for trade shows, special events, corporate parties, general sessions, graduations and exams. This new structure enhances the attractiveness of the Javits Center for future shows. The renovation portion of the project commenced, in the spring of 2010.

- **The Renovation** The completion of Javits Center North has allowed for the renovation, consisting of 9 phases, to continue with limited interruption of the trade show business. The renovation includes the replacement of the curtain wall and skylight with high-performance transparent glass, complete replacement of the roof and replacement of the HVAC systems. The renovation will also include the installation of a 6.75 acre green roof (the second largest in the US). The new roof, curtain wall and HVAC system will eliminate operating risks, improve comfort and increase the building's insulation capabilities. In addition, there will be further upgrades of the building's mechanical and lighting systems that will reduce the building's energy consumption by 26% and earn it Leadership in Energy and Environmental Design ("LEED") Silver status. Life safety systems will also be added during renovation to improve the safety of patrons. Lastly, the main entrance will be enlarged and reconfigured, making it more attractive and inviting to patrons.
- **Renovation Progress** As of May 1st, 2012, Phases 1 through 5, or 65% of the project phases are now complete with phases 6 through 9 remaining. The permanent roof is approximately 40% complete. Steel framing for the new vestibules to access the west terraces and new electrical floor box inserts and wall boxes have also been installed. Completed work includes the new roof, new HVAC units, new ceiling lighting, security and safety upgrades and new paint in the 5 completed phases. New vestibules are now open on the North Concourse, Crystal Palace and the Administration entrances. All glass panels in the Crystal Palace have been replaced and the tower crane on 11th Avenue has been removed. Interior renovation work should be complete by June 1, 2013, when all 840,000 GSF are expected to be available for rent. Green roof installation will continue after June 1, 2013 as well as improvements to the 3rd Level food court area. Existing concrete walls are being cleaned and restored along 12th Avenue. The expected date of completion for the renovation is scheduled for December 31, 2013.
- **11th Avenue Viaduct** In conjunction with the renovation and expansion undertaken by the Javits Center, The City of New York has begun the reconstruction of the 11th Avenue viaduct (37th Street to 34th Street) to strengthen it and build an air shaft for the 7 Line subway extension. The extension of the 7 Line subway will provide easier access for both patrons and exhibitors to the Javits Center. During this construction there will be reduced access to the main entrances of the Javits Center for exhibitor hand carry, show buses and taxi drop off. The work in front of the Javits Center on 11th Avenue is expected to be complete by September 30, 2012.

NEW YORK CONVENTION CENTER OPERATING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Years Ended March 31, 2012 and 2011

- **Funding** New York Convention Center Development Corporation ("NYCCDC") by statute is the owner of the present Javits Center and the property where the expansion will be located. In 2004, the New York State Legislature gave authority to NYCCDC to expand and renovate the Javits Center and issue additional bonds to fund the renovation and expansion. In 2005, NYCCDC issued \$700 million in Hotel Unit Fee-Secured Revenue Bonds to fund the renovation. The Bond issue is supported by a \$1.50 hotel tax imposed for a 40 year period on daily hotel room rentals in the five boroughs of New York City. NYCCDC is constructing the expansion and renovating the present facility utilizing the proceeds of the bond issue to fund the projects. The General Project Plan ("GPP") received Public Authority Control Board ("PACB") approval in July of 2009. The current budget for this expansion and renovation is adequate to complete as planned.

Current Business and 2012 Financial Highlights

- **Current Business** The Javits Center is in the "event business" which operates on a 24/7 basis, as needed, to maximize the number of events. Revenue is generated by fees associated with the renting of space to show managers and providing the necessary services and labor required to produce a show. Show managers sublease space to exhibitors who are also customers for services provided by NYCCOC. The services include but are not limited to: electric, telecommunications, plumbing, cleaning, food (through concessionaire), medical (through contractor), advertising, etc. The labor provided includes labor for freight movement, rigging, carpet lying, electrical, internet, cleaning, booth erection and dismantling. 2,900 employees worked approximately 1.3 million hours to produce the shows for fiscal year 2012. Space rental was \$18.9 million or 15.5% of the \$122.2 million in total operating revenues for the year ended March 31, 2012 with the remainder generated primarily by services and labor. The Javits Center experienced some positive signs that the economic recovery is continuing although slowly, with Special Events, GSF and Gross Revenues all increasing during Fiscal 2012.
- **Industry Averages** The 2012 Center for Exhibition Industry Research ("CEIR") Index Report, a leading resource for Trade Show Industry data, indicates 2011 increases are; Net Square Feet ("NSF") 2.7%, Exhibitors 2.3%, Attendees 3.4% and Revenues 2.3% with Overall Industry increase of 2.7%. This is significantly better than 2010 negative growth performance with an Overall Industry increase of 2.7% which outpaced real GDP growth by 1.0%. The CEIR is forecasting the Overall Industry to grow at a 2.9% rate in 2012 which translates to an additional 15 million NSF, 48,000 exhibitors, 2.1 million attendees and \$307 million in revenues. The Overall Industry forecast for 2012 and 2013 is 2.9% and 3.2% respectively.

NEW YORK CONVENTION CENTER OPERATING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Years Ended March 31, 2012 and 2011

- **2012 Financial Highlights** – Current year results were mixed in numbers of shows, GSF and NSF, Gross Revenues, Expenses, profitability and the full year plan.
 - The number of trade shows decreased by 3 to 57 or 5% as did the revenue per NSF by \$319K or 5.2% to \$5.9 million. Increases were seen in the number of special events by 25 or 29.4% to 110, Space Rental revenue increased by \$644K or 3.5% as did the revenue per GSF for Trade Shows and Special Events, which increased by \$2.2 million or 11.8% to \$20.6 million and total revenues are up 1.7%.
 - NYCCOC's Total Net Assets decreased \$1.4 million or 3.6% to \$38 million for fiscal 2012. This was driven by a net loss from operations of \$1.5 million before non-operating income and expenses. Although a loss this performance was significantly better than plan.
 - NYCCOC's Total Operating Revenues increased \$2.0 million or 1.7% to \$122.2 million in 2012. This performance reflects the increases in GSF, rental, service orders and revenue increases driven by the increases in weight and complexity of exhibits as well as a number of new and significant special events.
 - NYCCOC's Operating Expenses decreased \$3.3 million or 2.6% to \$122.8 million in 2012 which is primarily the result of a decrease in employee compensation and benefits of \$458K or 0.4%, Selling General and Administrative expenses of \$1.2 million and Facility Operating expenses \$2.1 million or 20.7% while Postemployment Benefits Expense increased \$487K or 19.7%.

NEW YORK CONVENTION CENTER OPERATING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Years Ended March 31, 2012 and 2011

CONDENSED STATEMENT OF NET ASSETS

A condensed comparison of NYCCOC's Assets, Liabilities and Net Assets at March 31, 2012 and March 31, 2011 is as follows:

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

	<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>Increase (Decrease)</u>
ASSETS			
Current assets	\$ 83,661	\$ 78,494	\$ 5,167
Capital assets - noncurrent	<u>7,455</u>	<u>4,812</u>	<u>2,643</u>
Total assets	<u>91,116</u>	<u>83,306</u>	<u>7,810</u>
LIABILITIES			
Current liabilities	26,489	20,046	6,443
Noncurrent liabilities	<u>26,634</u>	<u>23,841</u>	<u>2,793</u>
	<u>53,123</u>	<u>43,887</u>	<u>9,236</u>
NET ASSETS			
Invested in capital assets net or related debt	7,455	4,812	2,643
Restricted- board designated	25,526	22,767	2,759
Unrestricted	<u>5,012</u>	<u>11,840</u>	<u>(6,828)</u>
Total net assets	<u>37,993</u>	<u>39,419</u>	<u>(1,426)</u>
Total liabilities and net assets	<u>\$ 91,116</u>	<u>\$ 83,306</u>	<u>\$ 7,810</u>

Financial Analysis

- **Current Assets** – Current Assets increased \$5.2 million or 6.6% to \$83.7 million in 2012 resulting in a current ratio of 3.1 to 1. The increase includes a \$1.3 million reduction in cash offset by a \$6.5 million increase in Short Term investments mainly as a result of the Auto Show deposits prior to move-in. The increase also includes a \$331K decrease in Other Assets or Prepaid Expenses which was offset by the increase of \$293K in accounts receivable due to several shows closing in March.
- **Capital Assets – Noncurrent** – Capital Assets-Noncurrent increased \$2.6 million which is detailed below.
- **Current Liabilities** – A combination of Deferred Revenue increasing \$6.9 million to \$16.2 million, Accrued Expenses decreasing \$213K to \$4.9 million and an \$86K decrease in Accounts Payable to \$3.6 million resulted in Current Liabilities increasing by \$6.4 million or 32.1%. The deferred revenue increase was the result of the Auto Show move-in during fiscal year ending 2012 and the move-out during fiscal year 2013, while the decrease in accrued expenses was driven by a \$978K reduction of a reserve.

NEW YORK CONVENTION CENTER OPERATING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Years Ended March 31, 2012 and 2011

- **Liabilities** – Total Liabilities increased \$9.2 million or 21% to \$53.1 million due to the increase in Current Liabilities of \$6.4 million and the \$2.8 million net increase in Non-Current Liabilities. The Non-Current Liability increase is the result of \$2.8 million in Other Post-Employment Benefits (“OPEB”) required funding.
- **Net Assets** – Total Net Assets decreased \$1.4 million or 3.6% to \$38 million. This decrease was the result of the \$1.4 million loss from operations in 2012. The current period loss included an additional \$2.8 million for OPEB and the Board of Directors increased the restricted funds for OPEB totaling \$25.5 million restricted-board designated as of March 31, 2012.

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

	<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>Increase (Decrease)</u>
Improvements to Center	\$ 18,940	\$ 17,985	\$ 955
Other Fixed Assets	<u>9,737</u>	<u>9,026</u>	<u>711</u>
Total Fixed Assets	28,677	27,011	1,666
Less Accumulated Depreciation	23,709	22,826	883
Construction in Progress	<u>2,487</u>	627	<u>1,860</u>
	<u>\$ 7,455</u>	<u>\$ 4,812</u>	<u>\$ 2,643</u>

- **Capital Assets** - Capital Assets net of depreciation for 2012 increased \$2.6 million to \$7.5 million or 54.9% over 2011. The increase included expenditures of \$955K in Building Improvements (Transformers, Asphalt, WIFI System, BMS upgrade, etc.) and \$711K in Building Equipment (Speaker System, Truck, various rolling equipment, Water Heater, Tables and Chairs, etc.). The construction in progress increase of \$1.9 million consisted of the upgrade of the Accounting System.

NEW YORK CONVENTION CENTER OPERATING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Years Ended March 31, 2012 and 2011

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

A Condensed Statement of Revenues, Expenses and Changes in Net Assets for the years ended March 31, 2012 and March 31, 2011 is provided below:

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

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Space Rental	\$ 18,886	\$ 18,242	\$ 644
Services	98,284	96,885	1,399
Other	4,982	5,034	(52)
Total Operating Revenue	<u>122,152</u>	120,161	1,991
Total Operating Expenses	122,793	126,089	(3,296)
Depreciation and Amortization	<u>883</u>	<u>877</u>	<u>6</u>
Loss from Operations	(1,524)	(6,805)	5,281
Total Non-Operating Income	<u>99</u>	<u>155</u>	<u>(56)</u>
Net Loss	(1,425)	(6,650)	5,225
Total Net Assets (Beginning)	<u>39,419</u>	<u>46,067</u>	<u>(6,648)</u>
Total Net Assets (Ending)	<u>\$ 37,994</u>	<u>\$ 39,417</u>	<u>\$ (1,423)</u>

- **Operating Revenues** – Total Operating Revenues for the year ended March 31, 2012 totaled \$122.2 million, an increase of \$2 million or 1.7% from the \$120.2 million in 2011. The Space Rentals increase of \$644K or 3.5% is due to special events which included graduation package. We had a total of 110 special events in 2012 which is 25 or 29.4% more than 2011. GSF was up 2.2 million to 20.6 million GSF. Event related services increased by \$1.4 million or 1.4% caused by Electrical Services revenue increasing \$1.2 million, Telephone Revenue increasing \$367K and Cleaning Revenue decreasing \$208K. The decrease in other revenue was related to Concession Commissions increasing \$122K, Advertising income decreasing \$127K and miscellaneous revenue decreasing \$46K. We have experienced an increase in the weight, complexity, gross square footage of exhibits, new special events and graduation packages which all have increased our revenues.

NEW YORK CONVENTION CENTER OPERATING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Years Ended March 31, 2012 and 2011

- **Operating Expenses** – Total Operating Expenses decreased \$3.3 million or 2.6% to \$122.8 million for the fiscal year ended March 31, 2012. Event Related Service Revenue represents 80.5% of the Center's Total Operating Revenue and is generated by labor which represents 85.1% of the Total Operating Expenses. Employee Compensation and Benefits decreased \$458K or 0.4% to \$104.5 million which was due to In-house labor cost control while OPEB increased \$487K or 19.7% to \$3.0 million. Selling, General and Administrative costs decreased \$1.2 million driven by decreases in the Renovation Reward Program of \$190K, Insurance of \$270K, Contract Services of \$158K and a reduction of a reserve of \$978K. Equipment Rental increased \$319K due to increases in Audio Visual Revenue. Facilities costs decreased \$2.1 million driven by Utilities which included a credit of \$423K from NY Power Authority for past years.
- **Non-Operating Income** – Investment Income decreased by \$56K as a result of a decrease in investment rates resulting in lower returns for the year.
- **Change in Net Assets** – For fiscal year end March 31, 2012, the Javits Center experienced an economy industry specific exhibiting signs of some positive growth, which resulted in a slight increase in GSF and Revenues while the negative aspects of the renovation are lessening and business is beginning to return. The Change in Net Assets for fiscal 2012 was a decrease of \$1.4 million to \$38 million as a result of the net loss from operations.

OPERATING PLAN HIGHLIGHTS

NYCCOC prepares and obtains approval from the Board of Directors of an annual Operating Budget, a Five Year Capital Plan (\$39.4 million) and a Five Year Repair and Maintenance Plan (\$8.3 million). These plans are not changed during the year and are tools to assist in the management of the business. The Operating Budget for 2011-2012 included \$1.7 million in funding for repairs and maintenance ("R&M"). All other R&M or Capital Projects are released as funding permits. In light of the expansion, R&M and Capital Projects are evaluated carefully to avoid investment dollars in projects that will be completed as part of, or may be demolished or rendered obsolete by the expansion and renovation, except to the extent necessary to maintain operations. Overall the Javits Center completed the year with an Operating Loss of \$2.4 million as compared to its plan loss of \$9.7 million. A summary or condensed version of the Operating Plan is as follows:

NEW YORK CONVENTION CENTER OPERATING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Years Ended March 31, 2012 and 2011

NEW YORK CONVENTION CENTER OPERATING CORPORATION
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Plan vs. Actual As of March 31, 2012
(000's)

	<u>Actual</u>	<u>Plan</u>	<u>Variance</u>
Operating Revenue			
Space Rental	\$ 18,886	\$ 18,100	\$ 786
Services	98,284	97,448	836
Other	4,982	5,023	(41)
Total Operating Revenue	<u>122,152</u>	<u>120,571</u>	<u>1,581</u>
Operating Expenses			
Employee compensation and benefits	107,450	110,040	(2,590)
Facility operating expenses	8,116	11,203	(3,087)
SG&A	7,227	8,313	(1,086)
Total Operating Expenses	<u>122,793</u>	<u>129,556</u>	<u>(6,763)</u>
Depreciation and Amortization	<u>883</u>	<u>892</u>	<u>(9)</u>
Loss from Operations	(1,524)	(9,877)	8,353
Total Non-Operating Income	<u>99</u>	<u>180</u>	<u>(81)</u>
Change in Net Assets	<u>\$ (1,425)</u>	<u>\$ (9,697)</u>	<u>\$ 8,272</u>

Total Operating Revenues for the year ended March 31, 2012 were \$122.2 million or 1.3% better than plan at \$120.6 million while Total Operating Expenses were \$122.8 million or 5.2% better than plan at \$129.6 million. This produced a reduction in loss from operations from a plan of \$9.9 million to an actual \$1.5 million loss which contributed to a change in Net Assets of \$1.4 million.

The Total Revenue performance was driven by Rental Revenue of \$786K or 4.3% better than plan and Event Related Revenue of \$836K or 0.9% better than plan both driven by Trade and Special Events performing better than plan. Total Expenses were \$6.8 million better than plan in part due to \$2.6 million in Employee Compensation & Benefits driven by in-house labor cost control. Selling, General and Administrative Expenses were \$1.2 million or 14.3% better than plan driven by a reduction of the a reserve and Total Facilities Operating Expenses were \$3.1 million or 27.6% better than plan driven by Utilities of \$2.8 million better than plan and a credit of \$423K from NY Power for past years.

For the year ended March 31, 2012 the Javits Center had a year in which both operating revenues performed well and expenses were significantly ahead of plan. The challenges for Fiscal 2013 will be the slowly improving economy, increasing revenues thru NSF increases, the renovation of the Javits Center, minimizing the expenses associated with the renovation and performing the necessary capital improvements.

FINANCIAL STATEMENTS

NEW YORK CONVENTION CENTER OPERATING CORPORATION
STATEMENTS OF NET ASSETS

	<u>March 31,</u>	
	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,024,594	\$ 3,354,132
Short-term investments	75,491,863	68,957,495
Accounts receivable, net of allowances of \$1,316,739 and \$1,390,851 in 2012 and 2011, respectively	5,456,733	5,163,848
Other assets	<u>688,202</u>	<u>1,018,709</u>
Total current assets	83,661,392	78,494,184
PROPERTY, PLANT AND EQUIPMENT, NET	<u>7,454,999</u>	<u>4,811,535</u>
Total assets	<u>\$ 91,116,391</u>	<u>\$ 83,305,719</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,623,934	\$ 3,710,156
Accrued expenses	4,923,131	5,135,895
Deferred revenue	16,220,851	9,276,264
Reserve for emergency repairs	480,154	615,000
Estimated litigation and insurance claims	961,849	1,023,441
Other postretirement employee benefits obligation, current	<u>278,912</u>	<u>285,134</u>
Total current liabilities	26,488,831	20,045,890
Accrued expenses	1,386,496	1,359,872
Other postretirement employee benefits obligation	<u>25,247,399</u>	<u>22,481,531</u>
Total liabilities	<u>53,122,726</u>	<u>43,887,293</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Invested in capital assets	7,454,999	4,811,535
Board designated	25,526,311	22,766,665
Unrestricted	<u>5,012,355</u>	<u>11,840,226</u>
Total net assets	<u>37,993,665</u>	<u>39,418,426</u>
Total liabilities and net assets	<u>\$ 91,116,391</u>	<u>\$ 83,305,719</u>

See notes to financial statements.

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

	<u>Years Ended March 31,</u>	
	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Space rentals	\$ 18,885,786	\$ 18,241,590
Event-related services	98,284,337	96,885,945
Concession commissions	3,998,943	3,877,121
Advertising income	863,390	990,818
Other income	<u>119,406</u>	<u>165,652</u>
Total operating revenues	<u>122,151,862</u>	<u>120,161,126</u>
OPERATING EXPENSES		
Employee compensation and benefits	104,493,077	104,950,919
Facility operating expenses	8,115,805	10,236,659
Selling, general and administrative expenses	7,227,063	8,432,226
Annual other postemployment benefits expenses	<u>2,956,620</u>	<u>2,469,331</u>
Total operating expenses	<u>122,792,565</u>	<u>126,089,135</u>
OPERATING LOSS BEFORE DEPRECIATION AND AMORTIZATION	(640,703)	(5,928,009)
DEPRECIATION AND AMORTIZATION	<u>883,363</u>	<u>876,773</u>
OPERATING LOSS	(1,524,066)	(6,804,782)
NON-OPERATING REVENUES		
Interest Income	<u>99,305</u>	<u>155,413</u>
NET LOSS	(1,424,761)	(6,649,369)
NET ASSETS, Beginning	<u>39,418,426</u>	<u>46,067,795</u>
NET ASSETS, Ending	<u>\$ 37,993,665</u>	<u>\$ 39,418,426</u>

See notes to financial statements.

NEW YORK CONVENTION CENTER OPERATING CORPORATION
STATEMENTS OF CASH FLOWS

	<u>Years Ended March 31,</u>	
	<u>2012</u>	<u>2011</u>
OPERATING ACTIVITIES		
Cash receipts from customers	\$ 128,803,564	\$ 115,368,389
Cash paid for operating expenses	<u>(120,171,212)</u>	<u>(120,717,365)</u>
Net cash provided by (used in) operating activities	<u>8,632,352</u>	<u>(5,348,976)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Net change in due from affiliate	-	213,009
Net cash provided by capital and related financing activities	<u>-</u>	<u>213,009</u>
INVESTING ACTIVITIES		
Purchase of short-term investments	<u>(330,503,582)</u>	(570,508,390)
Proceeds from sales and maturities of short-term investments	323,969,214	577,984,325
Interest received	99,305	155,413
Acquisition of property, plant and equipment	<u>(3,526,827)</u>	<u>(1,313,081)</u>
Net cash (used in) provided by investing activities	<u>(9,961,890)</u>	<u>6,318,267</u>
NET (DECREASE) INCREASE IN CASH	(1,329,538)	1,182,300
CASH AND CASH EQUIVALENTS, Beginning	<u>3,354,132</u>	<u>2,171,832</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 2,024,594</u>	<u>\$ 3,354,132</u>
RECONCILIATION OF NET LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
NET LOSS	\$ (1,424,761)	\$ (6,649,369)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Interest income	(99,305)	(155,413)
Depreciation and amortization	883,363	876,773
Changes in:		
Accounts receivable	(292,885)	(1,318,212)
Other assets	330,507	4,797,274
Accounts payable	(86,222)	(1,108,770)
Accrued expenses	(186,140)	36,525
Estimated litigation and insurance claims and reserve for emergency repairs	(196,438)	(641,135)
Other postretirement employee benefits obligation	2,759,646	2,287,876
Deferred revenue	<u>6,944,587</u>	<u>(3,474,525)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 8,632,352</u>	<u>\$ (5,348,976)</u>

See notes to financial statements.

NEW YORK CONVENTION CENTER OPERATING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

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 included 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 exhibit workers, event-related support services and space rentals.

The Center was constructed by the New York Convention Center Development Corporation ("CCDC"), 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 ("TBTB"), also component units of the State. Construction of the Center was financed with TBTB 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.

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 also 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.

Recognition of Revenue and Reserve for Doubtful Accounts

Amounts received for space rentals and event-related services in advance of the scheduled event are reported as deferred revenue. Such amounts are recognized as revenue in the accounting period in which the event ends. 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 events conclusion.

NEW YORK CONVENTION CENTER OPERATING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Revenue and Reserve for Doubtful Accounts (Continued)

Revenue from advertising is deferred and 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 on other show costs. Accordingly, these estimates could change in the near term.

Use of Estimates in the Preparation of Financial Statements

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

Other Postemployment Benefits (OPEB)

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

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid financial instruments with original maturities of three months or less. Cash is maintained in 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 up to \$8.9 million. 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.

NEW YORK CONVENTION CENTER OPERATING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-Term Investments

As of March 31, 2012 and 2011, the Corporation's short-term investments consist primarily of U.S. Treasury bills, repurchase agreements and Zero principal separate trading of registered interest and principal securities ("STRIPS"). 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 market 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, repurchase agreements, STRIPS and obligations of the State of New York.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, and include equipment acquired and financed under leases. 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 2 — EXPANSION PROJECT AND DUE FROM AFFILIATE

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

In August 2006, the Corporation entered into an agreement to sell the Yale Building to CCDC, a related party. The agreement provided that CCDC defeased the 2003 Certificates in the amount of \$66,200,000. In addition to the defeasance amount, CCDC 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 had previously funded capital expenditures, principally related to a prior expansion project of the Javits Center, on behalf of CCDC amounting to \$3,392,071. These amounts have been recorded as a receivable from CCDC and management has also recorded an offsetting reserve of \$3,392,071 due to the uncertainty regarding its collectability.

CCDC is currently undertaking a new expansion project at the Javits Center. During the current expansion project the Corporation has incurred certain expenses on behalf of CCDC for which it will be reimbursed.

NEW YORK CONVENTION CENTER OPERATING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 3 — OTHER ASSETS

Other assets consist of the following:

	March 31,	
	2012	2011
Deferred show costs	\$ 576,488	869,364
Prepaid other	111,714	149,345
	<u>\$ 688,202</u>	<u>\$ 1,018,709</u>

NOTE 4 — PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment activities for the years ended March 31, 2012 and 2011 are summarized as follows:

March 31, 2012	Beginning Balance	Additions	Transfers	Ending Balance
Depreciable assets				
Furniture, fixtures and equipment	\$4,413,890	\$ 225,747	\$ 393,785	\$ 5,033,422
Video display equipment	981,879	91,440	-	1,073,319
Telephone equipment	1,785,356	-	-	1,785,356
Other equipment	1,844,672	-	-	1,844,672
Improvements to Center	17,984,702	583,909	371,473	18,940,084
Construction in progress	626,751	2,625,731	(765,258)	2,487,226
Total depreciable assets	<u>27,637,250</u>	<u>3,526,827</u>	<u>-</u>	<u>31,164,079</u>
Accumulated depreciation				
Furniture, fixtures and equipment	2,307,619	508,433	-	2,816,052
Video display equipment	981,879	11,430	-	993,309
Telephone equipment	1,735,097	11,825	-	1,746,922
Other equipment	1,024,992	99,355	-	1,124,347
Improvements to Center	16,776,128	252,322	-	17,028,450
Total accumulated depreciation	<u>22,825,715</u>	<u>883,365</u>	<u>-</u>	<u>23,709,080</u>
Total property, plant and equipment, net	<u>\$4,811,535</u>	<u>\$2,643,462</u>	<u>\$ -</u>	<u>\$ 7,454,999</u>

NEW YORK CONVENTION CENTER OPERATING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 4 — PROPERTY, PLANT AND EQUIPMENT (Continued)

<u>March 31, 2011</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Depreciable assets				
Furniture, fixtures and equipment	\$ 3,842,762	\$ -	\$ 571,128	\$ 4,413,890
Video display equipment	981,879	-	-	981,879
Telephone equipment	1,726,228	-	59,128	1,785,356
Other equipment	1,844,672	-	-	1,844,672
Improvements to Center	17,515,732	-	468,970	17,984,702
Construction in progress	412,895	1,313,081	(1,099,226)	626,751
Total depreciable assets	<u>26,324,168</u>	<u>1,313,081</u>	<u>-</u>	<u>27,637,250</u>
Accumulated depreciation				
Furniture, fixtures and equipment	1,863,360	444,258	-	2,307,619
Video display equipment	981,879	-	-	981,879
Telephone equipment	1,718,500	16,597	-	1,735,097
Other equipment	925,637	99,355	-	1,024,992
Improvements to Center	16,459,566	316,562	-	16,776,128
Total accumulated depreciation	<u>21,948,942</u>	<u>876,772</u>	<u>-</u>	<u>22,825,715</u>
Total property, plant and equipment, net	<u>\$ 4,375,226</u>	<u>\$ 436,309</u>	<u>\$ -</u>	<u>\$ 4,811,535</u>

NOTE 5 — DEFERRED REVENUE

Deferred revenue consisted of the following:

	<u>March 31,</u>	
	<u>2012</u>	<u>2011</u>
Space rentals	\$ 6,902,553	\$ 5,144,109
Event-related services	9,297,049	4,096,203
Long-term contracts	8,850	8,850
Advertising	12,399	27,102
	<u>\$ 16,220,851</u>	<u>\$ 9,276,264</u>

NEW YORK CONVENTION CENTER OPERATING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 6 — RETIREMENT PLANS

The Corporation participates in the New York State and Local Employees' Retirement System (the "System") which is a cost sharing multiple public employer system offering a wide range of plans and benefits which are related to years of service and final average salary, and provide for death and disability benefits and for optional methods of benefit payments. All benefits generally vest after ten years of credited service. Obligations of participating employers and employees to contribute, and benefits payable to employees are governed by the New York State Retirement and Social Security Law. The law provides that all participating employers in the System are jointly and severally liable for any unfunded actuarially-determined amounts.

The retirement system issues a publicly available financial report that includes financial statements and supplementary information. The report may be obtained by writing to:

New York State and Local Employees' Retirement System
 110 State Street
 Albany, New York 12244

The Corporation is billed annually for contributions. Employer contributions are actuarially determined.

Generally, all non-union employees, except certain full time, part-time and temporary employees, participate in the System. Employees are required to contribute 3% of their salary until they have contributed for 10 years. Those who joined the system before July 1976 or have completed their 10 years are noncontributory. Employee contributions are deducted from employees' compensation for remittance to the System.

The Corporation's related compensation, contribution, and percentage of compensation contributed were as follows:

	For the Years Ended March 31,		
	2012	2011	2010
Related compensation	\$ 14,750,026	\$ 15,248,162	\$ 14,913,578
Contribution	2,400,999	1,977,387	1,295,416
Percentage of compensation	16%	13%	9%

The employer contributions are equal to 100 percent of the required contribution under the system. Additionally, pension contributions for the years ended March 31, 2012 and 2011 for multi-employer union employees not covered under the System totaled approximately \$10,279,657 and \$9,889,093, respectively.

NEW YORK CONVENTION CENTER OPERATING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

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.

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 approximately \$197,000 and \$181,000 for current premiums for March 31, 2012 and 2011, respectively.

NEW YORK CONVENTION CENTER OPERATING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 7 — OTHER POSTRETIREMENT EMPLOYEE BENEFITS OBLIGATION (Continued)

Annual OPEB Cost and Net OPEB Obligation

The Corporation's AOC and OPEB obligation for the fiscal years ended March 31, 2012 and 2011 are composed of the following (as calculated by an outside actuary):

	<u>2012</u>	<u>2011</u>
OPEB obligation, beginning of the year	\$ 22,766,665	\$ 20,478,789
Annual OPEB cost (AOC)		
Annual required contribution (ARC)		
Normal cost	1,861,603	1,510,839
Amortization of unfunded actuarial accrued liability over one year	25,291,529	22,893,839
Interest at 4.155%	<u>1,035,447</u>	<u>1,014,014</u>
ARC	28,188,579	25,418,692
ARC Adjustment	(26,103,923)	(23,798,178)
Interest on net OPEB obligation	<u>871,964</u>	<u>848,817</u>
Other Post Employment Benefit Expense	2,956,620	2,469,331
AOC	25,723,285	22,948,120
Less: Corporation payments for retired employees' health care benefits	<u>196,974</u>	<u>181,455</u>
Net OPEB obligation, end of year	25,526,311	22,766,665
Less: Current portion of net OPEB obligation	<u>278,912</u>	<u>285,134</u>
OPEB obligation, non-current	<u>\$ 25,247,399</u>	<u>\$ 22,481,531</u>

NEW YORK CONVENTION CENTER OPERATING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

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, 2012	\$ 22,766,665	\$ 2,956,620	\$ 196,974	6.66%	\$ 25,526,311
March 31, 2011	\$ 20,478,789	\$ 2,469,331	\$ 181,455	7.35%	\$ 22,766,665
March 31, 2010	\$ 18,398,125	\$ 2,310,073	\$ 229,409	9.93%	\$ 20,478,789

Funding Status and Funding Progress

For the years ended March 31, 2012 and 2011 the Corporation satisfies current obligations on a pay-as-you-go basis.

The Board of Directors (“Board”) has designated \$25,526,311 of investments to be used to fund the OPEB liability. The Corporation is currently investigating measures to establish a trust to allow for the funding of the obligation. The \$25,526,311 is recorded as board designated on the Statement of Net Assets.

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 April 1, 2011 actuarial valuations, the basis for the ARC calculations for the fiscal year end March 31, 2012 and 2011. The actuarial assumptions include an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate healthcare cost trend rate of 5% after five years. Both rates include a 3% inflation assumption.

NEW YORK CONVENTION CENTER OPERATING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 8 — ESTIMATED LITIGATION AND INSURANCE CLAIMS

There are various litigation 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 9 — OTHER COMMITMENTS AND CONTINGENCIES

The Corporation has contracted with a food vendor to provide all food and beverage services at the Center through 2016, with an option for one five-year extension. Under the agreement, the Corporation earns a percentage on food and beverage sales computed at specified rates.

At March 31, 2012, the Corporation's management proposed a Capital Plan and Repair and Maintenance Expenditure Plan amounting to approximately \$39,425,000 and \$8,289,529, 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 CCDC and it 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 2012 operations, no appropriations were made by the State Legislature.

SUPPLEMENTARY INFORMATION

**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 the financial statements of New York Convention Center Operating Corporation (the "Corporation") as of and for the year ended March 31, 2012, and have issued our report thereon dated June 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of 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 Corporations' 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*.

We noted certain matters that we reported to management of the Corporation in a separate letter dated June 27, 2012.

This report is intended solely for the information and use of the board, management, others within the organization, the Office of State Comptroller, State of New York, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

UHY LLP

New York, New York
June 27, 2012