New Jersey Sports and Exposition Authority
(A Component Unit of the
State of New Jersey)

Consolidated Financial Statements and Supplementary Information

Year Ended December 31, 2014

New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)

Consolidated Financial Statements and Supplementary Information
Year Ended December 31, 2014

Table of Contents

O'CONNOR DAVIES

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Independent Auditors' Report

To the Chair and Members of
New Jersey Sports and Exposition Authority
Lyndhurst, New Jersey

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the New Jersey Sports and Exposition Authority ("Authority") which comprise the statement of net position as of December 31, 2014 and the related consolidated statement of activities and cash flows for the year ended, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents. The consolidated financial statements of the Authority as of December 31, 2013, were audited by other auditors whose report dated July 25, 2014, expressed an unqualified opinion on those statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these consolidated financial statements based on our audit. 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. 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 auditors' 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 consolidated 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 consolidated financial statements.

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

Opinions

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the financial statements. Such information, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the consolidated 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 financial statements and other knowledge we obtained during our audit of the consolidated 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the Authority's financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2016 on our consideration of the Authority'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 in considering the Authority's internal control over financial reporting and compliance.

Livingston, New Jersey
March 10, 2016

New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis
December 31, 2014

Introduction to the Annual Report

This annual report consists of three parts: Management's Discussion and Analysis ("MD&A"), Consolidated Financial Statements, and Notes to the Consolidated Financial Statements.

Management's Discussion and Analysis:

- This section of the New Jersey Sports and Exposition Authority's ("Authority" or "NJSEA"), a component unit of the State of New Jersey, consolidated financial statements presents an overview of the Authority's financial performance during the years ended December 31, 2014 and 2013. It provides an assessment of how the Authority's position has improved or deteriorated and identifies the factors that, in management's view, significantly affected the Authority's overall financial position. It may contain opinions, assumptions or conclusions by the Authority's management that should not be considered a replacement for, and must be read in conjunction with, the other financial statements described below.

The Consolidated Financial Statements include:

- The Consolidated Statements of Net Position, which provide information about the nature and amounts of resources with present service capacity that the Authority presently controls (assets), consumption of net assets by the Authority that is applicable to a future reporting period (deferred outflow of resources), present obligations to sacrifice resources that the Authority has little or no discretion to avoid (liabilities), and acquisition of net assets by the Authority that is applicable to a future reporting period (defined inflow of resources) with the difference between assets/defined outflow of resources and liabilities/deferred inflow of resources being reported as net position.

- The Consolidated Statements of Operations and Changes in Net Position which account for all of the current year's revenues and expenses measures the success of the Authority's operations over the past year and can be used to determine how the Authority has funded its costs.

- The Consolidated Statements of Cash Flows which provide information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

The Notes to the Consolidated Financial Statements provide:

- Information that is essential to understanding the consolidated financial statements, such as the Authority's accounting methods and policies.

- Details of contractual obligations, future commitments and contingencies of the Authority.

- Any other events or developing situations that could materially affect the Authority's financial position.

The Authority's Business

The Authority had been engaged in the business of owning, operating and managing sports, entertainment, and convention facilities throughout the State of New Jersey (the "State"). It was created as a quasigovernmental instrument of the State not only for the purpose of generating revenues from these activities, but also to generate sales tax revenues and provide economic stimulus to the regions surrounding the facilities. Between 2011 and 2015 the Authority restructured, continuing to own as lessor, the Meadowlands Racetrack property and the Monmouth Park Racetrack property. It also continues to operate, as lessor, the MetLife Sports Complex for MetLife Stadium, and the Giants Training Facility, as well as the Jets Training Facility in Florham Park. The Authority further is both lessor and master planner for the American Dream project, now under construction at the Sports Complex site. Only the result of the Authority's direct activities are discussed in this annual report.

Below is a description of the Authority's separate projects:

The MetLife Sports Complex - East Rutherford, New Jersey

Meadowlands Racetrack - On December 19, 2011, NJSEA and New Meadowlands Racetrack, LLC ("NMR") entered into a 30-year lease agreement for full operational control of the Meadowlands Racetrack, the development of 4 Off-Track Wagering ("OTW") sites and the transfer of a 35% financial interest in the Authority's Account Wagering operations. The lease has an additional option for 10 years of renewal at its conclusion. On November 23, 2013, NMR moved its operations from the old grandstand to a newly constructed facility.

Meadowlands Arena (formerly known as IZOD Arena) (the "Arena") - is a 20,000 seat indoor arena with 28 private suites, containing approximately 466 seats, and 4,000 of its own parking spaces. Its revenues had been generated from leases and license agreements with sporting events, family shows, and concerts. In late 2014, in conjunction with the New Jersey Department of Treasury, the Authority began developing its financial forecast for 2015. That forecast showed Arena losses averaging $709,000 per month for the first six months and a projected yearly loss of more than $8.5 million. In light of the projected losses related to the Arena and with the possibility of a transfer to a private operator in an abbreviated timeframe being impracticable, the Authority temporarily closed the Arena to afford time for a thorough analysis of its best future use.

American Dream Retail and Entertainment Facility (formerly known as Xanadu) - On June 30, 2005, the Authority entered into a ground lease and related project agreements for the development of the Meadowlands Xanadu project at the Sports Complex - a multi-use attraction on the Sports Complex site that consists of, amongst other things, entertainment, restaurant and ancillary retail components.

Through March 2006, the Authority received pre-payments of ground rent in the amount of $160,000,000. In 2005, the Authority used $26,800,000 of the prepaid ground rent to purchase the wetland mitigation bank rights on the Empire Tract. The Authority also used $37,190,000 to defease tax-exempt bonds attributable to the Meadowlands Xanadu Project site. Expenses associated with the project that were previously deferred were expensed in 2005. For GAAP purposes revenue will be realized by amortizing the upfront payment over 18 years.

In 2007, the Xanadu developer encountered financial difficulties and construction halted. In 2013, Triple Five Worldwide Developments ("Triple 5"), the owners of the Mall of America in Minnesota and the Edmonton Mall in Canada, acquired the development rights to the project, which they renamed "American Dream".

Triple 5 has announced that the American Dream complex will be anchored by department stores Saks Fifth Avenue and Lord & Taylor. The complex's many planned features include indoor amusement and water parks, a 22-screen movie complex, an observation wheel, an indoor ski and snowboarding slope, and more than a dozen restaurants. Triple 5 has estimated a Fall 2017 opening.

Other - Additionally, the Sports Complex generates revenues from an outdoor market held in the Complex's parking lots.

Monmouth Park Racetrack - Oceanport, New Jersey

Monmouth Park Racetrack - consists of a one-mile oval track for thoroughbred racing, grandstand, and clubhouse seating for 18,000 spectators, 68 luxury open-air boxes and parking for 14,000 vehicles. Support facilities include 40 barns for over 1,600 horses. Its revenues are generated from commissions on live and simulcast pari-mutuel wagering, parking admissions, program and concessions sales.

On February 29, 2012, the Authority and the New Jersey Thoroughbred Horsemen Association, Inc. ("NJTHA") executed a ground lease for up to 35-years to operate the Monmouth Park Racetrack and the Woodbridge OTW. The agreement included a 35% financial interest in account wagering and the rights to build and operate five additional off-track wagering facilities. The NJTHA took full operational control on May 3, 2012.

New Jersey Account Wagering System (4NJBets)

The Authority is the sole licensee of the State's Account Wagering operations which began in October of 2004 as a joint venture with New Jersey Account Wagering, LLC for the purpose of implementing an account wagering system in the State. In addition to being the licensee, the Authority operates and manages the system, which allows account holders to make wagers through an internet connection or an automated telephone system. In 2012, the Authority entered into a 5-year management agreement with Darby Development, LLC ("Darby"), to manage the daily activities of the account wagering operations on the Authority's behalf. The Authority remains the account wagering licensee and retains a majority position on the operating board. As part of the racetrack ground leases, the Authority's 70% financial interest was transferred in equal shares to NMR (the Meadowlands operator) and to the NJTHA (the Monmouth Park operator). Pursuant to the leases, the Authority retains 10% of NMR's share of revenue from account wagering and 5% of the NJTHA's share.

The Greater Wildwoods Convention Center -Wildwood, New Jersey

The Wildwoods Convention Center (the "Center") – Is a facility situated on the boardwalk in Wildwood, New Jersey, consisting of a 72,000 square foot exhibition floor and parking for 700 vehicles. Rental of the space for trade shows, concerts, conventions, and meetings comprise the Center's revenues. The Center is managed for the NJSEA by the Greater Wildwoods Tourism Improvement and Development Authority.

Legislation requires the towns of Wildwood, North Wildwood, and Wildwood Crest to impose a tourism tax on retail sales. Ninety percent of these revenues are provided to the Authority to pay debt related to the convention center, as well as to operate, maintain and promote the facility.

Financial Analysis

The following sections will discuss the significant changes in the Authority's Financial Position for 2014 and 2013. Additionally, an examination of major economic factors and industry trends that have contributed to the Authority's operations are provided. It should be noted that for purposes of this MD&A, summaries of the financial statements and the various exhibits presented include information from the Authority's financial statements, which are prepared in accordance with generally accepted accounting principles ("GAAP").

Highlights (2014)

Total operating revenues decreased approximately $2.0M from 2013 primarily from the result of a change in racetrack operations. On February 3, 2013, account wagering's daily operations were outsourced to ODS Technologies, L.P. (d/b/a "TVG"). In addition to the change in racetrack operations, other operating revenue decreased approximately $8.0M from 2013 primarily due to $7.1M in Honeywell Deferred Revenue that was realized in 2013. An increase in Arena revenues over 2013 Arena revenues helped offset some of the larger reductions mentioned above.

Total operating expenses (before depreciation and amortization) were $6.4M lower than 2013. Outsourcing of the Authority's account wagering's operations to Darby and TVG was a factor. An additional factor was a reduction in operating expenses for management and administrative that was partially offset by an increase in Arena expenses.

Highlights (2013)

Total operating revenues decreased approximately $24.7M from 2012 primarily the result of two significant changes in racetrack operations. First, on February 3, 2013, account wagering's daily operations were outsourced to ODS Technologies, L.P. (d/b/a "TVG"). Second, on May 3, 2012 the NJTHA took operational control of both Monmouth Park Racetrack and the Off Track Wagering Facility in Woodbridge, New Jersey. In addition to the racetrack changes, Arena revenues from events were down 39%, the result of 35 fewer events.

Total operating expenses (before depreciation and amortization) were $6.1M lower than 2012 because of the reasons mentioned above and partially offset by an increase in general and administrative costs.

New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis
December 31, 2014

Financial Summaries

The following tables provide a condensed summary and basic explanation of the changes in the financial statements described above, which are also presented in full detail in this annual report.

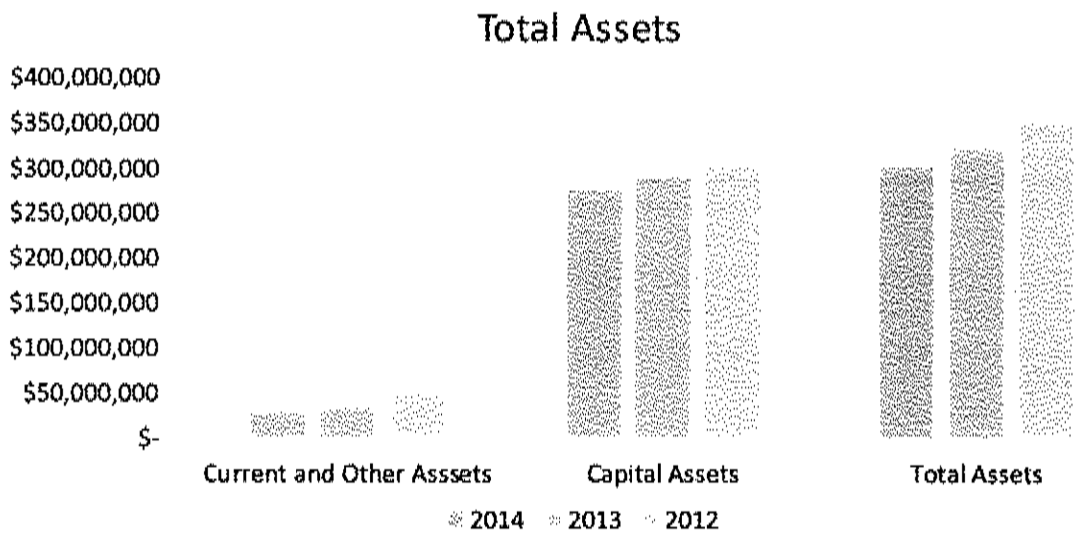
	December 31,		
	2014	**2013**	**2012**
Current and Other Asssets	$ 27,618,000	$ 33,149,000	$ 48,891,000
Investment in Facilities	275,137,000	289,790,000	303,079,000
Total Assets	302,755,000	322,939,000	351,970,000
Current and Other Liabilities	54,382,000	66,696,000	93,503,000
Long-Term Liabilities	61,343,000	64,627,000	48,827,000
Total Liabilities	115,725,000	131,323,000	142,330,000
Net Position	187,030,000	191,616,000	209,640,000
Total Liabilities and Net Position	$ 302,755,000	$ 322,939,000	$ 351,970,000

Significant changes in assets in 2014 include:

- A decrease in cash and cash equivalents of approximately $4.7M to fund operations.
- A decrease in investment of facilities of approximately $14.7M from annual depreciation.

Significant changes in assets in 2013 include:

- A decrease in cash and cash equivalents of approximately $16.9M to fund operations and capital projects.
- A decrease in investment in facilities of approximately $13.3M from annual depreciation.



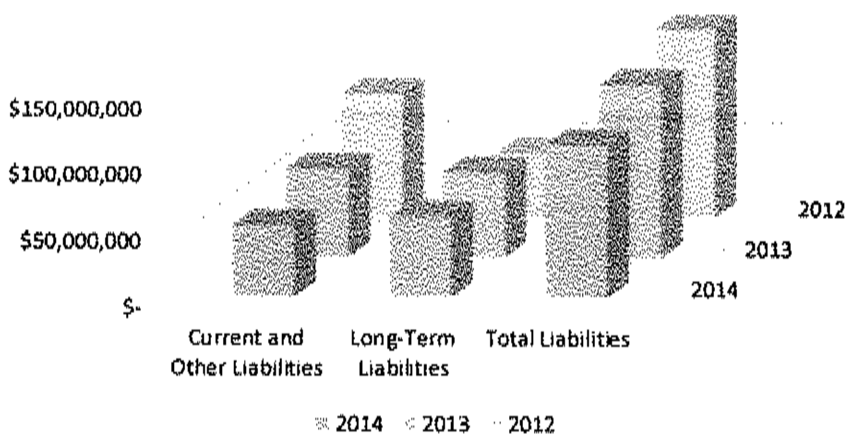
Total liabilities decreased in 2014 by approximately $15.6M and were due primarily to:

- Decrease of $9.5M due to the amortization of unearned revenue from the Xanadu Project (now the American Dream project).
- Decrease of $1.6M in accounts payable and accrued expenses due to lower operating expenses.
- Decrease in advanced ticket sales of $1.2M due to a reduction of events at the Arena.
- Decrease in long-term liabilities of $1.8M primarily due to the pension mass withdrawal liabilities.

Total liabilities decreased in 2013 by approximately $11.0M was due primarily to:

- Decrease of $19.0M due to the amortization of unearned event revenues and lease rent.
- Decrease in accounts payable and accrued expenses of approximately $4.0M due to lower operating expenses.
- Decrease in unclaimed property liability of approximately $4.8M due to cash settlement with the state.
- Increase in long-term liabilities of $16.0M resulting from additional pension withdrawals and an actuarial revision in an existing pension liability.

Total Liabilities



Condensed Consolidated Statements of Revenues, Expenses and Changes in Net Position

	December 31,		
	2014	**2013**	**2012**
Operating Revenues	$ 53,481,000	$ 55,493,000	$ 80,216,000
Operating Expenses Excluding Depreciation	(72,910,000)	(79,326,000)	(85,396,000)
Operating Revenues Net of Depreciation and Amortization	(19,429,000)	(23,833,000)	(5,180,000)
Depreciation and Amortization Expense	(17,085,000)	(19,568,000)	(20,618,000)
Operating Loss	(36,514,000)	(43,401,000)	(25,798,000)
Non Operating Income and Expenses:			
Tourism Tax	3,766,000	3,459,000	3,660,000
Interest and Other Income/(Expenses)	28,162,000	21,918,000	27,345,000
Total Non Operating Income	31,928,000	25,377,000	31,005,000
Change in Net Position	$ (4,586,000)	$ (18,024,000)	$ 5,207,000

While the Consolidated Statements of Net Position show the financial position or net position, the Consolidated Statements of Revenues, Expenses and Changes in Net Position provide answers as to the nature and source of these changes.

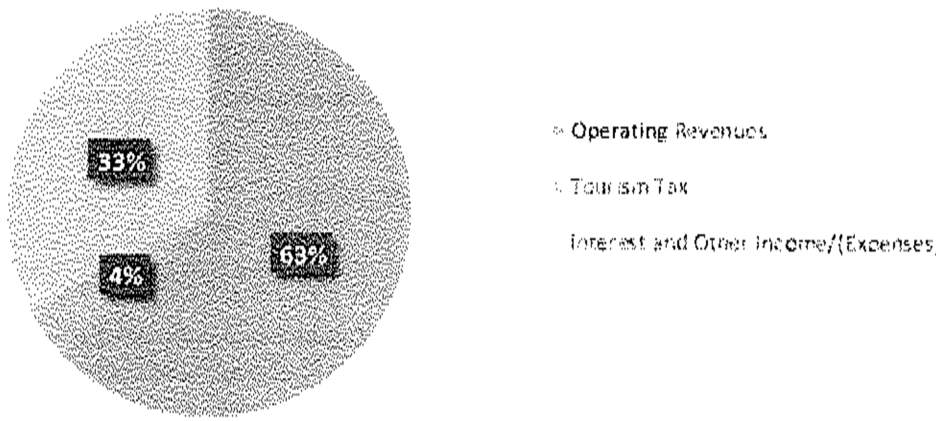
Increases in net position consist of:

- Operating revenues, which are the total revenues, generated at all the facilities.
- Marketing fee and tourism tax revenues are funds collected by the State for construction, development, operation, and promotion of the Wildwoods Convention Center as well as to repay the debt incurred on these projects.

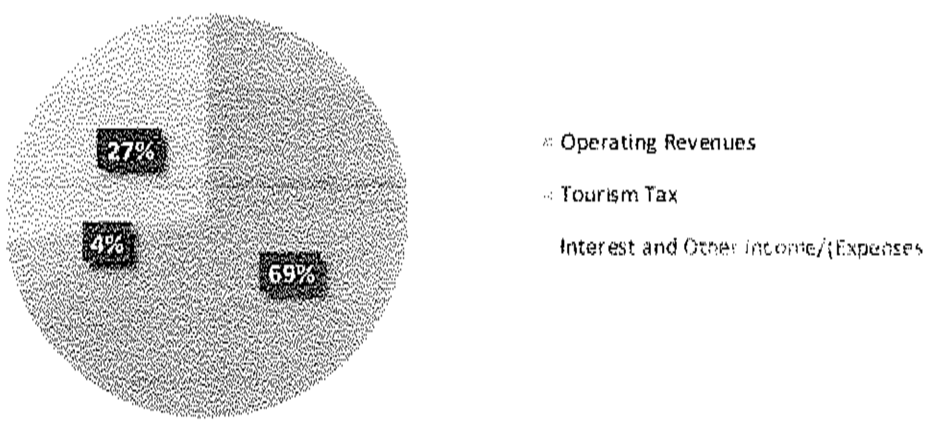
New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis
December 31, 2014

2014 Revenues



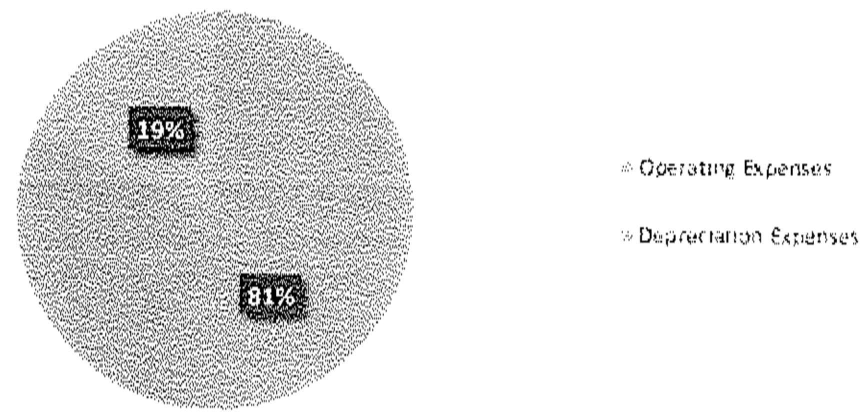
2013 Revenues



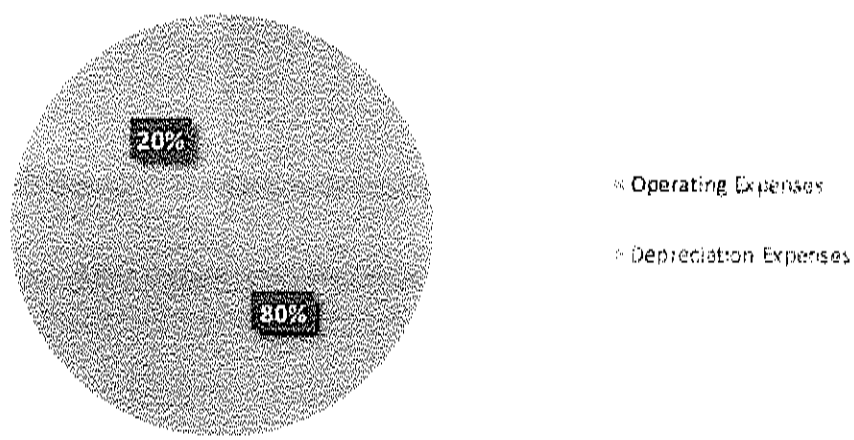
Decreases in Net Position consist of:

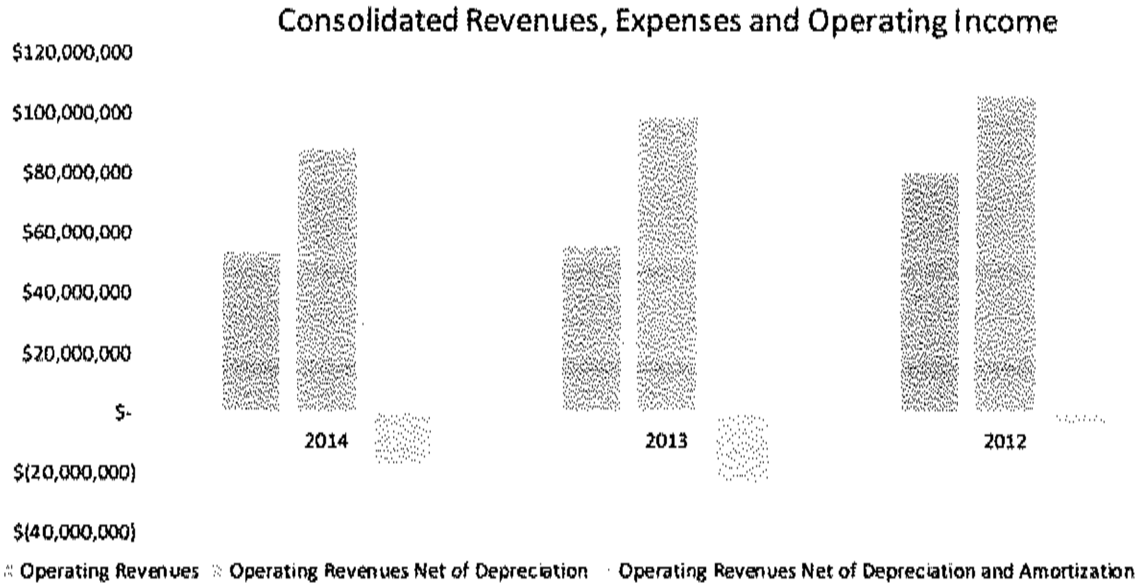
- Operating expenses, which represent the costs associated with running facilities except for fixed asset acquisitions and capital maintenance costs that are depreciated.
- Depreciation expense which reorganizes the cost of capital assets, such as buildings, equipment and improvements, over the life of the asset, usually between 2 and 60 years, and an accelerated basis with regards to Metlife Stadium.
- Interest expense and other, which is the interest paid and accrued on the Authority's debt net of interest income generated on cash reserves held in cash and short-term investments.
- Other income and expenses, which are not directly related to operations, and often, may be non-recurring in nature.

2014 Expenses



2013 Expenses





Economic Conditions

The Authority has been a leader in the racing industry since opening the Meadowlands Racetrack in 1976 and purchasing the Monmouth Park Racetrack in 1986. Casino gaming, lotteries and the emergence of casinos in border states has adversely effected racing which operated at a net deficit since 2007. In response, NJSEA began the process of leasing its racing operations to private operators. The transfer of operational control was completed in May of 2012.

On July 27, 2011, NJSEA and New Meadowlands Racetrack, LLC operators ("NMR") entered into a Memorandum of Understanding for the lease of the Meadowlands Racetrack, the development and operation of 4 OTW's, and the transfer of a 35% financial interest in Account Wagering. NJSEA operated the facility, with direction from NMR, until all licensing and regulatory changes were in place. On December 20, 2011, a 30-year lease was executed and full operational control was transferred to NMR.

On February 20, 2012, the Authority and the NJTHA executed a ground lease with up to a 35-year lease term to operate the Monmouth Park Racetrack and the Woodbridge OTW. The agreement included a 35% financial interest in account wagering and the right to build and operate an additional 5 OTW's. The NJTHA took full operational control on May 3, 2012.

The new Metlife Stadium opened in 2010, and has resulted in revenue losses for the Authority. Since the new stadium is owned by the Giants and Jets, the Authority will no longer earn event income. However, the Authority collects land lease income.

On June 20, 2005, the Authority entered into a ground lease and related project agreements for development of Meadowlands Xanadu, approximately 104 acres at the Meadowlands Sports Complex. Through March 2006, the Authority received pre-payments of ground rent in the amount of $160,000,000. For GAAP purposes revenue will be realized by amortizing the upfront payment over 18 years. As of December 31, 2014, the facility had not begun operations.

Racing

Racing revenues depended on attendance, number of racing dates, and race signals from other racetracks throughout the U.S. These factors can generate higher wagering, increase available purse dollars and improve the quality of races. Over the years, attendance and wagering has declined annually since the introduction of competing forms of gambling such as lotteries and casino gambling.

In December of 2011 and May of 2012, NJSEA transferred operational control of the Meadowlands and Monmouth Park racetracks to private operators. The transfers included operational control of the Woodbridge OTW, the rights to build and operate additional OTW facilities, and NJSEA's 70% financial interest in account wagering. The agreement effectively ended NJSEA's participation in the racing industry, except that the Authority continues to hold racing licenses and to have a role under the applicable law.

Capital Assets

At the end of 2014, the Authority had a net investment in capital assets of $275,137,000 at a total capital cost of $597,190,000 net of accumulated depreciation of $322,053,000 as shown below.
(In Thousands)

	December 31, 2013	Additions	Transfers and Deletions	December 31, 2014
Meadowlands Sports Complex	$ 474,911	$ 2,334	$ -	$ 477,245
Monmouth Park Racetrack	62,314		-	62,314
Wildwoods Convention Center	57,533	98	-	57,631
Total Investment in Facilities	594,758	2,432	-	597,190
Less Accumulated Depreciation	(304,968)	(17,085)		(322,053)
Investment in Facilities Net of Accumulated Depreciation	$ 289,790	$ (14,653)	$ -	$ 275,137

Additions to capital assets during 2014 consisted of normal purchases and improvement of infrastructure, mechanical systems, as well as various safety upgrades.

At the end of 2013, the Authority had a net investment in capital assets of $289,790,000 at a total capital cost of $594,758,000 net of accumulated depreciation of $304,968,000 as shown below.

(In Thousands)

	December 31, 2012	Additions	Transfers and Deletions	December 31, 2013
Meadowlands Sports Complex	$ 646,787	$ 4,373	$ (176,249)	$ 474,911
Monmouth Park Racetrack	109,748	1,839	(49,273)	62,314
Wildwoods Convention Center	78,478	67	(21,012)	57,533
Total Investment in Facilities	835,013	6,279	(246,534)	594,758
Less Accumulated Depreciation	(531,934)	(19,568)	246,534	(304,968)
Investment in Facilities Net of Accumulated Depreciation	$ 303,079	$ (13,289)	$ -	$ 289,790

Additions to capital assets during 2013 consisted of normal purchases and improvement of infrastructure, mechanical systems, as well as various safety system upgrades. At year end, fully depreciated assets totaling $246,534,000 were written off against accumulated depreciation.

New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis
December 31, 2014

Budgetary Controls

The Authority adopts operating and capital plans that are approved by its Board of Commissioners. Budgets are a measure of the Authority's financial performance and accountability and are reviewed and revised, although not formally, on a monthly basis throughout the year.

Subsequent Events

In February 2015, the New Jersey Meadowlands Commission ("NJMC") was merged with the New Jersey Sports and Exposition Authority ("NJSEA") by an act of Legislation. The NJMC Board of Commissioners was dissolved and all assets and remaining responsibilities of the NJMC were transferred to the NJSEA.

In March 2015, the NJSEA temporarily closed the Arena. In late 2014, in conjunction with the New Jersey Department of Treasury, the Authority began developing its financial forecast for 2015. That forecast showed Arena losses averaging $709,000 per month for the first six months and a projected yearly loss of more than $8.5 million. In light of the Arena's projected losses and with the possibility of a transfer to a private operator in an abbreviated timeframe being impracticable, the Authority temporarily closed the Arena to afford time for a thorough analysis of best future use.

In August 2015, the NJSEA authorized the issuance of up to $350,000,000 in Limited Obligation Grant Revenue Bonds (American Dream Redevelopment Project) Series 2016, in order to provide financing for a portion of the costs of developing the American Dream Project. The bonds are special limited revenue obligations of the Authority, payable from the transfer of the developer's right to receive reimbursements from the State in the form of grants under a State Economic Redevelopment and Growth Incentive Agreement. The grants funds will be paid by the State, subject to incremental tax revenues being generated from the businesses at the project and to appropriation by the State Legislature. Management has determined that the expenditures of the $350 million will be recorded as a direct charge to the net assets of the Authority.

Conclusion

This section of the Annual Report has been provided to assist readers in getting a general overview of the Authority's business, financial position, and fiscal accountability for the funds it generates and receives. If you should have questions about any information in this report, you are requested to contact the New Jersey Sports and Exposition Authority, Finance Department, 1 DeKorte Park Plaza, Lyndhurst, NJ 07071.

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New Jersey Sports and Exposition Center
(A Component Unit of the State of New Jersey)

Consolidated Statements of Net Position
December 31, 2014 and 2013
(In Thousands)

	2014	2013
Assets		
Current assets		
Cash and equivalents	$ 7,176	$ 11,850
Restricted cash and equivalents	486	486
Due from State of New Jersey	177	329
Accounts receivable - net of allowance for doubtful accounts of $558 in 2014 and $518 in 2014	5,756	7,584
Prepaid expenses	715	366
Total current assets	14,310	20,615
Long-term assets		
Investment in facilities	275,137	289,790
Other assets	13,308	12,534
	$ 302,755	$ 322,939
Liabilities and Net Position		
Current liabilities		
Accounts payable and accrued expenses	$ 7,311	$ 8,938
Interest payable on bonds and notes	622	567
Unearned revenue	40,114	49,586
Advanced ticket sales	3,634	4,805
Accrued employment benefits	1,199	1,343
Unclaimed tickets	28	28
Other current liabilities	1,474	1,429
	54,382	66,696
Long-term liabilities		
Other long term liabilities	58,901	62,140
Long-term portion of notes payable	264	309
Long-term portion of bonds payable	2,178	2,178
Total liabilities	115,725	131,323
Net position		
Net investment in capital assets	285,956	299,797
Restricted for statutory requirements	486	486
Unrestricted	(99,412)	(108,667)
	187,030	191,616
	$ 302,755	$ 322,939

New Jersey Sports and Exposition Center
(A Component Unit of the State of New Jersey)

Consolidated Statements of Revenues, Expenses And Changes in Net Position
December 31, 2014 and 2013
(In Thousands)

	2014	2013
Operating Revenues:		
Racetracks	$ -	$ 2,855
Arena	27,672	18,976
Convention Center	2,537	2,368
Entertainment facilities	8,889	8,890
Other	14,383	22,404
Total operating revenues	53,481	55,493
Operating Expenses		
Racetracks	-	2,932
Arena	24,752	18,988
Convention Center	6,238	5,850
Management and administrative	30,837	39,508
Depreciation and amortization	17,085	19,568
Payment in lieu of taxes	11,083	12,048
Total operating expenses	89,995	98,894
Operating Loss	(36,514)	(43,401)
Non Operating Income and (Expenses)		
Other Income	28,229	21,971
Tourism tax revenue	3,766	3,459
Interest expense	(67)	(53)
Total non operating revenues	31,928	25,377
Change in net position	(4,586)	(18,024)
Net position, beginning of year	191,616	209,640
Net position, end of year	$ 187,030	$ 191,616

See Notes to the Consolidated Financial Statements.

New Jersey Sports and Exposition Center
(A Component Unit of the State of New Jersey)

Consolidated Statements of Cash Flows
December 31, 2014 and 2013
(In Thousands)

	2014	2013
Cash Flows from Operating Activities:		
Receipts from Customers	$ 53,621	$ 83,773
Payments to horsemen, bettors and franchises	-	(15,053)
Payments to employees and suppliers	(87,323)	(100,554)
Net cash used in operating activities	(33,702)	(31,834)
Cash Flows from Noncapital Financing Activities:		
Tourism tax revenues	3,918	3,301
Cash Flows from Capital and Related Financing Activities:		
State Appropriations	28,229	21,803
Additions to investment in facilities	(2,432)	(6,193)
Racetrack loans	(690)	(3,965)
Net cash provided by capital and related financing activities	25,107	11,645
Cash Flows from Investing Activities:		
Interest on investments	3	7
Net Increase (Decrease) in Cash and Equivalents	(4,674)	(16,881)
Cash and Equivalents - Beginning of Year	12,336	29,217
Cash and Equivalents - End of Year	$ 7,662	$ 12,336
Reconciliation of Operating Loss to Net Cash Provided By Operating Activities		
Operating Loss	$ (36,514)	$ (43,401)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	17,085	19,568
Change in allowance for doubtful accounts	40	273
Decrease (increase) in assets		
Receivables and other assets	1,166	2,568
Prepaids	(349)	-
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	(1,572)	(4,082)
Advanced ticket sales and other liabilities	(4,554)	11,608
Unearned Revenues	(9,472)	(18,533)
Other	468	165
Net Cash Used in Operating Activities	$ (33,702)	$ (31,834)

See Notes to the Consolidated Financial Statements.

1. Authorizing Legislation

The New Jersey Sports and Exposition Authority (the "Authority" or "NJSEA") was created by the laws of the State of New Jersey of 1971, Chapter 137, and enacted May 10, 1971, as supplemented and amended (the "Act"). It is constituted as an instrumentality of the State, exercising public and essential governmental functions. The Act empowers the Authority to own and operate various projects, located in the State of New Jersey, including stadiums and other buildings and facilities for athletic contests, horse racing, and other spectator sporting events, trade shows, and other expositions.

The Authority has no stockholders or equity holders, and all bond proceeds, revenues, or other cash received must be applied for specific purposes in accordance with the provisions of the Act, and related bond resolutions, for the security of the bondholders. The Authority's Board consists of the President of the Authority, the State Treasurer, and a member of the Hackensack Meadowlands Municipal Committee, appointed by the Governor, who are members ex officio, and eleven members appointed by the Governor with the advice and consent of the State Senate.

On January 13, 1992, the New Jersey legislature adopted Chapter 375 of P.L. 1991, which approved the issuance of bonds, State Contract Bonds, by the Authority, pursuant to a contract between the Authority and the State Treasurer. The contract requires the Treasurer to provide funds from the General Fund of the State necessary to pay the debt service on the bonds, subject to and dependent upon annual appropriations by the State Legislature. On November 24, 1998, the contract was restated and amended to expand the scope of projects eligible for the issuance of bonds to include the Wildwoods Convention Center project. In 2009, the Authority made a change in an accounting principle for State Contract Bonds. Accordingly, the assets, liabilities, revenue and expenses related to the State Contract Bonds have been removed from the Authority's financial statements. The State Contract Bonds will now be reported directly by the State.

2. Summary of Significant Accounting Policies

General - The Authority applies Governmental Accounting Standards Board ("GASB") Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section P80, Proprietary Accounting and Financial Reporting. The financial statements include the accounts of the Authority including Monmouth Park Racetrack and the Wildwoods Convention Center. The NJSEA Insurance Company was dissolved on April 18, 2013. The dissolution of the company had no impact on the Authority's financial position and results from operations.

Revenues and Expenses - The Authority promotes certain events held at the Arena. The gross revenues and expenses of these events are reflected in the financial statements. The Authority defines operating revenues and expenses as being directly or indirectly related to facilities and events. Arena revenues include revenues related to other facilities at the Sports Complex. Operating revenues related to ticket sales, events, and advertising are recognized when tickets are used or after events take place. Operating expenses include salaries, insurance, depreciation, etc., and are expenses to run events and support the facilities. All other revenue and expenses are defined as non-operating.

2. Summary of Significant Accounting Policies (continued)

Management and Administrative Expenses – The costs in management and administrative expenses include both direct and indirect costs and have not been allocated to the Authority's individual revenue streams.

Non-Operating Revenues and Expenses - Non-operating revenues: State payments received related to State Subsidies and Tourism taxes collected; management fees; interest revenue earned on investments and interest expense.

Non-operating expenses are recognized in the accounting period in which the liability is incurred.

Reporting Entity - The GASB establishes the criteria used in determining which organizations should be included in the Authority's financial statements. Accounting principles generally accepted in the United States of America require the inclusion of the transactions of government organizations for which the Authority is financially accountable.

The extent of financial accountability is based upon several criteria including: appointment of a voting majority, imposition of will, financial benefit to or burden on a primary government and financial accountability as a result of fiscal dependency.

On February 23, 1998, the Authority assumed the assets and liabilities and undertook the existing operations of the Wildwoods Convention Center. As a result, the Authority includes the financial statements of the Wildwoods Convention Center in its annual report. The assets and liabilities were recorded at fair value and the difference was recorded to net assets, invested in capital facilities.

The Authority is a component unit included in the State of New Jersey's comprehensive annual financial report. The NJSEA requires significant subsidies from and has material transactions with the State of New Jersey and depends on certain tax revenues that are economically sensitive.

Investment in Facilities - Investment in facilities is stated at cost, which includes all costs during the construction period for acquisition of land, rights of way, acquisition cost of acquiring facilities, surveys, engineering costs, roads, construction costs and additions to facilities, administrative and financial expenses and interest during construction net of interest income earned on the unexpended funds, including debt service reserve funds net of accumulated depreciation. Depreciation is computed by the straight-line method based on estimated useful lives of the related assets.

Payment in Lieu of Taxes - In accordance with a provision of the enabling Act, properties and income of the Authority are exempt from taxation. However, payments in lieu of taxes are made to municipalities to compensate for loss of tax revenues by reason of acquisition of real property by the Authority.

Cash and Cash Equivalents - Cash and cash equivalents include short-term investments that are carried at cost, which approximates market. The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Restricted cash and equivalents are cash and short-term investments that are required for a specific purpose related to restrictions that may be contained in bond resolutions.

2. Summary of Significant Accounting Policies (continued)

Other Assets - Other assets include prepaid expense, prepaid insurance and loan receivable.

Accumulated Vacation Time - Salaried employees of the Authority and the Wildwoods Convention Center may accumulate vacation time up to a maximum of their total vacation time for one year. This accumulated vacation time must be used within one year of the year earned. Upon termination of employment, salaried employees are entitled to receive a maximum lump sum payment of their accumulated vacation time.

Valuation of Investments - State and local government securities, repurchase agreements, and certificates of deposit are investments in nonparticipating investment contracts which management concludes are not significantly affected by the impairment of the credit standing of the Authority or other factors. Credit ratings for these investments are not available. These investments are recorded at fair market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and & External Investment Pools.*

Principles of Consolidation - The consolidated financial statements consist of the accounts of the Authority including Monmouth Park Racetrack and Wildwoods Convention Center for the years ended December 31, 2014 and 2013. The NJSEA Insurance Company was dissolved on April 18, 2013. All significant related group transactions have been eliminated for consolidation purposes.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported 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 period. Actual results could differ from those estimates.

Recent Accounting Pronouncements - The Authority has completed the process of evaluating the impact of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* GASB Statement No. 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The Authority concluded that the adoption of GASB Statement No. 65 had no impact on its financial position, results of operations and cash flows.

The Authority has completed the process of evaluating the impact of GASB Statement No. 66, which amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about governmental fund type usage for risk financing activities on the definition in GASB No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions.*

2. Summary of Significant Accounting Policies (continued)

This Statement also amends GASB Statement No. 62 *Codification of Accounting an Financial Reporting Guidance Contained in Pre-November 30,* 1989 *FASB and AICPA Pronouncements,* by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) The difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that were sold when the slated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in GASB No. 48, *Sales and Pledges of receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* respectively. The Authority concluded that the adoption of GASB Statement No. 66 had no impact on its financial position, results of operations and-cash flows.

The Authority has not completed the process of evaluating the impact of GASB No. 67, *Financial Reporting for Pension Plans.* This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of change in fiduciary position. Statement No. 67 enhances note disclosure and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The provisions in Statement No. 67 are effective for financial statements for periods beginning after June 15, 2013.

The Authority has not completed the process of evaluating the impact of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions.* Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and Statement No. 50, *Pension Disclosures,* as they relate to governments that provide pensions thorough pension plans administered by trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The provisions in Statement No. 68 are effective for fiscal years beginning June 15, 2014.

The Authority has not completed the process of evaluating the impact that will result from implementing GASB Statement No. 69, *Government Combinations and Disposals of Government Operations.* This statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

2. Summary of Significant Accounting Policies (continued)

The requirements of this statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

The Authority has not completed the process of evaluating the impact that will result from implementing GASB Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees.* This statement requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. In addition, this statement requires new information to be disclosed by governments that receive non-exchange financial guarantees. The provisions of this statement are effective for reporting periods beginning after June 15, 2013.

The Authority has not completed the process of evaluating the impact of GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* The objective of GASB Statement No. 71 is to address an issue regarding application of the transition provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This benefit will be achieved without the imposition of significant additional costs. The requirements of this Statement should be applied simultaneously with the provisions of GASB Statement No. 68 and are effective for fiscal years beginning after June 15, 2014.

In June 2015, GASB issued Statement No. 72 "Fair Value Measurement and Application." The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. Earlier application is encouraged.

In June 2015, GASB issued Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

In June 2015, GASB issued Statement No. 74 "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

In June 2015, GASB issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." This Statement replaces the requirements of GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions". The key difference in the new standard is that governments must now report the total OPEB liability related to their employees.

2. Summary of Significant Accounting Policies (continued)

The prior standard allowed for the amortization of prior service cost over a thirty year period. The statement requires Government units to present more extensive note disclosures and required supplementary information ("RSI") about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than that assumed in the financial statements. The new RSI includes a schedule showing the causes of the increase and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

This new standard parallels the pension standard in GASB Statement No. 68 "Accounting and Financial Reporting for Pensions". Together, these two new standards provide consistent and comprehensive disclosure for all postemployment benefits. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017.

In August 2015, GASB issued Statement No. 77 "Tax Abatement Disclosures". The requirements of this Statement are intended to improve financial reporting by providing users of financial statements essential information and disclosure about the nature and magnitude of tax abatements, making these types of transactions more transparent to financial statement users. As a result, users should be better equipped to understand how tax abatements affect a government's future ability to raise resources and meet its financial obligations and the impact those abatements have on a government's financial position and economic condition.

The statement requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The new disclosures about one's own tax abatement agreements include:

- The purpose of the abatement program
- The tax being abated
- Dollar amount of taxes abated
- Provisions for recapturing abated taxes
- The types of commitments made by tax abatement recipients
- Other commitments made by the entity in tax abatement agreements, such as to build infrastructure assets

The new disclosures about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues include:

- The name of the government entering into the abatement agreement
- The tax being abated
- Dollar amount of the reporting government's taxes abated

The provisions of this Statement are effective for fiscal years beginning after December 15, 2015.

3. Tourism Tax

Upon transfer of the Wildwoods Convention Center from the Greater Wildwood Tourism Improvement and Development Authority ("GWTIDA") on February 23, 1998 (see Note 1), the Authority assumed the right to receive 90% of the proceeds of a 2% tourism related retail receipts tax pursuant to NJSA 40:54D-l et. Seq. (the "Tourism Improvement and Development District Law") for the construction and promotion of a new convention center facility and the operation, maintenance and promotion of the existing center. The remaining 10% of the funds generated by the tax is allocated to GWTIDA for its continuing promotion of tourism in the area. The tax is imposed and collected by ordinance and with the cooperation of the municipalities in the Greater Wildwoods (i.e., North Wildwood, Wildwood and Wildwood Crest).

4. Cash and Cash Equivalents and Investments

The components of cash, cash equivalents and investments are as follows (in thousands):

	December 31,			
	2014		2013	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Cash and cash equivalents:				
Cash on hand	$ 511	$ 511	$ 445	$ 445
Demand deposits	1,411	4,167	6,134	7,409
N.J. Cash Management Fund	5,740	5,879	5,757	6,067
Total cash and cash equivalents	$ 7,662	$ 10,557	$ 12,336	$ 13,921

At December 31, 2014 and 2013, $486,000 of cash and equivalents, were restricted.

For 2014, restricted cash, cash equivalents and investments include $486,000 on the Camden project which is part of the operations of the Wildwoods Convention Center.

All demand deposits and certificates of deposit, except deposits held by the Trustee, of any depository must be fully secured by lodging collateral security of obligations secured by the United Slates with the Trustee or bank designated by the Trustee. At December 31, 2014 and 2013, all demand deposits were collateralized.

The N.J. Cash Management Fund is a money market fund managed by the State of New Jersey Division of Investments. P.L. 1950, c. 270 and subsequent legislation permit the Division to invest in a variety of securities, including, in the case of short-term investments, obligations of the U.S. Government and certain of its agencies, commercial paper, certificates of deposit, repurchase agreements, bankers' acceptances, and loan participation notes. All such investments must fall within the guidelines set forth by the regulations of the State of New Jersey, State Investment Council. Securities in the N. J. Cash Management Fund are insured or registered, or securities held by the Division or its agent in the N. J. Cash Management Fund's name.

5. Investment in Facilities

	Balance December 31, 2013	Additions	Deletions	Balance December 31, 2014
Land	$ 117,149	$	$	$ 117,149
Buildings	418,747	195		418,942
Machinery and Equipment	15,541	361		15,902
Land Improvements	43,321	1,876		45,197
Total Capital Assets not being depreciated	594,758	2,432		597,190
Less accumulated depreciation	(304,968)	(17,085)		(322,053)
	$ 289,790	$ (14,653)	$	$ 275,137

	Balance December 31, 2012	Additions	Deletions	Balance December 31, 2013
Land	$ 117,149	$	$	$ 117,149
Buildings	486,123	3,694	(71,070)	418,747
Machinery and Equipment	168,611	427	(153,497)	15,541
Land Improvements	63,130	2,158	(21,967)	43,321
Total Capital Assets not being depreciated	835,013	6,279	(246,534)	594,758
Less accumulated depreciation	(531,934)	(19,568)	246,534	(304,968)
	$ 303,079	$ (13,289)	$	$ 289,790

Asset lives used in the calculation of depreciation are generally as follows:

Buildings 35--60 years

Machinery and equipment 2-20 years

Land improvements 10-20 years

Leasehold rights 24 years

The Authority considers any asset acquired or improvement made to any building or facility, with a value over $1,000 and a estimated useful life over one year, a depreciable capital asset.

6. Bonds and Notes Payable

Bonds payable consist of the following (in thousands):

	Date Issued	Original Amount	Balance December 31, 2014	Balance December 31, 2013
Wildwood Revenue Bonds 1996, Series A, 2.5% interest, due 2008 through 2016	9/6/1996	$ 3,400	$ 2,178	$ 2,178

Wildwoods Revenue Bonds 1996 Series A -The Authority assumed these bonds on February 23, 1998, as an obligation and liability of the Wildwoods Convention Center. The bonds were authorized by the Greater Wildwoods Tourism Improvement and Development Authority and issued to the City of Wildwood in the amount of $3,400,000 for the acquisition of the Wildwoods Convention Center in 1996.

On November 8, 1999, the Authority entered into The Omnibus Intergovernmental Agreement with the City of Wildwood, the Borough of Wildwood Crest, the City of North Wildwood, the Greater Wildwoods Tourism Improvement and Development Authority and the Treasurer of the State of New Jersey. This agreement restated the original terms and conditions of the Authority's assigned obligation under the bonds and replaced the previous Bond Resolution. Under the terms of the new agreement, repayment of principal and interest is to be funded by the Available Revenues of the Wildwoods Convention Center after payment of operating expenses, funding of the maintenance reserve fund and payments in lieu of taxes. Should available revenues be insufficient to provide the required debt service amount any unpaid portion accrues to the following year to be funded by that year's available revenues. If it should be deemed necessary, the Authority may request an express separate appropriation from the State Treasurer to cover any shortfall. The Authority does not pledge the revenues, rents fees, rates, charges or other income derived from operations or ownership of any of its other projects, to the repayment of these bonds. In 2014 and 2013, there was not enough available revenue after the above-mentioned expenses to make full payment on debt service for these Revenue Bonds.

Interest Costs - Interest costs for the years 2014 and 2013 were $67,000 and $53,000, respectively.

6. Bonds and Notes Payable (continued)

Notes payable consist of the following (in thousands):

	Date Issued	Original Amount	Balance December 31, 2014	Balance December 31, 2013
Loan from the NJDEP Infrastructure Loan through August 1, 2024 at 0.00%	3/1/2010	$ 564	$ 172	$ 211
Loan from the NJDEP Infrastructure Trust Loan through August 1, 2024 at various rates between 3% and 5%	3/1/2010	180	138	138
Total Notes Payable			$ 310	$ 349

On March 1, 2012, the Authority entered into an agreement with the State of New Jersey acting by and through the New Jersey Department of Environmental Protection in which the Authority received the proceeds of a $564,000 loan from the NJDEP Infrastructure Fund and a $180,000 loan from the NJDEP Infrastructure Trust. The proceeds were used to pay for the purchase of equipment for the purpose of cleaning and maintaining storm drains. The interest was calculated at 0.00% on the NJDEP Infrastructure Fund Loan and is for a term of 24 years. The interest was calculated between 3.00% and 5.00% on the NJDEP Infrastructure Trust Loan and is for a term of 24 years. Interest cost for 2014 and 2013 on the NJDFP Infrastructure Fund Loan was $6,600 and $7,100, respectively.

7. Maturities on Bonds and Notes

Principal and interest payments to be funded to the trustees on outstanding bonds and notes (in thousands) during the next five years and thereafter are as follows:

	NJDEP Fund Loan	NJDEP Trust Loan	Wildwood Bonds Payable	Interest	Total
2015	$ 38	$ 8	$ 400	$ 61	$ 507
2016	38	10	179	50	277
2017	38	15	183	45	281
2018	38	15	188	40	281
2019	20	15	192	34	261
2020-2024	0	75	1,036	88	1,199
	$ 172	$ 138	$ 2,178	$ 318	$ 2,806

8. State Contract Bonds

The New Jersey Sports and Exposition Authority issued State Contract Bonds to fund various capital improvements of the Authority on behalf of the State of New Jersey. These bonds were previously recorded as liabilities on the Authority's financial statements as permitted under Interpretation No.2 of the Governmental Accounting Standards Board, as an allowable method for recording conduit debt.

None of the Authority's revenues, rents, fees, rates, charges or other income and receipts derived by the Authority from its operation or ownership of any of its projects are pledged or assigned to the payment of the principal or redemption price of and interest on such bonds. The State Contract Bonds are paid solely by the State of New Jersey.

The principal amount outstanding on the State Contract Bonds at December 31, 2014 and 2013 is $440,465,000 and $486,830,000, respectively. These amounts are excluded from the consolidated financial statements of the Authority.

9. Pension, Retirement, and Deferred Compensation Plans

Plan Description and Employer and Employee Contributions -Salaried employees of the Authority and Wildwoods Convention Center are covered by the Public Employees' Retirement System of the State of New Jersey ("PERS"), a cost-sharing multiple-employer defined benefit public employee retirement system. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing PERS at the following address: Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625. The payroll for employees covered by PERS for the years ended December 31, 2014 and 2013 was $5,324,958 and $5,382,957, respectively. The Authority's total payroll for the years ended 2014 and 2013 was $21,185,852 and $19,044,299, respectively. Establishment of or amendments to PERS pension plans are done through New Jersey legislation.

All Authority salaried employees are required as a condition of employment to be members of PERS. A member may retire on a service retirement allowance as early as age 60; no minimum service requirement must be established. The formula for benefits is an annual allowance in the amount equal to years of service, divided by 60, times the final average salary. Final average salary means the average of the salaries received by the member for the last three years of creditable membership service preceding retirement or the highest three fiscal years of membership service, whichever provides the larger benefit. Benefits fully vest on reaching 10 years of service. Vested employees may retire at or after age 55 and receive reduced retirement benefits; unless the employee has obtained 25 years of service prior to retirement, which permits full benefit payments. The System also provides death and disability benefits. Benefits are established by State statute.

Effective May 21, 2010, the New Jersey legislature enacted changes in the PERS and other State employee pension plans (Chapter 1, P.L. 2010). The law makes changes to the rule governing eligibility, the retirement formula, compensation definition and positions eligible. Employees that are subject to a fixed number of hours fewer than thirty-five per week are not eligible to join PERS. Also, the current multiplier of 1/55 will change to 1/60. Section 38 of the law will require the Authority to make the full annual employer's contribution once the calculation is computed by its actuary.

9. Pension, Retirement, and Deferred Compensation Plans (continued)

Covered Authority employees are required by PERS to contribute 6.92% of defined salary. The Authority is required by State Statute to contribute the remaining amounts necessary to pay benefits when due. The PERS on the recommendation of an actuary, who makes an annual actuarial valuation, certifies the amount of the Authority's contribution each year. The valuation is a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary, and interest.

The employee contributions required for the years ended December 31, 2014, 2013, and 2012, were $359,744 (6.92%), $356,671 (6.78%), and $439,683 (6.5%), respectively. Employer contributions for 2014, 2013, and 2012, were $668,401, $860,547, and $1,242,851, respectively, equal to the required contributions for the year. These increases are based upon State of New Jersey law, Chapter 108, P.L. 2003, which calls for the return of employer pension contributions on a phase in basis with 20% of the actuarially calculated amount for 2005 being due and payable, increasing to 40% for 2006, 60% for 2007, 80% for 2008, and until 100% of the actuarially calculated amount is due in 2009.

Other Benefits -Salaried employees of the Authority are eligible for participation in a section 401(k) deferred compensation plan, the New Jersey Sports and Exposition Authority Savings and Investment Plan. Until July 31, 2011 the Authority contributed a maximum of 4% of the employee's salary up to the IRS maximum less the portion attributable to the State pension plan ("PERS"), effective August 1, 2011 the Authority discontinued its employer contribution. Annual expense for this plan was $296,738 for 2011. Annual employee contributions were $362,832, $404,720, and $466,099 for 2014, 2013, and 2012, respectively. The annual expense amounts and employee contributions include employer expense and employee contributions of Union Local 137 (Mutuel). (See Mass Withdrawal Liability Note that follows.)

Additionally, some Sports Authority employees are participants in certain pension plans administered by local unions and contributions are made in accordance with terms of the union agreements of those employees. There are about 26 active unions consisting of 47 separate bargaining agreements participating in their own pension plans in accordance with each specific union agreement and based on each of the applicable union job trades. The total combined employer contributions for all participating unions in 2014, 2013, and 2012, were $2,086,907, $2,268,683, and $1,982,385, respectively, and equal to the required contribution for each year.

Union plan financial statements may be obtained by writing to the relevant address in the following table.

Local137 (Window Washers, Mutuels, Admis.,07W, Jockey Room, Box Office)
1012 Haddonfield Rd Suite 106
Cherry Hill, NJ 08002

Local 5 (Masons)
830 Bear Tavern Rd
West Trenton, NJ 08628

Local 711 (Painters)
C/O Vaccaro & Assoc.
PO Box 447
Absecon, NJ 08201

Local 164 (Electricians)
205 Robin Rd Suite 330
Paramus, NJ 07652

Local 68 (HVAC)
Benefits Dept.
11 Fairfield Pl
West Caldwell, NJ 07006

Local 15 (NJ Carpenters Fund)
Raritan Plaza, PO Box 7818
Edison, NJ 08816

NJ Local 4 (Masons)
14 Plog Rd Suite 2
Fairfield, NJ 07004

Local472 (Laborers, Parking)
700 Raymond Blvd
Newark, NJ 07105

Local 631 (Security)
United Workers Union
6 South Second Ave
Hammonton, NJ 08037

Local 560 (Teamsters)
707 Summit Ave Station. 5th Fl
Union City, NJ 07087

Local 592 (Special Laborers, NJBLS)
3218 Kennedy Blvd
Jersey, City, NJ 07306

Local 825 (Operating Engineers)
65 Springfield Ave
Springfield, NJ 07081

Local 14 (Plumbers)
150 Main St
Lodi, NJ 07644

Local 1412 (Security EMT)
163 Washington Ave. 2nd Fl
Belleville, NJ 07109

Local 1430 (I.B.E.W.)
90 I N. Broadway, Suite 16
North White Plains, NY 10603

Local 469 (Teamsters)
3400 State Highway 35
Executive Plaza, Suite 8
Hazlet, NJ 07730

Local 9 (Plumbers)
848 Bear Tavern Rd
West Trenton, NJ 08628

Local 2250 (Carpenters)
Raritan Plaza 2 PO Box 7818
Edison, NJ 08818

IBEW Local 400 (Electricians)
PO Box 1028
Trenton, NJ 08628

Local 632 (Stagehands I.A.T.S.E)
417 5th Ave., 3rd Floor
New York., NY 10016

Local 621 (United Workers of America)
PO Box 147
Island Park, NY 11558

Local 483 (Iron Workers)
12 Edison Place
South Plainfield, NJ 07081

9. Pension, Retirement, and Deferred Compensation Plans (continued)

Mass Withdrawal Liability and Annual Payments Related to Local 137 -During 2007, the Authority withdrew from the pension plan of Local 137 (Mutuels) causing a mass withdrawal termination for that plan. Based upon this termination, the Authority is obligated to make annual payments to satisfy the employer's contribution. In addition, the Authority opted to include the union in the 401k plan whereby the Authority contributes a 2% match. There were no contributions by the Authority and the employees in 2014 and 2013.

The amount of the Authority's obligation, based on actuarial estimates, is approximately $38.6 million and is recognized in the 2014 financial statements. The Authority will make annual cash payments of $1.2 million to cover this liability.

Mass Withdrawal Liability and Annual Payments Related to other Unions - In May 2012, the Authority leased the Monmouth Park operations to an private operator effectively ending its participation in the racing industry. As a result in 2013, two unions issued employer withdrawal demand notices to the Authority which were recognized in the 2013 financial statements: Teamsters Local 469 ($6,834,613) and Plumbers Local #9 ($307,533). The Authority will make annual cash payments of $222,225 to cover this liability.

10. Pollution Remediation Costs

Effective 2008, pollution remediation costs were recognized as a liability on the Consolidated Statements of Financial Position and an operating expense provision was made in the Consolidated Statements of Revenues, Expenses and Changes in Net Assets in accordance with GASB Statement No. 49, *Accounting and Financial Reporting/or Pollution Remediation Obligations*. The remediation involves current and future activities related to testing, recovery, and cleanup of soil, subsurface water and ground level streams at various Authority sites. Contaminated sites include Meadowlands-Xanadu, the new stadium area, and the Meadowlands and Monmouth race tracks. The Authority estimates the cost to be $5,196,000. The total payments made since 2007 were $2,846,000, and charged to the Statements of Revenues, Expenses and Changes in Net Position in each respective year. Estimated future expense for environmental remediation is $2,350,000, and is reflected on the Consolidated Statement of Financial Position. Estimated recovery related from remediation reduces the measurement of this liability. There is no expected remediation recovery on the above sites.

Methods and assumptions used included historical data and engineering estimates. The pollution remediation liability is an estimate and is subject to changes resulting from price increases or reductions, technology, or changes in applicable laws and regulations.

11. Commitments and Contingencies

A portion of the Authority's operating revenues is attributable to leasing of the Sports Complex facilities for various sporting events, trade shows and other expositions. Rental income is a flat fee per event or a percentage of ticket sales. Rental income, under these leases, was approximately $2,817,000 and $2,460,300 for the years ended December 31, 2014 and 2013, respectively.

The Authority is exposed to risks of losses related to injuries to employees. The Authority has established a risk management program to account for and finance its uninsured risks of loss related to workmen's compensation. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Claims are based on actuarial valuation.

Workmen's compensation claims liability, claims incurred and claims paid are provided below.

Reconciliation of Workmen's Compensation Claims Liability

	For the Years Ended December 31,	
	2014	2013
Claims - January 1	$ 11,047,413	$ 12,107,893
(Decrease)/increase in provision	1,853,737	328,138
Claims paid	(1,536,476)	(1,388,618)
Claims - December 31	11,364,674	11,047,413
Less: current portion	1,536,476	1,388,618
Long-term liability	$ 9,828,198	$ 9,658,795

On June 30, 2005, the Authority entered into a ground lease and related project agreements for development of Meadowlands Xanadu, an approximately 5.0 million square mixed-use project on approximately 104 acres at the Meadowlands Sports Complex. Through March 2006, the Authority received pre-payments of ground rent in the amount of$160,000,000. In 2005, the Authority used $26,800,000 of the prepaid ground rent to purchase the wetland mitigation bank rights on the Empire Tract. The Authority also used $37,190,000 to defease tax-exempt bonds attributable to the Meadowlands Xanadu Project site. Expenses associated with the project that were previously deferred were expensed in 2005. For GAAP purposes revenue will be realized by amortizing the up front payment over 18 years. As of December 31, 2014, the facility has not begun operations.

11. Commitments and Contingencies (continued)

At year-end approximately $486,000 in current assets and liabilities was related to funds received from the State to administer the Aquarium Project. The activity in the fund created for this purpose has no effect on the Authority's revenues or expenses.

In 2004, the Authority organized the NJSEA Insurance Company as a captive insurance company in Vermont for the purpose of insuring and reinsuring various types of risk, including but not limited to those required by the Federal Terrorism Insurance Act. The Company is a wholly owned subsidiary of the Authority and insures the Authority for a maximum of $300,000,000. NJSEA Insurance Company, Inc. was dissolved on April 18, 2013. The dissolution of the company had no impact on the Authority's financial position and results from operations.

On June 14, 2004, the Authority entered into a Participation agreement to license and operate an account wagering system in New Jersey pursuant to the Off-Track and Account Wagering Act (P.L. 201, c. 199) and the regulations promulgated by the New Jersey Racing Commission. Under the agreement the Authority began operating an on-line account wagering system and has contributed 70% of start-up costs for the project, appointed an Operating Board and conducts and accounts for all day-to-day operations in return for 70% of available net project revenues or losses as defined by the agreement.

The Authority's 70% financial interest was transferred to the New Meadowlands Racetrack, LLC (35%) and the New Jersey Thoroughbred Horsemen's Association, Inc. (35%) as part of long term lease agreements to assume the operating rights of the racetracks and off-track wagering sites.

On October 21, 2009, the Authority undertook a project consisting of construction of a new storm water basin and to purchase equipment for the project in order to alleviate storm water runoff at Monmouth Park Racetrack. The total cost for the equipment and the project is estimated at $26,600,000, which includes capitalized interest, debt service and administrative expenses, and will be financed through loans from the New Jersey Environmental Infrastructure Trust and the New Jersey Department of Environmental Protection. The Borough of Oceanport applied for the project loan (not to exceed $23,500,000), and the Authority will apply tor the equipment loan (not to exceed $850,000) with the above financing authorities. The Authority will pay the Borough a special assessment that is substantially similar to the Borough's loan repayment schedule, and will manage the project at its own cost. The project began in 2010 and will take two years to complete. Repayment on the loans began in 2010 and ends in 2029.

12. Subsequent Events

Effective February 5, 2015, The New Jersey Meadowlands Commission ("NJMC") was merged with the New Jersey Sports and Exposition Authority ("NJSEA") by an act of legislation. The NJMC Board of Commissioners was dissolved and all assets and remaining responsibilities of the NJMC were transferred to the NJSEA.

In March 2015, the NJSEA temporarily closed the Meadowlands Arena.

In August 2015, the NJSEA authorized the issuance of up to $350,000,000 in Limited Obligation Grant Revenue Bonds (American Dream Redevelopment Project) Series 2016, in order to provide financing for a portion of the costs of developing the American Dream Project. The bonds are special limited revenue obligations of the Authority, payable from the transfer of the developer's right to receive reimbursements from the State in the form of grants under a State Economic Redevelopment and Growth Incentive Grant Agreement. The grants funds will be paid by the State, subject to incremental tax revenues being generated from the businesses at the project and to appropriation by the State Legislature. Management has determined that the expenditures of the $350 million will be recorded as a direct charge to the net assets of the Authority.

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O'CONNOR DAVIES

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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 Chair and Members of
New Jersey Sports and Exposition Authority
Lyndhurst, New Jersey

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 the New Jersey Sports and Exposition Authority ("Authority"), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 10, 2016

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the New Jersey Sports and Exposition Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Livingston, New Jersey
March 10, 2016