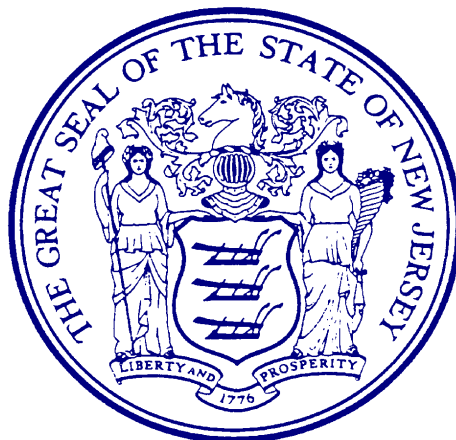


**HARRAH'S RESORT, ATLANTIC CITY  
QUARTERLY REPORT**

**FOR THE QUARTER ENDED JUNE 30, 2023**

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



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**

# HARRAH'S RESORT, ATLANTIC CITY

## BALANCE SHEETS

AS OF JUNE 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	\$26,473	\$23,333
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2023, \$4,783; 2022, \$5,581).....	2,4,12	12,336	12,125
4	Inventories .....	2	1,084	1,064
5	Other Current Assets.....	5	3,799	3,939
6	Total Current Assets.....		43,692	40,461
7	Investments, Advances, and Receivables.....	6	1,813	1,868
8	Property and Equipment - Gross.....	2,7	351,187	321,967
9	Less: Accumulated Depreciation and Amortization.....	2,7	(74,937)	(40,730)
10	Property and Equipment - Net.....	2,7	276,250	281,237
11	Other Assets.....	9	18,126	22,513
12	Total Assets.....		\$339,881	\$346,079
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$6,702	\$14,032
14	Notes Payable.....			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....		530	0
17	Income Taxes Payable and Accrued.....			
18	Other Accrued Expenses.....	3,10	18,416	22,998
19	Other Current Liabilities.....		1,829	1,547
20	Total Current Liabilities.....		27,477	38,577
	Long-Term Debt:			
21	Due to Affiliates.....			
22	External.....			
23	Deferred Credits .....			
24	Other Liabilities.....	11	573,158	564,015
25	Commitments and Contingencies.....	14		
26	Total Liabilities.....		600,635	602,592
27	Stockholders', Partners', or Proprietor's Equity.....	3	(260,754)	(256,513)
28	Total Liabilities and Equity.....		\$339,881	\$346,079

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

# HARRAH'S RESORT, ATLANTIC CITY

## STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	Revenue:			
1	Casino.....		\$67,039	\$70,943
2	Rooms.....		42,906	39,228
3	Food and Beverage.....		28,691	26,299
4	Other.....		10,420	9,925
5	Net Revenue.....	12	149,056	146,395
	Costs and Expenses:			
6	Casino.....		40,572	39,655
7	Rooms, Food and Beverage.....		35,316	30,562
8	General, Administrative and Other.....		35,849	38,914
9	Total Costs and Expenses.....		111,737	109,131
10	Gross Operating Profit.....		37,319	37,264
11	Depreciation and Amortization.....		18,236	16,025
	Charges from Affiliates Other than Interest:			
12	Management Fees.....			
13	Other.....	3	13,819	14,352
14	Income (Loss) from Operations.....		5,264	6,887
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....			
16	Interest Expense - External.....		(34,144)	(31,802)
17	CRDA Related Income (Expense) - Net.....	13	(130)	10
18	Nonoperating Income (Expense) - Net.....		(203)	106
19	Total Other Income (Expenses).....		(34,477)	(31,686)
20	Income (Loss) Before Taxes .....		(29,213)	(24,799)
21	Provision (Credit) for Income Taxes.....			
22	Net Income (Loss).....		(\$29,213)	(\$24,799)

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

# HARRAH'S RESORT, ATLANTIC CITY

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2023 AND 2022

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	Revenue:			
1	Casino.....	12	\$32,444	\$37,059
2	Rooms.....	12	23,486	22,762
3	Food and Beverage.....	12	14,171	14,282
4	Other.....	12	5,552	5,016
5	Net Revenue.....	12	75,653	79,119
	Costs and Expenses:			
6	Casino.....		20,779	20,462
7	Rooms, Food and Beverage.....		17,756	17,592
8	General, Administrative and Other.....		19,069	19,700
9	Total Costs and Expenses.....		57,604	57,754
10	Gross Operating Profit.....		18,049	21,365
11	Depreciation and Amortization.....		9,936	8,742
	Charges from Affiliates Other than Interest:			
12	Management Fees.....		0	
13	Other.....	3	6,828	7,173
14	Income (Loss) from Operations.....		1,285	5,450
	Other Income (Expenses):			
15	Interest Expense - Affiliates.....			
16	Interest Expense - External.....		(17,100)	(15,928)
17	CRDA Related Income (Expense) - Net.....	13	(134)	4
18	Nonoperating Income (Expense) - Net.....		(343)	29
19	Total Other Income (Expenses).....		(17,577)	(15,895)
20	Income (Loss) Before Taxes .....		(16,292)	(10,445)
21	Provision (Credit) for Income Taxes.....			
22	Net Income (Loss).....		(\$16,292)	(\$10,445)

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

**HARRAH'S RESORT, ATLANTIC CITY**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022 AND SIX MONTHS ENDED JUNE 30, 2023  
(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
			Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2021.....		0	\$0	0	\$0	(\$243,725)	\$0	(\$41,855)	(\$285,580)
2	Net Income (Loss) - 2022.....								(41,526)	(41,526)
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	Equitization of Intercompany						76,910			76,910
7	Net Income (Loss) -Successor	2								0
8										0
9										0
10	Balance, December 31, 2022.....		0	0	0	0	(166,815)	0	(83,381)	(250,196)
11	Net Income (Loss) - 2023.....								(29,213)	(29,213)
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15	Equitization of Intercompany						18,655			18,655
16										0
17										0
18										0
19	Balance, June 30, 2023 .....		0	\$0	0	\$0	(\$148,160)	\$0	(\$112,594)	(\$260,754)

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

# HARRAH'S RESORT, ATLANTIC CITY

## STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$13,312)	(\$8,546)
	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.....		(8,827)	(46,641)
5	Proceeds from Disposition of Property and Equipment.....		0	
6	CRDA Obligations .....		(1,545)	(1,603)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances .....		4,242	1,527
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(6,130)	(46,717)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt .....			
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....			
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	Due to/from Intercompany .....		18,655	53,866
22				
23	Net Cash Provided (Used) By Financing Activities.....		18,655	53,866
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(787)	(1,397)
25	Cash and Cash Equivalents at Beginning of Period.....		27,260	24,730
26	Cash and Cash Equivalents at End of Period.....		\$26,473	\$23,333
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$30,344	\$27,980
28	Income Taxes.....		\$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.

# HARRAH'S RESORT, ATLANTIC CITY

## STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2023 (c)	2022 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		(\$29,213)	(\$24,799)
30	Depreciation and Amortization of Property and Equipment...		16,022	13,811
31	Amortization of Other Assets.....		2,214	2,214
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current .....			
34	Deferred Income Taxes - Noncurrent .....			
35	(Gain) Loss on Disposition of Property and Equipment.....		568	2
36	(Gain) Loss on CRDA-Related Obligations.....	13	(1,974)	(10)
37	(Gain) Loss from Other Investment Activities.....		(97)	(190)
38	(Increase) Decrease in Receivables and Patrons' Checks .....		(340)	(187)
39	(Increase) Decrease in Inventories .....		6	(22)
40	(Increase) Decrease in Other Current Assets.....		(3,184)	(3,725)
41	(Increase) Decrease in Other Assets.....		(123)	(96)
42	Increase (Decrease) in Accounts Payable.....		(238)	800
43	Increase (Decrease) in Other Current Liabilities .....		(616)	(290)
44	Increase (Decrease) in Other Liabilities .....		3,663	3,946
45	(Increase) Decrease in Other Receivables or Adv .....			
46				
47	Net Cash Provided (Used) By Operating Activities.....		(\$13,312)	(\$8,546)

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$8,827)	(\$46,641)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$8,827)	(\$46,641)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
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
	<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.

# HARRAH'S RESORT, ATLANTIC CITY SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE SIX MONTHS ENDED JUNE 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	301,686	\$20,152		
2	Food	163,109	3,932	111,832	1,588
3	Beverage*	565,082	7,906		
4	Travel			18,922	4,383
5	Bus Program Cash				
6	Promotional Gaming Credits	384,007	16,871		
7	Complimentary Cash Gifts	87,345	2,163		
8	Entertainment	1,657	85	63	8
9	Retail & Non-Cash Gifts	32,369	648	18,999	1,802
10	Parking	169,199	2,392		
11	Other**	6,563	948		
12	Total	1,711,017	\$55,097	149,816	\$7,781

FOR THE THREE MONTHS ENDED JUNE 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	152,434	\$10,591		
2	Food	79,077	1,926	56,697	784
3	Beverage*	282,121	3,947		
4	Travel			10,218	2,360
5	Bus Program Cash				
6	Promotional Gaming Credits	190,764	8,374		
7	Complimentary Cash Gifts	48,807	1,200		
8	Entertainment	661	34		
9	Retail & Non-Cash Gifts	17,426	349	10,252	927
10	Parking	95,962	1,357		
11	Other**	3,459	479		
12	Total	870,711	\$28,257	77,167	\$4,071

\*Beverage recipients are based on \$14 per drink.

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



# HARRAH'S RESORT, ATLANTIC CITY STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED JUNE 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.

8/15/2023

Date



Karen Worman

Vice President of Finance

Title

6320-11

License Number

On Behalf of:

HARRAH'S RESORT, ATLANTIC CITY

Casino Licensee

**HARRAH'S RESORT, ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

**NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS**

On July 20, 2020, Eldorado Resorts, Inc. ("Eldorado") completed the merger in which a wholly-owned subsidiary of Eldorado merged with and into Caesars Entertainment Corporation ("Former Caesars") with Former Caesars surviving as a wholly-owned subsidiary of Eldorado (the "Merger") pursuant to the Agreement and Plan of Merger dated as of June 24, 2019 (as amended by Amendment No. 1 to Agreement and Plan of Merger, dated as of August 15, 2019, the "Merger Agreement"). In connection with the Merger, Caesars Entertainment Corporation changed its name to "Caesars Holdings, Inc." and Eldorado Resorts, Inc. converted into a Delaware corporation and changed its name to "Caesars Entertainment, Inc."

Harrah's Atlantic City operates the business primarily through its wholly owned subsidiary Caesars Resort Collection, LLC ("CRC").

Harrah's Atlantic City is a casino hotel resort located in the Marina District of Atlantic City, New Jersey. Harrah's Atlantic City is licensed to operate the facility by the New Jersey Division of Gaming Enforcement ("DGE") and is subject to its rules and regulations. The license has no expiration date.

CEC established AC Conference NewCo, LLC ("NewCo") to construct and operate a new conference center (the "Project") adjacent to Harrah's Atlantic City. NewCo is an affiliate to Harrah's Atlantic City. AC Conference NewCo, LLC is its own entity its results are not part of Harrah's Resort Atlantic City's financial statements.

**VICI Regional Lease Agreement/Exercise of Call Right Option**

VICI exercised its call right option to purchase Harrah's Atlantic City, including the Waterfront Conference Center, Harrah's New Orleans and Harrah's Laughlin. As a result of this transaction, the Company reentered into a new agreement with VICI, now referred to as the Regional Lease. The Regional Lease payments are allocated to the properties based upon EBITDA contribution. See note 8 for a revised lease payment schedule.

**Internet Gaming Permit/Sports Wagering License**

Casino licensee, Harrah's Atlantic City Operating Company, LLC, (referred to as "Harrah's" or "casino licensee") holds a Sports Wagering License. The Internet Gaming Permit associated with Harrah's is held by Caesars Interactive Entertainment New Jersey, LLC, (CIENJ), the holder of a casino license and the internet gaming affiliate of Harrah's. Internet gaming and online sports wagering operations are conducted through CIENJ. There is no impact on the casino licensee financial statements.

**Internet Gaming Skins**

There are no active Internet Gaming skins being offered at this time under the Internet gaming permit held by CIENJ, as the internet gaming affiliate of Harrah's.

**Sports Wagering Skins**

One Third-Party online Sports Wagering skin, Prophet, operates under Harrah's Sports Wagering License through its internet gaming affiliate, CIENJ. Prophet commenced operations on 8/29/2022. Third-Party online Sports Wagering skin, Fubo, operated under Harrah's Sports Wagering License through its internet gaming affiliate, CIENJ, from 9/7/2022 until 11/18/2022. Fubo is no longer an active Sports Wagering skin under the casino licensee. Casino licensee does not report revenues or expenses and therefore there is no impact to the financial statements.

**Retail Sports Wagering Book**

Harrah's does not operate the Retail Sports Wagering Book. The Book is operated by William Hill New Jersey, Inc. (WHNJ), an affiliate of CIENJ and Harrah's. Casino licensee does not record revenue and expense, however casino licensee does participate in a profit/loss share agreement with William Hill.

**HARRAH'S RESORT, ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

**NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation** - The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), which require the use of estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting periods. Management believes the accounting estimates are appropriate and reasonably stated; however, due to the inherent uncertainties in making these estimates, actual amounts could differ.

**Principles of Consolidation** - The accompanying consolidated financial statements include the account balances of Harrah's Atlantic City and its wholly owned subsidiaries. As a result, all material intercompany transactions and balances have been eliminated in consolidation.

**Cash and Cash Equivalents** - Cash equivalents are highly liquid investments with original maturities of three months or less from the date of purchase and are stated at the lower of cost or market value.

**Receivables** - The Company issues credit to approved casino customers following investigations of creditworthiness. Business or economic conditions or other momentous events could affect the collectability of these receivables. Accounts receivable are typically noninterest bearing and are initially recorded at cost.

Marker play represents a portion of the Company's overall games volume. The Company maintains strict controls over the issuance of markers and aggressively pursues collection from those customers who fail to pay their marker balances timely. These collection efforts include the mailing of statements and delinquency notices, personal contacts, the use of outside collection agencies and civil litigation. Markers are generally legally enforceable instruments in the United States. Markers are not legally enforceable instruments in some foreign countries, but the United States' assets of foreign customers may be reached to satisfy judgments entered in the United States. The Company considers the likelihood and difficulty of enforceability, among other factors, when issuing credit to customers who are not residents of the United States.

Accounts are written off when management deems the account to be uncollectible. Recoveries of accounts previously written off are recorded when received. The Company reserves an estimated amount for gaming receivables that may not be collected to reduce the Company's receivables to their net carrying amount. Methodologies for estimating the allowance for doubtful accounts range from specific reserves to various percentages applied to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific reserves. As with many estimates, management must make judgments about potential actions by third parties in establishing and evaluating the reserve for allowance for doubtful accounts. Receivables are reported net of the allowance for doubtful accounts.

**Inventories** - Inventories, which consist primarily of food, beverage, and operating supplies, are stated at the lower of average cost or market value.

**Property and Equipment** - Property and equipment are stated at cost, except for assets acquired in our business combinations which were adjusted for fair value under ASC 805. Depreciation is computed using the straight-line method over the estimated useful life of the asset as noted in the table below, or the term of the lease, whichever is less. Costs of major improvements are capitalized, while costs of normal repairs and maintenance are charged to expense as incurred. Gains or losses on the disposal of property and equipment are included in operating income.

The Company evaluates its property and equipment and other long-lived assets for impairment based on its classification as held for sale or to be held and used. Several criteria must be met before an asset is classified as held for sale, including that management with the appropriate authority commits to a plan to sell the asset at a reasonable price in relation to its fair value and is actively seeking a buyer. For assets held for sale, the Company recognizes the asset at the lower of carrying value or fair market value less costs to sell, as estimated based on comparable asset sales, offers received, or a discounted cash flow model. For assets to be held and used, the Company reviews for impairment whenever indicators of impairment exist. The Company then 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 may be recorded for any difference between fair value and the carrying value. All recognized impairment losses, whether for assets held for sale or assets to be held and used, are recorded as operating expenses.

**HARRAH'S RESORT, ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

Our property and equipment is subject to various operating leases for which we are the lessor. We lease our property and equipment related to our hotel rooms, convention space and retail space through various short-term and long-term operating leases.

**Useful Lives**

Land improvements	12 to 40 years
Buildings and improvements	3 to 40 years
Leasehold improvements	3 to 30 years
Furniture, fixtures, and equipment	3 to 15 years

**Intangible Assets Other Than Goodwill** – Intangible assets other than goodwill represents the customer database. As of June 30, 2023, and 2022, the gross carrying value is \$31,000 and the accumulated amortization is \$13,285 and \$8,857, respectively.

Customer relationships are amortized using the straight-line method over the estimated useful life of the asset. The Companies perform their annual impairment tests as of October 1 of each fiscal year. When indicators are noted, the Companies then compare the estimated undiscounted future cash flows to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no impairment is recorded. No impairment charges were recorded for the year ended June 30, 2023.

**Revenue Recognition (*Adoption of New Revenue Recognition Standard*)** - In May 2014, the FASB issued a new standard related to revenue recognition, Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*. We adopted the standard effective January 1, 2018, using the full retrospective method, which requires the Company to recast each prior reporting period presented consistent with the new standard and all related amendments.

Caesars Rewards, formerly known as Total Rewards, affects revenue from our four core businesses: casino entertainment, food and beverage, rooms and hotel, and other business operations. Previously, the Company accrued a liability based on the estimated cost of fulfilling the redemption of Reward Credits, after consideration of estimated forfeitures (referred to as “breakage”), based upon the cost of historical redemptions. Upon adoption of the new accounting standard, Reward Credits are no longer recorded at cost, and a deferred revenue model is used to account for the classification and timing of revenue recognized as well as the classification of related expenses when Reward Credits are redeemed. This results in a portion of casino revenues being recorded as deferred revenue as Reward Credits are earned. Revenue is recognized in a future period based on when and for what good or service the Reward Credits are redeemed (e.g., a hotel room).

Additionally, we previously recorded promotional allowances in a separate line item within net revenues. As part of adopting the new standard, promotional allowances are no longer presented separately. Alternatively, revenue is recognized based on relative standalone selling prices for transactions with more than one performance obligation. For example, when a casino customer is given a complimentary room, we are required to allocate a portion of the casino revenues earned from the customer to rooms based on the standalone selling price of the room. As a result of this change, we are reporting substantially lower casino revenues; however, there is no material effect on total net revenues.

**Revenues** – We analyze our revenues based upon the type of services we provide and the geographic location of the related property. 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 when we have no substantive performance obligation remaining. Sales and other taxes collected from customers on behalf of governmental authorities are accounted for on a net basis and are not included in net revenues or operating expenses.

*Casino Revenues*

The Company recognizes as casino revenue the net win from gaming activities, which is the difference between gaming wins and losses, not the total amount wagered. Gaming revenues are recognized net of certain cash and free play incentives as well as complimentary.

*Non-Gaming Revenues*

Rooms revenue, food and beverage revenue, and entertainment and other revenue include: (i) the actual amounts paid for such services (less any amounts allocated to unperformed performance obligations, such as Reward Credits described below); (ii) the value of Reward Credits redeemed for such services; and (iii) the portion of the transaction price allocated to complimentary goods or services provided in conjunction with other revenue-generating activities. Rooms revenue is generally recognized over the course of the customer’s reservation period. Food and beverage and entertainment and other revenues are recognized when

**HARRAH'S RESORT, ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

services are performed, or events are held. Amounts paid in advance, such as advance deposits on rooms and advance ticket sales, are recorded as a liability until the goods or services are provided to the customer.

*Other Revenue*

Other revenue primarily includes revenue from third-party real estate leasing arrangements at our casino properties. Rental income is recognized ratably over the lease term with contingent rental income being recognized when the right to receive such rental income is established according to the lease agreements.

**Caesars Rewards Loyalty Program** – Caesars' customer loyalty program, Caesars Rewards, grants Reward Credits to Caesars Rewards Members based on on-property spending, including gaming, hotel, dining, and retail shopping at all Caesars-affiliated properties. Members may redeem Reward Credits for complimentary or discounted goods and services such as rooms, food and beverages, merchandise, entertainment, and travel accommodations. Members are able to accumulate Reward Credits over time that they may redeem at their discretion under the terms of the program. A member's Reward Credit balance is forfeited if the member does not earn a Reward Credit for a continuous six-month period.

Because of the significance of the Caesars Rewards program and the ability for customers to accumulate Reward Credits based on their past play, we have determined that Reward Credits granted in conjunction with other earning activity represent a performance obligation. As a result, for transactions in which Reward Credits are earned, we allocate a portion of the transaction price to the Reward Credits that are earned based upon the relative standalone selling prices ("SSP") of the goods and services involved. When the activity underlying the "earning" of the Reward Credits has a wide range of selling prices and is highly variable, such as in the case of gaming activities, we use the residual approach in this allocation by computing the value of the Reward Credits as described below and allocating the residual amount to the gaming activity. This allocation results in a significant portion of the transaction price being deferred and presented as a Contract Liability on Corporate Balance Sheets. Any amounts allocated to the Contract Liabilities are recognized as revenue when the Reward Credits are redeemed in accordance with the specific recognition policy of the activity for which the credits are redeemed. This balance is further described below under Contract Liabilities.

Our Caesars Rewards loyalty program includes various tiers that offer different benefits, and members can earn credits towards tier status, which generally enables them to receive discounts similar to those provided as complimentary described below. 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.

We have determined the SSP of a Reward Credit by computing the redemption value of credits expected to be redeemed. Because Reward Credits are not otherwise independently sold, we analyzed all Reward Credit redemption activity over the preceding calendar year and determined the redemption value based on the fair market value of the goods and services for which the Reward Credits were redeemed. We have applied the practical expedient under the portfolio approach to our Reward Credit transactions because of the similarity of gaming and other transactions and the homogeneity of Reward Credits.

As part of determining the SSP for Reward Credits, we also determined that there is generally an amount of Reward Credits that are not redeemed, which is considered "breakage." We recognize the expected breakage proportionally with the pattern of revenue recognized related to the redemption of Reward Credits. We periodically reassess our customer behaviors and revise our expectations as deemed necessary on a prospective basis.

**Complimentaries** - As part of our normal business operations, we often provide lodging, transportation, food and beverage, entertainment and other goods and services to our customers at no additional charge. Such complimentary are provided in conjunction with other revenue earning activities and are generally provided to encourage additional customer spending on those activities. Accordingly, we allocate a portion of the transaction price we receive from such customers to the complimentary goods and services. We perform this allocation based on the SSP of the underlying goods and services, which is determined based upon the weighted-average cash sales prices received for similar services at similar points during the year.

**Gaming Tax** – The Company remits weekly to the State of New Jersey a tax equal to eight percent of the gross gaming revenue, as defined. Gaming taxes paid to the State of New Jersey for the six months ended June 30, 2023 and 2022, which are included in cost of goods and services in the statement of income, were approximately \$9,918 and \$9,739 respectively. On December 21, 2021, the Governor of State of New Jersey signed into law an amendment to the Casino Control Act to temporarily allow for a one-year credit from March 2022 – February 2023 in the amount of \$2,917 against the 8% Gross Revenue Tax. As of June 30, 2023, the Company has taken the full credit.

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**Advertising Expenses** — Advertising costs are expensed as incurred. Advertising expenses are \$244 and \$307 for the six months ended June 30, 2023 and 2022, respectively. Advertising expenses are included in general, administrative and other expenses in the statements of income.

**City of Atlantic City Real Property Tax and Interim Payment In lieu of Taxes (PILOT) Financial Management** - Beginning for calendar year 2017, each casino licensee entered into a 10-year financial agreement with the City of Atlantic City pursuant to the Casino Property Tax Stabilization Act (the "NJ PILOT Law") which provides for quarterly payments in lieu of real estate taxes. The Company is responsible for the payments based on its prorated share (based on an equal weighted formula that includes the gross gaming revenues ("GGR") of the casino, the total number of hotel guest rooms and the geographic footprint of the real property owned by each casino gaming property) and will be subject to lien provisions if the payments are not made. The Company expensed \$9,638 and \$10,556 for the six months ended June 30, 2023 and 2022, respectively. In addition, the AC industry is required to provide \$5,000 from 2019 thru 2023, to a Separate State Fund for Atlantic City fiscal relief. The company expensed \$232 and \$259 for the six months ending June 31, 2023 and 2022, respectively.

On December 21, 2021, the Governor of New Jersey signed a bill which amended the NJ PILOT Law to exclude internet gaming revenues from the calculation of GGR and additionally set the 2022 PILOT payment at \$110,000. Also, the Separate State Fund was extended through 2026.

A lawsuit was filed by Liberty & Prosperity 1776, Inc. against the State of New Jersey in Superior Court of New Jersey, Atlantic County Law Division challenging the constitutionality of the NJ PILOT Law and the 2021 amendments to the NJ PILOT Law. On August 29, 2022 the Court ruled that the NJ PILOT Law was constitutional but the 2021 amendment to the NJ PILOT Law was unconstitutional; thereby declaring the 2021 amendment null, void and of no effect. On October 14, 2022, in response to the State of New Jersey's motion for a stay of the Court's August 29, 2022 Order, the Court granted a stay for 90 days contingent on the Appellate Division or New Jersey Supreme Court ("Upper Court") making a determination on whether the matter should be heard on an emergent basis, with the State having the right to request an extension if the Upper Court has not yet made such a determination prior to the lapse of the 90 days. On February 3, 2023, a motion to extend the stay an additional 120 days was granted by the Court. Should the Upper Court agree to hear the case on an emergent basis, the stay will remain in place until a final decision on the merits and exhaustion of all appeals. In April 2023 the Superior Court of New Jersey Appellate Division granted the motion for an indefinite stay.

**Seasonal factors** - The Company's operations are subject to seasonal factors and, therefore, the results of operations of the six months ended June 30, 2023 are not necessarily indicative of the results of operations for the full year.

**Omission of Disclosures** - In accordance with the Financial Reporting guidelines provided by the Division of Gaming Enforcement, the Company has elected not to include certain disclosures, which have not significantly changed since filing the most recent Annual Report. Accordingly, certain Income Tax disclosures have been omitted.

### **NOTE 3 - RELATED PARTY TRANSACTIONS**

The Company participates with Caesars and other Caesars subsidiaries in marketing, purchasing, insurance, employee benefit and other programs that are defined and negotiated by Caesars on a company-wide basis. The Company believes that participating in these consolidated programs is beneficial in comparison to the cost and terms for similar programs that it could negotiate on a standalone basis.

**Cash Activity with CEC and Affiliates** - The Company transfers cash in excess of its operating and regulatory needs to its parent on a daily basis. Cash transfers from the Company's parent are also made based upon the needs of the Company to fund daily operations, including accounts payable, payroll, and capital expenditures. No interest is charged on transfers made to or from the Company.

**Administrative and Other Services** - Pursuant to a shared services agreement, Caesars Enterprise Services ("CES") provides certain corporate and administrative services provided by corporate personnel. In addition, there are costs allocated for workers compensation, general liability and property insurance. The Company was charged \$13,819 and \$14,352 for these services for the six months ended June 30, 2023 and 2022 respectively. The fee is included in charges from affiliates in the accompanying statements of income.

**HARRAH'S RESORT, ATLANTIC CITY**  
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**Equitization of Intercompany Balances** - During June 2013, the Company elected to equitize certain intercompany balances with its parent and affiliates that were previously classified as a receivable/liability. The offset to this was Additional Paid in Capital and Retained Earnings. This is shown separately on the Statement of Changes in Stockholder's Equity.

**NOTE 4 – RECEIVABLES AND PATRONS' CHECKS**

Receivables and patrons' checks as of June 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
Casino Receivables (Net of Allowance for Doubtful Accounts - 2023, \$3,869 & 2022, \$4,767)	\$ 1,628	\$ 1,430
Other (Net of Allowance for Doubtful Accounts- 2023, \$914 & 2022, \$814 )	<u>10,708</u>	<u>10,695</u>
	<u><u>\$ 12,336</u></u>	<u><u>\$ 12,125</u></u>

**NOTE 5 - PREPAID EXPENSES AND OTHER CURRENT ASSETS**

Prepaid Expenses and Other Current Assets as of June 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
Prepaid State Income Tax	\$ 362	\$ 362
Prepaid Taxes	1,830	1,799
Prepaid Marketing & Entertainment	206	591
Prepaid Contracts / Utilities	948	932
Prepaid Other & Other Current Assets	<u>453</u>	<u>255</u>
	<u><u>\$ 3,799</u></u>	<u><u>\$ 3,939</u></u>

**NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES**

Investments, Advances and Receivables as of June 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
Casino Reinvestment Development Authority Investment Obligation ("CRDA") (net of valuation reserves)	1,813	1,868
	<u><u>\$ 1,813</u></u>	<u><u>\$ 1,868</u></u>

**NOTE 7 – LAND, BUILDINGS AND EQUIPMENT**

Land, Buildings and Equipment as of June 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
Land and Land Improvements	\$ 33,402	\$ 30,724
Building and Improvements	236,247	203,426
Furniture Fixtures & Equipment	71,272	58,998
Construction in Progress	<u>10,266</u>	<u>28,819</u>
	351,187	321,967
Less: Accumulated Depreciation and Amortization	<u>(74,937)</u>	<u>(40,730)</u>
Land, Building and Equipment, Net	<u><u>\$ 276,250</u></u>	<u><u>\$ 281,237</u></u>

**HARRAH'S RESORT, ATLANTIC CITY**  
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*Our property and equipment is subject to various operating leases for which we are the lessor. We lease our property and equipment related to our hotel rooms, convention space and retail space through various short-term and long-term operating leases. See Note 8 for further discussion of our leases.*

**NOTE 8 – LEASES**

**Lessee Arrangements**

**Operating Leases** - The Company leases both real estate and equipment used in their operations and classifies those leases as operating leases, for accounting purposes. Rent expense is associated with operating leases and is charged to expense in the year incurred. In addition to the minimum rental commitments, certain of our operating leases provide for contingent rentals based on a percentage of revenues in excess of specified amounts.

**Lease Costs**

	<b>Six months Ended June 30, 2023</b>
Operating lease expense	\$ 51
Short-term lease expense	1,824
Variable lease expense	43
Total lease costs	\$ 1,918

**VICI Leases**

We lease certain real property assets from VICI under the Regional Lease (as amended, the “Regional Lease”), which include certain real property assets of The Company. The lease agreement, inclusive of all amendments, include (i) a 15-year initial term with four five-year renewal options, (ii) annual fixed rent payments of \$59,632, subject to annual escalation provisions based on the Consumer Price Index (“CPI”) and a 2% floor commencing in lease year two of the initial term and (iii) a variable element based on net revenues of the underlying leased properties, commencing in lease year eight of the initial term.

The lease agreements were evaluated as sale-leasebacks of real estate. We determined that these transactions did not qualify for sale-leaseback accounting, and we have accounted for each of the transactions as a financing.

For these failed sale-leaseback transactions, the Company continues to reflect the real estate assets on the Balance Sheets in Property and equipment, net as if the Company was the legal owner, and continues to recognize depreciation expense over their estimated useful lives. We do not recognize lease expense related to the Lease Agreements, but we have recorded a liability for the failed sale-leaseback obligations and currently, the majority of the periodic lease payments are recognized as interest expense. In the initial periods, the majority of the cash payments are less than the interest expense recognized in the Statements of Operations, which causes the related sale-leaseback liability to increase during the initial periods of the lease term.

**Annual Estimated Failed Sale-Leaseback Financing Obligation Service Requirements**

	<b>As of June 30, 2023</b>
2023	\$ 30,549
2024	62,019
2025	62,677
2026	63,575
2027	64,663
Thereafter	2,339,924
Total future payments	2,623,407
Less: Amounts representing interest	(2,100,177)
Plus Residual values	47,120
Total financing obligation	\$ 570,350



**HARRAH'S RESORT, ATLANTIC CITY**  
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- (1) Financing obligation principal and interest payments are estimated amounts based on the future minimum lease payments and certain estimates based on contingent rental payments. Actual payments may differ from the estimates.

**Guarantee for Failed Sale-Leaseback**

Subject to certain exceptions, the payment of all monetary obligations under the VICI Lease is guaranteed by CEI

**Lessor Arrangements**

**Lodging Arrangements** - Lodging arrangements are considered short-term and generally consist of lease and non-lease components. The lease component is the predominant component of the arrangement and consists of the fees charged for lodging. The non-lease components primarily consist of resort fees and other miscellaneous items. As the timing and pattern of transfer of both the lease and non-lease components are over the course of the lease term, we have elected to combine the revenue generated from lease and non-lease components into a single lease component based on the predominant component in the arrangement. During the six months ended June 30, 2023, we recognized approximately \$42,906 in lease revenue related to lodging arrangements, which is included in the Statement of Income.

**Real Estate Operating Leases** - We entered into long-term real estate leasing arrangements with third-party lessees. As of June 30, 2023, the remaining terms of these operating leases ranged from 1 to 24 years, some of which include options to extend the lease term for up to 5 years. In addition to minimum rental commitments, certain of our operating leases provide for contingent payments including contingent rentals based on a percentage of revenues in excess of specified amounts and reimbursements for common area maintenance and utilities charges. As the timing and pattern of transfer of both the lease and nonlease components are over the course of the lease term, we have elected to combine the revenue generated from lease and nonlease components into a single lease component based on the predominant component in the arrangement. In addition, to maintain the value of our leased assets, certain leases include specific maintenance requirements of the lessees or maintenance is performed by the Company on behalf of the lessees.

**Maturity of Lease Receivables as of June 30, 2023**

	<u>Operating Leases</u>
2023	227
2024	460
2025	463
2026	466
2027	469
Thereafter	2,250
Total	<u>\$ 4,335</u>

**NOTE 9 - OTHER ASSETS**

Other Assets as of June 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
Customer Database (less Accumulated Amortization of \$13,285 for 2023 & \$8,857 for 2022)	\$ 17,715	\$ 22,143
Other	411	370
	<u>\$ 18,126</u>	<u>\$ 22,513</u>

**HARRAH'S RESORT, ATLANTIC CITY**  
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**NOTE 10 - OTHER ACCRUED EXPENSES**

Other Accrued Expenses as of June 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
Accrued Interest	\$ 4,758	\$ 4,663
Accrued Payroll	4,034	5,825
Taxes and Licensing	3,816	3,123
Advance Deposits	2,863	2,822
Utilities	883	1,129
Accrued Ticket Liability	341	524
Accrued Legal Fees	11	477
Accrued Marketing	267	370
Progressive Liability	305	1,526
Other	1,138	2,539
	<u>\$ 18,416</u>	<u>\$ 22,998</u>

**NOTE 11 - OTHER LIABILITIES**

Other Liabilities as of June 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
Long Term Financing Obligation	\$ 570,350	\$ 563,615
Other Long Term Contract Liabilities	2,808	400
	<u>\$ 573,158</u>	<u>\$ 564,015</u>

**NOTE 12 – REVENUE RECOGNITION**

**Disaggregation of Revenue**

	<u>Six months Ended June 30, 2023</u>
Casino	\$ 67,039
Food and beverage <sup>(1)</sup>	28,691
Rooms <sup>(1)</sup>	42,906
Entertainment and other	10,208
Total contract revenues	<u>148,844</u>
Real estate leases	212
Net revenues	<u>\$ 149,056</u>

<sup>(1)</sup> As a result of the adoption of ASC 842, as of January 1, 2019, revenue generated from the lease components of lodging arrangements and conventions are no longer considered contract revenue under ASC 606, Revenue from Contracts with Customers. A portion of this balance relates to lease receivables under ASC 842. See Note 8 for further details.

**HARRAH'S RESORT, ATLANTIC CITY**  
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**Receivables**

	Six months Ended June 30, 2023
Casino	\$ 1,628
Food and beverage and rooms <sup>(1)</sup>	8,774
Entertainment and other	57
Contract receivables, net	10,459
Real estate leases	0
Other	1,877
Receivables, net	\$ 12,336

<sup>(2)</sup> As a result of the adoption of ASC 842, as of January 1, 2019, revenue generated from the lease components of lodging arrangements and conventions as well as their associated receivables are no longer considered contract revenue or contract receivables under ASC 606, Revenue from Contracts with Customers. A portion of this balance relates to lease receivables under ASC 842. See Note 8 for further details.

**NOTE 13 – CASINO REINVESTMENT DEVELOPMENT AUTHORITY INVESTMENT**

**CRDA Investment Obligation** — The New Jersey Casino Control Act provides, among other things, for an assessment of licenses equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company previously satisfied this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the CRDA. Funds deposited with the CRDA were used to purchase bonds designated by the CRDA or, under certain circumstances, used to donate to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to 50 years and bear interest at below-market rate. Effective May 27, 2016 the CRDA investment obligation of 1.25% of gross gaming revenues was redirected to the City of Atlantic City to be used for debt service. The CRDA investment obligation was reduced by previously pledged for bonds issued by the CRDA or otherwise contractually obligated Credit Agreements committed by the Authority.

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Income to operations were (\$130) and \$10 for the six months ended June 30, 2023 and 2022, respectively, and is included in CRDA related expenses, in the statement of income.

The funds on deposits are held in an interest-bearing account by the CRDA. Initial obligation deposits are marked down by approximately 33% to represent their fair value and eventual expected conversion into bonds by the CRDA. Once CRDA Bonds are issued we have concluded that the bonds are held-to-maturity since the Company has the ability and the intent to hold these bonds to maturity and under the CRDA, they are not permitted to do otherwise. As such the CRDA Bonds are measured at amortized cost. As there is no market for the CRDA Bonds, its fair value could only be determined based on unobservable inputs. Such inputs are limited to the historical carrying value of the CRDA Bonds that are reduced, consistent with industry practice, by 1/3 of their face value at the time of issuance to represent fair value. The Company accretes such discount over the remaining life of the bonds. Accretion for the six months ended June 30, 2023 and 2022 were (\$130) and \$10 respectively, and is included in CRDA related expenses, in the statement of income.

After the initial determination of fair value, the Company will analyze the recoverability of the CRDA Bonds on an annual basis and its effect on reported amount based upon the ability and likelihood of bonds to be repaid. When considering recoverability of the CRDA Bonds, the Company considers the relative creditworthiness of each bondholder, historical collection experience and other information received from the CRDA. If indications exist that the amount expected to be recovered is less than its carrying value, the asset will be written down to its expected realizable amount. As a result of this analysis, the Company wrote off \$137 for the six months ended June 30, 2023.

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**(Dollars in Thousands)**

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

**Litigation** - The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, these matters will not have a material effect on the Company's financial position or results of operations.