BORGATA HOTEL CASINO & SPA

QUARTERLY REPORT

FOR THE QUARTER ENDED DECEMBER 31, 2019

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

OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

BORGATA HOTEL CASINO & SPA
BALANCE SHEETS

AS OF DECEMBER 31, 2019 AND 2018

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents	2	$74,629	$79,620
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2019, $24,267; 2018, $21,006)	3	38,689	41,492
4	Inventories		3,952	3,980
5	Other Current Assets	2	9,043	6,218
6	Total Current Assets		126,313	131,310
7	Investments, Advances, and Receivables	2,4	616,693	624,700
8	Property and Equipment - Gross	2,5	158,011	1,402,172
9	Less: Accumulated Depreciation and Amortization	2,5	(65,507)	(138,864)
10	Property and Equipment - Net		92,504	1,263,308
11	Other Assets	8,9	1,787,395	494,858
12	Total Assets		$2,622,905	$2,514,176
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$3,027	$2,425
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	2	0	6,954
18	Other Accrued Expenses	6	74,792	88,610
19	Other Current Liabilities	7,8	115,184	70,252
20	Total Current Liabilities		193,003	168,241
	Long-Term Debt:			
21	Due to Affiliates		0	0
22	External		0	0
23	Deferred Credits		0	0
24	Other Liabilities	8	1,345,394	1,318,561
25	Commitments and Contingencies		0	0
26	Total Liabilities		1,538,397	1,486,802
27	Stockholders', Partners', or Proprietor's Equity	2	1,084,508	1,027,374
28	Total Liabilities and Equity		$2,622,905	$2,514,176

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

BORGATA HOTEL CASINO & SPA
STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019 AND 2018

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	Revenue:			
1	Casino	2, 8	$464,946	$451,300
2	Rooms	2	141,170	153,812
3	Food and Beverage	2	152,502	160,630
4	Other	2	58,407	61,874
5	Net Revenue	2	817,025	827,616
	Costs and Expenses:			
6	Casino	2	216,151	201,422
7	Rooms, Food and Beverage	2	152,344	157,677
8	General, Administrative and Other	2,8,10	238,954	262,061
9	Total Costs and Expenses		607,449	621,160
10	Gross Operating Profit		209,576	206,456
11	Depreciation and Amortization	5,8	18,069	57,523
	Charges from Affiliates Other than Interest:			
12	Management Fees		0	0
13	Other		0	0
14	Income (Loss) from Operations		191,507	148,933
	Other Income (Expenses):			
15	Interest Expense - Affiliates		0	0
16	Interest Expense - External		0	0
17	CRDA Related Income (Expense) - Net	2	(10,713)	(10,311)
18	Nonoperating Income (Expense) - Net	2	(63,050)	(69,657)
19	Total Other Income (Expenses)	4,8	(73,763)	(79,968)
20	Income (Loss) Before Taxes		117,744	68,965
21	Provision (Credit) for Income Taxes	2	8,994	6,183
22	Net Income (Loss)		$108,750	$62,782

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

BORGATA HOTEL CASINO & SPA
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2019 AND 2018

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	Revenue:			
1	Casino	2, 8	$114,844	$109,090
2	Rooms	2	30,898	33,835
3	Food and Beverage	2	36,632	35,615
4	Other	2	13,566	13,589
5	Net Revenue	2	195,940	192,129
	Costs and Expenses:			
6	Casino	2	56,530	49,128
7	Rooms, Food and Beverage	2	37,243	37,264
8	General, Administrative and Other	2,8,10	57,565	60,520
9	Total Costs and Expenses		151,338	146,912
10	Gross Operating Profit		44,602	45,217
11	Depreciation and Amortization	5	4,654	14,536
	Charges from Affiliates Other than Interest:			
12	Management Fees		0	0
13	Other		0	0
14	Income (Loss) from Operations		39,948	30,681
	Other Income (Expenses):			
15	Interest Expense - Affiliates		0	0
16	Interest Expense - External		0	0
17	CRDA Related Income (Expense) - Net	2	(2,726)	(2,421)
18	Nonoperating Income (Expense) - Net	2	(8,946)	(16,075)
19	Total Other Income (Expenses)	4,8	(11,672)	(18,496)
20	Income (Loss) Before Taxes		28,276	12,185
21	Provision (Credit) for Income Taxes	2	780	1,152
22	Net Income (Loss)		$27,496	$11,033

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

BORGATA HOTEL CASINO & SPA
STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018
AND THE TWELVE MONTHS ENDED DECEMBER, 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, 2017..........**	2	$1,150,373	($73,954)	$0	$1,076,419
2	Net Income (Loss) - 2018..........			62,782		62,782
3	Capital Contributions................					0
4	Capital Withdrawals..................					0
5	Partnership Distributions...........					0
6	Prior Period Adjustments..........					0
7	Distribution to Parent in					0
8	connection with REIT			(111,827)		(111,827)
9						0
10	**Balance, December 31, 2018..........**	2	1,150,373	(122,999)	0	1,027,374
11	Net Income (Loss) - 2019..........			108,750		108,750
12	Capital Contributions................					0
13	Capital Withdrawals..................					0
14	Partnership Distributions...........			(123,500)		(123,500)
15	Prior Period Adjustments..........					0
16	Distribution to Parent in					0
17	connection with REIT			(1,294)		(1,294)
18	Impact of ASC 842 Adoption			73,178		73,178
19	**Balance, December 31, 2019..........**		$1,150,373	($65,865)	$0	$1,084,508

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

BORGATA HOTEL CASINO & SPA
STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019 AND 2018

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES...		$167,252	$147,573
	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	5	(38,679)	(10,224)
5	Proceeds from Disposition of Property and Equipment	2,5	448	247
6	CRDA Obligations	2,10	(10,560)	(10,383)
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				
11				
12	Net Cash Provided (Used) By Investing Activities		(48,791)	(20,360)
	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	Distributions to Parent		(123,500)	(111,827)
22	Finance Lease Interest Expense		48	
23	Net Cash Provided (Used) By Financing Activities		(123,452)	(111,827)
24	Net Increase (Decrease) in Cash and Cash Equivalents		(4,991)	15,386
25	Cash and Cash Equivalents at Beginning of Period		79,620	64,234
26	Cash and Cash Equivalents at End of Period		$74,629	$79,620

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)			$0
28	Income Taxes		$11,850	$1,750

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

BORGATA HOTEL CASINO & SPA
STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019 AND 2018

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)..		$108,750	$62,782
30	Depreciation and Amortization of Property and Equipment...	5	17,336	52,692
31	Amortization of Other Assets..		733	4,831
32	Amortization of Debt Discount or Premium..........................		0	0
33	Deferred Income Taxes - Current		0	0
34	Deferred Income Taxes - Noncurrent	2,9	(223)	(202)
35	(Gain) Loss on Disposition of Property and Equipment.........		(260)	936
36	(Gain) Loss on CRDA-Related Obligations...........................		10,713	10,311
37	(Gain) Loss from Other Investment Activities.......................		(45,602)	(21,191)
38	(Increase) Decrease in Receivables and Patrons' Checks		2,803	(663)
39	(Increase) Decrease in Inventories		28	(324)
40	(Increase) Decrease in Other Current Assets..........................		(2,825)	(366)
41	(Increase) Decrease in Other Assets.......................................		(991)	(634)
42	Increase (Decrease) in Accounts Payable...............................		578	(1,675)
43	Increase (Decrease) in Other Current Liabilities		54,757	42,268
44	Increase (Decrease) in Other Liabilities		(9,584)	(1,192)
45	Amortization of Operating Leases		31,039	0
46	....			
47	Net Cash Provided (Used) By Operating Activities..................		$167,252	$147,573

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2019 (c)	2018 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment....................................	5	($38,679)	($10,224)
49	Less: Capital Lease Obligations Incurred..............................			
50	Cash Outflows for Property and Equipment..............................		($38,679)	($10,224)
	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.

BORGATA HOTEL CASINO & SPA
SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE TWEVLE MONTHS ENDED DECEMBER 31, 2019
(UNAUDITED)
($ IN THOUSANDS)

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms	587,213	$104,951	0	$0
2	Food	2,039,876	54,587	247,510	2,475
3	Beverage	5,485,673	17,828	0	0
4	Travel	0	0	17,515	4,379
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	3,293,040	82,326	0	0
7	Complimentary Cash Gifts	2,132,454	53,311	0	0
8	Entertainment	148,238	5,930	1,828	182
9	Retail & Non-Cash Gifts	32,969	1,648	20,094	5,024
10	Parking	1,204,334	1,132	1,132,074	4,528
11	Other	352,459	7,084	381,398	2,056
12	Total	15,276,256	$328,797	1,800,419	$18,644

FOR THE THREE MONTHS ENDED DECEMBER 31, 2019

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms	135,900	$22,809	0	$0
2	Food	479,010	12,818	60,248	602
3	Beverage	1,332,636	4,331	0	0
4	Travel	0	0	5,171	1,293
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	753,565	18,839	0	0
7	Complimentary Cash Gifts	768,367	19,209	0	0
8	Entertainment	29,284	1,172	912	91
9	Retail & Non-Cash Gifts	6,991	349	4,793	1,198
10	Parking	284,136	267	267,088	1,068
11	Other	82,767	79	110,798	669
12	Total	3,872,656	$79,873	449,010	$4,921

*No item in this category (Other) exceeds 5%.

BORGATA HOTEL CASINO & SPA
STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED DECEMBER 31, 2019

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.

4/30/2020
Date

Hugh Turner

VP of Finance
Title

007833-11
License Number

On Behalf of:

BORGATA HOTEL CASINO & SPA
Casino Licensee

Marina District Development Company, LLC

(A Wholly-Owned Subsidiary of Marina District Development Holding Co., LLC)

Notes to Financial Statements
(Unaudited)

NOTE 1. BUSINESS

Organization
Marina District Development Company, LLC ("MDDC" or the "Company"), is a New Jersey limited liability company and Marina District Development Holding Company ("MDDHC") is the sole member of MDDC. MDDHC is a wholly owned subsidiary of MGM Resorts International ("MGM").

MDDC was incorporated in July 1998 and has been operating since July 3, 2003. The Company developed, owns and operates Borgata Hotel Casino and Spa, including The Water Club at Borgata (collectively, "Borgata"). Borgata is located on a 45.6-acre site at Renaissance Pointe in Atlantic City, New Jersey. Borgata is an upscale destination resort and gaming entertainment property.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Cash and Cash Equivalents
Cash and cash equivalents include highly liquid investments with maturities of three months or less at their date of purchase, and are on deposit with high credit quality financial institutions. The carrying values of these instruments approximate their fair values due to their short maturities.

Cash and cash equivalents consist of the following:

	Year Ended December 31,	
	2019	**2018**
Unrestricted cash and cash equivalents	$ 61,173,000	$ 71,676,000
Restricted cash	13,456,000	7,944,000
Total cash and cash equivalents	**$ 74,629,000**	**$ 79,620,000**

Cash and cash equivalents at December 31, 2019 and 2018 included restricted cash consisting primarily of advance payments related to amounts restricted by regulation for online gaming purposes. These restricted cash balances are held by high credit quality financial institutions. The carrying value of these instruments approximates their fair value due to their short maturities.

Accounts Receivable, net and credit risk
Accounts receivable consist primarily of casino, hotel and other receivables, net of an allowance for doubtful accounts of $24,267,000 and $21,006,000 as of December 31, 2019 and 2018, respectively. Accounts receivable are typically non-interest-bearing and are initially recorded at cost. Accounts are written off when management deems the account to be uncollectible. An estimated allowance for doubtful accounts is maintained to reduce receivables to their estimated realizable amount. The

allowance is estimated based on specific review of customer accounts and management's historical collection experience as well as current economic and business conditions. As a result, the net carrying value approximates fair value. Management believes that as of December 31, 2019, no significant concentrations of credit risk existed for which an allowance had not already been recorded.

Inventories
Inventories consist primarily of food and beverage and retail items and are stated at the lower of net realizable value. Cost is determined using the average cost method.

Property and Equipment
Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or, for leasehold improvements, over the shorter of the asset's useful life or term of the lease.

The estimated useful lives of the major components of property and equipment are:

Building and improvements	10 to 40 years
Furniture and equipment	3 to 7 years

Gains or losses on disposals of assets are recognized as incurred using the specific identification method. Costs of major improvements are capitalized, while costs of normal repairs and maintenance are charged to expense as incurred.

The Company evaluates the carrying value of long-lived assets whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. For an asset that is to be disposed of, the Company recognizes the asset at the lower of carrying value or fair market value, less costs of disposal, as estimated based on comparable asset sales, solicited offers, or a discounted cash flow model. For a long-lived asset to be held and used, the Company reviews the asset for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company then compares the estimated undiscounted future cash flows of the asset to the carrying value of the asset. The asset is not impaired if the undiscounted future cash flows exceed its carrying value. If the carrying value exceeds the undiscounted future cash flows, then an impairment charge is recorded, typically measured using a discounted cash flow model, which is based on the estimated future results of the relevant reporting unit discounted using the Company's weighted-average cost of capital and market indicators of terminal year free cash flow multiples. If an asset is under development, future cash flows include remaining construction costs. All resulting recognized impairment charges are recorded as operating expenses.

No long-lived asset impairment charges were recorded during the years ended December 31, 2019 or 2018.

CRDA Investments
Pursuant to the New Jersey Casino Control Act ("Casino Control Act"), as a casino licensee, the Company is assessed an amount equal to 1.25% of its land-based and online sports related gross gaming revenues in order to fund qualified investments. This assessment is made in lieu of an Investment Alternative Tax (the "IAT") equal to 2.5% of land-based and online sports related gross gaming revenues. The Casino Control Act also provides for an assessment of licensees equal to 2.5% of non-sports online gross gaming revenues, which is made in lieu of an IAT equal to 5.0% of non-sports online gross gaming revenues. Once the funds are deposited with the New Jersey Casino Reinvestment Development Authority ("CRDA"), qualified investments may be satisfied by: (i) the purchase of bonds issued by the CRDA at below market rates of interest; (ii) direct investment in CRDA-approved projects; or (iii) a donation of funds to projects as determined by the CRDA. According to the Casino Control Act, funds on deposit with the CRDA are invested by the CRDA and the resulting income is shared two-thirds to the casino licensee and one-third to the CRDA. Further, the Casino Control Act requires that CRDA bonds be issued at statutory rates established at two-thirds of market value.

In May 2016, pursuant to a provision contained within legislation enacted to address Atlantic City's fiscal matters commonly referred to as the PILOT (payment in lieu of taxes) law, any CRDA funds not utilized or pledged for direct investments, the purchases of CRDA bonds or otherwise contractually obligated, related to all funds received from the payment of the IAT going forward are allocated to the City of Atlantic City. The PILOT law 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 law. These provisions expire as of December 31, 2026.

The Company is required to make quarterly deposits with the CRDA to satisfy its investment obligations and, as a result of the PILOT law, records a charge to expense for 100% of the obligation amount as of the date the obligation arises.

Investment in Unconsolidated Affiliate

As discussed in Note 4, the Company holds an investment in MGM Growth Properties Operating Partnership LP (the "Operating Partnership"), an unconsolidated affiliate accounted for under the equity method. Under the equity method, carrying value is adjusted for the Company's share of investee earnings and losses, amortization of certain basis differences, as well as capital contributions to and distributions from the Operating Partnership. The Company classifies its share of income and losses as well as gains and impairments related to its investment in unconsolidated affiliate in "Nonoperating Income (Expense) - Net" in the statements of income. Distributions in excess of equity method earnings are recognized as a return of investment and recorded as investing cash inflows in the accompanying statements of cash flows.

The Company evaluates its investment in unconsolidated affiliate for impairment whenever events or changes in circumstances indicate that the carrying value of its investment may have experienced an "other-than-temporary" decline in value. If such conditions exist, the Company compares the estimated fair value of the investment to its carrying value to determine if an impairment is indicated and determines whether the impairment is "other-than-temporary" based on its assessment of all relevant factors, including consideration of the Company's intent and ability to retain its investment. No such conditions existed during the months ended December 31, 2019 or 2018. The Company estimates fair value using a discounted cash flow analysis based on estimated future results of the investee and market indicators of terminal year capitalization rates, and a market approach that utilizes business enterprise value multiples based on a range of multiples from the Company's peer group.

Prior to January 1, 2019, the Company had adjusted its investment balance to account for the impact of the failed sale-leaseback accounting discussed in Note 8. As of January 1, 2019, the Company no longer adjusts its investment balance as the Master Lease, discussed below, is no longer accounted for a failed sale.

Goodwill and intangible assets

Goodwill represents the excess of purchase price over fair market value of net assets acquired in business combinations. The Company's indefinite-lived intangible assets include trade names. Goodwill and indefinite-lived intangible assets must be reviewed for impairment at least annually and between annual test dates in certain circumstances. The Company performs its annual impairment test in the fourth quarter of each fiscal year. No impairments were indicated or recorded as a result of the annual impairment review for goodwill and indefinite-lived intangible assets in 2019 or 2018.

Accounting guidance provides entities the option to perform a qualitative assessment of goodwill and indefinite-lived intangible assets (commonly referred to as "step zero") in order to determine whether further impairment testing is necessary. In performing the step zero analysis the Company considers macroeconomic conditions, industry and market considerations, current and forecasted financial performance, entity-specific events, and changes in the composition or carrying amount of net assets of reporting units for goodwill. In addition, the Company takes into consideration the amount of excess of fair value over carrying value determined in the last quantitative analysis that was performed, as well as the period of time that has passed since the last quantitative analysis. If the step zero analysis indicates that it is more likely than not that the fair value is less than its carrying amount, the entity would proceed to a quantitative analysis.

Under the quantitative analysis, goodwill for relevant reporting units is tested for impairment using a discounted cash flow analysis based on the estimated future results of the Company's reporting units discounted using market discount rates and market indicators of terminal year capitalization rates, and a market approach that utilizes business enterprise value multiples based on a range of multiples from the Company's peer group. An impairment charge is recognized for the amount by which the carrying value exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit. Under the quantitative analysis, the trademarks and trade names are tested for impairment using the relief-from-royalty method, which includes judgments about the value a market participant would be willing to pay in order to achieve the benefits associated with the trade name. If the estimated fair value of its indefinite-lived intangible assets were less than the carrying amount, the Company would recognize an impairment charge for the difference between the estimated fair value and the carrying value of the assets.

Finite-lived intangible assets subject to amortization consist of customer lists related to the Company's loyalty programs. These assets are amortized over their estimated useful lives and became fully amortized in 2018.

Revenue Recognition

The Company's revenue contracts with customers consist of casino wager, hotel room sales, food & beverage transactions, and other transactions. The transaction price for a casino wager is the difference between gaming wins and losses ("net win"). In certain circumstances, the Company offers discounts on markers, which is estimated based upon historical business practice, and recorded as a reduction of casino revenue. The Company accounts for casino revenue on a portfolio basis given the similar characteristics of wagers by recognizing net win per gaming day versus on an individual wager basis.

For casino wager transactions that include other goods and services provided by the Company to gaming patrons on a discretionary basis to incentivize gaming, the Company allocates revenue from the casino wager transaction to the good or service delivered based upon stand-alone selling price ("SSP"). Discretionary goods and services provided by the Company and supplied by third parties are recognized as an operating expense.

For casino wager transactions that include incentives earned by customers under the Company's loyalty programs, the Company allocates a portion of net win based upon the SSP of such incentive (less estimated breakage). This allocation is deferred and recognized as revenue when the customer redeems the incentive. When redeemed, revenue is recognized in the department that provides the goods or service. Redemption of loyalty incentives at third party outlets are deducted from the loyalty liability and amounts owed are paid to the third party, with any discount received recorded as other revenue. The amount of incentives provided to gaming customers was $323,884,000 and $309,975,000 for the years ended December 31, 2019 and 2018, respectively. After allocating revenue to other goods and services provided as part of casino wager transactions, the Company records the residual amount to casino revenue.

The transaction price of rooms, food and beverage, and retail contracts is the net amount collected from the customer for such goods and services. The transaction price for such contracts is recorded as revenue when the good or service is transferred to the customer over their stay at the hotel or when the delivery is made for the food & beverage and other contracts. Sales and usage-based taxes are excluded from revenues. For some arrangements, the Company acts as an agent in that it arranges for another party to transfer goods and services, which primarily include customer rooms arranged by online travel agents.

The Company also has other contracts that include multiple goods and services, such as packages that bundle food and beverage offerings with hotel stays and convention services. For such arrangements, the Company allocates revenue to each good or service based on its relative SSP. The Company primarily determines the SSP of rooms, food and beverage, and other goods and services based on the amount that the Company charges when sold separately in similar circumstances to similar customers.

Contract and Contract-Related Liabilities

There may be a difference between the timing of cash receipts from the customer and the recognition of revenue, resulting in a contract or contract-related liability. The Company generally has three types of liabilities related to contracts with customers: (1) outstanding chip liability, which represents the amounts owned in exchange for gaming chips held by a customer, (2) loyalty program obligations, which represents the deferred allocation of revenue relating to loyalty program incentives earned, as discussed above, and (3) customer advances and other, which is primarily funds deposited by customers before gaming play occurs ("casino front money") and advance payments on goods and services yet to be provided such as advance ticket sales and deposits on rooms or for unpaid wagers. These liabilities are generally expected to be recognized as revenue within one year of being purchased, earned, or deposited and are recorded within "Other Current Liabilities" on the balance sheets.

Gaming Taxes

The Company is subject to an annual tax assessment of 8.5% based on its land-based sports gross gaming revenue; 8.0% based on its other land-based gross gaming revenues; 13.5% based on its online sports gross gaming revenue; and 15.0% based on its other online gross gaming revenues. These gaming taxes are recorded as a "Casino" expense in the statements of income. These taxes were $62,312,000 and $59,015,000 for the years ended December 31, 2019 and 2018, respectively.

Income Taxes

As a single member limited liability company, MDDC is treated as a disregarded entity for federal income tax purposes. As such, it is not subject to federal income tax and its income is treated as earned by its member, MDDHC. MDDHC is treated as a partnership for federal income tax purposes and federal income taxes are the responsibility of its members. In New Jersey, casino partnerships are subject to state income taxes under the Casino Control Act; therefore, MDDC, considered as a casino partnership, is required to record New Jersey state income taxes.

MGM holds direct and indirect ownership of 100% of the members' interests in MDDHC. MDDHC and MDDC file a New Jersey consolidated casino return with MGM and certain of its subsidiaries. The amounts reflected in the financial statements are reported as if MDDC was taxed for state purposes on a stand-alone basis notwithstanding that MDDC files a consolidated New Jersey tax return as described above.

MDDC is responsible for New Jersey taxes computed on a stand-alone basis and records a payable or receivable to MGM and its subsidiaries to the extent that its stand-alone New Jersey tax liability is greater than or less than the consolidated tax liability.

The amounts due to affiliates are a result of the arrangements described above. A reconciliation of the components of the Company's stand-alone state income taxes receivable (payable) is presented below:

	Year Ended December 31,	
	2019	**2018**
Amounts payable to affiliates of MDDHC	$ (282,000)	$ (7,717,000)
Amounts receivable – State of New Jersey	3,737,000	763,000
Income taxes receivable (payable), net	**$ 3,455,000**	**$ (6,954,000)**

The income tax receivable is included in "Other Current Assets" on the balance sheets.

Advertising Expense
Direct advertising costs are expensed the first time such advertising appears. Advertising costs are included in "General, Administrative and Other" on the statements of income and totaled $12,056,000 and $21,518,000 for the years ended December 31, 2019 and 2018, respectively.

Other Operating Items, net
Other operating items, net, generally includes nonrecurring charges and credits. The Company recorded a net credit of $260,000 and a net expense of $936,000 for the years ended December 31, 2019 and 2018, respectively, primarily relating to the retirement of assets.

Use of Estimates
The preparation of financial statements in conformity with US GAAP 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 these estimates.

Leases
The Company determines if an arrangement is or contains a lease at inception or modification of the arrangement. An arrangement is or contains a lease if there are identified assets and the right to control the use of an identified asset is conveyed for a period in exchange for consideration. Control over the use of the identified asset means the lessee has both the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset.

For leases with terms greater than twelve months, operating lease right-of-use (ROU) assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The operating lease ROU asset also includes any lease payments made. When available, the Company uses the rate implicit in the lease to discount lease payments to present value; however, most of the Company's leases do not provide a readily determinable implicit rate. Therefore, the Company uses its incremental borrowing rate to discount the lease payments based on the information available at commencement date. Many of the Company's leases include fixed rental escalation clauses that are factored into the determination of lease payments. Lease terms include options to extend or terminate the lease when it is reasonably certain that such option will be exercised. Lease expense for minimum lease payments is recognized on a straight-line basis over the expected lease term.

Recently Issued Accounting Pronouncements
In February 2016, the Financial Accounting Standards Board (FASB) issued ASU Update No. 2016-02, Leases (Topic 842) ("ASC 842"), which replaces the existing guidance in FASB ASC Topic 840, Leases. ASC 842 requires a dual approach for lessee accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a ROU asset and a corresponding lease liability. For finance leases, the

lessee would recognize interest expense and amortization of the ROU asset and for operating leases the lessee would recognize a straight-line total lease expense. The Company adopted ASC 842 on January 1, 2019 utilizing the simplified transition method and accordingly did not recast comparative period financial information. The Company elected the basket of transition practical expedients which includes not needing to reassess: (1) whether any expired or existing contracts are or contain leases, (2) the lease classification for any expired or existing leases, and (3) direct costs for any existing leases.

As a result of adoption, the Company re-evaluated the accounting for the Master Lease, as defined below. The Master Lease was previously accounted for as a failed sale-leaseback transaction under the previous accounting guidance since the Company's investment in the Operating Partnership constituted continuing involvement. Under ASC 842, the Company meets the sale-leaseback requirements primarily due to that continuing involvement no longer precludes a "passed sale." As a result, the Company de-recognized the finance liability relating to the Master Lease of $1,291,916,000 that existed as of January 1, 2019 as well as the real estate assets that are now considered sold under ASC 842 of $1,202,353,000. Further, the change in accounting reduced the Company's underlying basis of its investment in the Operating Partnership by $8,325,000 as of January 1, 2019. This net change was recorded to equity. The Company then recorded new operating ROU assets and lease liabilities for the Master Lease, as well as for certain equipment that the Company leases from third parties, resulting in operating ROU assets of $1,322,126,000 and operating lease liabilities of $1,368,307,000 as of January 1, 2019. The net change of adoption, disclosed above, was offset by $8,061,000 of deferred income taxes resulting in $73,178,000 recorded to equity as of January 1, 2019.

In November 2016, the FASB issued Accounting Standards Update 2016-18, Statement of Cash Flows (Topic 230) Restricted Cash ("ASU 2016-18"), which requires that the reconciliation of the beginning of period and end of period amounts shown in the statement of cash flows include restricted cash and restricted cash equivalents. If restricted cash is presented separately from cash and cash equivalents on the balance sheet, companies will be required to reconcile the amounts presented on the statement of cash flows to the amounts on the balance sheet. This guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Company adopted the provisions of ASU 2016-18 using the full retrospective method of adoption effective January 1, 2019. As a result, the change in restricted cash has been excluded from operating activities and included in the change in cash and restricted cash.

NOTE 3. RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks consist of the following:

	Year Ended December 31, 2019	Year Ended December 31, 2018
Casino receivables (net of an allowance for doubtful accounts – 2019 $24,198,000 and 2018 $20,937,000)	$ 28,156,000	$ 31,584,000
Other (net of an allowance for doubtful accounts – 2019 $69,000 and 2018 $69,000)	10,533,000	9,908,000
Receivables and patrons' checks, net	**$ 38,689,000**	**$ 41,492,000**

NOTE 4. INVESTMENT IN UNCONSOLIDATED AFFILIATE

In 2016, MGM Resorts completed a series of transactions in which the real estate assets of the Company was ultimately transferred to the Operating Partnership in exchange for partnership units pursuant to a master contribution agreement. The Operating Partnership is controlled by MGM Growth Properties LLC ("MGP").

The Company's investment in the Operating Partnership has been accounted for under the equity method. The Company's share of income and losses from its equity method investment is included in income from unconsolidated affiliate in the statements of operations.

Prior to January 1, 2019, the Company had adjusted its investment balance to adjust for the impact of the failed sale-leaseback accounting, for which the basis difference between the Company's investment balance and the Operating Partnership's underlying equity was $8,325,000 as of December 31, 2018. This basis difference was resolved upon adoption of ASC 842, which is further discussed within Note 2 and Note 7.

The Company's ownership percentage in the Operating Partnership varies as the Operating Partnership issues or redeems additional Operating Partnership units to other partners and was 10.3% and 8.7% as of December 31, 2018 and 2019, respectively.

Summarized balance sheet data and results of operations of the Operating Partnership are as follows:

	Year Ended December 31,	
	2019	**2018**
Assets	**$ 11,910,272,000**	**$ 10,951,307,000**
Liabilities	$ 5,012,260,000	$ 5,105,801,000
Partners' capital	6,898,012,000	5,845,506,000
Total liabilities and partners' capital	**$ 11,910,272,000**	**$ 10,951,307,000**

	Year Ended December 31,	
	2019	**2018**
Revenues	$ 881,078,000	$ 1,002,444,000
Expenses	355,911,000	526,685,000
Operating income	525,167,000	475,759,000
Interest expense and other non-operating expense	258,220,000	220,222,000
Provision for income taxes	7,598,000	10,835,000
Add: Income from discontinued operations	16,216,000	-
Net income	**$ 275,565,000**	**$ 244,702,000**

NOTE 5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following:

	Year Ended December 31,	
	2019	2018
Land	$ -	$ 35,568,000
Building and improvements	16,927,000	1,249,890,000
Furniture and equipment	96,147,000	113,254,000
Construction in progress	34,119,000	3,461,000
Finance lease ROU assets	10,818,000	-
Total property and equipment	158,011,000	1,402,172,000
Less accumulated depreciation	65,057,000	138,864,000
Less Finance lease ROU asset depreciation	450,000	-
Property and equipment, net	**$ 92,504,000**	**$ 1,263,309,000**

Depreciation expense was $17,336,000 and $52,692,000 for the years ended December 31, 2019 and 2018, respectively.

NOTE 6. OTHER ACCRUED EXPENSES

Other accrued expenses consist of the following:

	Year Ended December 31,	
	2019	2018
Accrued payroll and related expenses	$ 30,608,000	$ 27,581,000
Accrued expenses and other liabilities	39,466,000	48,009,000
Self-insurance reserves	4,718,000	13,020,000
Other accrued expenses	**$ 74,792,000**	**$ 88,610,000**

NOTE 7. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

	Year Ended December 31,	
	2019	2018
Casino related liabilities	$ 22,378,000	$ 18,533,000
Financing liability – current (see Note 2)	-	23,321,000
Due to related parties (see Notes 2 and 10)	44,055,000	15,284,000
Operating lease liability – current (see Note 2 and 8)	34,454,000	-
Financing lease liability – current (see Note 8)	2,602,000	-
Other	11,695,000	13,114,000
Other current liabilities	**$ 115,184,000**	**$ 70,252,000**

The following tables summarize the activity related to contract and contract related liabilities included in "Other Accrued Expenses" and "Other Current Liabilities":

	Outstanding Chip Liability

		2019		2018
Balance at January 1	$	10,761,000	$	10,818,000
Balance at December 31		10,755,000		10,761,000
Increase / (decrease)	**$**	**(6,000)**	**$**	**(57,000)**

	Loyalty Program			
		2019		2018
Balance at January 1	$	11,421,000	$	9,460,000
Balance at December 31		12,015,000		11,421,000
Increase / (decrease)	**$**	**594,000**	**$**	**1,961,000**

	Customer Advances and Other			
		2019		2018
Balance at January 1	$	18,649,000	$	18,816,000
Balance at December 31		24,664,000		18,649,000
Increase / (decrease)	**$**	**6,015,000**	**$**	**(167,000)**

NOTE 8. LEASES

Master lease and ground lease. Pursuant to a master lease agreement (the “Master Lease”) by and between a subsidiary of MGM Resorts (the “Tenant”) and an indirect wholly-owned subsidiary of the Operating Partnership (the “Landlord”), the Tenant has leased the contributed real estate assets from the Landlord, and subleased them to their respective contributing entities, including the Company. The Master Lease has an initial lease term of ten years with the potential to extend the term for four additional five-year terms thereafter at the option of the Tenant. The Master Lease provides that any extension of its term must apply to all of the real estate under the Master Lease at the time of the extension. The Master Lease has a triple-net structure, which requires the Tenant to pay substantially all costs associated with the lease, including real estate taxes, insurance, utilities and routine maintenance, in addition to the rent. The Tenant’s performance and payments under the Master Lease will be guaranteed by MGM. A default by the Tenant with regard to any property under the Master Lease or by MGM with regard to its guarantee will cause a default with regard to the entire portfolio covered by the Master Lease.

Prior to January 1, 2019, the Master Lease was accounted for as a failed sale lease-back and accordingly a finance obligation was recorded by the Company. The contributed assets remained on the Company’s balance sheet, along with a finance liability representing the present value of the Company’s future obligations under the Master Lease. Subsequent to January 1, 2019, upon adoption of ASC 842 on January 1, 2019, the Master Lease qualified for a sale and classified as an operating lease. An operating lease liability was recorded equal to the sum of the present value of the future fixed payments over the remaining lease. The present value of the future fixed payments is measured by discounting the payments using the implicit rate within the Master Lease. As monthly lease payments are made, a portion of the payment will decrease the lease liability and right of use asset.

Landlord leases from a third-party the 20 acres of the land underlying the property on which the Company’s existing employee parking garage, public space expansion, rooms expansion, modified surface parking lot and outdoor pool and entertainment complex reside. Given the triple-net structure of the Master Lease, the Tenant is responsible for the rent payments related to the ground leases through the term of Master Lease.

Other information. Components of lease expense for the Master Lease, which is recorded within “Nonoperating Income (Expense) – Net” on the statements of income, the ground leases, as well as various equipment that the Company leases from third-party under operating lease arrangements, which is primarily recorded within “General, Administrative and Other” on the statements of income, and to a lesser extent, finance lease arrangements were as follows:

	Year Ended December 31, 2019

Operating lease cost	$ 130,684,000
Finance lease cost	
Amortization expense of right-of-use assets (Included in “Depreciation and Amortization”)	$ 451,000
Interest expense on lease liabilities (Included in “Depreciation and Amortization”)	48,000
Total finance lease cost	$ 499,000
Short-term lease cost (Included in “Casino expense”)	$ 2,676,000
Variable lease cost (Included primarily in “General, Administrative and Other”)	7,799,000
Total lease expense	**$ 141,658,000**

Supplemental balance sheet information related to leases was as follows:

	Year Ended December 31, 2019
Operating Leases	
Operating lease ROU assets (Included in “Other Assets”)	$ 1,299,081,000
Operating lease liabilities – Short-term (Included in “Other Current Liabilities”)	$ 34,454,000
Operating lease liabilities – Long-term (Included in “Other Liabilities”)	1,315,727,000
Total operating lease liabilities	**$ 1,350,181,000**
Finance Leases	
Finance lease ROU assets (Included in “Property and Equipment - Net”)	$ 10,368,000
Finance lease liabilities – Short-term (Included in “Other Current Liabilities”)	$ 2,602,000
Finance lease liabilities – Long-term (Included in “Other Liabilities”)	7,819,000
Total finance lease liabilities	**$ 10,421,000**
Weighted-average remaining lease term (years)	
Operating leases	25
Finance leases	4
Weighted-average discount rate (%)	
Operating leases	8%
Finance leases	3%

Supplemental cash flow information related to lease was as follows:

	Year Ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	

Operating cash outflows from operating leases	$ 125,765,000

Right-of-use assets obtained in exchange for new lease liabilities:	
Operating leases	$ 7,994,000
Finance leases	$ 10,819,000

Maturities of lease liabilities were as follows:

	Operating Leases	Finance Leases
Year ending December 31,		
2020	$ 132,693,000	$ 2,849,000
2021	129,053,000	2,865,000
2022	125,684,000	2,865,000
2023	124,895,000	2,388,000
2024	124,895,000	-
Thereafter	2,318,876,000	-
Total future minimum lease payments	2,956,096,000	10,967,000
Less: Amounts of lease payments representing interest	(1,605,915,000)	(546,000)
Present value of future minimum lease payments	$ 1,350,181,000	$ 10,421,000
Less: Current portion	(34,454,000)	(2,602,000)
Long-term lease liabilities	**$ 1,315,727,000**	**$ 7,819,000**

NOTE 9. INCOME TAXES

The State income tax provision (benefit) is as follows:

	Year Ended December 31,	
	2019	**2018**
State		
Current	$ 9,217,000	$ 6,385,000
Deferred	(223,000)	(202,000)
Provision for Income Taxes	**$ 8,994,000**	**$ 6,183,000**

On July 1, 2018, the State of New Jersey enacted legislation that generally provides for an incremental tax of 2.5% for years beginning on or after January 1, 2018 through December 31, 2019 and an incremental tax of 1.5% for years ending on or after January 1, 2020 through December 31, 2021. The Company increased its deferred tax asset by $3,661,000 to reflect the impact of the change in tax rate and recorded a corresponding income tax benefit in the period ended September 30, 2018.

The following table provides a reconciliation between the state statutory rate and the effective income tax rate where both are expressed as a percentage of income:

	Year Ended December 31,	
	2019	**2018**
Tax provision at state statutory rate	11.5%	11.5%
Income not subject to state income tax	(4.5)	(3.5)
Other, net	0.6	1.0
Effective state tax rate	**7.6%**	**9.0%**

Deferred Tax Assets and Liabilities
Deferred tax assets and liabilities are classified as noncurrent on the balance sheet and are provided to record the effects of temporary differences between the tax basis of an asset or liability and its amount as reported on the balance sheets. These temporary differences result in taxable or deductible amounts in future years.

The components comprising the Company's net deferred state tax asset (included in "Other Assets") are as follows:

	Year Ended December 31,	
	2019	**2018**
Deferred state tax assets		
Reserve for employee benefits	$ 1,828,000	$ 1,609,000
Accrued gaming taxes	2,607,000	1,778,000
Provision for doubtful accounts	2,191,000	1,212,000
Accrued expenses	1,258,000	1,472,000
Deferred financing liability	-	117,294,000
Lease liabilities	121,063,000	-
Other	445,000	4,593,000
Gross deferred state tax assets	**$ 129,392,000**	**$ 127,958,000**
Deferred state tax liabilities		
Property and equipment	$ 1,320,000	$ 111,156,000
Intangible	7,454,000	5,303,000
Prepaid services and supplies	616,000	587,000
Right-of-use assets	116,341,000	-
Gross deferred state tax liabilities	**125,731,000**	**117,046**
Net deferred state tax assets	**$ 3,661,000**	**$ 10,912,000**

Accounting for Uncertain Tax Positions
The impact of an uncertain income tax position on the income tax return is recognized as the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Accounting guidance, which is applicable to all income tax positions, provides direction on derecognition, classification, interest and penalties, accounting in interim periods and disclosure.

The Company recognizes interest related to unrecognized tax benefits in its income tax provision. The Company has no unrecognized tax benefits or related interest and penalties for the years ended December 31, 2019 and 2018. The Company does not anticipate any changes in unrecognized tax benefits over the next 12 month period.

Status of Examinations
The Company is subject to state taxation in New Jersey and the state can no longer assess tax with respect to years ended prior to 2014. However, the state may adjust net operating losses generated in such years that are utilized in subsequent years. As the Company is a partnership for federal income tax purposes, it is not subject to federal income tax. The state of New Jersey recently opened an audit of the Company for the tax years 2015 through 2018.

NOTE 10. COMMITMENTS AND CONTIGENCIES

Investment Alternative Tax

The New Jersey state law provides, among other things, for an assessment of licensees equal to 1.25% of land-based and sports related gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of land-based and sports related gross gaming revenues and for an assessment of licensees equal to 2.5% of non-sports online gross gaming revenues in lieu of an IAT equal to 5.0% of non-sports online gross gaming revenues. Generally, 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. CRDA bonds have terms up to fifty years and bear interest at below market rates.

The Company's CRDA obligations for the years ended December 31, 2019 and 2018 were $10,952,000 and $10,322,000, respectively, which were expensed pursuant to the PILOT law.

PILOT Agreement

On February 15, 2017, the Company, the Department of Community Affairs of the State of New Jersey and Atlantic City entered into an interim PILOT financial agreement, effective January 1, 2017. Under the PILOT agreement, commencing in 2017 and for a period of ten (10) years, Atlantic City casino gaming properties will be required to pay a prorated share of PILOT payments totaling $120,000,000 based on a formula that accounts for gaming revenues, the number of hotel rooms and the square footage of each casino gaming property. Commencing in 2018 and each year thereafter, the $120,000,000 base year aggregate payment may either increase to as high as $165,000,000 (based upon industry gross gaming revenue ("GGR") of between $3.0 billion and $3.4 billion) or decrease to a low of $90,000,000 (based upon industry GGR less than $1.8 billion) and further taking into account certain non-GGR revenue streams, with the base year $120,000,000 industry GGR set at between $2.2 billion and $2.6 billion. In years in which the industry PILOT payments do not increase based upon an increase in GGR above the base year or other bracketed amounts, PILOT payments will increase 2%. For casinos whose PILOT payment exceeds their 2015 real estate tax assessment, they will receive a credit against the Investment Alternative Tax ("IAT") for the first five (5) years of the PILOT agreement. As our 2015 tax assessment was $29,087,000, we will receive quarterly reimbursements for payment amounts that are projected to cause us to exceed $29,087,000 annually for the years 2017 through 2021.

On February 23, 2018, the Company, the Department of Community Affairs of the State of New Jersey and Atlantic City entered into an amended interim PILOT financial agreement, effective January 1, 2018, establishing our prorated share as $39,200,000 for calendar year 2018.

On February 11, 2019, the Company, the Department of Community Affairs of the State of New Jersey and Atlantic City entered into an interim PILOT financial agreement, effective January 1, 2019, establishing our prorated share as $29,200,000 for calendar year 2019.

Atlantic City Tourism District

As part of the State of New Jersey's plan to revitalize Atlantic City, a new law was enacted in February 2011 requiring that a tourism district (the "Tourism District") be created and managed by the CRDA. The Tourism District has been established to include each of the Atlantic City casino properties along with certain other tourism related areas of Atlantic City. The law requires that a public-private partnership be created between the CRDA and a private entity that represents existing and future casino licensees. The private entity, known as The Atlantic City Alliance (the "ACA"), has been established in the form of a not-for-profit limited liability company, of which MDDC is a member. The public-private partnership between the ACA and CRDA shall be for an initial term of five years and its general purpose shall be to revitalize the Tourism District. The law requires that a $5,000,000 contribution be made to this effort by all casinos prior to 2012 followed by an annual amount of $30,000,000 to be contributed quarterly by the casinos commencing January 1, 2012 for a term of five years. Each casino's share of the quarterly contributions will equate to a percentage representing its gross gaming revenue for each corresponding period compared to the aggregate gross gaming revenues for that period for all casinos. As a result, the Company will expense its pro rata share of the $155,000,000 as incurred.

The PILOT law also provides for the abolishment of the ACA effective as of January 1, 2015 and redirection of the $30,000,000 in ACA funds paid by the casinos for the year 2016 under the Tourism District Law to the State of New Jersey for Atlantic City fiscal relief and further payments of $15,000,000 in 2017, $10,000,000 in 2018 and $5,000,000 for each year between 2019 and 2023 to Atlantic City. Pursuant to the PILOT Law, the 2015, 2016, 2017, 2018 and 2019 ACA payments have been remitted to the State.

During the years ended December 31, 2019 and 2018, the Company incurred expenses of $1,349,000 and $3,023,000, respectively, for its pro rata share of the contributions.

Legal Matters
The Company is subject to various claims and litigation in the ordinary course of business. In management's opinion, all pending legal matters are either adequately covered by insurance, or if not insured, will not have a material impact on the Company's financial position, results of operations or cash flows.

NOTE 11. EMPLOYEE BENEFIT PLANS

The Company currently participates in multiemployer pension plans in which the risks of participating differs from single-employer plans in the following aspects:

a) Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers;
b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers;
c) If an entity chooses to stop participating in some of its multiemployer plans, the entity may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability; and
d) If the plan is terminated by withdrawal of all employers and if the value of the nonforfeitable benefits exceeds plan assets and withdrawal liability payments, employers are required by law to make up the insufficient difference.

The Company's participation in these plans is presented below.

		Pension Protection Act Zone Status (2)			Contributions by the Company *(in thousands)* (4)			Expiration Dates of Collective Bargaining
Pension Fund (1)	EIN/Pension Plan Number	2018	2017	FIP/RP Status (3)	2019	2018	Surcharge Imposed	Agreements (6)
Legacy Plan of the UNITE HERE Retirement Fund (UHRF) (5)	82-0994119/001	Red	Red	Yes	$10,151	$9,794	Yes	2/29/2020

(1) The Company was listed in the plan's Form 5500 as providing more than 5% of the total contributions for the plan year 2018 for the UHRF. At the date the financial statements were available to be issued, Form 5500 was not available for the plan year 2019.
(2) The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Plans in the red zone are generally less than 65% funded (critical status).
(3) Indicates plans for which a Financial Improvement Plan (FIP) or a Rehabilitation Plan (RP) is either pending or has been implemented.
(4) There have been no significant changes that affect the comparability of contributions.
(5) Effective January 1, 2018, the Pension Benefit Guaranty Corporation approved the spin-off of the UNITE HERE portion of the national Retirement Fund (NRF) to the plan of a newly-formed Legacy Plan of the UHRF. As a result of the spin-off, the pension liabilities as well as certain assets of the plan were transferred to the new Plan. The terms of the Plan are identical to the NRF.
(6) The Company intends to extend the agreement past the expiration date until a new agreement is executed.

Pursuant to its collective bargaining agreements referenced above, the Company also contributes to UNITE HERE Health (the "Health Fund"), which provides healthcare benefits to its active and retired members. The Company contributed $21,100,000 and $20,700,000 to the Health Fund in the years ended December 31, 2019 and 2018, respectively.

NOTE 12. RELATED PARTY TRANSACTIONS

The Company does not pay a management fee to MGM. The Company is engaged in certain transactions with MGM and some of its wholly owned subsidiaries. Related party balances are non-interest bearing and are included in “Other Current Liabilities” on the balance sheets.

NOTE 13. SUBSEQUENT EVENTS

On March 16, 2020, we temporarily suspended the operations of Borgata as a precautionary measure against the ongoing spread of novel coronavirus (known as “COVID-19”) pursuant to an emergency order issued on March 16, 2020 by the state of New Jersey Governor. We will remain in consultation with the state gaming regulatory bodies licensed casinos, public health authorities and government officials to determine safe protocols for when operations may resume. The Company continues to evaluate the nature and extent of the impact of COVID-19 on its business, which is expected to have a material adverse effect on its financial statements for the first quarter of 2020 and thereafter. Given the uncertain nature of these circumstances, the related impact on the Company’s financial condition, results of operations and cash flows cannot be reasonably estimated at this time.

The Company has evaluated subsequent events through April 30, 2020, the date these financial statements were available to be issued, and no further events were identified requiring further discussion in these financial statements.

BORGATA HOTEL CASINO & SPA

ANNUAL FILINGS

FOR THE YEAR ENDED DECEMBER 31, 2019

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

OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

BORGATA HOTEL CASINO & SPA
ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS
FOR THE YEAR ENDED DECEMBER 31, 2019

(UNAUDITED)
($ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
Line (a)	**Description (b)**	**Account Balance (c)**	**Allowance (d)**	**Accounts Receivable (Net of Allowance) (e)**
	Patrons' Checks:			
1	Undeposited Patrons' Checks..............................	$20,314		
2	Returned Patrons' Checks..................................	32,040		
3	Total Patrons' Checks......................................	52,354	$24,198	$28,156
4	Hotel Receivables..	2,349	69	$2,280
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates..........................	-		
7	Other Accounts and Notes Receivables................	8,253		
8	Total Other Receivables....................................	8,253		$8,253
9	Totals (Form DGE-205)..	$62,956	$24,267	$38,689

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	**Description (g)**	**Amount (h)**
10	Beginning Balance (January 1)..	$21,382
11	Counter Checks Issued..	523,328
12	Checks Redeemed Prior to Deposit..	(390,719)
13	Checks Collected Through Deposits..	(106,630)
14	Checks Transferred to Returned Checks..	(27,047)
15	Other Adjustments..	0
16	Ending Balance..	$20,314
17	"Hold" Checks Included in Balance on Line 16..	0
18	Provision for Uncollectible Patrons' Checks...	$5,581
19	Provision as a Percent of Counter Checks Issued...	1.1%

BORGATA HOTEL CASINO & SPA
ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2019

($ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages: Other Employees (d)	Salaries and Wages: Officers & Owners (e)	Salaries and Wages: Totals (f)
	CASINO:				
1	Table and Other Games	1,503			
2	Slot Machines	90			
3	Administration	0			
4	Casino Accounting	210			
5	Simulcasting	39			
6	Other	31			
7	Total - Casino	1,873	$43,710	$1,027	$44,737
8	ROOMS	480	13,853		13,853
9	FOOD AND BEVERAGE	1,681	37,163		37,163
10	GUEST ENTERTAINMENT	309	5,174		5,174
11	MARKETING	219	9,097	$1,027	10,124
12	OPERATION AND MAINTENANCE	267	10,509		10,509
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	17	338	1,713	2,051
14	Accounting and Auditing	67	2,659		2,659
15	Security	258	8,752		8,752
16	Other Administrative and General	119	6,061		6,061
	OTHER OPERATED DEPARTMENTS:				
17	Retail	28	698		698
18	Simulated Gaming	0	37		37
19	Spa	111	2,587		2,587
20	Salon/Barbershop	19	318		318
21	Transportation	121	2,440		2,440
22					0
23	TOTALS - ALL DEPARTMENTS	5,569	$143,396	$3,767	$147,163