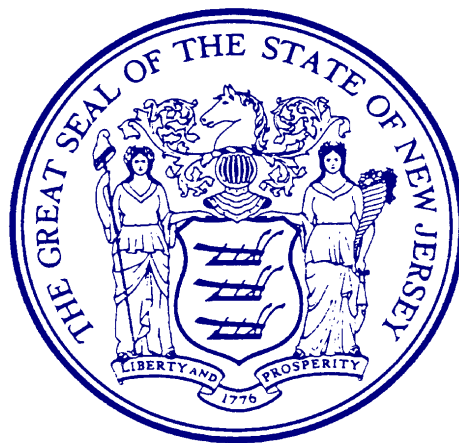


**BORGATA HOTEL CASINO & SPA
QUARTERLY REPORT**

FOR THE QUARTER ENDED SEPTEMBER 30, 2023

**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 SEPTEMBER 30, 2023 AND 2022

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	2	\$49,906	\$49,849
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2023, \$17,329; 2022, \$18,288).....	3	42,198	32,090
4	Inventories		6,393	4,591
5	Other Current Assets.....	4	9,456	8,510
6	Total Current Assets.....		107,953	95,040
7	Investments, Advances, and Receivables.....	2	738	711
8	Property and Equipment - Gross.....	5	320,804	262,935
9	Less: Accumulated Depreciation and Amortization.....		(136,482)	(113,984)
10	Property and Equipment - Net.....	5	184,322	148,951
11	Other Assets.....	6	1,951,357	1,999,014
12	Total Assets.....		\$2,244,370	\$2,243,716
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$22,204	\$15,229
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.....	7	74,905	83,911
19	Other Current Liabilities.....	8	19,368	19,262
20	Total Current Liabilities.....		116,477	118,402
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....		0	0
23	Deferred Credits		0	0
24	Other Liabilities.....	9	1,601,281	1,618,147
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		1,717,758	1,736,549
27	Stockholders', Partners', or Proprietor's Equity.....	2	526,612	507,167
28	Total Liabilities and Equity.....		\$2,244,370	\$2,243,716

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 NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	Revenue:			
1	Casino.....	2	\$332,731	\$329,320
2	Rooms.....		105,212	93,553
3	Food and Beverage.....		111,890	104,996
4	Other.....	10	45,422	40,957
5	Net Revenue.....		595,255	568,826
	Costs and Expenses:			
6	Casino.....	2	124,004	114,192
7	Rooms, Food and Beverage.....		128,269	112,613
8	General, Administrative and Other.....	2	164,842	165,732
9	Total Costs and Expenses.....		417,115	392,537
10	Gross Operating Profit.....		178,140	176,289
11	Depreciation and Amortization.....	5	19,286	15,760
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....		0	0
14	Income (Loss) from Operations.....		158,854	160,529
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		0	0
16	Interest Expense - External.....		(3,980)	(2,439)
17	CRDA Related Income (Expense) - Net.....	2	(7,029)	(7,721)
18	Nonoperating Income (Expense) - Net.....	2	(104,189)	(78,281)
19	Total Other Income (Expenses).....		(115,198)	(88,441)
20	Income (Loss) Before Taxes		43,656	72,088
21	Provision (Credit) for Income Taxes.....	2	5,688	3,770
22	Net Income (Loss).....		\$37,968	\$68,318

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 SEPTEMBER 30, 2023 AND 2022

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	Revenue:			
1	Casino.....	2	\$121,605	\$120,343
2	Rooms.....		41,754	40,124
3	Food and Beverage.....		38,618	42,217
4	Other.....	10	16,379	16,553
5	Net Revenue.....		218,356	219,237
	Costs and Expenses:			
6	Casino.....	2	42,937	41,454
7	Rooms, Food and Beverage.....		45,877	44,092
8	General, Administrative and Other.....	2	56,033	58,930
9	Total Costs and Expenses.....		144,847	144,476
10	Gross Operating Profit.....		73,509	74,761
11	Depreciation and Amortization.....	5	6,857	5,050
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	0
13	Other.....		0	0
14	Income (Loss) from Operations.....		66,652	69,711
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....		0	0
16	Interest Expense - External.....		(1,117)	(1,411)
17	CRDA Related Income (Expense) - Net.....	2	(2,573)	(2,935)
18	Nonoperating Income (Expense) - Net.....	2	(34,732)	(34,730)
19	Total Other Income (Expenses).....		(38,422)	(39,076)
20	Income (Loss) Before Taxes		28,230	30,635
21	Provision (Credit) for Income Taxes.....	2	3,647	1,283
22	Net Income (Loss).....		\$24,583	\$29,352

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, 2022
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2023

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2021.....		\$1,150,373	(\$651,661)	\$0	\$498,712
2	Net Income (Loss) - 2022.....			65,627		65,627
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....		(29,594)			(29,594)
6	Prior Period Adjustments.....					0
7	Reclassification of equity accou ²		(651,661)	651,661		0
8	Other.....		1,170			1,170
9					0
10	Balance, December 31, 2022.....		470,288	65,627	0	535,915
11	Net Income (Loss) - 2023.....			37,968		37,968
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....		(48,060)			(48,060)
15	Prior Period Adjustments.....					0
16	Other.....		789			789
17					0
18					0
19	Balance, September 30, 2023.....		\$423,017	\$103,595	\$0	\$526,612

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 NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$78,849	\$66,016
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments		0	0
3	Proceeds from the Sale of Short-Term Investments		0	0
4	Cash Outflows for Property and Equipment.....	5	(37,637)	(22,263)
5	Proceeds from Disposition of Property and Equipment.....	2,5	5	0
6	CRDA Obligations		0	0
7	Other Investments, Loans and Advances made.....		0	0
8	Proceeds from Other Investments, Loans, and Advances		0	0
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(37,632)	(22,263)
	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		(48,060)	(60,660)
22	Finance Leases		(6,021)	(6,387)
23	Net Cash Provided (Used) By Financing Activities.....		(54,081)	(67,047)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(12,864)	(23,294)
25	Cash and Cash Equivalents at Beginning of Period.....		62,770	73,143
26	Cash and Cash Equivalents at End of Period.....		\$49,906	\$49,849
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$361	\$447
28	Income Taxes.....		\$0	(\$204)

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 NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		\$37,968	\$68,318
30	Depreciation and Amortization of Property and Equipment...	5	19,171	15,662
31	Amortization of Other Assets.....		115	98
32	Amortization of Debt Discount or Premium.....		0	0
33	Deferred Income Taxes - Current		0	0
34	Deferred Income Taxes - Noncurrent	2	5,688	3,768
35	(Gain) Loss on Disposition of Property and Equipment.....		2,218	30,210
36	(Gain) Loss on CRDA-Related Obligations.....		0	0
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		(7,695)	(4,439)
39	(Increase) Decrease in Inventories		(1,558)	(1,327)
40	(Increase) Decrease in Other Current Assets.....		(4,021)	(1,510)
41	(Increase) Decrease in Other Assets.....		(761)	543
42	Increase (Decrease) in Accounts Payable.....		10,492	1,194
43	Increase (Decrease) in Other Current Liabilities		(4,500)	(9,055)
44	Increase (Decrease) in Other Liabilities		(10,840)	(17,048)
45	Amortization of Operating Leases		29,429	(20,269)
46	Other		3,143	(129)
47	Net Cash Provided (Used) By Operating Activities.....		\$78,849	\$66,016

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....	5	(\$37,637)	(\$109,993)
49	Less: Capital Lease Obligations Incurred.....		0	87,730
50	Cash Outflows for Property and Equipment.....		(\$37,637)	(\$22,263)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....			
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
	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 NINE MONTHS ENDED SEPTEMBER 30, 2023
(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	405,887	78,262		
2	Food	1,410,929	37,756	158,350	1,584
3	Beverage	6,507,170	21,148		
4	Travel	0	0	12,280	3,070
5	Bus Program Cash	0	0		
6	Promotional Gaming Credits	3,637,164	90,929		
7	Complimentary Cash Gifts	234,968	5,874		
8	Entertainment	10,930	437	1,352	135
9	Retail & Non-Cash Gifts	150,120	7,506	29,206	7,302
10	Parking	1,097,624	1,032	347,084	1,388
11	Other	470,565	4,077	72,429	1,257
12	Total	13,925,358	\$247,021	620,701	\$14,736

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 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	154,855	\$31,126		
2	Food	489,916	13,110	57,396	574
3	Beverage	2,246,581	7,301		
4	Travel	0	0	3,642	911
5	Bus Program Cash	0	0		
6	Promotional Gaming Credits	1,162,378	29,059		
7	Complimentary Cash Gifts	159,684	3,992		
8	Entertainment	3,640	145	232	23
9	Retail & Non-Cash Gifts	50,793	2,540	9,826	2,457
10	Parking	359,589	338	117,740	471
11	Other	187,659	3,565	26,590	397
12	Total	4,815,096	\$91,176	215,427	\$4,833

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

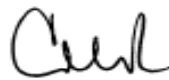
BORGATA HOTEL CASINO & SPA STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED SEPTEMBER 30, 2023

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.

11/8/2023

Date



Chris Rynkiewicz

VP & CFO

Title

008526-11

License Number

On Behalf of:

BORGATA HOTEL CASINO & SPA

Casino Licensee

Marina District Development Company, LLC



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

Notes to Financial Statements
(Unaudited)

NOTE 1. Organization and Basis of Presentation

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 MGM Tower at Borgata (collectively, “Borgata”), an integrated casino, hotel and entertainment resort located at Renaissance Pointe in Atlantic City, New Jersey.

These financial statements have been prepared in conformity with the New Jersey Division of Gaming Enforcement regulations.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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 quoted prices for identical or comparable instruments or pricing using observable market data; or Level 3 inputs, which are unobservable inputs.

Cash and Cash Equivalents

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

Accounts receivable and credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of casino receivables. 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 investigations of creditworthiness. At September 30, 2023 and 2022, approximately 80% and 78% of the Company’s gross accounts receivable related to casino receivables for each period, respectively.

Accounts receivable are typically non-interest bearing and are initially recorded at cost. Accounts are written off when management deems the account to be uncollectible. 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 September 30, 2023, 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:

Buildings, building improvements and land improvements	10 to 40 years
Furniture, fixtures, 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 group, on an undiscounted basis, to the carrying value of the asset group. 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 asset consists of tradenames. 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 tests in the fourth quarter of each fiscal year.

Accounting guidance provides entities the option to perform a qualitative assessment of goodwill and indefinite-lived intangible assets (commonly referred to as "step zero") in order to determine whether further impairment testing is necessary. In performing the step zero analysis the Company considers macroeconomic conditions, industry and market considerations, current and forecasted financial performance, entity-specific events, and changes in the composition or carrying amount of net assets 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.

Internet Gaming and Sports Wagering

The Company holds an internet gaming permit and sports wagering license in New Jersey for the use of placing wagers online and sports wagers at Borgata. The internet gaming and sports wagering for the skins discussed below, including Borgata's retail sports wagering lounge, is operated by a venture owned 50% by MGM Resorts, BetMGM, LLC ("BetMGM") pursuant to an arrangement whereby BetMGM operates the lounge and receives 100% of the net economics generated and reimburses the Company for costs incurred. As the Company is considered an agent under ASC 606, the revenues and expenses generated under the service arrangement are recorded "net" by the Company, in which the expenses incurred are recorded as contra revenue. As BetMGM is entitled to 100% of the net economics generated, this results in the Company recording no net revenues and no expenses relating to the retail sports wagering lounge and internet gaming and sports wagering skins, which are described below. The Company is reimbursed by BetMGM for costs that the Company incurs relating to the service arrangement, which are reflected gross within the income statement within "Other Revenue" and "General, Administrative, and Other." See Note 10 for the reimbursed costs incurred for the quarter ended September 30, 2023.

The below table provides a brief description of the four internet gaming and sports wagering skins in use:

Skin	Operations commencement date	Internet gaming or sports wagering	Operator of Skin
Borgata	11/2013	Both	BetMGM
BetMGM	07/2018	Both	BetMGM
BWIN	11/2013	Internet gaming	BetMGM
Pala Interactive	11/2014	Internet gaming	BetMGM

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 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 accrued expenses" on the Company's balance sheets. Refer to Note 7 for the Company's balances associated with contract and contract related liabilities.

CRDA investments

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

In May 2016, pursuant to a provision contained within legislation enacted to address Atlantic City's fiscal matters commonly referred to as the PILOT (payment in lieu of taxes) law, any CRDA funds not utilized or pledged for direct investments, the purchases of CRDA bonds or otherwise contractually obligated, all funds received from the payment of the IAT going forward are allocated to the City of Atlantic City. The PILOT law directs that these funds be used for the purposes of paying debt service on bonds issued by the City of Atlantic City prior to and after the date of the PILOT law. These provisions expire as of December 31, 2026.

The Company is required to make quarterly deposits with the CRDA to satisfy its investment obligations and, as a result of the PILOT law, records a charge to expense for 100% of the obligation amount as of the date the obligation arises. This CRDA expense is included in CRDA Related Income (Expense) - Net in the statements of income; however, the CRDA expense related to BetMGM is recorded as a contra-revenue expense in casino revenue in the statements of income.

In December 2021, an amendment to the PILOT law was enacted, which, among other things, removed online sports wagering and iGaming (online casino style games) related gross gaming revenues from the determination of amounts due under the PILOT law. In August 2022, the New Jersey Superior Court held that the amendment violated the State constitution. In October 2022, the Court issued a limited 90-day stay of its decision to allow for an appeal. In January 2023, the Court extended the stay for an additional 120-day period pending appellate review. In April 2023, a motion for an indefinite stay was granted. As such, as of September 30, 2023, the Company has accrued for amounts due under the PILOT law based upon the 2021 amendment in effect.

Gaming taxes

The Company is subject to an annual tax assessment of 8.5% based on its land-based sports gross gaming revenue; 8.0% based on its other land-based gross gaming revenues; 13.0% based on its online sports gross gaming revenue; and 15.0% based on its other online gross gaming revenues. These gaming taxes are recorded as a casino expense in the statements of income; however, the gaming taxes related to BetMGM are recorded as contra revenue in casino revenue in the statements of income.

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.

The Company classifies leases with terms greater than twelve months as either operating or finance. At commencement, 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. The initial measurement of ROU assets also includes any prepaid lease payments and are reduced by any previously accrued deferred rent. When available, such as for the Company’s triple-net operating lease for which the lessor has provided the assumptions required for the Company to readily determine the rate implicit in the lease, the Company uses the rate implicit in the lease to discount lease payments to present value. However, for most of the Company’s leases, such as its ground sublease and equipment leases, the Company cannot readily determine the implicit rate. Accordingly, the Company 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. The Company’s triple-net operating lease contains renewal periods at the lessee’s option, which are not considered to be reasonably certain of being 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.

The Company leases the land underlying its property, its real estate, and various equipment under operating and, to a lesser extent, finance lease arrangements.

MGM Resorts’ master lease with VICI, and the sublease agreement with the operating subtenants of MGM Resorts, including the Company (collectively, the “VICI lease”) is classified by the Company as an operating lease. The triple-net structure of the lease requires the tenant to pay substantially all costs associated with the property, including real estate taxes, insurance, utilities, and routine maintenance (obligating the tenant to spend a specified percentage of net revenues on capital expenditures), in addition to the annual cash rent. The 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 \$34.7 million and \$34.7 million of VICI lease rent expense within “Nonoperating Income (Expense) - Net” for the three months ended September 30, 2023 and 2022, respectively, and \$104.2 million and \$58.5 million for the nine months ended September 30, 2023 and 2022, respectively.

The Company is a lessor under certain of its lease arrangements. Lease revenues from the rental of hotel rooms are recorded as rooms revenues within the statements of income.

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 \$3.2 million and \$2.6 million for the three ended September 30, 2023 and 2022, respectively and \$7.7 million and \$6.2 million for the nine months ended September 30, 2023 and 2022, 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 income.

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 licensees are subject to corporate income taxes under the Casino Control Act. MDDC is a casino licensee and is part of a unitary business with MGM Resorts and other affiliates. As a result of income tax regulations published by the state of New Jersey during the third quarter of 2022 (the "Combined Reporting Regulations"), MDDC is now treated as a taxable member of the New Jersey combined group return filed by MGM Resorts. Prior to the issuance of these regulations, MDDC and MDDHC filed a New Jersey consolidated casino return with MGM and certain subsidiaries.

MGM Resorts holds direct and indirect ownership of 100% of the members' interests in MDDHC. The amounts reflected in the financial statements are calculated under the separate return approach, reflecting as if MDDC was taxed for state purposes on a standalone basis notwithstanding that MDDC is included in a New Jersey combined group return after the issuance of the Combined Reporting Regulations and in a consolidated casino New Jersey tax return with MDDHC, MGM Resorts, and certain of its subsidiaries prior to the issuance of the Combined Reporting Regulations.

MGM Resorts is responsible for New Jersey taxes for the combined group return and any New Jersey income tax expense allocated to MDDC is recorded to equity. Prior to the issuance of the Combined Reporting Regulations, MDDC recorded a distribution or contribution to MGM Resorts to the extent that its standalone New Jersey tax liability was greater than or less than the consolidated casino tax return 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, since MGM Resorts makes all bank cash payments on behalf of the Company and sweeps all bank cash balances from the Company. Such activity is reflected as financing activities within the statements of cash flows. Certain noncash income statement-related allocations from MGM Resorts to the Company, such as stock-based compensation, are settled and treated as noncash contributions or distributions and are presented as other on the statements of member equity.

Subsequent Events

Management has evaluated subsequent events through November 8, 2023, the date these financial statements were available to be issued and has not identified any such events, except as otherwise disclosed.

NOTE 3. RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks consist of the following:

	September 30,	
	2023	2022
	<i>(In thousands)</i>	
Casino receivables (net of a provision for losses – 2023 \$17.2 million and 2022 \$18.2 million)	\$ 30,357	\$ 18,458
Other (net of a provision for losses - 2023 \$0.1 million and 2022 \$0.1 million)	11,841	13,632
	<u>\$ 42,198</u>	<u>\$ 32,090</u>

NOTE 4. OTHER CURRENT ASSETS

Prepays and other current assets consist of the following:

	September 30,	
	2023	2022
	<i>(In thousands)</i>	
Prepaid insurance	\$ 5,448	\$ 3,358
Prepaid maintenance	609	562
Prepaid gaming tax & licenses	802	886
Income tax receivable	-	699
Other	2,597	3,005
	<u>\$ 9,456</u>	<u>\$ 8,510</u>

NOTE 5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following:

	September 30,	
	2023	2022
	<i>(In thousands)</i>	
Buildings, building improvements, and land improvements	\$ 8,266	\$ 431
Furniture, fixtures, and equipment	139,541	128,864
Construction in progress	58,432	19,074
	206,239	148,369
Less: Accumulated depreciation	(105,902)	(93,621)
Finance lease ROU assets, net	83,985	94,203
	<u>\$ 184,322</u>	<u>\$ 148,951</u>

NOTE 6. OTHER ASSETS

Other assets consist of the following:

	September 30,	
	2023	2022
	<i>(In thousands)</i>	
Operating lease ROU assets, net	\$ 1,470,118	\$ 1,509,531
Goodwill	394,077	394,077
Tradenname	82,000	82,000
Other	5,162	13,406
	<u>\$ 1,951,357</u>	<u>\$ 1,999,014</u>

NOTE 7. OTHER ACCRUED EXPENSES

Other accrued expenses consist of the following:

	September 30,	
	2023	2022
	<i>(In thousands)</i>	
Outstanding chip liability	\$ 3,602	\$ 8,479
Customer advances and other casino	19,695	21,708
Payroll and related	26,973	28,086
Taxes, other than income tax	14,243	11,809
Other	10,392	13,829
	<u>\$ 74,905</u>	<u>\$ 83,911</u>

NOTE 8. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

	September 30,	
	2023	2022
	<i>(In thousands)</i>	
Operating lease liabilities - current	\$ 15,401	\$ 11,209
Finance lease liabilities - current	3,967	8,053
	<u>\$ 19,368</u>	<u>\$ 19,262</u>

NOTE 9. OTHER LIABILITIES

Other liabilities consist of the following:

	September 30,	
	2023	2022
	<i>(In thousands)</i>	
Long-term portion of operating lease liabilities	\$ 1,500,139	\$ 1,512,611
Long-term portion of finance lease liabilities	83,998	86,902
Other long-term obligations	17,144	18,634
	<u>\$ 1,601,281</u>	<u>\$ 1,618,147</u>

NOTE 10. OTHER REVENUES

Other revenues consist of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	<i>(In thousands)</i>		<i>(In thousands)</i>	
Entertainment revenue	\$ 2,577	\$ 3,502	\$ 6,862	\$ 8,305
Retail revenue	3,788	3,702	10,724	8,598
Other revenue	8,865	8,196	24,716	21,088
Reimbursed costs	1,149	1,153	3,120	2,966
	<u>\$ 16,379</u>	<u>\$ 16,553</u>	<u>\$ 45,422</u>	<u>\$ 40,957</u>

NOTE 11. 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.