BORGATA HOTEL CASINO & SPA
QUARTERLY REPORT

FOR THE QUARTER ENDED JUNE 30, 2022

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 JUNE 30, 2022 AND 2021

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents	2	$47,792	$69,092
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2022, $19,684; 2021, $24,958)	3	31,431	54,017
4	Inventories		4,800	3,364
5	Other Current Assets		10,182	15,889
6	Total Current Assets		94,205	142,362
7	Investments, Advances, and Receivables	2	711	690
8	Property and Equipment - Gross	4	246,407	185,059
9	Less: Accumulated Depreciation and Amortization		(109,310)	(99,400)
10	Property and Equipment - Net	4	137,097	85,659
11	Other Assets		2,010,212	1,756,598
12	Total Assets		$2,242,225	$1,985,309
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$12,844	$14,157
14	Notes Payable		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates		0	0
16	External		0	0
17	Income Taxes Payable and Accrued		0	0
18	Other Accrued Expenses	5	74,628	124,166
19	Other Current Liabilities	6	19,309	41,004
20	Total Current Liabilities		106,781	179,327
	Long-Term Debt:			
21	Due to Affiliates		0	0
22	External		0	0
23	Deferred Credits		0	0
24	Other Liabilities		1,626,165	1,306,227
25	Commitments and Contingencies		0	0
26	Total Liabilities		1,732,946	1,485,554
27	Stockholders', Partners', or Proprietor's Equity	2	509,279	499,755
28	Total Liabilities and Equity		$2,242,225	$1,985,309

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 SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(UNAUDITED)
($ IN THOUSANDS)

Amended 10/25/23

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	Revenue:			
1	Casino	2	$208,977	$181,196
2	Rooms		53,429	36,356
3	Food and Beverage		62,779	35,119
4	Other		24,404	11,671
5	Net Revenue		349,589	264,342
	Costs and Expenses:			
6	Casino	2	72,738	63,104
7	Rooms, Food and Beverage		68,521	44,690
8	General, Administrative and Other		106,802	87,153
9	Total Costs and Expenses		248,061	194,947
10	Gross Operating Profit		101,528	69,395
11	Depreciation and Amortization	4	10,710	11,360
	Charges from Affiliates Other than Interest:			
12	Management Fees		0	0
13	Other		0	0
14	Income (Loss) from Operations		90,818	58,035
	Other Income (Expenses):			
15	Interest Expense - Affiliates		0	0
16	Interest Expense - External		(1,028)	789
17	CRDA Related Income (Expense) - Net		(4,786)	(3,525)
18	Nonoperating Income (Expense) - Net	2	(43,551)	(40,962)
19	Total Other Income (Expenses)		(49,365)	(43,698)
20	Income (Loss) Before Taxes		41,453	14,337
21	Provision (Credit) for Income Taxes		2,487	1,428
22	Net Income (Loss)		$38,966	$12,909

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 JUNE 30, 2022 AND 2021

(UNAUDITED)
($ IN THOUSANDS)

Amended 10/25/23

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	Revenue:			
1	Casino	2	$108,801	$99,373
2	Rooms		$30,172	$18,699
3	Food and Beverage		$34,797	$19,663
4	Other		$12,989	$5,943
5	Net Revenue		186,759	143,678
	Costs and Expenses:			
6	Casino	2	$38,370	$33,448
7	Rooms, Food and Beverage		$37,565	$25,527
8	General, Administrative and Other		$55,181	$44,332
9	Total Costs and Expenses		131,116	103,307
10	Gross Operating Profit		55,643	40,371
11	Depreciation and Amortization	4	$5,426	$5,748
	Charges from Affiliates Other than Interest:			
12	Management Fees		0	0
13	Other		0	0
14	Income (Loss) from Operations		50,217	34,623
	Other Income (Expenses):			
15	Interest Expense - Affiliates		0	0
16	Interest Expense - External		($970)	$330
17	CRDA Related Income (Expense) - Net		($2,833)	($2,003)
18	Nonoperating Income (Expense) - Net	2	($16,287)	($29,035)
19	Total Other Income (Expenses)		(20,090)	(30,708)
20	Income (Loss) Before Taxes		30,127	3,915
21	Provision (Credit) for Income Taxes		$1,083	$428
22	Net Income (Loss)		$29,044	$3,487

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, 2021
AND THE SIX MONTHS ENDED JUNE 30, 2022

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	**Balance, December 31, 2020.........**		$1,150,373	($77,358)	$0	$1,073,015
2	Net Income (Loss) - 2021..........			44,895		44,895
3	Capital Contributions................					0
4	Capital Withdrawals..................					0
5	Partnership Distributions..........			(932,558)		(932,558)
6	Prior Period Adjustments..........					0
7	Proceeds from disposition of un	2		878,887		878,887
8	Dilution and disposition of inve	2		(566,852)		(566,852)
9	Other			1,325		1,325
10	**Balance, December 31, 2021.........**		1,150,373	(651,661)	0	498,712
11	Net Income (Loss) - 2022..........			38,966		38,966
12	Capital Contributions................					0
13	Capital Withdrawals..................					0
14	Partnership Distributions..........			(29,010)		(29,010)
15	Prior Period Adjustments..........					0
16						0
17						0
18	Other			611		611
19	**Balance, June 30, 2021..................**		$1,150,373	($641,094)	$0	$509,279

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 SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES...		$13,582	$40,258
	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.....	4	(5,779)	(2,510)
5	Proceeds from Disposition of Property and Equipment.....	2,4	0	23
6	CRDA Obligations		0	0
7	Other Investments, Loans and Advances made.....		0	0
8	Proceeds from Other Investments, Loans, and Advances		0	878,887
9	Cash Outflows to Acquire Business Entities.....		0	0
10	.....			
11	.....			
12	Net Cash Provided (Used) By Investing Activities.....		(5,779)	876,400
	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		(29,010)	(910,484)
22	Finance Leases		(4,144)	(3,356)
23	Net Cash Provided (Used) By Financing Activities.....		(33,154)	(913,840)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(25,351)	2,818
25	Cash and Cash Equivalents at Beginning of Period.....		73,143	66,274
26	Cash and Cash Equivalents at End of Period.....		$47,792	$69,092

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		$290	$302
28	Income Taxes.....		$1,006	$2

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 SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)...		$38,966	$12,909
30	Depreciation and Amortization of Property and Equipment...	4	10,636	11,292
31	Amortization of Other Assets..		74	68
32	Amortization of Debt Discount or Premium..........................		0	0
33	Deferred Income Taxes - Current		0	0
34	Deferred Income Taxes - Noncurrent		2,486	1,428
35	(Gain) Loss on Disposition of Property and Equipment.........		30,210	(7)
36	(Gain) Loss on CRDA-Related Obligations...........................		0	0
37	(Gain) Loss from Other Investment Activities.......................		0	(15,331)
38	(Increase) Decrease in Receivables and Patrons' Checks		(3,834)	(23,589)
39	(Increase) Decrease in Inventories		(1,536)	338
40	(Increase) Decrease in Other Current Assets..........................		(3,182)	(2,315)
41	(Increase) Decrease in Other Assets.......................................		1,093	169
42	Increase (Decrease) in Accounts Payable..............................		(795)	10,245
43	Increase (Decrease) in Other Current Liabilities		(18,338)	30,516
44	Increase (Decrease) in Other Liabilities		(11,937)	(11,331)
45	Amortization of Operating Leases		(30,000)	11,501
46	Other		(261)	14,365
47	Net Cash Provided (Used) By Operating Activities...................		$13,582	$40,258

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment....................................	4	($93,509)	($2,510)
49	Less: Capital Lease Obligations Incurred..............................		87,730	0
50	Cash Outflows for Property and Equipment..............................		($5,779)	($2,510)
	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 SIX MONTHS ENDED JUNE 30, 2022
(UNAUDITED)
($ IN THOUSANDS)

Amended 6/23/23

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	232,645	$37,381	0	$0
2	Food	792,586	21,210	83,623	837
3	Beverage	3,518,988	11,437	0	$0
4	Travel	0	0	7,459	1,865
5	Bus Program Cash	0	0	0	$0
6	Promotional Gaming Credits	1,912,316	47,791	0	$0
7	Complimentary Cash Gifts	109,414	2,754	0	$0
8	Entertainment	7,425	297	1,004	100
9	Retail & Non-Cash Gifts	64,429	3,221	12,341	3,085
10	Parking	716,060	673	199,200	797
11	Other	212,424	6,334	54,044	816
12	Total	7,566,288	$131,098	357,671	$7,500

FOR THE THREE MONTHS ENDED JUNE 30, 2022

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	128,822	$20,078	0	$0
2	Food	427,302	11,435	44,963	450
3	Beverage	1,865,532	6,063	0	0
4	Travel	0	0	4,412	1,103
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	1,101,764	27,527	0	0
7	Complimentary Cash Gifts	73,754	1,862	0	0
8	Entertainment	4,015	161	662	66
9	Retail & Non-Cash Gifts	37,367	1,868	7,171	1,793
10	Parking	378,167	355	104,317	417
11	Other	120,197	3,720	29,371	510
12	Total	4,136,921	$73,069	190,896	$4,339

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

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

FOR THE QUARTER ENDED JUNE 30, 2022

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.

10/25/2023
Date

Chris Rynkiewicz

CFO
Title

0078526-11
License Number

On Behalf of:

#REF!
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. 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 Resorts").

MDDC was incorporated in July 1998 and has been operating since July 3, 2003. The Company owns and operates Borgata Hotel Casino and Spa, including The Water Club at Borgata (collectively, "Borgata"), an integrated casino, hotel and entertainment resort located at Renaissance Pointe in Atlantic City, New Jersey.

Financial impact of COVID-19 - Update
As of June 30, 2022, the property was open and not subject to operating restrictions; however, travel and business volume were negatively affected in the early part of the first quarter of 2022 due to the spread of the omicron variant.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
These financial statements have been prepared in conformity with the New Jersey Division of Gaming Enforcement regulations. These condensed financial statements should be read in conjunction with the notes accompanying the quarterly report for the quarter ended December 31, 2021.

Management's Use of Estimates
US GAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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.

Fair value measurements.
Fair value measurements affect the Company's accounting for and impairment assessments of its long-lived assets and intangible asset. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and is measured according to a hierarchy that includes: Level 1 inputs, such as quoted prices in an active market; Level 2 inputs, which are observable inputs for similar assets; or Level 3 inputs, which are unobservable inputs.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand and cash in the bank.

Cash and cash equivalents at June 30, 2021 included $21,615,000 of patrons' internet gaming account balances that are maintained in separate New Jersey bank accounts.

Accounts receivable and credit risk.
Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of casino accounts receivable. Markers are issued by the Company to the customer in exchange for gaming chips at the casino as permitted by the regulations of the NJ Division of Gaming Enforcement. The Company issues credit to approved casino customers following background checks and investigation of creditworthiness.

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. Recoveries of accounts previously written off are recorded when received. An estimated loss reserve is maintained to reduce the Company's receivables to their net carrying amount, which approximates fair value. The loss reserve is estimated based on both a specific review of customer accounts as well as historical collection experience and current and expected future economic and business conditions. Management believes that as of June 30, 2022, no significant concentrations of credit risk existed for which a loss reserve had not already been recorded.

Inventories
Inventories consist primarily of food and beverage, retail merchandise and operating supplies, and are stated at the lower of cost or net realizable value. Cost is determined primarily by the average cost method for food and beverage and operating supplies. Cost for retail merchandise is determined using the cost method.

Property and equipment
Property and equipment are stated at cost. Gains or losses on dispositions of property and equipment are included in the determination of income or loss. Maintenance costs are expensed as incurred.

Property and equipment are generally depreciated over the following estimated useful lives on a straight-line basis:

Building and improvements	10 to 40 years
Furniture and equipment	3 to 20 years

The Company evaluates its property and equipment and other long-lived assets to be held and used for impairment whenever indicators of impairment exist. If an indicator of impairment exists, the Company compares the estimated future cash flows of the asset, on an undiscounted basis, to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, then an impairment charge is recorded based on the fair value of the asset, typically measured using a discounted cash flow model.

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 consist of 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 the fourth quarter of 2021.

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, and entity-specific events and changes in the composition or carrying amount of net assets 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 is tested for impairment using a discounted cash flow analysis based on the estimated future results of the Company's 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. If the fair value is less than its carrying value, an impairment charge is recognized equal to the difference. Under the quantitative analysis trademarks are tested for impairment using the relief-from-royalty method. If the fair value of an indefinite-lived intangible asset is less than its carrying amount, an impairment loss is recognized equal to the difference.

Revenue Recognition

The Company's revenue from contracts with customers consists of casino wager transactions, hotel room sales, food and 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 MGM Resorts' loyalty program, 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. 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 and 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 the Company's arrangement with BetMGM, LLC ("BetMGM") for sports betting and iGaming.

The Company also has other contracts that include multiple goods and services, such as packages that bundle food, or beverage offerings with hotel stays. 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 and food and beverage 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 two types of liabilities related to contracts with customers: (1) outstanding chip liability, which represents the amounts owed in exchange for gaming chips held by a customer and (2) 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.

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 of time 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. The Company has elected to account for lease and non-lease components as a single component for the majority of classes of underlying assets and also to not recognize short-term leases (leases that are less than 12 months) and instead recognizes lease payments on a straight-line basis over the lease term.

For leases with terms greater than twelve months, the right-of-use ("ROU") assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The initial measurement of the lease ROU assets also includes any prepaid lease payments and are reduced by any previously accrued deferred rent. 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 typically uses its incremental borrowing rate to discount the lease payments based on the information available at commencement date. Lease terms include options to extend or terminate the lease when it is reasonably certain that such option will be exercised. For operating leases, lease expense for minimum lease payments is recognized on a straight-line basis over the expected lease term. For finance leases, the ROU asset depreciates on a straight-line basis over the shorter of the lease term or useful life of the ROU asset and the lease liability accretes interest based on the interest method using the discount rate determined at lease commencement.

Pursuant to a master lease agreement (the "Master Lease") by and between a subsidiary of MGM Resorts and an indirect wholly owned subsidiary of the Operating Partnership, the real estate assets of the Property were leased from the Operating Partnership, which were then subleased to operating subtenants of MGM Resorts, including the Company. The Master Lease was accounted for as an operating lease.

Given the triple-net structure of the MGP Master Lease, the Company was responsible for the rent payments related to the Operating Partnership's ground leases of land underlying the property through the term of the MGP Master Lease. The Company accounted for its sublease of the ground lease as an operating lease.

On April 29, 2022, MGM Resorts completed a series of transactions with VICI Properties, Inc. ("VICI") and MGP whereby VICI acquired MGP in a stock-for-stock transaction. As part of the transaction, MGM Resorts entered into an amended and restated master lease with VICI (the "VICI lease"), and, concurrently, MGM Resorts entered into an amended sublease agreement with the operating subtenants of MGM Resorts, including the Company.

The VICI lease is classified as an operating lease. The triple-net structure of the VICI lease requires the tenant to pay substantially all costs associated with the property, including real estate taxes, insurance, utilities and routine maintenance (with the lease obligating the tenant to spend a specified percentage of net revenues on capital expenditures), in addition to the annual cash rent. The VICI lease also requires MGM Resorts to comply with certain financial covenants, which, if not met, would require MGM Resorts to maintain cash security or provide one or more letters of credit in favor of the landlord in an amount equal to 6 months or 1 year of rent, as applicable to the circumstances. The tenant's performance and payments under the VICI lease is guaranteed by MGM Resorts. A default by the tenant with regard to any property under the lease or by MGM Resorts with regard to its guarantee will cause a default with regard to the entire portfolio covered by the lease.

Given the triple-net structure of the VICI lease, the Company is responsible for the rent payments related to VICI's ground leases of land underlying the property through the term of the VICI lease. The Company accounts for its sublease of the ground lease as a finance lease.

The VICI lease commenced April 29, 2022 and has an initial term of 25 years, with three 10-year renewal periods, exercisable at the tenant's option, with a fixed 2% rent escalator for the first 10 years, and thereafter, an escalator equal to the greater of 2% and the CPI increase during the prior year subject to a cap of 3%. The Company recorded $23.8 million of VICI lease rent expense within "Nonoperating Income (Expense) - Net" for each of the three and six-months ended June 30, 2022.

As a result of the transactions with VICI, the operating lease ROU and lease liabilities relating to the MGP Master Lease, the operating lease ROU and lease liabilities relating to the ground sublease with MGP, and building and building-related assets were written off, with the differences of a gain of $6.4 million, a gain of $40.5 million, and a loss of $30.2 million, respectively, reflected within "Nonoperating Income (Expense) – Net" for the three and six-months ended June 30, 2022.

New operating lease ROU and lease liabilities of $1.5 billion relating to the new VICI lease were recorded and new finance lease ROU and lease liabilities of $87.7 million relating to the ground sublease with VICI were recorded.

The Company is a lessor under certain of its lease arrangements. Lease revenues earned by the Company from third parties are classified within the line item corresponding to the type or nature of the tenant's good or service. Lease revenues from the rental of hotel rooms are recorded as rooms revenues within the statements of operations.

Advertising
The Company expenses advertising costs as incurred. Advertising expense that primarily relates to media placement costs and which is generally included in "General, Administrative and Other," was $2,400,000 and $1,781,000 for the three-months ended June 30, 2022 and 2021, respectively and $3,607,000 and $3,110,000 for the six-months ended June 30, 2022 and 2021, respectively.

Property transactions, net
The Company classifies transactions such as write-downs and impairments, demolition costs, and normal gains and losses on the sale of assets as "General, Administrative and Other" in the statements of operations.

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 Resorts 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 Resorts and certain of its subsidiaries. The amounts reflected in the financial statements are reported as if MDDC was taxed for state purposes on a standalone basis notwithstanding that MDDC files a consolidated New Jersey tax return as described above.

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

Member Equity
The Company utilizes MGM Resorts as its centralized treasury function in which MGM Resorts controls all bank cash transactions and maintains cash accounts on behalf of the Company. This arrangement results in deemed contributions and distributions between the Company and MGM Resorts, which includes activity from the Company's investment in Operating Partnership, since MGM Resorts makes all bank cash payments on behalf of the Company and sweeps all bank cash balances from the Company.

Subsequent Events
Management has evaluated subsequent events through August 15, 2022, the date these financial statements were available to be issued and has not identified any such events.

NOTE 3. RECEIVABLES AND PATRONS' CHECKS
Receivables and patrons' checks consist of the following:

	June 30, 2022	June 30, 2021
	(In thousands)	
Casino receivables (net of a provision for losses - 2022 $19,515,000 and 2021 $24,190,000)	$ 17,874,000	$ 26,147,000
Other (net of a provision for losses - 2022 $119,000 and 2021 $13,000)	13,557,000	27,870,000
	$ 31,431,000	$ 54,017,000

NOTE 4. PROPERTY AND EQUIPMENT, NET
Property and equipment, net, consists of the following:

	June 30, 2022	June 30, 2021
	(In thousands)	
Building and improvements	$ -	$ 24,403,000
Furniture and equipment	127,070,000	132,353,000
Construction in progress	4,772,000	1,469,000
	131,842,000	158,225,000
Less: Accumulated depreciation	(91,503,000)	(88,887,000)
Finance lease ROU assets, net	96,758,000	16,321,000
Property and equipment, net	$ 137,097,000	$ 85,659,000

NOTE 5. OTHER ACCRUED EXPENSES

Other accrued expenses consist of the following:

	June 30, 2022	June 30, 2021
	(In thousands)	
Outstanding chip liability	$ 7,723,000	$ 8,261,000
Customer advances and other casino	21,445,000	70,302,000
Payroll and related	22,714,000	18,080,000
Taxes, other than income tax	9,949,000	16,106,000
Other	12,797,000	11,417,000
	$ 74,628,000	$ 124,166,000

NOTE 6. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

	June 30, 2022	June 30, 2021
	(In thousands)	
Operating lease liabilities - current	$ 11,126,000	$ 34,112,000
Finance lease liabilities - current	8,183,000	6,892,000
	$ 19,309,000	$ 41,004,000

NOTE 7. COMMITMENTS AND CONTINGENCIES

The Company is a party to various legal proceedings, most of which relate to routine matters incidental to its business. Management does not believe that the outcome of such proceedings will have a material adverse effect on the Company's financial position, results of operations or cash flows.