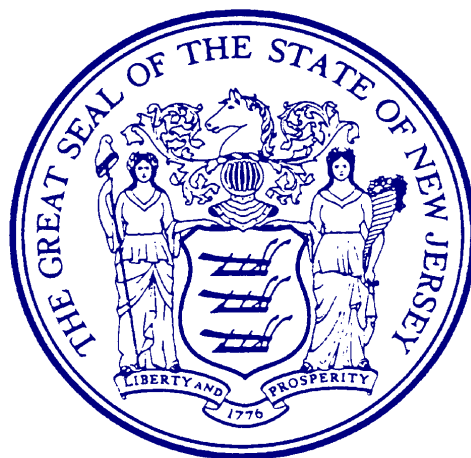


**GOLDEN NUGGET ATLANTIC CITY, LLC  
QUARTERLY REPORT**

**FOR THE QUARTER ENDED DECEMBER 31, 2020**

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



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**

# GOLDEN NUGGET ATLANTIC CITY, LLC

## BALANCE SHEETS

AS OF DECEMBER 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.....	2	\$7,467	\$11,453
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2020, \$1,185 ; 2019, \$998).....	3	22,962	19,535
4	Inventories .....	1	1,694	2,497
5	Other Current Assets.....	4	799	1,799
6	Total Current Assets.....		32,922	35,284
7	Investments, Advances, and Receivables.....	10	0	0
8	Property and Equipment - Gross.....	5	196,723	195,527
9	Less: Accumulated Depreciation and Amortization.....		(79,349)	(72,092)
10	Property and Equipment - Net.....		117,374	123,435
11	Other Assets.....	6	7,541	9,329
12	Total Assets.....		\$157,837	\$168,048
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$3,712	\$4,558
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....	8	514	963
17	Income Taxes Payable and Accrued.....	9	7,476	8,792
18	Other Accrued Expenses.....	7	16,861	20,575
19	Other Current Liabilities.....	7	1,194	1,708
20	Total Current Liabilities.....		29,757	36,596
	Long-Term Debt:			
21	Due to Affiliates.....	8	0	0
22	External.....	8	0	514
23	Deferred Credits .....		3,456	4,013
24	Other Liabilities.....		1,819	2,235
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		35,032	43,358
27	Stockholders', Partners', or Proprietor's Equity.....		122,805	124,690
28	Total Liabilities and Equity.....		\$157,837	\$168,048

0

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

0

# GOLDEN NUGGET ATLANTIC CITY, LLC

## STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2020 AND 2019

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	Revenue:			
1	Casino.....	1	\$55,407	\$101,334 *
2	Rooms.....		10,110	21,092 *
3	Food and Beverage.....		14,373	42,573 *
4	Other.....		9,090	17,876 *
5	Net Revenue.....	1	88,980	182,875 *
	Costs and Expenses:			
6	Casino.....	1	34,677	64,141 *
7	Rooms, Food and Beverage.....	1	15,281	38,757 *
8	General, Administrative and Other.....	1	31,761	52,234 *
9	Total Costs and Expenses.....		81,719	155,132
10	Gross Operating Profit.....		7,261	27,743
11	Depreciation and Amortization.....		8,577	8,834
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....	11	0	0
14	Income (Loss) from Operations.....		(1,316)	18,909
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		0	0
16	Interest Expense - External.....		(53)	(93)
17	CRDA Related Income (Expense) - Net.....	10	(1,194)	(2,456)
18	Nonoperating Income (Expense) - Net.....		72	19
19	Total Other Income (Expenses).....		(1,175)	(2,530)
20	Income (Loss) Before Taxes .....		(2,491)	16,379
21	Provision (Credit) for Income Taxes.....		(606)	4,710
22	Net Income (Loss).....		(\$1,885)	\$11,669

0

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

# GOLDEN NUGGET ATLANTIC CITY, LLC

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2020 AND 2019

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	Revenue:			
1	Casino.....	2	\$17,666	\$23,730 *
2	Rooms.....		1,854	3,657 *
3	Food and Beverage.....		3,370	9,437 *
4	Other.....		2,312	3,928 *
5	Net Revenue.....	2	25,202	40,752 *
	Costs and Expenses:			
6	Casino.....	2	9,934	15,406 *
7	Rooms, Food and Beverage.....	2	3,526	8,538 *
8	General, Administrative and Other.....	2	6,440	12,324 *
9	Total Costs and Expenses.....		19,900	36,268 *
10	Gross Operating Profit.....		5,302	4,484
11	Depreciation and Amortization.....		2,071	2,189
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....	12,12	0	0
14	Income (Loss) from Operations.....		3,231	2,295
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		0	0
16	Interest Expense - External.....		(8)	(23)
17	CRDA Related Income (Expense) - Net.....	11	(348)	(581)
18	Nonoperating Income (Expense) - Net.....		71	5
19	Total Other Income (Expenses).....		(285)	(599)
20	Income (Loss) Before Taxes .....		2,946	1,696
21	Provision (Credit) for Income Taxes.....		699	1,321
22	Net Income (Loss).....		\$2,247	\$375

\* Prior year balances changed to conform with current year presentation.

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

# GOLDEN NUGGET ATLANTIC CITY, LLC STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019  
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2020

(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.....		\$117,019	(\$3,998)		\$113,021
2	Net Income (Loss) - 2019.....			11,669		11,669
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....					0
6	Prior Period Adjustments.....					0
7	_____					0
8	_____					0
9	_____					0
10	Balance, December 31, 2019.....		117,019	7,671	0	124,690
11	Net Income (Loss) - 2020.....			(1,885)		(1,885)
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	_____					0
17	_____					0
18	_____					0
19	Balance, December 31, 2020.....		\$117,019	\$5,786	\$0	\$122,805

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

# GOLDEN NUGGET ATLANTIC CITY, LLC

## STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2020 AND 2019

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$903)	\$7,744
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments .....			
3	Proceeds from the Sale of Short-Term Investments .....			
4	Cash Outflows for Property and Equipment.....		(926)	(7,016)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations .....		(1,194)	(2,472)
7	Other Investments, Loans and Advances made.....		0	
8	Proceeds from Other Investments, Loans, and Advances .....		0	
9	Cash Outflows to Acquire Business Entities.....		0	0
10	.....		0	
11	.....		0	
12	Net Cash Provided (Used) By Investing Activities.....		(2,120)	(9,488)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....		0	0
14	Payments to Settle Short-Term Debt.....		(963)	1,477
15	Proceeds from Long-Term Debt .....		0	
16	Costs of Issuing Debt.....		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	
20	Payments of Dividends or Capital Withdrawals.....		0	
21	.....		0	
22	.....		0	
23	Net Cash Provided (Used) By Financing Activities.....		(963)	1,477
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(3,986)	(267)
25	Cash and Cash Equivalents at Beginning of Period.....		11,453	11,720
26	Cash and Cash Equivalents at End of Period.....		\$7,467	\$11,453
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$56	\$89
28	Income Taxes.....			

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

# GOLDEN NUGGET ATLANTIC CITY, LLC

## STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2020 AND 2019

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2020 (c)	2019 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		(\$1,885)	\$11,669
30	Depreciation and Amortization of Property and Equipment...		8,577	8,834
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 .....		(474)	747
35	(Gain) Loss on Disposition of Property and Equipment.....		0	
36	(Gain) Loss on CRDA-Related Obligations.....		1,194	2,500
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks .....	*	(3,427)	(16,652) *
39	(Increase) Decrease in Inventories .....		803	110
40	(Increase) Decrease in Other Current Assets.....		1,000	508
41	(Increase) Decrease in Other Assets.....		201	(3,334)
42	Increase (Decrease) in Accounts Payable.....		(932)	(1,005) *
43	Increase (Decrease) in Other Current Liabilities .....	*	(1,830)	4,410 *
44	Increase (Decrease) in Other Liabilities .....		(4,130)	(43) *
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		(\$903)	\$7,744

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$926)	(\$7,016)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$926)	(\$7,016)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....		\$0	\$0
52	Goodwill Acquired.....			
53	Other Assets Acquired - net .....			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
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.

**GOLDEN NUGGET ATLANTIC CITY, LLC**  
**SCHEDULE OF PROMOTIONAL**  
**EXPENSES AND ALLOWANCES**

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 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	89,936	\$4,632	0	\$0
2	Food	111,712	2,740	0	0
3	Beverage	236,508	1,893	0	0
4	Travel	0	0	1,044	7
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	109,771	15,382	0	0
7	Complimentary Cash Gifts	4,166	1,672	0	0
8	Entertainment	0	0	0	0
9	Retail & Non-Cash Gifts	184,675	2,363	0	0
10	Parking	0	0	335,357	377
11	Other	11,027	203	0	0
12	Total	747,794	\$28,885	336,401	\$384

FOR THE THREE MONTHS ENDED DECEMBER 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	26,094	\$1,314	0	\$0
2	Food	23,068	471	0	0
3	Beverage	59,472	476	0	0
4	Travel	0	0	142	7
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	28,242	4,668	0	0
7	Complimentary Cash Gifts	1,388	325	0	0
8	Entertainment	0	0	0	0
9	Retail & Non-Cash Gifts	59,785	765	0	0
10	Parking	0	0	94,320	377
11	Other	2,482	45	0	0
12	Total	200,530	\$8,064	94,462	\$384



**GOLDEN NUGGET ATLANTIC CITY, LLC  
STATEMENT OF CONFORMITY,  
ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED DECEMBER 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.

3/31/2021

Date



Michael Rodriguez

Vice President of Finance

Title

9254-11

License Number

On Behalf of:

GOLDEN NUGGET ATLANTIC CITY, LLC

Casino Licensee

## **1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Golden Nugget Atlantic City, LLC (“GNAC”, the “Company”, “we”, “our” or “us”) is the subsidiary of Golden Nugget, LLC, a Delaware LLC. GNAC is the holder of the gaming license issued by the state of New Jersey and operates the Golden Nugget Atlantic City Hotel and Casino in Atlantic City, New Jersey and online gambling operations. Golden Nugget, LLC is wholly owned by Golden Nugget, LLC, a Nevada LLC (“GNI” or “Parent”), which is a national, diversified, restaurant, hospitality, entertainment and gaming company principally engaged in the ownership and operation of full service restaurants and Golden Nugget gaming facilities. GNI is an indirect subsidiary of Fertitta Entertainment, Inc. (“FEI”) which is wholly owned by Tilman J. Fertitta. Unless otherwise stated, all dollars are in thousands.

In April 2020, we contributed our online casino gaming business from GNAC to Golden Nugget Online Gaming, Inc. (“GNOG”), a wholly owned unrestricted subsidiary, which was then conveyed to our indirect Parent. Since our online casino gaming business and GNAC were under the same common control prior to the conveyance, all periods presented have been retroactively restated as if the conveyance occurred as of the earliest period presented and all disclosures are prepared accordingly.

### ***Basis of Presentation***

The accompanying consolidated financial statements include the consolidated accounts of GNAC. All intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements included herein have been prepared without audit and pursuant to the rules and regulations of the New Jersey Division of Gaming Enforcement. In the opinion of management, all adjustments, consisting of normal recurring items and estimates necessary for a fair presentation of the results for interim periods have been made.

### ***Use of Estimates***

The preparation of financial statements in conformity with Accounting Principles Generally Accepted in the United States of America (“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 those estimates.

### ***Revenue Recognition***

We recognize revenue when control over the goods and services we provide has transferred to the customer, which is generally when the services are performed and we have no substantive performance obligations remaining. Sales taxes collected from customers and remitted to governmental authorities are presented on a net basis, or excluded from revenues, in our consolidated statements of operations.

Casino revenue is the aggregate net difference between gaming wins and losses, less sales incentives and other adjustments. Liabilities are recognized for funds deposited by customers before gaming play occurs and for chips in the customer’s possession. Jackpots, other than the incremental amount of progressive jackpots, are recognized at the time they are won by customers. We accrue the incremental amount of progressive jackpots as the progressive machine is played, and the progressive jackpot amount increases, with a corresponding reduction to casino revenues.

Hotel, food and beverage, and other revenues are recognized as goods and services are transferred to the customer. Room revenue is generally recognized over time, consistent with the customer’s reservation period. Advance deposits for future hotel occupancy, convention space or food and beverage services are recorded as a liability until the goods and services are provided to the customer. Food and beverage and other revenues are recognized at the point in time the services are performed or events are held.

The relative standalone selling price of accommodations, food and beverage, and other services furnished to hotel-casino guests without charge is recognized as a reduction to revenues for the department which issued the complimentary offering and as an increase to revenues for the department redeemed. Complimentary offerings periodically offered by third parties at the discretion and under our control are recorded as an expense when incurred.

Our gaming revenues included complimentary offerings and loyalty point redemptions as follows (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Rooms.....	\$ 7,484	\$16,128
Food and beverage.....	32,284	32,284
Other.....	2,789	6,674
	<u>\$42,557</u>	<u>\$55,086</u>

### ***Slot Player Club Liability***

We have established promotional slot and player clubs to encourage repeat business from frequent and active slot machine customers and table games patrons. Members earn points based on gaming activity and such points can be redeemed for complimentary amenities, including meals in our non casino restaurants. The incentives earned by customers under these programs are based on their past play and represent separate performance obligations. Player club points generally expire within twelve months.

For transactions where players club points are earned we allocate a portion of the transaction price to the points that are earned based upon the relative standalone selling prices of the goods and services involved. We have determined the standalone selling price of player’s club points by computing the redemption value of points expected to be redeemed. We have applied the practical expedient under the portfolio approach to each of our player’s club transactions because of the similarity of gaming transactions. When the activity underlying the earning of the points has a wide range of selling prices and is highly variable, we use the residual approach in the allocation by computing the value of the player’s club points and allocating the residual amount to the remaining revenue generating activity. This allocation results in a portion of the transaction price being deferred and presented as contract liabilities in our accompanying Balance Sheets.

Our loyalty programs include various tiers that offer different benefits, and members are able to earn credits towards tier status, which generally enables them to receive discounts similar to those provided as the complimentary offerings described above. We have determined that any such discounts received as a result of tier status do not represent material rights, and therefore, we do not account for them as distinct performance obligations.

### ***Accounts Receivable***

Accounts receivable is comprised primarily of casino and hotel receivables, net of an allowance for doubtful accounts. The allowance is estimated based on specific review of customer accounts as well as historical collection experience and current economic and business conditions. Receivables are written off when management deems the account to be uncollectible.

### ***Financial Instruments***

GAAP establishes a hierarchy for fair value measurements, such that Level 1 measurements include unadjusted quoted market prices for identical assets or liabilities in an active market, Level 2 measurements include quoted market prices for identical assets or liabilities in an active market which have been adjusted for items such as effects of restrictions for transferability and those that are not quoted but are observable through corroboration with observable market data, including quoted market prices for similar assets, and Level 3 measurements include those that are unobservable and of a highly subjective measure.

### ***Inventories***

Inventories consist primarily of food and beverages used in our restaurant outlets and retail goods are recorded at the lower of cost or market value.

### ***Property and Equipment***

Property and equipment are recorded at cost. Depreciation expense is computed utilizing the straight-line method over the estimated useful lives of the depreciable assets, as follows: buildings and improvements 10 to 40 years; furniture, fixtures and equipment 5 to 15 years; and automobiles and limousines 4 to 5 years.

Costs of major improvements are capitalized; costs of normal repairs and maintenance are charged to expense as incurred. Gains or losses on dispositions of property and equipment are recognized in the consolidated statements of operations when incurred.

### ***Insurance Liability***

We maintain large deductible insurance policies related to property, general liability, workers' compensation coverage, and certain employee medical claims. Predetermined loss limits have been arranged with insurance companies to limit our per occurrence cash outlay. Accrued liabilities include the estimated costs to settle unpaid claims and estimated incurred but not reported claims using actuarial methodologies.

### ***Advertising Costs***

Advertising costs are expensed as incurred during such year. Advertising costs, included in casino, food and beverage, and general and administrative expense, were \$0.1 million and \$0.5 million for the three months ended December 31, 2020 and 2019, respectively, and \$0.5 million and \$1.8 million for the twelve months ended December 31, 2020 and 2019, respectively.

### ***Adopted Accounting Pronouncements***

On January 1, 2019, we adopted ASU 2014-09 "Revenue from Contracts with Customers (Topic 606)" using the full retrospective method and recast prior periods presented. ASU 2014-09 provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and eliminates existing industry guidance. Under ASU 2014-09, revenue is recognized in an amount that reflects the consideration an entity expects to receive for the transfer of goods and services. The standard also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers. In connection with the adoption of ASU No. 2014-09, a cumulative effect adjustment of \$2.4 million, net of tax, was recorded as a decrease to the ending balance of Retained earnings as of December 31, 2017.

The primary impact on gaming revenues of adopting this new guidance is as follows:

- We previously reported promotional allowances in a separate line item within net gaming revenues. As part of adoption of the new standard, promotional allowances are no longer presented separately. Alternatively, revenue is recognized based on relative standalone selling prices for transactions with more than one performance obligation and included as revenues within rooms, food and beverage and other categories. The majority of such amounts were previously included in promotional allowances now offset casino revenues.
- Previously, we accrued a liability based on the estimated cost of fulfilling the redemption of slot and players club points after consideration of estimated forfeitures, based on the cost of historical redemptions. Upon adoption of the new accounting standard, slot and player points are no longer recorded at cost. A deferred revenue model is used to account for the classification and timing of revenue recognized as well as the classification of related expenses as points are redeemed. This results in a portion of casino revenues being recorded as deferred revenue when points are earned. Revenue is recognized in a future period based on when and what goods or services for which the points are redeemed, such as food and beverage.
- The costs of providing complimentary goods or services are included as expenses within rooms, food and beverage and other categories. The estimated cost of providing complimentary good or services were previously allocated primarily to casino expenses from other operating departments.

We adopted ASU 2016-02, “Leases (Topic 842)” as of January 1, 2019 using the modified retrospective transition approach. In connection with the adoption of ASC 842, we elected the package of practical expedients permitted under transition under which we will not need to reassess for our leases subject to: (1) whether our contracts in transition meet the definition of a lease, (2) the classification of such leases, and (3) initial direct costs for such leases. We made an accounting policy election with respect to the short-term lease recognition exemption that would eliminate the requirements to recognize leases with a term of 12-months or less on the balance sheet for all classes of underlying assets, as well as elected to not separate lease and non-lease components for our leases where we are a lessee for all classes of underlying assets. We did not elect the use of the hindsight practical expedient.

We elected to apply the transition provisions as of the adoption date, with no cumulative-effect adjustment being recognized to retained earnings in the period of adoption. Changes to certain amounts in the previously presented consolidated balance sheet as of December 31, 2019 as a result of the adoption of ASC 842 were as follows:

	<b>As of December 31, 2019</b>		
	<b>Previously Presented</b>	<b>As Adjusted</b>	<b>Adjustments</b>
<b>Assets:</b>			
Accounts receivable - trade and other, net .....	\$ 18,686	\$ 19,535	\$ 849
Property and equipment - gross .....	196,367	195,527	(840)
Accumulated depreciation and amortization .....	(72,280)	(72,092)	188
Operating lease right-of-use assets (included in other assets) .....	-	2,630	2,630
Other assets .....	6,707	6,699	(8)
<b>Current liabilities:</b>			
Operating lease liabilities (included in other accrued expenses) ....	-	396	396
<b>Noncurrent liabilities:</b>			
Noncurrent operating lease liabilities (included in other liabilities)	-	2,235	2,235
<b>Equity:</b>			
Retained earnings .....	7,483	7,671	188
<b>Year Ended December 31, 2019</b>			
	<b>Previously Presented</b>	<b>As Adjusted</b>	<b>Adjustments</b>
<b>Operating costs and expenses:</b>			
Depreciation and amortization .....	\$ 8,903	\$ 8,834	\$ (69)

## 2. CASH & CASH EQUIVALENTS

Cash as of December 31 consisted of the following (in thousands):

	<u>2020</u>	<u>2019</u>
Unrestricted cash	\$ 7,467	\$ 11,453
Restricted cash internet accounts	-	-
Total	<u>\$ 7,467</u>	<u>\$ 11,453</u>

## 3. ACCOUNTS RECEIVABLE

Accounts receivable as of December 31 consisted of the following (in thousands):

	<u>2020</u>	<u>2019</u>
Gaming	\$ 2,884	\$ 4,537
Allowance	(1,159)	(965)
Non-Gaming	21,262	15,996
Allowance hotel	(25)	(34)
Total	<u>\$ 22,962</u>	<u>\$ 19,534</u>

## 4. OTHER CURRENT ASSETS

Other current assets as of December 31 consisted of the following (in thousands):

	<u>2020</u>	<u>2019</u>
Prepaid insurance	\$ -	\$ -
Prepaid taxes	354	365
Other prepaid	445	1,434
Total	<u>\$ 799</u>	<u>\$ 1,799</u>

## 5. PROPERTY AND EQUIPMENT

Property and equipment as of December 31 consisted of the following (in thousands):

	<u>2020</u>	<u>2019</u>
Land	\$ 17,650	\$ 17,650
Buildings and improvements	113,346	112,688
Furniture, fixtures, equipment	65,727	65,189
Property and equipment, gross	196,723	195,527
Accumulated depreciation	(79,349)	(72,092)
Property and equipment, net	<u>\$ 117,374</u>	<u>\$ 123,435</u>

## 6. OTHER ASSETS

Other assets as of December 31 consisted of the following (in thousands):

	<u>2020</u>	<u>2019</u>
Deferred cost	\$ 3,215	\$ 3,215
Software	1,711	2,715
Deposits	<u>2,615</u>	<u>3,399</u>
Total	<u>\$ 7,541</u>	<u>\$ 9,329</u>

## 7. OTHER ACCRUED EXPENSES & LIABILITIES

Other accrued expenses and liabilities as of December 31 consisted of the following (in thousands):

	<u>2020</u>	<u>2019</u>
Payroll and related	\$ 2,634	\$ 3,653
Deposits	225	365
Other	<u>14,002</u>	<u>16,557</u>
Total accrued expenses	<u>\$ 16,861</u>	<u>\$ 20,575</u>
Gaming	\$ 1,194	\$ 1,708
Other	<u>-</u>	<u>-</u>
Total other current liabilities	<u>\$ 1,194</u>	<u>\$ 1,708</u>

## 8. LONG TERM DEBT

In April 2019 we entered into an equipment loan for the purchase of gaming hardware and software. The loan bears an interest rate of 5.0% and matures in March 2021. In July 2019 we entered into an additional equipment loan with CalFirst for the purchase of gaming hardware and software. The loan bears an interest rate of 5.76% and matures July 2021.

Total debt as of December 31 is comprised of the following (in thousands):

	<u>2020</u>	<u>2019</u>
Equipment loan	\$ 514	\$ 1,241
Total debt	514	1,241
Less current portion	<u>(514)</u>	<u>(976)</u>
Long term debt	<u>\$ -</u>	<u>\$ 265</u>

## 9. INCOME TAXES

We are included in the federal consolidated income tax return of FEI, an affiliated group (as defined by the Internal Revenue Code), and have executed a tax sharing agreement with FEI. The purpose of the agreement is to establish a method for allocating the consolidated tax liability of the affiliated group among its members. Under the tax sharing agreement, we calculate our income tax provision on a separate return basis and we are obligated to settle any income tax liability with FEI. We expect to fully utilize our deferred tax liabilities. We file a federal consolidated income tax with FEI, which has adequate future income to utilize all group members' tax attributes.

An analysis of the provision for income taxes for the year ended December 31, 2020 is as follows (in thousands):

Current income taxes .....	\$ (168)
Deferred income taxes .....	(438)
Total provision .....	<u>\$ (606)</u>

Our effective tax rate, for the year ended December 31, 2020 differs from the federal statutory rate as follows:

Statutory rate .....	21.0%
Other business tax credit .....	0.0%
State income tax net of federal tax benefit .....	0.8%
Other .....	2.5%
Total .....	<u>24.3%</u>

Deferred tax assets and liabilities at December 31, 2020, are comprised of the following (in thousands):

Deferred tax assets:	
Lease liabilities .....	\$ 711
Accruals and other .....	3,218
Deferred tax liabilities:	
Lease assets .....	(711)
Property and other .....	(6,793)
Net deferred tax liability .....	<u>\$ (3,575)</u>

We believe that our income tax filing positions and deductions will be sustained on audit and do not anticipate any adjustments that will result in a material adverse effect on our financial condition, results of operations, or cash flow. Therefore, no reserves for uncertain income tax provision have been recorded. It is our policy to accrue penalties and interest, if any, related to unrecognized tax benefits in income tax expense.



## **10. EMPLOYEE BENEFIT PLAN**

Certain of our employees are covered by union-sponsored, collective bargained, multi-employer health and welfare and defined benefit pension plans. We recorded plan related expenses of \$1.2 million and \$2.5 million for the three months ended December 31, 2020 and 2019, respectively, and \$4.8 million and \$9.6 million for the twelve months ended December 31, 2020 and 2019, respectively.

We sponsor a qualified defined contribution retirement plan (401(k) Plan) covering our eligible, non-union employees. The 401(K) plan allows eligible employees to contribute, subject to Internal Revenue Service limitations on total annual contributions, up to 75% of their base compensation as defined in the 401(k) Plan, to various investment funds. We may match at our discretion, within prescribed limits, a portion of eligible employees' contributions. Matching contributions for both the twelve months ended December 31, 2020 and 2019 were immaterial. Employee contributions vest immediately while our contributions vest 20% annually beginning in the participant's second year of eligibility.

## **11. COMMITMENTS AND CONTINGENCIES**

### ***Casino Reinvestment Development Authority Obligation***

As required by the provisions of the New Jersey Casino Control Act (the "Act"), a casino licensee must pay an investment alternative tax of 2.5% of its gross casino revenues and 5.0% of internet gaming revenues as defined in the Act. However, pursuant to contracts with the Casino Reinvestment Development Authority ("CRDA"), we pay 1.25% of our gross casino revenues and 2.5% of internet gaming revenues to the CRDA (the "CRDA Payment") to fund qualified investments as defined in the Act and such CRDA Payment entitles us to an investment tax credit in an amount equal to twice the amount of the CRDA Payment against the investment alternative taxes. Qualified investments may include the purchase of bonds issued by the CRDA at a below market rate of interest, direct investment in projects or donation of funds to projects as determined by the CRDA. Pursuant to the contract with the CRDA, we are required to make quarterly deposits with the CRDA to satisfy our investment obligations.

The deposits are recorded at cost less a valuation allowance. The valuation allowance is established at the time the obligation is incurred by a charge to the statement of operations as part of general and administrative expense unless there is an agreement with the CRDA for a return of the deposit at full face value. If the CRDA deposits are used to purchase CRDA bonds, the valuation allowance is transferred to the bonds as a discount, which is amortized to interest income using the interest method. If the CRDA deposits are used to make other investments, the valuation allowance is transferred to those investments and remains a valuation allowance. The CRDA bonds are classified as held-to-maturity securities and are carried at amortized cost less a valuation allowance.

For the three months ended December 31, 2020 and 2019, we charged to general and administrative expense \$0.5 million, respectively, and for the twelve months ended December 31, 2020 and 2019, we charged \$1.2 million and \$2.5 million, respectively.

CRDA deposits and investments in CRDA bonds, net of allowances of \$16.9 million, reflected in other assets, net on the accompanying consolidating balance sheet as of December 31, 2019 had no value.

### ***Atlantic City PILOT Program***

In June 2016, the State of New Jersey passed legislation known as the PILOT bill which requires casino properties for 10 years, starting January 1, 2017, to make payments in lieu of property taxes based on a statutory formula. An additional part of that bill requires the casinos to make annual payments to the state starting retroactively in 2015 through 2022 based on a similar formula. For our contribution to the state, we incurred expenses of \$0.4 million and \$0.5 million for the twelve months ended December 31, 2020 and 2019, respectively.

### ***Farley State Marina Leases***

We have a non-cancelable operating lease that covers the land, building and marina adjacent to our property, which expires in 2020. Other lease commitments also include operating equipment used in daily operations.

Rent expense was \$0.1 million for both the three months ended December 31, 2020 and 2019, and \$0.5 million for both the twelve months ended December 31, 2020 and 2019.

### ***General Litigation***

We are subject to legal proceedings and claims that arise in the ordinary course of business. We do not believe that the outcome of any of these matters will have a material adverse effect on our financial position, results of operations or cash flows.

## **12. TRANSACTIONS WITH AFFILIATES**

### ***Shared Services Agreement***

We have entered into Shared Services Agreements (SSA's) with affiliates. Pursuant to the SSA's, the parties agree to cooperatively develop and implement joint programs for the procurement and implementation of certain products and services including insurance and risk management, legal, information technology, entertainment, general purchasing, financial planning and accounting, human resources and employee benefit administration, marketing, strategic and tactical business planning, retail and executive management. The SSA's provide for the reimbursement of expenses if either party incurs costs in excess of its proportional share.

### ***Tenant Agreement***

We have entered into certain lease agreements with affiliates wherein they operate restaurants in our casino property and we receive rental payments. Moreover, we routinely enter into certain transactions with affiliated companies. These transactions have been entered into between related parties and are not the result of arm's-length negotiations. Accordingly, the terms of the transactions may have been more or less favorable to us than might have been obtained from unaffiliated third parties. Rental revenue from the affiliates totaled \$0.1 million for both the three months ended December 31, 2020 and 2019, respectively, and \$0.5 million for both the twelve months ended December 31, 2020 and 2019.

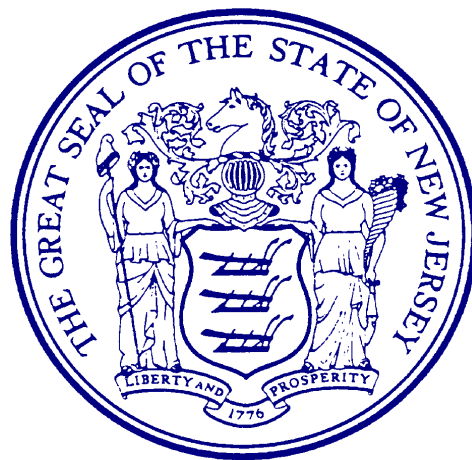
## **13. SUBSEQUENT EVENTS**

We have evaluated subsequent events through March 31, 2021, which is the date our consolidated financial statements were available to be issued.

**GOLDEN NUGGET ATLANTIC CITY LLC  
ANNUAL FILINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

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



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**

**GOLDEN NUGGET ATLANTIC CITY LLC**  
**ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

(UNAUDITED)  
(\$ IN THOUSANDS)

<b>ACCOUNTS RECEIVABLE BALANCES</b>				
Line (a)	Description (b)	Account Balance (c)	Allowance (d)	Accounts Receivable (Net of Allowance) (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$1,580		
2	Returned Patrons' Checks.....	1,304		
3	Total Patrons' Checks.....	2,884	\$1,158	\$1,726
4	Hotel Receivables.....	1,799	26	\$1,773
	Other Receivables:			
5	Receivables Due from Officers and Employees...	-		
6	Receivables Due from Affiliates.....			
7	Other Accounts and Notes Receivables.....	19,463		
8	Total Other Receivables.....	19,463		\$19,463
9	Totals (Form DGE-205).....	\$24,146	\$1,184	\$22,962

<b>UNDEPOSITED PATRONS' CHECKS ACTIVITY</b>		
Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$3,203
11	Counter Checks Issued.....	39,989
12	Checks Redeemed Prior to Deposit.....	5,707
13	Checks Collected Through Deposits.....	(10,283)
14	Checks Transferred to Returned Checks.....	(37,036)
15	Other Adjustments.....	
16	Ending Balance.....	\$1,580
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	\$1,159
19	Provision as a Percent of Counter Checks Issued.....	2.9%

# GOLDEN NUGGET ATLANTIC CITY LLC 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)	Officers & Owners (e)	Totals (f)
	CASINO:				
1	Table and Other Games	221			
2	Slot Machines	27			
3	Administration	1			
4	Casino Accounting	6			
5	Simulcasting	0			
6	Other	64			
7	Total - Casino	319	\$8,050		\$8,050
8	ROOMS	124	2,333		2,333
9	FOOD AND BEVERAGE	499	4,214		4,214
10	GUEST ENTERTAINMENT	169	239		239
11	MARKETING	32	4,649		4,649
12	OPERATION AND MAINTENANCE	110	3,635		3,635
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	7	1,521		1,521
14	Accounting and Auditing	14	713		713
15	Security	67	1,847		1,847
16	Other Administrative and General	11	809		809
	OTHER OPERATED DEPARTMENTS:				
17	Valet	29	250		250
18	Retail	8	348		348
19	Pool/Spa	7	183		183
20	Marina	2	64		64
21					
22					
23	TOTALS - ALL DEPARTMENTS (1)	1,398	\$28,855	\$0	\$28,855