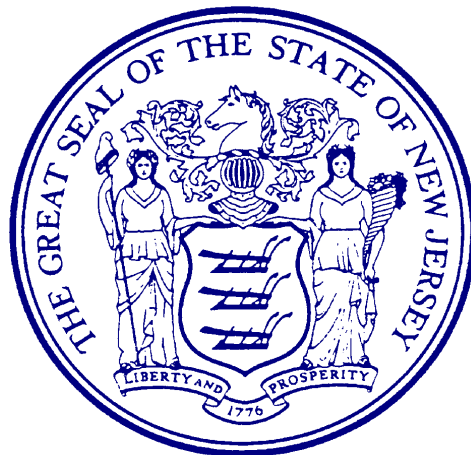


**GOLDEN NUGGET ATLANTIC CITY, LLC  
QUARTERLY REPORT**

**FOR THE QUARTER ENDED SEPTEMBER 30, 2022**

**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 SEPTEMBER 30, 2022 AND 2021

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	3	\$79,163	\$12,304
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2022, \$1,091 ; 2021, \$1,272).....	4	8,522	2,193
4	Inventories .....	2	2,329	1,550
5	Other Current Assets.....	5	1,036	1,341
6	Total Current Assets.....		91,050	17,388
7	Investments, Advances, and Receivables.....	11	26,442	26,697
8	Property and Equipment - Gross.....	6	224,600	198,912
9	Less: Accumulated Depreciation and Amortization.....		(102,709)	(84,608)
10	Property and Equipment - Net.....		121,891	114,304
11	Other Assets.....	7	5,278	6,309
12	Total Assets.....		\$244,661	\$164,698
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$5,827	\$1,615
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....	9	0	0
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	8	87,519	21,580
19	Other Current Liabilities.....	8	453	432
20	Total Current Liabilities.....		93,799	23,627
	Long-Term Debt:			
21	Due to Affiliates.....	9	0	0
22	External.....	9	0	0
23	Deferred Credits .....		(14,920)	1,454
24	Other Liabilities.....		1,040	1,493
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		79,919	26,574
27	Stockholders', Partners', or Proprietor's Equity.....		164,742	138,124
28	Total Liabilities and Equity.....		\$244,661	\$164,698

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 NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	Revenue:			
1	Casino.....	2	\$63,136	\$59,542
2	Rooms.....		16,641	17,237
3	Food and Beverage.....		31,806	19,889
4	Other.....		13,879	10,546
5	Net Revenue.....	2	125,462	107,214
	Costs and Expenses:			
6	Casino.....	2	33,294	31,616
7	Rooms, Food and Beverage.....	2	29,551	16,641
8	General, Administrative and Other.....	2	36,369	29,148
9	Total Costs and Expenses.....		99,214	77,405
10	Gross Operating Profit.....		26,248	29,809
11	Depreciation and Amortization.....		5,535	6,001
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....	12	0	0
14	Income (Loss) from Operations.....		20,713	23,808
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		0	0
16	Interest Expense - External.....		0	(102)
17	CRDA Related Income (Expense) - Net.....	11	(1,441)	(1,392)
18	Nonoperating Income (Expense) - Net.....		4	5
19	Total Other Income (Expenses).....		(1,437)	(1,489)
20	Income (Loss) Before Taxes .....		19,276	22,319
21	Provision (Credit) for Income Taxes.....		5,633	7,000
22	Net Income (Loss).....		\$13,643	\$15,319

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 SEPTEMBER 30, 2022 AND 2021

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	Revenue:			
1	Casino.....	2	\$21,503	\$21,336
2	Rooms.....		8,090	10,391
3	Food and Beverage.....		13,019	8,600
4	Other.....		6,601	4,712
5	Net Revenue.....	2	49,213	45,039
	Costs and Expenses:			
6	Casino.....	2	11,614	12,049
7	Rooms, Food and Beverage.....	2	12,086	7,397
8	General, Administrative and Other.....	2	14,010	11,202
9	Total Costs and Expenses.....		37,710	30,648
10	Gross Operating Profit.....		11,503	14,391
11	Depreciation and Amortization.....		1,757	1,909
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....	12,12	0	0
14	Income (Loss) from Operations.....		9,746	12,482
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		0	
16	Interest Expense - External.....		0	(1)
17	CRDA Related Income (Expense) - Net.....	11	(520)	(557)
18	Nonoperating Income (Expense) - Net.....		(1)	0
19	Total Other Income (Expenses).....		(521)	(558)
20	Income (Loss) Before Taxes .....		9,225	11,924
21	Provision (Credit) for Income Taxes.....		2,686	3,712
22	Net Income (Loss).....		\$6,539	\$8,212

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 CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021  
AND THE NINE MONTHS ENDED SEPTEMBER 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.....		\$117,019	\$5,786		\$122,805
2	Net Income (Loss) - 2020.....			17,840		17,840
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, 2021.....		117,019	23,626	0	140,645
11	Net Income (Loss) - 2022.....			13,643		13,643
12	Capital Contributions.....			10,454		10,454
13	Capital Withdrawals.....					0
14	Partnership Distributions.....					0
15	Prior Period Adjustments.....					0
16	_____					0
17	_____					0
18	_____					0
19	Balance, September 30, 2022.....		\$117,019	\$47,723	\$0	\$164,742

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 NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$82,550	\$8,932
	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.....		(5,031)	(2,189)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations .....		(1,441)	(1,392)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances .....			
9	Cash Outflows to Acquire Business Entities.....		(8,452)	0
10	.....			
11	.....			
12	Net Cash Provided (Used) By Investing Activities.....		(14,924)	(3,581)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....			
14	Payments to Settle Short-Term Debt.....		0	0
15	Proceeds from Long-Term Debt .....		0	0
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....		0	(514)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	.....			
22	.....			
23	Net Cash Provided (Used) By Financing Activities.....		0	(514)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		67,626	4,837
25	Cash and Cash Equivalents at Beginning of Period.....		11,537	7,467
26	Cash and Cash Equivalents at End of Period.....		\$79,163	\$12,304
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$0	\$102
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 NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2022 (c)	2021 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		\$13,643	\$15,319
30	Depreciation and Amortization of Property and Equipment.....		5,535	6,001
31	Amortization of Other Assets.....		0	
32	Amortization of Debt Discount or Premium.....		0	
33	Deferred Income Taxes - Current .....		(4,867)	(2,121)
34	Deferred Income Taxes - Noncurrent .....		0	0
35	(Gain) Loss on Disposition of Property and Equipment.....		0	
36	(Gain) Loss on CRDA-Related Obligations.....		1,441	1,392
37	(Gain) Loss from Other Investment Activities.....		0	
38	(Increase) Decrease in Receivables and Patrons' Checks .....		(3,105)	(13,285)
39	(Increase) Decrease in Inventories .....		(638)	144
40	(Increase) Decrease in Other Current Assets.....		(135)	(362)
41	(Increase) Decrease in Other Assets.....		193	0
42	Increase (Decrease) in Accounts Payable.....		4,379	(1,536)
43	Increase (Decrease) in Other Current Liabilities .....		0	0
44	Increase (Decrease) in Other Liabilities .....		66,104	3,380
45			0	
46			0	
47	Net Cash Provided (Used) By Operating Activities.....		\$82,550	\$8,932

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$5,031)	(\$2,189)
49	Less: Capital Lease Obligations Incurred.....		0	
50	Cash Outflows for Property and Equipment.....		(\$5,031)	(\$2,189)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....		(\$8,452)	\$0
52	Goodwill Acquired.....		0	
53	Other Assets Acquired - net .....		0	
54	Long-Term Debt Assumed.....		0	
55	Issuance of Stock or Capital Invested.....		0	
56	Cash Outflows to Acquire Business Entities.....		(\$8,452)	\$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 NINE MONTHS ENDED SEPTEMBER 30, 2022  
(UNAUDITED)  
(\$ IN THOUSANDS)

\*Amended 8/14/2023

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	69,661	\$5,630	0	\$0
2	Food	112,180	5,096	0	\$0
3	Beverage	421,200	3,371	0	\$0
4	Travel	0	0	1,607	\$81
5	Bus Program Cash	0	0	0	\$0
6	Promotional Gaming Credits	125,599	18,989	0	\$0
7	Complimentary Cash Gifts	137	512	0	\$0
8	Entertainment	3,247	190	0	\$0
9	Retail & Non-Cash Gifts	139,452	1,785	0	\$0
10	Parking	0	0	390,983	\$1,564
11	Other	9,910	183	0	\$0
12	Total	881,385	\$35,756	392,590	\$1,645

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	26,680	\$2,214	0	\$0
2	Food	38,588	1,768	0	0
3	Beverage	159,677	1,278	0	0
4	Travel	0	0	523	26
5	Bus Program Cash	0	0	0	0
6	Promotional Gaming Credits	45,244	7,009	0	0
7	Complimentary Cash Gifts	58	217	0	0
8	Entertainment	1,188	50	0	0
9	Retail & Non-Cash Gifts	48,445	620	0	0
10	Parking	0	0	154,784	620
11	Other	4,145	76	0	0
12	Total	324,025	\$13,232	155,307	\$646

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

\*\*\$M in PGCS are for RIS/Betfair



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

FOR THE QUARTER ENDED SEPTEMBER 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.

8/14/2023

Date



John Caruso

Director of Finance/Controller

Title

8827-11

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 GNAC Holdings, 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. GNAC Holdings, LLC is wholly owned by Fertitta Entertainment, LLC, a Nevada LLC (“FEL” 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. FEL 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.

### *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 Generally Accepted Accounting Principles 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 for the three months ended September 30 as follows (in thousands):

	Three Months Ended September 30,	
	2022	2021
Rooms	\$ 2,213	\$ 2,494

Food and beverage	3,045	2,493
Other	740	671
	<u>\$ 5,998</u>	<u>\$ 5,658</u>

On May 5, 2022, Golden Nugget Online Gaming Inc. and DraftKings Holdings Inc. (“DraftKings”) completed a merger transaction (the “DraftKings Merger”). DraftKings agreed to pay royalties to FEL based upon gaming and sports betting revenues as defined and DraftKings obtained the right to use the Golden Nugget brand for online gaming and sports betting operators.

In connection with the DraftKings Merger, we and DraftKings negotiated an arrangement to comply with state betting requirements in New Jersey which allows GNAC to resume direct control and obtain the economic benefit of “skins” associated with the GNAC’s land-based casino operating license. “Skins” allow market access opportunities for online betting operators within a jurisdiction. Historically GNOG conducted the “skins” business through their affiliation with GNAC. As consideration for the economic benefit of the “skins” business activity, we agreed to issue \$46 million of commercial credits which DraftKings could use to offset amounts otherwise due and payable by DraftKings. These commercial credits are recorded in Accrued Liabilities and Other Liabilities. Revenues from market access agreements, royalties and permit fees associated with the “skins” is included in Gaming Other Revenues.

### ***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 player’s 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.

### ***Cash, Cash Equivalents and Restricted Cash***

Cash and cash equivalents include cash on account and cash on hand. We consider short-term, highly liquid investments that have an original maturity of three months or less to be cash equivalents. Amounts held in financial institutions are in excess of FDIC insurance limits. We have not experienced any losses in such accounts and believe we are not exposed to any significant risks on our cash in bank accounts.

Restricted cash represents required amounts on hand that generally represent the amount of players’ funds on deposit in their wagering accounts.

### ***Customer Deposits***

Customer deposits are primarily liabilities that relate to amounts due to players and online betting operators and are required to be maintained to comply with regulatory requirements. The amounts due to players consist of customer

deposits, plus bonuses converted to cash, plus winning wagers, less losing wagers, and less player withdrawals. We separately track amounts due to players and per certain regulatory requirements must maintain a balance equal to or greater than amounts due as restricted cash.

### ***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.

### ***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 statement 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, beverage, and general and administrative expense, were \$0.1 million for both the three months ended September 30, 2022 and 2021, respectively, and \$0.4 million and \$0.2 million for the nine months ended September 30, 2022 and 2021, respectively.

### ***Leases***

We lease real estate and certain equipment. We evaluate our leases at the commencement of the lease to determine the classification as an operating or finance lease. The lease term commences on the date when we have the right to control the use of the leased property, which is typically before lease payments are due under the terms of the lease. Some of our leases have renewal periods exercisable at our option. At lease commencement, we include option periods that we are reasonably certain to exercise, as failure to renew the lease would impose an economic penalty either from the loss of our investment in leasehold improvements or future cash flows from operating the casino.

Our leases generally require payment of property taxes, insurance and maintenance costs in addition to the lease payments. We account for fixed lease and non-lease components of a lease as a single lease component. Operating lease liabilities are recognized based on the present value of minimum lease payments over the remaining expected lease term using our incremental borrowing rate. The right-of-use lease assets are measured based on the operating lease liabilities adjusted for lease incentives, initial indirect costs, favorable or unfavorable lease purchase price adjustments, and impairments.

We recognize lease expense related to operating leases on a straight-line basis. Leases with an initial term of 12 months or less are not recorded on the balance sheet, and are recognized on a straight-line basis over the lease term.

Contingent rentals represent payment of variable lease obligations based on a percentage of revenues, as defined by the terms of the applicable lease agreement and are accrued at the point in time we determine that it is probable that such sales levels will be achieved.

### 3. CASH & CASH EQUIVALENTS

Cash as of September 30 consisted of the following (in thousands):

	<u>2022</u>	<u>2021</u>
Unrestricted cash	\$ 25,008	\$ 12,304
Restricted cash	<u>54,155</u>	<u>-</u>
Total	<u>\$ 79,163</u>	<u>\$ 12,304</u>

### 4. ACCOUNTS RECEIVABLE

Accounts receivable as of September 30 consisted of the following (in thousands):

	<u>2022</u>	<u>2021</u>
Gaming	\$ 2,694	\$ 3,063
Allowance	(1,069)	(1,243)
Non-Gaming	6,918	401
Allowance hotel	(21)	(28)
Total	<u>\$ 8,522</u>	<u>\$ 2,193</u>

### 5. OTHER CURRENT ASSETS

Other current assets as of September 30 consisted of the following (in thousands):

	<u>2022</u>	<u>2021</u>
Deposits	\$ 297	\$ 350
Prepaid taxes	454	452
Other prepaid	285	539
Total	<u>\$ 1,036</u>	<u>\$ 1,341</u>

### 6. PROPERTY AND EQUIPMENT

Property and equipment as of September 30 consisted of the following (in thousands):

	<u>2022</u>	<u>2021</u>
Land	\$ 17,650	\$ 17,650
Buildings and improvements	131,900	114,140
Furniture, fixtures, equipment	75,050	67,122
Property and equipment, gross	<u>224,600</u>	<u>198,912</u>
Accumulated depreciation	(102,709)	(84,608)
Property and equipment, net	<u>\$ 121,891</u>	<u>\$ 114,304</u>

### 7. OTHER ASSETS

Other assets as of September 30 consisted of the following (in thousands):

	2022	2021
Gaming license	\$ 3,215	\$ 3,215
Software	570	1,169
Operating lease right-of-use asset	1,493	1,925
Total	<u>\$ 5,278</u>	<u>\$ 6,309</u>

## 8. OTHER ACCRUED EXPENSES & LIABILITIES

Other accrued expenses and liabilities as of September 30 consisted of the following (in thousands):

	2022	2021
Payroll and related	\$ 3,835	\$ 4,918
Customer Deposits	54,155	-
Advance Deposits	711	775
Other	28,818	15,887
Total accrued expenses	<u>\$ 87,519</u>	<u>\$ 21,580</u>
Gaming	\$ 453	\$ 432
Total other current liabilities	<u>\$ 453</u>	<u>\$ 432</u>

## 9. LONG TERM DEBT

In April 2019 we entered into an equipment loan for the purchase of gaming hardware and software. The loan bore an interest rate of 5.0% and matured 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 bore an interest rate of 5.76% and matured July 2021. There is no debt outstanding as of September 30, 2022, and September 30, 2021.

## 10. LEASES

The components of total lease cost for the three months ended September 30, 2022 and 2021 were as follows (in thousands):

	2022	2021
Operating lease cost	\$ 840	\$ 705
Variable lease cost	448	597
Total lease costs	<u>\$ 1,288</u>	<u>\$ 1,302</u>

Cash activities associated with leases for the three months ended September 30 were as follows (in thousands):

	2022	2021
Cash flows from operating activities:		
Payments for operating leases	\$ 840	\$ 705

## 11. 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 \$2.0 million and \$1.7 million for the

three months ended September 30, 2022 and 2021, respectively, and \$5.6 million and \$4.4 million for the nine months ended September 30, 2022 and 2021, 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 the three months ended September 30, 2022 and 2021 were immaterial. Employee contributions vest immediately while our contributions vest 20% annually beginning in the participant's second year of eligibility.

## **12. COMMITMENTS AND CONTINGENCIES**

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

As required by the provisions of the New Jersey Casino Control Act (the "Act"), we are assessed an amount equal to 1.25% of our land-based 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 sports related 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 a below market rate of interest; (ii) direct investment in 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. The provisions expire as of December 31, 2026.

We are required to make quarterly deposits with the CRDA to satisfy our investment obligations and, as a result of the PILOT law, record a charge to expense for 100% of the obligation amount as of the date the obligation arises.

For both the three months ended September 30, 2022 and 2021, we charged to general and administrative expense \$0.5 million, and for both the nine months ended September 30, 2022 and 2021, we charged \$1.4 million.

CRDA deposits and investments in CRDA bonds, net of allowances of \$20.2 million, reflected in other assets, net on the accompanying consolidating balance sheet as of September 30, 2022 and \$18.8 million at December 31, 2021.

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

In June 2016, the State of New Jersey passed legislation known as the PILOT bill, which requires casino properties for the next 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. In December 2021, the State of New Jersey passed legislation, which amended the original 2016 statutory PILOT formula for the years 2022 through 2026 as well as extended the additional annual payments from 2022 through 2026. For our contribution to the state, we incurred expenses of \$0.1 million for both the three months ended September 30, 2022 and 2021, respectively, and for the nine months ended September 30, 2022 and 2021, we charged \$0.3 million and \$0.2 million, respectively.

### ***Lease Commitments***

We have a non-cancelable operating lease that covers the land, building and marina adjacent to our property, which expires in 2025. Other lease commitments also include operating equipment used in daily operations. In addition to minimum lease commitments, the lease provides for contingent rentals based on a percentage of revenues in excess of specified amounts. See Note 10 for lease costs for the three and nine months ended September 30, 2022 and 2021.

### ***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.

## **13. 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.

## **14. SUBSEQUENT EVENTS**

We have evaluated subsequent events through November 15, 2022, which is the date our consolidated financial statements were available to be issued.