Events DC Wrongly Calculated "Excess Cash," Owes D.C. $68.7 Million

October 8, 2025

A report by the Office of the District of Columbia Auditor

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Executive Summary

Office of the District of Columbia Auditor

Why ODCA Did This Audit

The objective of this review was to determine whether Events DC's excess cash transfer calculations complied with governing laws and agreements.

What ODCA Found

Events DC incorrectly calculated the amount of its excess cash for FY 2024 that must be transferred to the District; Events DC owes the District $68.7 million.

What ODCA Recommends

1. Events DC should transfer approximately $68.7 million additional excess cash to the District.
2. Events DC's calculation of excess cash for FY 2025 and subsequent fiscal years should correct the errors identified in this audit.

Background

The Washington Convention and Sports Authority (WCSA, t/a Events DC), is required to transfer excess cash to the District at the end of each fiscal year per D.C. Official Code § 10-1202.13.

In FY 2024, Events DC made excess cash transfer amounts of approximately $9 million for FY 2022 and $3.3 million for FY 2023. In FY 2025, Events DC determined that $17.7 million of excess cash was required to be transferred to the District for FY 2024.

Objective, Scope, and Methodology

Objective

The objective of this review was to determine whether Events DC's excess cash transfer calculations complied with governing laws and agreements.

Scope

We reviewed Events DC's excess cash transfer calculation for FY 2024.[1]

Methodology

We performed this review in conjunction with ODCA's annual review of the sufficiency of Events DC revenues for the upcoming year.[2]

To conduct this review, we:

- Reviewed *Schedule of Excess Cash Calculation For the Year Ended September 30, 2024* and its accompanying Note ("Events DC's Calculation") provided by Events DC, as well as an Independent Public Accountants' Report examining compliance with specified requirements.
- Analyzed financial information included in Events DC's audited financial statements for FY 2024, FY 2024 budgeted and actual expenses, and FY 2025 cash flow forecasts.
- Examined account balances at the end of FY 2024.
- Reviewed governing law set forth in D.C. Code, Council Resolution 12-591, and agreements related to the issuance of bonds.
- Independently calculated the required excess cash transfer for FY 2024.

For further information on each component of ODCA's independent excess cash calculation, please see the additional methodology provided in Appendix A.

This report was drafted, reviewed, and approved in accordance with the standards outlined in ODCA's Audit Policies and Procedures Manual.

1 The audit team had initially planned to review the calculation for FYs 2022 through 2024. Our review just includes FY 2024 because similar errors were made across all years, and any excess in prior years would be cumulative.

2 Per D.C. Code § 10-1203.05(b), the District of Columbia Auditor is required to prepare an annual certification of the sufficiency of WCSA's projected revenues and excess reserve to meet its projected expenditures and reserve requirements for the upcoming fiscal year. The FY 2026 sufficiency certification report is available at https://dcauditor.org/report/events-dc-revenue-sufficiency-certification-for-fiscal-year-2026.

Audit Results

Events DC incorrectly calculated the amount of its excess cash for FY 2024 that must be transferred to the District; Events DC owes the District $68.7 million.

The excess cash transfer calculation is defined by D.C. Official Code §§ 10-1202.13(a) and (b). The excess cash amount due to the District equals (i) the sum of cash and investment balances held in the Convention Center Fund, minus (ii) the sum of current liabilities, debt service reserves, operating reserves, capital replacement reserves, and any amounts expected to be used to purchase or redeem debt in the next Fiscal Year.

Figure 1. Simplified Excess Cash Transfer Calculation

Excess Cash = Cash + Investments – (Current Liabilities + Reserves)

Source: ODCA and D.C. Official Code § 10-1202.13.[3]

Events DC incorrectly calculated the amount of its excess cash for FY 2024 to be approximately $17.7 million. Events DC's calculation was reviewed and accepted by the outside auditor of its financial statements.[4] We note, however, that the outside auditor only examined compliance with "D.C. Code § 10-1202.13, as described in Note 1," which includes stipulations and assumptions made by Events DC. Further, the outside auditor stated, "Our examination does not provide a legal determination on [Events DC's] compliance with specified requirements."

We applied the formula set forth in D.C. Code to figures obtained from Events DC's financial records and calculated the amount of excess cash at the end of FY 2024 to be approximately $86.4 million.

The excess cash amount determined by Events DC was incorrect because the excess cash calculation rested on a series of errors, as explained below.

Events DC incorrectly used operating budget instead of operating expenditures to calculate operating reserve.

Events DC's Calculation correctly stated, "The Code defines the operating reserve to be equal to not more

3 This equation assumes that Events DC has not set aside cash to purchase or redeem outstanding debt prior to its maturity.
4 The excess cash calculations for FY 2022 through FY 2024 were previously reviewed by SB&Company LLC (SBC), Certified Public Accountants & Business Advisors.

than 1.5 times the annual operating expenditures."[5] However, Events DC interpreted *expenditures* to mean *budget* by stating, "Management of the District and the Authority considers the operating expenditures to be the operating and marketing *budget* for the year." Events DC's interpretation was contrary to the plain language of the statute.

Events DC's Calculation erroneously treated unaccrued interest as a current liability, contrary to its financial statements.

In Events DC's audited annual financial statements, current liabilities correctly include debt service principal payments due in the following year and accrued interest on debt; further, current liabilities *do not* include unaccrued interest. Yet Events DC's Calculation added unaccrued interest to current liabilities, stating, "Management of the District and the Authority considers the interest expense due during the next fiscal year to be a part of the debt service current liability at year end and has included that amount in the calculation." The statement does not attempt to explain why unaccrued interest should be treated as a current liability in the excess cash calculation but not in the financial statements.

Events DC's Calculation erroneously treated some Tax Increment Financing (TIF) bond liabilities as liabilities of the Convention Center Fund.

Events DC correctly excluded TIF[6] in most parts of their calculation.[7] However, Events DC's Calculation incorrectly included TIF bond debt service as part of current liabilities.

Events DC's Calculation did not fully include Series 2018B bond accounts and liabilities.

Events DC's financial statements incorrectly categorized Series 2018B bond accounts and liabilities as falling under the "TIF Hotel" fund, which should be excluded from the excess transfer calculation. But Series 2018B is not a TIF bond series;[8] instead, it is payable from the dedicated taxes that flow through the Convention Center Fund. Series 2018B accounts and liabilities should be included in the excess cash calculation.

In this case, Events DC did not adjust its excess cash methodology when the underlying facts changed. The Series 2018B bonds are payable first from Convention Center Hotel lease revenues, and then from

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5 D.C. Code § 10-1202.13 ("Code") states that the operating reserve must be in an amount "equal to not more than 1.5 times the annual operating expenditures," unless the Council by resolution approves a higher amount that is determined by Events DC to be necessary to satisfy bond rating agencies. The Council by resolution increased the operating reserve to 3 times operating and marketing expenditures in 1998, as requested by Events DC (then WCCA) in order to satisfy bond rating agencies. Events DC later agreed in a memorandum of understanding with OCFO in 2007 to an operating reserve using a 1.5 times multiplier, explaining they had a "better understanding" of the reserve amounts required.

6 D.C. Code § 10-1202.08 establishes the "Convention Center Fund," into which dedicated taxes must be deposited, and D.C. Code § 10-1202.13 provides for transferring excess cash in the Convention Center Fund to the District. Separately, D.C. Code § 10-1221.03 establishes a "New Convention Center Hotel Fund" into which all TIF revenues must be deposited, and which provides for a separate transfer of any excess cash in the New Convention Center Hotel Fund to the District.

7 TIF bond accounts are excluded from Investment balances, and TIF bonds are excluded when determining the amount of debt service reserves.

8 The Seventh Supplemental Trust Agreement establishes the TIF revenue and the debt service accounts as those associated with Series 2021A and 2021B bonds.

dedicated taxes if lease revenues are insufficient. For as long as the Series 2018B bonds were actually being paid from lease revenues, it may have been correct to exclude Series 2018B from the excess cash calculation. But following Events DC's sale of the leased property in June 2022, it no longer collects any lease revenues. Therefore, dedicated tax revenue flowing to the Convention Center Fund is the sole remaining source of payment for the Series 2018B bonds.

Events DC's Calculation summed the maximum annual debt service for each series of bonds without a basis for doing so.

Events DC's Calculation incorrectly interpreted "maximum annual debt service on outstanding bonds" to mean *a sum of* the maximum annual debt service on *each series of* outstanding bonds when calculating debt service reserves. This interpretation effectively adds words that do not appear in the statute.[9] We determined the "maximum annual debt service on outstanding bonds" to mean the highest annual amount of debt service on outstanding bonds (regardless of their series).[10]

Events DC's Calculation incorrectly included Sports and Entertainment Division (SED) accounts and liabilities

Events DC's Calculation incorrectly included the "Sports and Entertainment Fund" within the excess cash transfer calculation.[11] Their calculation included cash balances and current liabilities from RFK and ESA accounts, and an operating reserves calculation which included SED operating expenses. The Sports and Entertainment Fund and the Convention Center Fund are separate funds.

Events DC's Calculation incorrectly included Marketing Fund accounts and liabilities.

Events DC's Calculation incorrectly included the "Marketing Fund" within the excess cash transfer calculation. [12] Their calculation included Marketing Fund cash and investment balances and current liabilities.[13] The Marketing Fund and the Convention Center Fund are separate funds.

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9 See *McCormick & Schmick Rest. Corp. v. D.C. Alcoholic Bev. Control Bd.*, 144 A.3d 1153, 1156–57 (D.C. 2016) (rejecting an agency's statutory construction where it emphasized words that did not appear in the statute).

10 D.C. Code § 10-1202.13(b)(1).

11 As described in footnote 6, D.C. Code § 10-1202.08 establishes the "Convention Center Fund" used in this excess transfer calculation. Separately, D.C. Code § 10-1202.08b establishes a "Sports and Entertainment Fund," and includes that these funds "shall not revert to the unrestricted fund balance of the General Fund of the District of Columbia at the end of a fiscal year, or at any other time."

12 As described in footnote 6, D.C. Code § 10-1202.08 establishes the "Convention Center Fund" used in this excess transfer calculation. Separately, D.C. Code § 10-1202.08a establishes a "Marketing Fund," into which 17.4% of dedicated taxes must be deposited. The Code stipulates that these funds "shall not be a part of, nor lapse into, the General Fund of the District."

13 Events DC's calculation does correctly include the Operating and Marketing Reserves investment balance and correctly includes marketing in the reserve calculation.

As a result of Events DC having incorrectly calculated the excess cash for FY 2024, Events DC owes the District approximately $68.7 million more than it had calculated.

Figure 1: Fiscal Year 2024 Excess Cash Calculations

Calculation	ODCA's Result	Events DC's Result	ODCA – Events DC Difference	ODCA's Result Includes	ODCA's Result Excludes
Cash	**$ 5,153,747**	$ 9,786,889	$ (4,633,142)		SED, Marketing Fund
+ Investments	**$ 413,398,285**	$ 407,271,780	$ 6,126,505	2018B bonds	Marketing Fund
= Cash & Investments	**$ 418,552,032**	$ 417,058,669	$ 1,493,363		
Current Liabilities	**$ 46,376,725**	$ 64,269,043	$ (17,892,318)		future interest, TIF bonds, SED, Marketing Fund
+ Debt Service Reserves	**$ 42,403,936**	$ 40,540,132	$ 1,863,805	2018B bonds	
+ Operating Reserves	**$ 145,745,618**	$ 196,924,208	$ (51,178,590)	actual expenses	budgeted expenses, SED
+ Capital Replacement Reserve	**$ 97,668,700**	$ 97,668,700	$ 0		
+ purchase/redeem debt next FY	**$ -**	$ -	$ -		
= Current Liabilities & Reserves	**$ 332,194,979**	$ 399,402,082	$ (67,207,104)		
Cash & Investments	**$ 418,552,032**	$ 417,058,669	$ (1,493,363)		
– Current Liabilities & Reserves	**$ (332,194,979)**	$ (399,402,082)	$ (67,207,104)		
= Excess Transfer to the District	**$ 86,357,054**	$ 17,656,587	$ 68,700,467		

Source: ODCA, Events DC. Amounts rounded to whole dollars.

Recommendations

1. Events DC should transfer approximately $68,700,467 additional excess cash to the District.[14]
2. Events DC's calculation of excess cash for FY 2025 and subsequent fiscal years should:
   - Use actual operating and marketing expenditures when calculating operating reserves.
   - Use only current liabilities and not add future unaccrued interest payments.
   - Exclude any accounts and liabilities related to Series 2021A and Series 2021B (TIF) bonds when determining investment balances, current liability, and calculating debt service reserves.
   - Include all accounts and liabilities related to Series 2018B (non-TIF) bonds when determining investment balances, current liability, and calculating debt service reserves.
   - Calculate debt service reserves based on the maximum annual debt service on outstanding bonds without regard to their series.
   - Exclude any accounts and liabilities of the Sports and Entertainment Fund when determining cash balances, current liability, and calculating operating reserves.
   - Exclude any accounts and liabilities of the Marketing Fund when determining cash and investment balances and current liability.[15]

14 In order to determine investment balances, it was necessary to use a mix of Events DC's financial statements (accrual-based) and bank account balances (cash-based). This was due to how items were grouped in financial statements. Bank balances were used to separate Series 2018B from TIF and Marketing from the Operating & Marketing Reserve. It is possible Events DC could arrive at a slightly different amount (up to $44) due to accruals.

15 Note the Marketing Fund and "Operating and Marketing Reserve" account should be accounted for separately for purposes of the excess cash calculation. Since the operating reserve is provided for in the excess cash calculation, Events DC's calculation should continue to include the entire balance of the "Operating and Marketing Reserve" account in investment balances, and marketing expenses should continue to be used when calculating the allowed amount of the operating reserve.

Conclusion

Events DC's determination understates the amount of its excess cash at the end of FY 2024. We have provided an alternate calculation that follows the current laws and agreements governing the excess cash transfer. The amount of FY 2024 excess cash exceeds Events DC's determination by approximately $68 million. The Auditor recommends that Events DC transfer additional excess cash to the District and update its calculation for subsequent years.

Appendix A

Extended Methodology - Components of ODCA's Excess Cash Calculation

Cash

ODCA's calculation includes all non-SED, non-Marketing Fund, unrestricted and restricted cash balances.[16] We totaled actual account balances at Truist, Wells Fargo, and Industrial Bank as of September 30, 2024, based on bank statements supplied by Events DC. We matched these to the totals provided in Events DC's financial statements where possible.

The balances used for the calculation were from Events DC's financial statements. Based on the match to bank accounts we included in the SED balance the restricted Capital amounts as these appeared to be exclusively SED accounts, restricted as detailed in FY 2024 financial statements note 11.

Investments

ODCA's calculation includes all non-TIF, non-Marketing Fund, unrestricted and restricted investment balances. We totaled actual account balances at Bank of NY Mellon as of September 30, 2024, based on bank statements supplied by Events DC. We matched these to the totals provided in Events DC's financial statements where possible.

Separating TIF and 2018B: Events DC had grouped Series 2018B bond debt service accounts with TIF bonds and we included these accounts as they are non-TIF. Accounts were categorized as TIF based on the Seventh Supplemental Trust Agreement, which establishes the TIF revenue and debt service accounts.[17] We added the 2018B bank balances to the other investment totals on the financial statement to get the balance of investments.

Separating Marketing Fund and Operating and Marketing Reserves: Events DC had an amount of approximately $77.3 million listed for investments under the Marketing Fund in financial statements. The investment account that ODCA determined was the Marketing Fund based on its receipt of the 17.4% of dedicated taxes had a balance of approximately $1.2 million. The total on the financial statements may be incorporating some of the "Operating and Marketing Reserve" fund. As described in the report, this reserve balance should be kept separate, because it is explicitly included in the excess cash calculation. For this reason, we excluded only the bank balance of the Marketing-only account rather than the entire Marketing fund amount indicated from audited financials.[18]

Current Liabilities

ODCA's calculation includes all debt service principal amounts due during the next fiscal year, and all interest that was accrued as of September 30, 2024.[19] We determined current liability without any debt service by looking at Events DC's audited financial statements and removing the amounts listed for "Accrued Interest Payable" and "Debt-Current Portion." Next, we calculated all debt service using Events

16 In FY 2024 the only restricted accounts are SED accounts, so there are no restricted accounts included.
17 Only Series 2021A and Series 2021B are paid from TIF revenues.
18 This number may be adjusted slightly by Events DC to account for accruals not captured in the bank account balance.
19 Events DC agrees with this definition of current liability for its own audited financial statements, not including 4/15 interest. There is nothing in the Code to indicate that the unaccrued interest should also be added.

DC's debt service schedule as of September 2024. We totaled current liability and debt service liability across fund types. We excluded TIF, Marketing, and SED liabilities.

Debt Service Reserves

ODCA's calculation considers the annual debt service across all outstanding bonds expected to be paid from the Convention Center Fund and chooses the maximum total amount in one fiscal year. We calculated debt service liability using Events DC's debt service schedule as of September 2024.

Operating Reserve

ODCA's calculation uses 1.5 times the FY 2024 operating and marketing expenditures. We calculated operating and marketing expenditures using the FY 2024 budget-to-actual amounts provided by Events DC. Our calculation excludes SED expenses.

Capital Replacement Reserve

ODCA's calculation matches Events DC's calculation, which follows legal requirements. This calculation uses 5% of the project cost, adjusted for inflation.

Purchase/Redeem Outstanding Debt Next FY

As Events DC did not indicate any expectations related to the use of its cash or investments to purchase or redeem its outstanding indebtedness, ODCA's calculation sets this amount to $0.

Agency Comments

On September 11, 2025, we sent a draft copy of this report to Events DC for review and written comment. This followed a series of three closeout meetings in which we jointly reviewed the ODCA findings. Events DC responded with comments on September 30, 2025. Agency comments are included here in their entirety.

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September 30, 2025

Kathleen Patterson
District of Columbia Auditor
1331 Pennsylvania Ave., NW, Suite 800S
Washington, DC 20004

Re: Events DC Excess Cash Calculation

Dear Ms. Patterson:

I am in receipt of the Office of the District of Columbia Auditor ("ODCA") draft report dated September 11, 2025 regarding Events DC's excess cash calculation and provide this letter and related attachments in response. Events DC has reviewed this matter with staff, the Office of the Chief Financial Officer, our independent third-party auditors and outside bond counsel. Events DC disagrees with ODCA's claim that Events DC incorrectly calculated its excess cash. Calculating excess cash in the manner ODCA set forth would – as a practical matter – eliminate Events DC's ability to fulfill its operational responsibilities, and – as a legal matter – breach the covenants in our existing agreements with bondholders.

Events DC is the official convention and sports authority of Washington, DC, charged with generating economic and community benefits for the residents and businesses of the District of Columbia by creating premier event experiences in the nation's capital and promoting Washington, DC as a world-class destination. We fulfill this mission with the support of dedicated hotel and restaurant taxes which help fund our operations at our multiple venues. Events DC has a long history of quality financial stewardship and clean audits, evidenced in part through your office's annual revenue sufficiency certifications, most recently completed on July 14, 2025.

The excess cash calculation was reviewed in 2019, in connection with the DC Council's efforts to redirect a portion of Events DC's excess reserves through the FY 2020 Budget Support Act. Former CFO Jeffrey DeWitt provided a letter to the DC Council dated June 10, 2019 which outlined the discovery of an error in the excess cash calculations. In response, Events DC redid the excess cash calculations for Fiscal Years 2008-2018. Such revised calculations were subsequently reviewed by the District's Controller and Treasurer. Additionally, the Office of the Inspector General commissioned an independent audit of the calculations.[1] The revised, reviewed and audited calculations were provided to the DC Council without objection as to the methodology or the final calculation. Since 2019, Events DC's excess cash calculations have been verified by a third-party independent auditor each year.

Application of ODCA's new methodology to previous fiscal years (FY 2022-2023), would result in $65 million less in excess cash annually, on average. This amount represents ***over half*** of the received dedicated tax revenue. Events DC could not sustain its venues nor its operations using that calculation, which is contrary to the intent of the DC Council's

[1] See OIG No. 20-1-07ES(a) -- FY 19 Convention Center Excess Cash Opinion

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legislation authorizing the excess cash calculation in support of Events DC's mission and operations.

In furtherance of its mission, both Events DC and its predecessor organizations have issued bonds. The related Amended and Restated Master Trust Agreement dated as of February 1, 2007 ("MTA") provides certain protections to bondholders, including necessary funds and reserves. The statutory requirements for necessary operating and marketing reserves were interpreted and documented in a Memorandum of Understanding dated February 1, 2007 between former CFO Natwar Gandhi and the Convention Center Authority ("MOU"), which is incorporated by reference in the MTA. Section 1(b) of MOU describes the necessary operating and marketing reserves, which serve as the basis for the statutory excess cash calculation set forth in DC Code § 10-1202.13. As explained in former CFO DeWitt's June 10, 2019 letter, intentional breach of the MTA could trigger lawsuits by bond holders and impact the District's credit rating. Such a breach could increase the costs of borrowing and impair Events DC's ability to issue debt.

Our detailed responses to your letter are attached hereto in Attachment A. Our methodology for conducting excess cash calculations is based on a reasonable interpretation of District law and we urge you to reconsider the findings outlined in your draft report. Notwithstanding our view that our calculation is based on a reasonable interpretation of the law, we have included an alternate calculation in Attachment B hereto. As detailed in the attachment, this calculation results in no excess cash due to the District in FY 2024, requiring the District to refund the $17.6 million Events DC paid. We agree with your office that seeking legislative clarity is the best and most efficient outcome, provided that such clarity is consistent with both the MTA and the MOU.

Sincerely,

Angie M. Gates

Angie M. Gates
President and Chief Executive Officer

cc: Glen Lee, CFO
Veronica Taylor, Events DC
Nuru Yimam, Events DC
Betsy Cavendish, EOM

ATTACHMENT A
EVENTS DC RESPONSES TO DC AUDITOR FINDINGS

ODCA Overall Conclusion: Events DC incorrectly calculated the amount of its excess cash for FY 2024 that must be transferred to the District; Events DC owes the District $68.7 million.

Events DC Summary Response: Events DC disagrees with ODCA's claim that Events DC wrongly calculated its excess cash. Calculating excess cash in the manner ODCA set forth would eliminate Events DC's ability to fulfill its operational responsibilities and breach the covenants in existing agreements with bondholders. The excess cash calculation was reviewed in 2019 in connection with the DC Council's efforts to redirect a portion of Events DC's excess reserves through the FY 2020 Budget Support Act. Former CFO Jeffrey DeWitt provided a letter to the DC Council dated June 10, 2019, which outlined the discovery of an error in the excess cash calculation. In response, Events DC revised the excess cash calculations for Fiscal Years 2008-2018. Such revised calculations were subsequently reviewed by the District's Controller and Treasurer. Additionally, the Office of the Inspector General commissioned an independent audit of the calculations. The revised, reviewed and audited calculations were provided to the DC Council without objection as to the methodology or the final calculation. Since 2019, Events DC's excess cash calculations have been verified by a third-party independent auditor each year.

In furtherance of its mission, both Events DC and its predecessor organizations have issued bonds. The related Amended and Restated Master Trust Agreement dated as of February 1, 2007 ("MTA") provides certain protections to bondholders, including an outline of necessary funds and reserves. The statutory requirements for necessary operating and marketing reserves were interpreted and documented in a Memorandum of Understanding dated February 1, 2007 between former CFO Natwar Gandhi and the Convention Center Authority ("MOU"), which is incorporated by reference in the MTA. Section 1(b) of MOU describes the necessary operating and marketing reserves, which serve as the basis for the statutory excess cash calculation set forth in DC Code § 10–1202.13. As explained in former CFO DeWitt's June 10, 2019 letter, intentional breach of the MTA could trigger lawsuits by bond holders and impact the District's credit rating. Such a breach could increase the costs of borrowing and impair Events DC's ability to issue debt.

Events DC agrees with two ODCA findings, as set forth below.

ODCA Finding: Events DC incorrectly used operating budget instead of operating expenditures to calculate operating reserves.

Events DC Response: DC Code § 10-1202.13(b)(2) does not specify whether reserves are to be calculated using actual expenditures or budgeted expenditures. For almost 20 years, Events DC conducted its excess cash calculation using budgeted expenditures in accordance with the MOU. The MOU specifically states that "Operating Reserve Maximum shall not exceed 1.5 times the ***budgeted*** Operating and Marketing Expenses for WCCA in any fiscal year unless the CFO and WCCA agree to such different amount as may be permitted by law" (emphasis supplied). Reference to budgeted expenditures in the MOU is a reasonable and appropriate interpretation of the statutory requirement given that the purpose of establishing operating reserves is to ensure sufficient funds for the organization to meet operating obligations and to have funds to pay bondholders. “Actual expenditures” reflect what an organization spent in the past; and while they may approximate what the organization will spend in the future, “budgeted expenditures” is reflective of what the organization must spend to maintain its operations and protect its revenue flows. In the case at hand, the budget of Events DC is duly approved by DC Council.

The excess cash calculation concept is outlined in the MOU which is referenced in the MTA. Since at least 2019, the calculation has been evaluated and confirmed by an independent auditor. To retroactively begin a new calculation method based on an alternate legislative interpretation would have significant operational and legal consequences.

Notwithstanding our view that use of budgeted expenditures is appropriate, we have included a calculation using actual expenditures in Attachment B hereto. As detailed in the attachment, this calculation results in no excess cash due to the District in FY 2024, requiring the District to refund the $17.6 million Events DC paid.

ODCA Finding: Events DC's Calculation erroneously treated unaccrued interest as a current liability, contrary to its financial statements.

Events DC Response: Events DC’s financial statements reflect only accrued interest because Events DC is an enterprise fund rather than a governmental fund. As an enterprise fund, Events DC’s liability for interest expense accrual can only be that portion allocated to the period up to fiscal year end. The accrual does not account for the entire amount due at the next debt service payment. If Events DC was a governmental fund utilizing a modified accrual accounting method, there would have been no accrual for interest expense as the liability would not be recorded until the debt service due date. As a result, most reserve calculations for a governmental fund include the entire next interest payment requirement.

The calculation of excess cash has consistently included interest payments due at the next bond debt service payment rather than merely accrued interest. Not including the entire next debt service payment (due within 3 months of year-end) is inconsistent with common bond reserve calculations. Only including accrued interest would not ensure sufficient available funds to cover the next debt service payment.

ODCA Finding: Events DC's Calculation erroneously treated some Tax Increment Financing (TIF) bond liabilities as liabilities of the Convention Center Fund

Events DC Response: We concur and will adjust the calculation accordingly, effective immediately.

ODCA Finding: Events DC's Calculation did not fully include Series 2018B bond accounts and liabilities.

Events DC Response: We concur and will adjust the calculation accordingly, effective immediately.

ODCA Finding: Events DC's Calculation summed the maximum annual debt service for each series of bonds without a basis for doing so.

Events DC Response: The purpose of the excess cash calculation is to ensure Events DC holds sufficient cash reserves to prevent default on its debt service payments and for Events DC to have sufficient funds to properly fund future operations. ODCA's interpretation of the requirement for "maximum annual debt service on outstanding bonds" to mean the highest amount of debt service for only a single bond series does not ensure debt service payments would be covered for all series of outstanding bonds.

ODCA Finding: Events DC's Calculation incorrectly included Sports and Entertainment Division (SED) accounts and liabilities.

Events DC Response: Similar to the Convention Center, the venues and operations of Events DC's Sports and Entertainment Division, which includes both the RFK and ESA accounts, are subsidized by the dedicated tax revenues associated with the Convention Center Fund and could not be sustained or operate independently without those funds. It therefore is not reasonable to exclude the liabilities of this division when conducting the excess cash calculation, as that would mean transferring cash to the General Fund and then immediately requiring budgetary subsidy to continue operations.

ODCA Finding: Events DC's Calculation incorrectly included Marketing Fund accounts and liabilities.

Events DC Response: As with the Sports and Entertainment Fund, the liabilities of the Marketing Fund are paid in part from dedicated tax revenues associated with the Convention Center Fund. These liabilities relate to the transfers due to marketing partners. Further, the vast majority of such payments are required pursuant to DC Code §10-1202.08a. ODCA's footnotes to this finding include a notation that Events DC correctly included the assets of Operating and Marketing Reserves investment balance and while indicating that the associated liabilities should not be included without further explanation.

ATTACHMENT B
EVENTS DC EXCESS CASH CALCULATION USING ACTUAL EXPENDITURES

ODCA's report makes reference to financial information presented in Events DC's audited financial statements for FY 2024. The audited financial statements properly reflect Events DC's actual operating expenditures, current liabilities, including debt service principal payments due in the following fiscal year, as well as accrued interest obligations. ODCA's suggested methodology exhibited a selective "pick-and-choose" approach, relying on certain elements of the audited statements while disregarding others. This inconsistency results in a distorted calculation of excess cash.

ODCA requested that Events DC provide an alternative recommendation to address the audit finding should we disagree with its conclusion. Accordingly, we have revisited Events DC's excess cash calculation methodology, applying Events DC's actual operating expenditures and current liabilities as reported in the FY 2024 audited financial statements. To ensure consistency and accuracy, we relied exclusively on the audited figures. Based on this methodology, the results demonstrate that no excess cash is due to the District for FY 2024 (see Figure 1 below). While OCDA's methodology suggested an excess cash balance of $86.4 million, Events DC's calculation indicates that no such excess exists.

1. Exclusions of the Events DC's actual operating expenditure
    - Events DC's FY 2024 audited financial statements included total actual operating expenditures of $150,876,000. Applying the statutory multiplier of 1.5x results in an operating reserve requirement of $226,314,000 ($150,876,000 × 1.5). This represents an increase of $30,175,200 compared to the reserve level calculated using budgeted operating expenditures.
    - ODCA's calculation reflects exclusions totaling $51,178,590 in actual operating expenditures. Such exclusions create a selectively reduced subset of operating expenditures. Excluding expenditures results in an understatement of required reserves and creates a misleading appearance of "excess cash" where none exists.
2. Exclusion of the Events DC's Current Liabilities
    - The audited financial statements report total current liabilities of $60,299,000.
    - ODCA's calculation excluded $13,922,275 of such liabilities. This exclusion is incorrect because:
        - Under generally accepted accounting principles, all current liabilities, whether for debt service, accrued interest, or other obligations, must be recognized and settled within one year.
        - The $13,922,275 is comprised of liabilities that Events DC is legally obligated to pay. Excluding these liabilities ignores financial reality and distorts the Events DC's true cash position.

Figure 1: Fiscal Year 2024 Excess Cash Calculations

Calculation	ODCA's Result	Events DC's Result	ODCA – Events DC Difference	Events DC's audited financial statements for FY 2024	ODCA – Events DC's audited financial statements Difference	Adjustments
Cash	**$ 5,153,747**	$ 9,786,889	($ 4,633,142)	**$ 9,787,000**	($ 4,633,253)	$ 111
+ Investments	**$ 413,398,285**	$ 407,271,780	$ 6,126,505	$ 407,272,000	$ 6,126,285	$ 220
= Cash & Investments	**$ 418,552,032**	$ 417,058,669	$ 1,493,363	$ 417,059,000	$ 1,493,032	$ 331
Current Liabilities	**$ 46,376,725**	$ 64,269,043	($ 17,892,318)	$ 60,299,000	($ 13,922,275)	($ 3,970,043)
+ Debt Service Reserves	**$ 42,403,936**	$ 40,540,132	$ 1,863,805	$ 42,403,936	$ 0	$ 1,863,805
+ Operating Reserves	**$ 145,745,618**	$ 196,924,208	($ 51,178,590)	$ 226,314,000	($ 80,568,382)	$ 29,389,792
+ Capital Replacement Reserve	**$ 97,668,700**	$ 97,668,700	$ 0	$ 97,668,700	$ 0	$ 0
+ purchase/redeem debt next FY	**$ -**	$ -	$ -		0	
= Current Liabilities & Reserves	**$ 332,194,979**	$ 399,402,082	($ 67,207,104)	$ 426,685,636	($ 94,490,657)	$ 27,283,553
Cash & Investments	**$ 418,552,032**	$ 417,058,669	($ 1,493,363)	$ 417,059,000	$ 1,493,032	($ 2,986,395)
– Current Liabilities & Reserves	**($ 332,194,979)**	($ 399,402,082)	($ 67,207,104)	($ 426,685,636)		($ 67,207,104)
= Excess Transfer to the District	**$ 86,357,054**	$ 17,656,587	$ 68,700,467	-$ 9,626,636	$ 95,983,690	-$ 27,283,223

ODCA Response to Agency Comments

We appreciate Events DC's comments and are pleased with its concurrence in the part of our draft report stating that its calculation had incorrectly treated TIF bond liabilities and Series 2018B bond accounts, even as Events DC disagrees with our conclusion that it wrongly calculated its excess cash.

During a closeout meeting with Events DC and the independent auditors of its excess cash calculation, the audit firm representatives confirmed to us that they did not examine whether management had selected inputs that complied with the statute.

ODCA's methodology was grounded in statutory text. We examined whether management had chosen the correct inputs for the excess cash calculation based on figures reported for the Convention Center Fund. The excess cash calculation applies to the Convention Center Fund, not the other funds administered by Events DC. This distinction dates to the merger of the Washington Convention Center Authority with the D.C. Sports and Entertainment Commission. Section 2081(p) of the Washington Convention Center Authority and Sports and Entertainment Commission Merger Amendment Act of 2009, effective March 3, 2010 (D.C. Law 18-111; 57 DCR 181), amended former D.C. Official Code § 10-1202.13(a) to make the excess cash calculation applicable to balances held by the Authority "in the Convention Center Fund" rather than all balances held by the Authority.

For the first time in its comments on the ODCA findings, Events DC claims that no excess cash was due to the District, based on a new calculation using aggregate totals for all funds included in its FY 2024 audited financial statements. This new calculation, which has not been audited, is inconsistent with the portions of our draft report with which Events DC has concurred.

After careful consideration of Events DC's comments and the relevant statutes, we determined that no changes to the report are necessary.

About ODCA

The mission of the Office of the District of Columbia Auditor (ODCA) is to support the Council of the District of Columbia by making sound recommendations that improve the effectiveness, efficiency, and accountability of the District government.

To fulfill our mission, we conduct performance audits, non-audit reviews, and revenue certifications. The residents of the District of Columbia are one of our primary customers and we strive to keep the residents of the District of Columbia informed on how their government is operating and how their tax money is being spent.

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