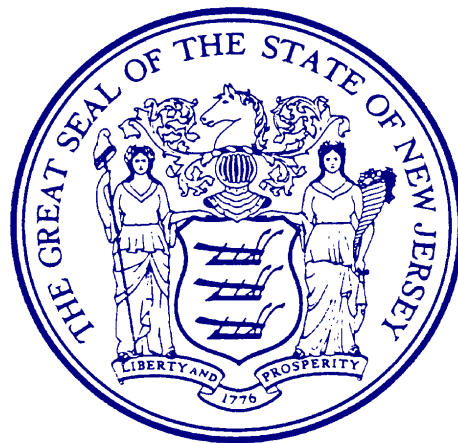


**CIE NEW JERSEY, LLC
QUARTERLY REPORT**

FOR THE QUARTER ENDED MARCH 31, 2020

**SUBMITTED TO THE
DIVISION OF GAMING ENFORCEMENT
OF THE
STATE OF NEW JERSEY**



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

CIE NEW JERSEY, LLC

BALANCE SHEETS

AS OF MARCH 31, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$21,300	\$17,967
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2020, \$64; 2019, \$0).....		2,949	1,791
4	Inventories		0	0
5	Other Current Assets.....		340	549
6	Total Current Assets.....		24,589	20,307
7	Investments, Advances, and Receivables.....		0	0
8	Property and Equipment - Gross.....		1,110	1,110
9	Less: Accumulated Depreciation and Amortization.....		(1,071)	(1,029)
10	Property and Equipment - Net.....		39	81
11	Other Assets.....		728	1,005
12	Total Assets.....		\$25,356	\$21,393
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$1,521	\$2,616
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....		0	0
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....		5,071	5,231
19	Other Current Liabilities.....		11,780	7,692
20	Total Current Liabilities.....		18,372	15,539
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....		0	0
23	Deferred Credits		0	0
24	Other Liabilities.....		538	728
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		18,910	16,267
27	Stockholders', Partners', or Proprietor's Equity.....		6,446	5,126
28	Total Liabilities and Equity.....		\$25,356	\$21,393

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

CIE NEW JERSEY, LLC

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	Revenue:			
1	Casino.....		\$10,384	\$10,127
2	Rooms.....		0	0
3	Food and Beverage.....		0	0
4	Other.....		466	383
5	Net Revenue.....		10,850	10,510
	Costs and Expenses:			
6	Casino.....		5,948	5,723
7	Rooms, Food and Beverage.....		0	0
8	General, Administrative and Other.....		1,159	2,044
9	Total Costs and Expenses.....		7,107	7,767
10	Gross Operating Profit.....		3,743	2,743
11	Depreciation and Amortization.....		11	10
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....		338	390
14	Income (Loss) from Operations.....		3,394	2,343
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		0	0
16	Interest Expense - External.....		0	0
17	CRDA Related Income (Expense) - Net.....		0	(354)
18	Nonoperating Income (Expense) - Net.....		0	0
19	Total Other Income (Expenses).....		0	(354)
20	Income (Loss) Before Taxes		3,394	1,989
21	Provision (Credit) for Income Taxes.....		0	0
22	Net Income (Loss).....		\$3,394	\$1,989

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

CIE NEW JERSEY, LLC
STATEMENTS OF CHANGES IN PARTNERS',
PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019
AND THE THREE MONTHS ENDED MARCH 31, 2019

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2018.....			\$5,095		\$5,095
2	Net Income (Loss) - 2019.....			10,710		10,710
3	Capital Contributions.....			0		0
4	Capital Withdrawals.....			0		0
5	Partnership Distributions.....			0		0
6	Prior Period Adjustments.....			0		0
7	Distributions to member			(8,757)		(8,757)
8				0		0
9				0		0
10	Balance, December 31, 2019.....		0	7,048	0	7,048
11	Net Income (Loss) - 2020.....			3,394		3,394
12	Capital Contributions.....			0		0
13	Capital Withdrawals.....			0		0
14	Partnership Distributions.....			0		0
15	Prior Period Adjustments.....			0		0
16	Distributions to member			(3,996)		(3,996)
17				0		0
18				0		0
19	Balance, March 31, 2020.....		\$0	\$6,446	\$0	\$6,446

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

CIE NEW JERSEY, LLC

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$4,697	\$4,027
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments		0	0
3	Proceeds from the Sale of Short-Term Investments		0	0
4	Cash Outflows for Property and Equipment.....		0	0
5	Proceeds from Disposition of Property and Equipment.....		0	0
6	CRDA Obligations		0	0
7	Other Investments, Loans and Advances made.....		0	0
8	Proceeds from Other Investments, Loans, and Advances		0	0
9	Cash Outflows to Acquire Business Entities.....		0	0
10	.....		0	0
11	.....		0	0
12	Net Cash Provided (Used) By Investing Activities.....		0	0
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		0	0
14	Payments to Settle Short-Term Debt.....		0	0
15	Proceeds from Long-Term Debt		0	0
16	Costs of Issuing Debt.....		0	0
17	Payments to Settle Long-Term Debt.....		0	0
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....		0	0
20	Payments of Dividends or Capital Withdrawals.....		0	0
21	Net Distribution to Member		(3,996)	(1,958)
22	.....		0	0
23	Net Cash Provided (Used) By Financing Activities.....		(3,996)	(1,958)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		701	2,069
25	Cash and Cash Equivalents at Beginning of Period.....		20,599	15,898
26	Cash and Cash Equivalents at End of Period.....		\$21,300	\$17,967
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$0	\$0
28	Income Taxes.....		\$0	\$0

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

CIE NEW JERSEY, LLC

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		\$3,394	\$1,989
30	Depreciation and Amortization of Property and Equipment.....		11	10
31	Amortization of Other Assets.....		0	0
32	Amortization of Debt Discount or Premium.....		0	0
33	Deferred Income Taxes - Current		0	0
34	Deferred Income Taxes - Noncurrent		0	0
35	(Gain) Loss on Disposition of Property and Equipment.....		0	0
36	(Gain) Loss on CRDA-Related Obligations.....		0	0
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		(910)	(390)
39	(Increase) Decrease in Inventories		0	0
40	(Increase) Decrease in Other Current Assets.....		333	530
41	(Increase) Decrease in Other Assets.....		45	0
42	Increase (Decrease) in Accounts Payable.....		175	756
43	Increase (Decrease) in Other Current Liabilities		1,913	1,132
44	Increase (Decrease) in Other Liabilities		(264)	0
45	.....		0	0
46	.....		0	0
47	Net Cash Provided (Used) By Operating Activities.....		\$4,697	\$4,027

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		\$0	\$0
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		\$0	\$0
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....		\$0	\$0
52	Goodwill Acquired.....		0	0
53	Other Assets Acquired - net		0	0
54	Long-Term Debt Assumed.....		0	0
55	Issuance of Stock or Capital Invested.....		0	0
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

CIE NEW JERSEY, LLC
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

FOR THE THREE MONTHS ENDED MARCH 21, 2020
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms				
2	Food				
3	Beverage				
4	Travel				
5	Bus Program Cash				
6	Promotional Gaming Credits				
7	Complimentary Cash Gifts				
8	Entertainment				
9	Retail & Non-Cash Gifts				
10	Parking				
11	Other	Not available**	3,274		
12	Total	0	\$3,274	0	\$0

FOR THE THREE MONTHS ENDED MARCH 31, 2020

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms				
2	Food				
3	Beverage				
4	Travel				
5	Bus Program Cash				
6	Promotional Gaming Credits				
7	Complimentary Cash Gifts				
8	Entertainment				
9	Retail & Non-Cash Gifts				
10	Parking				
11	Other	Not available**	3,274		
12	Total	0	\$3,274	0	\$0

*Other includes cash bonuses and loyalty programs recorded as a reduction to revenue.

**Recipient data is not readily available.

**CIE NEW JERSEY, LLC
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED MARCH 31, 2020

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Division's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.S.A. 5:12-84a(1)-(5) during the quarter.

5/14/2020

Date

Christian D. Stuart
Christian Stuart

Executive Vice President Gaming & Interactive Entertainment
Title

4507-03

License Number

On Behalf of:

CIE NEW JERSEY, LLC

Casino Licensee

CAESARS INTERACTIVE ENTERTAINMENT NEW JERSEY, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

In these notes, the words “CIENJ,” “Company,” “we,” “our,” and “us” refer to Caesars Interactive Entertainment New Jersey, LLC, unless otherwise stated or the context requires otherwise. In addition, “Caesars Entertainment,” “CEC,” and “Caesars” refer to Caesars Entertainment Corporation and its consolidated subsidiaries.

Note 1 — Organization and Basis of Presentation

Organization and Description of Business

The Company was formed on March 22, 2013 as a New Jersey limited liability company. The sole member of the Company is Caesars Interactive Entertainment, LLC (“CIE” or the “Member”). CIE is a wholly-owned subsidiary of Caesars Growth Partners, LLC (“CGP”), which is a wholly owned subsidiary of CEC.

The Company is licensed by the New Jersey Division of Gaming Enforcement (“DGE”) to operate interactive real money online gaming in New Jersey and is subject to the rules and regulations established by the DGE.

CIENJ was primarily organized to operate real money online gaming within the State of New Jersey. As of March 31, 2020, the Company offered real money online wagering to patrons in the State of New Jersey through CaesarsCasino.com, HarrahsCasino.com, and WSOP.com (the “Owned Platforms”). Additionally, the Company has entered into third party agreements which provide use of the Company’s gaming license and certain services (refer to Note 9 for the Company’s revenue recognition accounting policy). Through the Owned Platforms, as well as agreements with third parties, online sports betting is also offered.

Effect of the COVID-19 Public Health Emergency

A novel strain of coronavirus (“COVID-19”) was declared a public health emergency by the United States Department of Health and Human Services on January 31, 2020. On March 13, 2020, the President of the United States issued a proclamation declaring a national emergency concerning COVID-19. As a result of the COVID-19 public health emergency, various sports games and tournaments have been suspended, postponed or canceled based on various governmental directives as of March 31, 2020 which affects our online sports betting. In addition, we have experienced favorable effects to our real money online gaming volumes due to the various directives restricting travel and the mandated closure of gaming and entertainment venues. It is uncertain when these directives will be lifted and we continue to monitor the rapidly evolving situation and guidance from domestic and international authorities, including federal, state and local public health authorities. Given the dynamic nature of this situation, the full extent of the effects of the COVID-19 public health emergency on our future financial condition, results of operations or cash flows is highly uncertain.

Proposed Merger of Caesars Entertainment Corporation with Eldorado Resorts, Inc.

On June 24, 2019, Caesars, Eldorado Resorts, Inc., a Nevada corporation (“Eldorado”), and Colt Merger Sub, Inc., a Delaware corporation and a direct wholly owned subsidiary of Eldorado (“Merger Sub”), entered into an Agreement and Plan of Merger (as amended by Amendment No. 1 to Agreement and Plan of Merger, dated as of August 15, 2019, and as it may be further amended from time to time, the “Merger Agreement”), pursuant to which, on the terms and subject to the conditions set forth therein, Merger Sub will merge with and into Caesars (the “Merger”), with Caesars continuing as the surviving corporation and a direct wholly owned subsidiary of Eldorado. On November 15, 2019, the respective stockholders of Caesars and Eldorado voted to approve the Merger. The transaction is expected to close mid-2020. In connection with the Merger, Eldorado will change its name to Caesars Entertainment, Inc.

Basis of Presentation and Use of Estimates

The Company’s financial statements are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes thereto. Management believes the accounting estimates are appropriate and reasonably determined. Due to the inherent uncertainties in making these estimates, actual amounts could differ.

The accompanying financial statements also include allocations of certain CEC general corporate expenses. These allocations of general corporate expenses may not reflect the expense the Company would have incurred if CIENJ were a stand-alone company nor are they necessarily indicative of CIENJ’s future costs. Management believes the assumptions and methodologies used in the allocation of general corporate expenses from CEC are reasonable. Given the nature of these costs, it is not practicable for the Company to estimate what these costs would have been on a stand-alone basis.

CAESARS INTERACTIVE ENTERTAINMENT NEW JERSEY, LLC
NOTES TO FINANCIAL STATEMENTS (Continued)
(Unaudited)

Transactions between CEC or its subsidiaries and the Company have been identified in the financial statements as transactions between related parties (see Note 4).

Subsequent Events

The Company completed its subsequent events review through May 14, 2020, the date on which the financial statements were available to be issued, and noted no items requiring disclosure.

Note 2 — Summary of Significant Accounting Policies

Additional significant accounting policy disclosures are provided within the applicable notes to the financial statements.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with maturities of less than three months from the date of purchase and are stated at the lower of cost or market value.

Advertising and Promotions

CIENJ expenses advertising production costs the first time the advertising takes place.

Fair Value

The fair value of cash and cash equivalents, other current assets, payables, and other current liabilities approximates carrying value due to the short-term nature of these financial instruments.

Gaming Taxes

The Company remits a tax equal to 15% of internet gross gaming revenue, as defined, to the State of New Jersey on a monthly basis. The Company's gaming tax expense for the three months ended March 31, 2020 and 2019 was \$2,078 thousand and \$1,958 thousand, respectively. Gaming taxes are included in Casino expense in the accompanying Statements of Income.

Income Taxes

The Company is a disregarded entity for federal and state income tax purposes. The accompanying financial statements do not include a provision for income taxes since any income or loss allocated to the Member is reportable for income tax purposes by the Member. The Company's income tax return and the amount of allocable income are subject to examination by federal and state taxing authorities. If an examination results in a change to the Company's income, the Member's tax may also change.

Casino Reinvestment Development Authority ("CRDA") Investment Obligations

The New Jersey Casino Control Act provides, among other things, for an investment equal to 2.5% of gross internet gaming revenues in lieu of an investment alternative tax ("IAT") equal to 5% of gross internet gaming revenues.

The Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions, or by depositing funds with the CRDA. Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. The Company has elected to make the 2.5% investment with the CRDA as described above. The funds on deposit are held in an interest-bearing account by the CRDA. The Company records impairment charges to operations to reflect the estimated net realizable value of its CRDA investment.

Pursuant to a provision contained within legislation enacted to address Atlantic City's fiscal matters (the "PILOT Legislation"), any CRDA funds not utilized or pledged for direct investments, the purchases of CRDA bonds or otherwise contractually obligated, as well as all funds received from the payment of the IAT going forward are allocated to the City of Atlantic City. The PILOT Legislation directs that these funds be used for the purposes of paying debt service on bonds issued by the City of Atlantic City prior to and after the date of the PILOT Legislation. These provisions expire as of December 31, 2026.

CAESARS INTERACTIVE ENTERTAINMENT NEW JERSEY, LLC
NOTES TO FINANCIAL STATEMENTS (Continued)
(Unaudited)

Subsequent to the passage of the PILOT Legislation, the Company has recorded the expense associated with IAT payments as a period charge within CRDA related income (expense) in the accompanying Statements of Income. For the three months ended March 31, 2020 the Company did not incur any IAT-related expense due to a modification of the PILOT reimbursement process which aimed to reduce and/or eliminate the IAT payment for the period ending March 31, 2020. For the three months ended March 31, 2019, the Company incurred \$354 thousand, of IAT-related expense.

Note 3 — Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board (the “FASB”) issued the following authoritative guidance amending the FASB Accounting Standards Codification (“ASC”).

Effective January 1, 2020, we adopted the following Accounting Standards Updates (“ASU”), none of which had a material effect on our financial statements:

- ASU 2018-18, *Collaborative Arrangements*
- ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software*
- ASU 2016-13, *Financial Instruments - Credit Losses*

Note 4 — Related Party Transactions

Cross Marketing and Trademark License Agreement

In 2011, CIE entered into a Cross Marketing and Trademark License Agreement with Caesars World, Inc., Caesars License Company, LLC, CEC, and CEOC, LLC (“CEOC LLC”). In addition to granting CIE the exclusive rights to use various brands of CEC in connection with social and mobile games and online real money gaming in exchange for a 3% royalty, this agreement also provides that CEOC LLC will provide certain marketing and promotional activities to CIE, including participation in CEC’s loyalty program, Caesars Rewards, and CIE will provide certain marketing and promotional activities to CEC and CEOC LLC. The agreement also provides for certain revenue share arrangements whereby CIE pays CEOC LLC for customer referrals. This agreement is in effect until December 31, 2026, unless terminated earlier pursuant to the agreement’s terms. CIENJ, as a subsidiary of CIE, is subject to the terms and conditions of this agreement. For the three months ended March 31, 2020 and 2019, the Company’s expense in connection with this agreement was \$209 thousand and \$278 thousand, respectively. This expense is included in Charges from affiliates other than interest in the Statements of Income.

Allocated General Corporate Expenses

CIE is a party to a shared services agreement with CEOC LLC pursuant to which CEOC LLC provides certain services to CIE. The agreement, among other things:

- contemplates that CEOC LLC will provide certain services related to accounting, risk management, tax, finance, recordkeeping, financial statement preparation and audit support, legal, treasury functions, regulatory compliance, information systems, office space, and corporate and other centralized services;
- allows the parties to modify the terms and conditions of CEOC LLC’s performance of any of the services and to request additional services from time to time; and
- provides for payment of a service fee to CEOC LLC in exchange for the provision of services in an amount equal to the fully allocated cost of such services plus a margin of 10%.

The Statements of Income reflect an allocation of both expenses incurred in connection with this shared services agreement and directly billed expenses incurred through CEC or its subsidiaries. General corporate expenses have been allocated based on a percentage of revenue, or on another basis (such as headcount), depending upon the nature of the general corporate expense being allocated, including at times a 10% surcharge. General corporate expenses subject to allocation include executive management, tax, insurance, accounting, legal, treasury and information technology expenses. For the three months ended March 31, 2020 and 2019, CIENJ recorded allocated general corporate expenses and directly billed expenses totaling \$70 thousand and \$113 thousand, respectively. These expenses are included in Charges from affiliates other than interest in the Statements of Income.

CAESARS INTERACTIVE ENTERTAINMENT NEW JERSEY, LLC
NOTES TO FINANCIAL STATEMENTS (Continued)
(Unaudited)

Datacenter License Agreement

In 2013, CIENJ entered into a datacenter license agreement with Boardwalk Regency Corporation; d/b/a Caesars Atlantic City Hotel and Casino (“Caesars AC”), a subsidiary of CEOC LLC and an affiliate of CIENJ, to lease a portion of Caesars AC’s property for the purpose of housing CIENJ’s interactive gaming datacenter (the “Datacenter Agreement”).

Distributions to Member

CIE pays certain costs on behalf of CIENJ, which are settled in the normal course of business. No formal agreement between the Member and CIENJ exists, and no interest is imputed due to the related party nature of the arrangement. Quarterly, excess cash is swept from CIENJ to CIE in settlement of the costs paid by CIE on behalf of CIENJ. Cash distributions that exceed the costs paid by CIE are considered to be distributions to our member.

Note 5 — Other Current Assets

Other current assets consisted of the following:

<i>(In thousands)</i>	As of March 31, 2020	
	2020	2019
Prepaid license fees	\$ 182	\$ 163
Prepaid advertising and other	158	386
Total other current assets	<u>\$ 340</u>	<u>\$ 549</u>

Note 6 — Property and Equipment, net

Additions to leasehold improvements and equipment are stated at cost. The Company capitalizes the costs of improvements that extend the life of the asset, while costs of repairs and maintenance are charged to expense as incurred. Gains or losses on the disposition of leasehold improvements and equipment are included in the determination of net income.

Depreciation on computer equipment, furniture and fixtures and leasehold improvements is provided using the straight-line method over the shorter of the estimated useful life of the asset or the related lease, as follows:

Furniture, fixtures and equipment	2.5 to 12 years
Leasehold improvements	3 to 30 years

Management reviews the carrying value of leasehold improvements and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from their use and eventual disposition. In cases where undiscounted, expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the estimated fair value of the asset. The factors considered by management in performing this assessment include current operating results, trends and prospects, and the effect of obsolescence, demand, competition, a change in physical condition, and legal and other economic factors.

Property and equipment, net consisted of the following:

<i>(In thousands)</i>	As of March 31,	
	2020	2019
Leasehold improvements	\$ 700	\$ 700
Furniture, fixtures, and equipment	410	410
Property and equipment, gross	<u>1,110</u>	<u>1,110</u>
Less: accumulated depreciation	(1,071)	(1,029)
Property and equipment, net	<u>\$ 39</u>	<u>\$ 81</u>

CAESARS INTERACTIVE ENTERTAINMENT NEW JERSEY, LLC
NOTES TO FINANCIAL STATEMENTS (Continued)
(Unaudited)

For the three months ended March 31, 2020 and 2019, CIENJ recorded depreciation expense totaling \$10 thousand and \$10 thousand, respectively. Depreciation expense for Property and equipment is reflected in Depreciation and amortization in the Statements of Income.

Note 7 — Other Accrued Expenses and Other Current Liabilities

Other accrued expenses consisted of the following:

<i>(In thousands)</i>	As of March 31,	
	2020	2019
Accrued gaming liabilities	\$ 3,228	\$ 2,900
Accrued revenue share expense	810	1,082
Accrued gaming taxes	1,013	828
Accrued CRDA expense	7	364
Other accruals	13	57
Total other accrued expenses	\$ 5,071	\$ 5,231

Other current liabilities consisted of the following:

<i>(In thousands)</i>	As of March 31,	
	2020	2019
Internet patron liability	\$ 8,209	\$ 6,110
Payment processing liabilities	1,674	982
Other contract liabilities	1,290	—
Internet partner liability	417	423
Operating lease liability	190	—
Total other current liabilities	\$ 11,780	\$ 7,515

Note 8 — Litigation, Contractual Commitments, and Contingent Liabilities

Litigation

The Company is party to other ordinary and routine litigation incidental to our business. We do not expect the outcome of any such litigation to have a material effect on our financial position, results of operations, or cash flows, as we do not believe it is reasonably possible that we will incur material losses as a result of such litigation.

Note 9 — Revenue Recognition

Disaggregation of Revenue

<i>(In thousands)</i>	Three Months Ended March 31,	
	2020	2019
Online real money gaming	\$ 10,384	\$ 10,127
Other contract revenue	397	282
Total contract revenues	10,781	10,409
Lease revenue	69	101
Net revenues	\$ 10,850	\$ 10,510

CAESARS INTERACTIVE ENTERTAINMENT NEW JERSEY, LLC
NOTES TO FINANCIAL STATEMENTS (Continued)
(Unaudited)

Accounting Policies

We analyze our revenues based upon the type of services we provide. We recognize revenue for services when the services are performed and when we have no substantive performance obligation remaining. Sales and other taxes collected from customers on behalf of governmental authorities are accounted for on a net basis and are not included in net revenues or costs and expenses.

Casino Revenue

Online real money gaming revenues are measured by the aggregate net difference between gaming wins and losses and are recorded as Casino revenue in the accompanying Statements of Income, with liabilities recognized for funds deposited by customers before gaming play occurs. Cash discounts and other cash incentives are recorded as a reduction to Casino revenue.

The Company entered into an agreement with 888 Atlantic Limited (“888”), an affiliate of AAPN, for 888 to develop and maintain the Company’s online gaming platform and provide certain interactive gaming services. Under this agreement, the Company pays 888 a fixed percentage of its Net Casino Revenues, as defined in the agreement (“Net Casino Revenues”). The Company is the primary obligor in this arrangement, and as such, CIENJ recognizes revenue on a gross basis with a corresponding expense for 888’s share of Net Casino Revenues.

In September 2013, the Company entered into an online platform and services agreement with Amaya Gaming Group Inc., (“Amaya”), whereby CIENJ pays a fixed percentage of its Net Casino Revenues, as defined in the agreement, for use of an online gaming platform and other interactive gaming services. In November 2014, NYX Gaming Group acquired the subsidiary of Amaya operating the online casino platform for the Caesars Casino brand. Similar to the 888 agreement, the Company is the primary obligor in this arrangement, and as such, CIENJ recognizes revenue on a gross basis with a corresponding expense for the third-party’s share of Net Casino Revenues.

For the three months ended March 31, 2020 and 2019, the Company recognized \$1,637 thousand and \$1,670 thousand, respectively, of revenue share expense associated with its platform and content agreements. This expense is included in Casino expense in the accompanying Statements of Income.

The Company entered into an agreement to provide administrative interactive gaming services to AAPN, whereby the Company receives a fixed percentage of Net Casino Revenues, as defined in the agreement, for providing such administrative services. The Company is not the primary obligor in this arrangement, and as such, CIENJ records revenue on a net basis. As a result, revenue as reported in the accompanying Statements of Income only reflects CIENJ’s share of casino revenues associated with AAPN’s 888.com platform. For the three months ended March 31, 2020 and 2019, the Company recognized \$115 thousand and \$98 thousand, respectively, of revenue associated with this agreement. Additionally, reimbursable expenses incurred on behalf of third parties in connection with these arrangements are recorded on a gross basis and associated revenues are included in Other revenue in the accompanying Statements of Income.

Caesars Rewards Loyalty Program

Through a cross-marketing agreement with CEOC, LLC, a majority-owned subsidiary of CEC and an affiliate of CIENJ, patrons of CaesarsCasino.com and HarrahsCasino.com have access to CEC’s customer loyalty program, Caesars Rewards. Caesars Rewards grants Reward Credits to Caesars Rewards Members based on on-property spending, including gaming, hotel, dining, and retail shopping at all Caesars-affiliated properties. Members may redeem Reward Credits for complimentary or discounted goods and services such as rooms, food and beverages, merchandise, entertainment, and travel accommodations. Members are able to accumulate Reward Credits over time that they may redeem at their discretion under the terms of the program. Additionally, patrons of CaesarsCasino.com and HarrahsCasino.com have the opportunity to redeem their online reward credits for cash that is deposited directly into the patron’s online wagering account. A member’s Reward Credit balance is forfeited if the member does not earn at least one Reward Credit during a continuous six-month period. Reward Credits earned by customers are recorded as a reduction to Casino revenue in the accompanying Statements of Income. Refer to Note 4 for further description of the cross-marketing agreement.

Patrons of the WSOP.com platform have access to the Company’s Poker Rewards loyalty program. Under this program, patrons have the opportunity to redeem their points for cash once a certain tier status is achieved in accordance with the terms of the program. Patrons of the Poker Rewards loyalty program also have the ability to earn status in the Caesars Rewards program through the Company’s tier matching program. As points earned under this program can be redeemed for cash, the Company accrues 100% of the cash converted point balance as such credits are earned as a reduction to Casino revenue in the accompanying Statements of Income. For the three months ended March 31, 2020 and 2019, the Company recorded \$64 thousand and \$39 thousand, respectively, as a reduction to Casino revenue in association with the Company’s loyalty programs.

CAESARS INTERACTIVE ENTERTAINMENT NEW JERSEY, LLC
NOTES TO FINANCIAL STATEMENTS (Continued)
(Unaudited)

Because of the significance of the Caesars Rewards program and the ability for customers to accumulate Reward Credits based on their past play, we have determined that Reward Credits granted in conjunction with other earning activity represent a performance obligation. As a result, for transactions in which Reward Credits are earned, we allocate a portion of the transaction price to the Reward Credits that are earned based upon the relative standalone selling prices (“SSP”) of the goods and services involved.

We have determined the SSP of a Reward Credit by computing the redemption value of credits expected to be redeemed. Because Reward Credits are not otherwise independently sold, we analyzed all Reward Credit redemption activity over the preceding calendar year and determined the redemption value based on the fair market value of the goods and services for which the Reward Credits were redeemed.

As part of determining the SSP for Reward Credits, we also determined that there is generally an amount of Reward Credits that is not redeemed, which is considered “breakage.” We recognize the expected breakage proportionally with the pattern of revenue recognized related to the redemption of Reward Credits. We periodically reassess our customer behaviors and revise our expectations as deemed necessary on a prospective basis.

Receivables

Receivables primarily consist of amounts collectible from third party credit card processors and reimbursable expenses from internet service partners. Credit card processing receivables typically have a high turnover rate and are generally not subject to increased credit risk. Receivables are typically non-interest bearing and are initially recorded at cost. Management reserves for receivables at estimate of expected loss to be incurred. For the three months ended March 31, 2020 and 2019, the Company recorded \$64 thousand and zero, respectively, of allowance for doubtful accounts.

<u>(In thousands)</u>	As of March 31,	
	2020	2019
Reimbursable expenses and other	\$ 2,411	\$ 1,464
Credit card receivables, net	485	290
Contract receivables	2,896	1,754
Real estate leases	44	—
Other	9	37
Receivables, net	<u>\$ 2,949</u>	<u>\$ 1,791</u>

Contract Liabilities

On March 1, 2019, the Company entered into an agreement with WSI US, LLC (“Wynn”) wherein the Company will provide Wynn with access to an available gaming license in the state of New Jersey. Per the agreement the Company will be entitled to a Minimum Annual Royalty Fee “Royalty” and a percentage of casino and sports betting net gaming revenues should such revenues exceed the Royalty. On August 13, 2019 the Company received the initial term Royalty payment of \$1,290 thousand from Wynn which was recorded to Other current liabilities on the accompanying Balance Sheets. As of March 31, 2020, Wynn’s gaming platform was not in operation. Upon Wynn’s go-live, the fee will be amortized on a straight-line basis and recognized as Other revenue.

<u>(In thousands)</u>	Advanced Royalties	Total
Balance as of December 31, 2019	\$ 1,290	\$ 1,290
Amount accrued during the period	—	—
Balance as of March 31, 2020	<u>\$ 1,290</u>	<u>\$ 1,290</u>

Lessor Arrangements

The Company is the lessor under several sublease agreements pertaining to its leased interactive gaming datacenter space. These leases are short-term in nature. The rental revenue in relation to these sublease agreements is included in Other revenue within the accompanying Statements of Income. For the three months ended March 31, 2020 and 2019, the Company recognized \$69 thousand and \$101 thousand, respectively, of revenue associated with sublease agreements. There were no future minimum rental payments contractually owed to the Company under sublease agreements as of March 31, 2020.