

Events DC Wrongly Calculated “Excess Cash,” Owes D.C. \$45 Million

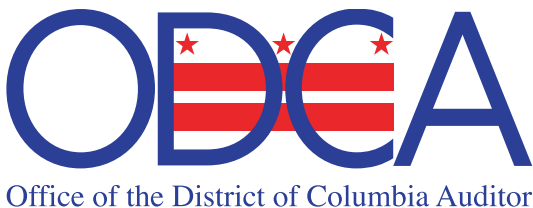
October 19, 2026

A report by the Office of the District of Columbia Auditor



Audit Team

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Executive Summary

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 2025 that must be transferred to the District; Events DC owes the District \$45 million.

What ODCA Recommends

1. Events DC should transfer approximately \$45 million additional excess cash to the District.
2. Events DC's calculation of excess cash for FY 2026 and subsequent fiscal years should correct the errors identified in this audit.

Background

The Washington Convention and Sports Authority (WCSA, t/a Events DC) receives dedicated taxes collected by the District throughout the year.¹ Events DC is required to transfer excess cash back to the District at the end of each fiscal year according to D.C. Official Code § 10-1202.13.

For FY 2024, Events DC transferred \$17.7 million of excess cash to the District. The Office of the D.C. Auditor (ODCA) audited Events DC's FY 2024 excess cash calculation for compliance with governing law and agreements and found several errors. In October 2025, ODCA issued a report recommending that Events DC transfer approximately \$68.7 million in additional excess cash to the District for FY 2024 and correct the errors in its calculation for subsequent years.

In November 2025, Events DC revised its FY 2024 calculation partially incorporating one of ODCA's recommendations.² Events DC transferred an additional \$5.8 million to the District based on this recalculation. Total excess cash paid to the District for FY 2024 was \$23.5 million.

For FY 2025, Events DC transferred \$5.1 million of excess cash to the District.

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- 1 From sources such as hotel room payments, restaurant meals, and alcoholic beverages. See D.C. Code §§ 47-2002.02 and 47-2002.03.
 - 2 Events DC partially incorporated portions of the recommendation about excluding Tax Increment Financing (TIF) accounts and liabilities and including 2018B bond series accounts and liabilities (which were reported in FY 2024 under the "Hotel-TIF" fund) in the excess cash calculation. Events DC also adjusted the way they report on funds in their financial statements. Accounts and liability related to the 2018B bond series are now accurately reported under the "C&M" fund instead of the "Hotel-TIF" fund in Event DC's FY 2025 audited financial statements.

Objective, Scope, and Methodology

Objective

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

Scope

We reviewed Events DC's excess cash transfer calculation for FY 2025.

Methodology

We performed this review in conjunction with ODCA's annual review of the sufficiency of Events DC revenues for the upcoming year.³

To conduct this review, we:

- Reviewed *Schedule of Excess Cash Calculation For the Year Ended September 30, 2025* 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 2025, FY 2025 budgeted and actual expenses, and FY 2026 cash flow forecasts.
- Examined account balances at the end of FY 2025.
- Reviewed governing law set forth in D.C. Code and Council Resolution 12-591.
- Reviewed agreements related to the issuance of bonds including the Master Trust Agreement, supplemental trust agreements, and a Memorandum of Understanding between the District CFO and Events DC.
- Independently calculated the required excess cash due as of September 30, 2025, considering FY 2025 in isolation.⁴

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.

3 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 2027 sufficiency certification report is available at <https://dcauditor.org/report/events-dc-revenue-sufficiency-certification-for-fiscal-year-2027>.

4 In other words, our calculation uses balances and liabilities as they were reported at the end of FY 2025, without incorporating information about FY 2024 excess cash owed.

Audit Results

Events DC incorrectly calculated the amount of its excess cash for FY 2025 that must be transferred to the District; Events DC owes the District \$45 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

$$\text{Excess Cash} = \text{Cash} + \text{Investments} - (\text{Current Liabilities} + \text{Reserves})$$

Source: ODCA and D.C. Official Code § 10-1202.13.⁵

Events DC incorrectly calculated the amount of its excess cash for FY 2025 to be approximately \$5.1 million. Although Events DC's Calculation was examined and accepted by independent accountants, the independent accountants again only examined compliance with "D.C. Code § 10-1202.13, as described in Note 1," comprised of stipulations and assumptions made by Events DC.⁶

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 2025 to be approximately \$50.2 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.

⁵ This equation assumes that Events DC has not set aside cash to purchase or redeem outstanding debt prior to its maturity.

⁶ As with prior calculations, the excess cash calculation for FY 2025 was previously examined by SB & Company LLC (SBC), Certified Public Accountants & Business Advisors. The accountants did not independently review D.C. Code. The independent public accountants' report stated, "Our examination does not provide a legal determination on [Events DC's] compliance with specified requirements." Further, during a meeting with Events DC and the accountants (during the FY 2024 excess cash review), the accounting firm representatives confirmed to ODCA that they did not examine whether management had selected inputs that complied with the statute.

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 than 1.5 times the annual operating expenditures."⁷ However, Events DC interpreted *expenditures* to mean *budget* by referencing a Memorandum of Understanding (MOU) between the Chief Financial Officer (CFO) and Events DC which incorrectly stated "budget" instead of "expenditures."⁸ 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."⁹ 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 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, across three separate fiscal years, when calculating debt service reserves. This interpretation effectively adds words that do not appear in the statute.¹⁰ We determined the "maximum annual debt service on outstanding bonds" to mean the highest annual amount of debt service on outstanding bonds (i.e., highest debt service within one fiscal year, regardless of their series).¹¹

7 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 D.C. 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.

8 The MOU incorrectly stated that Council's Resolution had referred to "the **budgeted** Operating and Marketing **budget**" but the Resolution actually used the phrase "the annual operating and marketing **expenditures**" [emphasis added].

9 By "Management of the District" Events DC was referring to the OCFO.

10 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).

11 D.C. Code § 10-1202.13(b)(1).

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.¹² Their calculation included cash balances and current liabilities from RFK and CareFirst Arena 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.¹³ Their calculation included Marketing Fund cash and investment balances and current liabilities.¹⁴ The Marketing Fund and the Convention Center Fund are separate funds.

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- 12 D.C. Code § 10-1202.08 establishes the "Convention Center Fund," into which dedicated taxes must be deposited, and provides the calculation in D.C. Code § 10-1202.13 for transferring excess cash in the Convention Center Fund to the District. 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." 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.
- 13 As described in a footnote 12, 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." Note that the "Marketing Fund" defined by the Code does not directly correspond to the amounts that Events DC labels "Marketing Fund" on their audited financial statements. The Master Trust Agreement between Events DC and the bond trustee define the "Marketing Account" to be the "Marketing Fund" established pursuant to D.C. Code § 10-1202.08a.
- 14 Events DC's calculation does correctly include the Operating and Marketing Reserves investment balance and correctly includes marketing in the reserve calculation. The Operating and Marketing Reserve is explicitly included in the excess cash calculation per D.C. Code § 10-1202.13 and Council Resolution 12-591. The Master Trust Agreement between Events DC and the bond trustee also defines this "Operating and Marketing Reserve Account" separately from the "Marketing Account" described in the previous footnote.

As a result of Events DC having incorrectly calculated the excess cash for FY 2025, Events DC owes the District approximately \$45 million more than it had calculated.

Figure 1: Fiscal Year 2025 Excess Cash Calculations

Calculation	ODCA's Result	Events DC's Result	ODCA – Events DC Difference	ODCA's Result Includes ¹⁵	ODCA's Result Excludes
Cash	\$ 8,131,304	\$ 13,658,789	\$ (5,527,485)		SED, Marketing Fund
+ Investments	\$ 392,179,418	\$ 401,225,734	\$ (9,046,316)	Op&Mktg Reserve	Marketing Account
= Cash & Investments	\$ 400,310,722	\$ 414,884,523	\$ (14,573,801)		
Current Liabilities	\$ 42,421,807	\$ 57,556,001	\$ (15,134,194)		4/1/26 unaccrued interest payments, SED, Marketing Fund
+ Debt Service (DS) Reserves	\$ 42,403,936	\$ 46,014,879	\$ (3,610,943)	three bonds' DS within same year	three bonds' DS across three separate years
+ Operating Reserves	\$ 163,649,405	\$ 204,520,229	\$ (40,870,823)	actual expenses	budgeted expenses, SED
+ Capital Replacement Reserve	\$ 101,673,116	\$ 101,673,116	\$ 0		
+ purchase/redeem debt next FY	\$ -	\$ -	\$ -		
= Current Liabilities & Reserves	\$ 350,148,265	\$ 409,764,225	\$ (59,615,961)		
Cash & Investments	\$ 400,310,722	\$ 414,884,523	\$ (14,573,801)		
– Current Liabilities & Reserves	\$ 350,148,265	\$ 409,764,225	\$ (59,615,961)		
= Excess Transfer to the District	\$ 50,162,457	\$ 5,120,298	\$ 45,042,160		

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

See Appendix A for further information on each component of ODCA's independent excess cash calculation.

¹⁵ Cash, Investments, and Current Liabilities include C&M Fund and Capital Fund values from Events DC's audited financial statements.

Recommendations

1. Events DC should transfer \$45,042,160 additional excess cash to the District.
2. Events DC's calculation of excess cash for FY 2026 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.
 - 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.¹⁶

¹⁶ Note the Marketing Fund and "Operating and Marketing Reserve" account should be accounted for separately for purposes of the excess cash calculation. See footnotes 13 and 14 for further details.

Conclusion

The \$50.1 million we calculated as excess cash due for FY 2025 considers only the balances and liabilities at the end of FY 2025 in isolation, without incorporating FY 2024 excess cash owed. If Events DC had already transferred the full \$86.4 million that was due in excess cash for FY 2024 then the excess cash amount due for FY 2025 would have been \$0.

Events DC's determination understates the amount of its excess cash at the end of FY 2025. We have provided an alternate calculation that follows the current laws and agreements governing the excess cash transfer. The amount of FY 2025 excess cash exceeds Events DC's determination by approximately \$45 million. The Auditor recommends that Events DC transfer additional excess cash to the District and update its calculation for subsequent years.

Per its future budget plans, Events DC's stated intention is to use "reserves" to cover deficits in FY 2026 (\$41.2 million) and FY 2027 (\$62.9 million). In effect, this means Events DC plans to spend the excess cash rather than transferring funds back to the District.

Appendix A

Extended Methodology Components of ODCA's Excess Cash Calculation

Cash

ODCA's calculation includes all non-SED, non-Marketing, unrestricted and restricted cash balances.¹⁷ The balances used for the calculation were from Events DC's financial statements.

Investments

ODCA's calculation includes all non-TIF, non-Marketing Fund, unrestricted and restricted investment balances. We used the balances from Events DC's financial statements where possible.¹⁸

Excluding Marketing Fund: As described in the report, the "Marketing Fund" defined by D.C. Code and excluded from the excess cash calculation does not directly correspond to the amounts that Events DC labels as the "Marketing" fund in financial statements.¹⁹ 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 \$9 million, and we excluded only this balance.

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, 2025.²⁰ We used the current liability amounts from Events DC's audited financial statements. 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 2025.

17 In FY 2025 the only restricted accounts are SED accounts, so there are no restricted accounts included. We included in the SED balance the restricted Capital amounts as these appeared to be exclusively SED accounts, restricted as detailed in FY 2025 financial statements note 11. This determination was made after reviewing actual account balances at Truist, Wells Fargo, and Industrial Bank as of September 30, 2025 based on bank statements supplied by Events DC and matching these to the totals provided in Events DC's financial statements where possible.

18 We totaled actual account balances at Bank of NY Mellon as of September 30, 2025, based on bank statements supplied by Events DC. We matched these to the totals provided in Events DC's financial statements where possible. The total bank account balances matched total audited financial statement balances for September 30, 2025.

19 Events DC had an amount of approximately \$49.1 million listed for investments under "Marketing Fund" in their financial statements. The total on the financial statements may be incorporating some of the "Operating and Marketing Reserve" account. This reserve account balance should be considered separately, because it is explicitly included in the excess cash calculation. The "Operating and Marketing Reserve Account" is also defined separately in Event DC's Master Trust Agreement with the bond trustee. Only the "Marketing Account" is defined in the Master Trust Agreement as the "Marketing Fund" established by D.C. Code § 10-1202.08a, which is excluded from the excess cash calculation. See footnotes 13 and 14 for further details.

20 Events DC agrees with this definition of current liabilities for its own audited financial statements, where interest in the next debt service payment on 10/1/2025 is included as "Accrued Interest Payable" but the 4/1/2026 interest payments for unaccrued interest are not included. There is nothing in the Code to indicate that the unaccrued interest due six months later should also be added.

Operating Reserve

ODCA's calculation uses 1.5 times the FY 2025 operating and marketing expenditures. We calculated operating and marketing expenditures using the FY 2025 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 18, 2026, we sent a draft copy of this report to Events DC for review and written comment, along with a Recommendation Agreement and Action Form for completion. Events DC provided their response on October 9, 2026. The agency's comments and completed Recommendation Agreement and Action Form have been included here in their entirety.

October 9, 2026

Kathleen Patterson
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Re: Events DC FY 2025 Excess Cash Calculation

Dear Ms. Patterson:

I am in receipt of the Office of the District of Columbia Auditor's ("ODCA") draft report regarding Events DC's Fiscal Year 2025 excess cash calculation. On behalf of Events DC, I provide this letter and the enclosed **Attachment A** in response.

As reflected in our response to ODCA's review of the FY 2024 excess cash calculation, Events DC respectfully disagrees with ODCA's interpretation of the statutory requirements governing the calculation of excess cash. The findings in the current draft report raise substantially similar issues to those addressed last year, including the calculation of the operating reserve, the treatment of debt-service obligations, the calculation of maximum annual debt service, and the treatment of Sports and Entertainment and Marketing Fund accounts and liabilities. For substantially the same reasons presented in our prior response, Events DC does not agree that its longstanding methodology – which has been reviewed and accepted for nearly two decades – is inconsistent with District law.

Events DC's accepted methodology reflects a reasonable interpretation of D.C. Code § 10-1202.13 when considered together with the Authority's governing financial and bond documents. In particular, the February 1, 2007 Memorandum of Understanding between the Office of the Chief Financial Officer and the Washington Convention Center Authority ("MOU"), the Amended and Restated Master Trust Agreement dated February 1, 2007 ("MTA"), and the applicable Supplemental Trust Agreements establish requirements that are directly relevant to the reserves and debt-service obligations that Events DC must legally maintain. Events DC believes the excess cash statute should be applied consistently with those obligations and in a manner that preserves necessary resources for Events DC to fulfill its operational responsibilities and its obligations to bondholders.

As we explained last year, Events DC's methodology is not a newly adopted interpretation developed in response to ODCA's review. Following the identification of an error in prior calculations in 2019, Events DC recalculated excess cash for Fiscal Years 2008 through 2018. Those revised calculations were reviewed by District financial officials and independently audited. Since 2019, Events DC's annual excess cash calculation has continued to be examined by an independent third-party auditor. Using this longstanding methodology, Events DC has transferred in excess of **\$88.7 million** to the District through the excess cash calculation from FY 2019 through FY 2025.

Ms. Kathleen Patterson

October 9, 2026

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Events DC also continues to have significant concerns regarding the practical consequences of ODCA's proposed methodology. Reserves under the statutory framework and the governing bond agreements serve an important purpose: ensuring that Events DC has sufficient resources to operate its facilities, satisfy near-term debt-service requirements, and protect the revenue streams supporting its outstanding bonds. A methodology that treats funds required for those purposes as excess cash available for transfer could materially reduce the resources available to fulfill those obligations.

For these reasons, Events DC respectfully does not concur with ODCA's recommendation that Events DC transfer an additional \$45,042,160 to the District for FY 2025. Events DC further does not concur with ODCA's recommendation that future excess cash calculations be modified to use actual rather than budgeted operating expenditures, exclude future unaccrued interest, apply ODCA's methodology for maximum annual debt service, or exclude Sports and Entertainment and Marketing Fund accounts and liabilities. Our detailed responses to each of ODCA's findings and recommendations are set forth in the enclosed **Attachment A**.

Events DC remains committed to responsible financial stewardship and transparency and welcomes the opportunity to work constructively with ODCA, the Office of the Chief Financial Officer, and the Council to resolve the differing interpretations of the governing requirements prospectively. As we stated in our response last year, and as you agreed, legislative clarification may provide the most efficient means of resolving these issues, provided that any clarification appropriately accounts for Events DC's existing obligations under the MTA, MOU, Supplemental Trust Agreements, and other applicable requirements.

We appreciate the opportunity to respond and respectfully request that ODCA reconsider its findings and recommendations in light of the matters discussed above and in **Attachment A**.

Sincerely,

A handwritten signature in blue ink that reads "Angie M. Gates".

Angie M. Gates
President and Chief Executive Officer

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

ATTACHMENT A
EVENTS DC RESPONSES TO DC AUDITOR FINDINGS

ODCA Overall Conclusion: Events DC incorrectly calculated the amount of its excess cash for FY 2025 that must be transferred to the District; Events DC owes the District approximately \$45 million.

Events DC Response: Events DC disagrees with ODCA's conclusion that Events DC incorrectly calculated its FY 2025 excess cash. ODCA's recalculation rests on the same disputed interpretations of the governing statute and bond-related agreements that were raised in its FY 2024 review. Events DC's methodology is grounded in the February 1, 2007 Memorandum of Understanding between the Office of the Chief Financial Officer and the Washington Convention Center Authority (MOU), the February 1, 2007 Amended and Restated Master Trust Agreement (MTA) and related Supplemental Trust Agreements, and a methodology that has been used for many years and independently examined since 2019. Applying ODCA's interpretation would materially reduce reserves maintained to support Events DC's operations and debt-service obligations. Events DC therefore does not agree that an additional \$45,042,160 transfer is due for FY 2025.

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

Events DC Response: D.C. Code § 10-1202.13(b)(2) provides that the operating reserve may equal up to 1.5 times annual operating expenditures, but it does not expressly state that the calculation must use actual expenses incurred during the completed fiscal year. The MOU specifically provides that the "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). Events DC has relied on that agreed formulation in calculating its operating reserve.

ODCA's approach does not follow accounting principles applicable to Events DC and does not account for the forward-looking purpose of an operating reserve. Events DC is a component unit of the District that operates as an enterprise or business-type fund and reports under accrual accounting. Events DC's financial statements include a Statement of Revenues, Expenses and Changes in Net Position. ODCA used the expenses stated in Events DC's FY2025 financial statement to calculate Events DC's operating reserve, interpreting the statute's use of the term "expenditures" to mean actual operating expenses.

The terms expenditures and expenses have different meanings. "Expenditure" is a broader term, primarily associated with governmental-type funds, and represents decreases in current financial resources, including payments or disbursements for capital expenses and services. "Expense" is a narrower term associated with accrual-based accounting (used by Events DC) and reflects costs incurred during a particular fiscal year, regardless of when cash is disbursed. The distinction is substantive. Given that Events DC does not account for "expenditures" it makes sense that the MOU references the use of "budgeted" operating and marketing "expenses."

Moreover, 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, Events DC's use of budgeted operating and marketing expenses, as approved by Events DC's Board of

Directors and confirmed through the District's budget process, is a reasonable approach to safeguard the resources needed to maintain operations.

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

Events DC Response: Events DC has consistently included the interest payment due at the next bond debt-service payment (in April of the next fiscal year) rather than limiting the reserve calculation to interest accrued as of fiscal year-end. Because Events DC is an enterprise fund, its financial statements accrue only the portion of interest attributable to the period through fiscal year-end. That financial statement presentation does not represent the full cash requirement for the next debt service payment. Events DC's excess cash calculation therefore includes the upcoming interest requirement so that sufficient cash remains available to satisfy near-term debt service.

Excluding the unaccrued portion of the next interest payment would reduce available debt-service resources based solely on the timing of accrual accounting, rather than the actual near-term cash obligation. This longstanding treatment is consistent with the reserve-protection purpose of the calculation and with prior calculations presented to District financial officials.

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: Events DC's methodology for determining "maximum annual debt service on outstanding bonds" is based on the MTA and the Supplemental Trust Agreements applicable to each outstanding bond series, as well as the reserve accounts maintained for those series. For more than 20 years, Events DC has calculated maximum annual debt service by recognizing the requirements associated with each outstanding series. Events DC does not agree that determining the maximum annual debt service requires selection of only the single highest aggregate debt-service year across all series where the governing bond documents establish series-specific obligations and reserves.

We note that the definition of "Debt Service Reserve Account Requirement" in the MTA references the maximum annual debt service on outstanding Senior Bonds secured by the reserve account ***"unless specified otherwise in a Supplemental Trust Agreement"*** (emphasis supplied). The Supplemental Trust Agreements applicable to each outstanding bond series (for both the 2018 and 2021 series) separately define the reserve requirements for each series. As additional evidence supporting this methodology, we note that the Debt Service Reserve Funds (DSRFs) in the sources and uses tables in the Official Statement (OS) for the 2018A and 2018B series were sized on a series-by-series basis. Our approach is consistent with the MTA given that the MTA's general reserve definition expressly allows a Supplemental Trust Agreement to specify the reserve requirements, and the applicable Supplemental Trust Agreements then establish series-specific reserve requirements.

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

Events DC Response: Events DC's reserve calculation appropriately reflects the Sports and Entertainment Division. Although the Convention Center Fund and Sports and Entertainment Fund are established separately by statute, the Sports and Entertainment operations are subsidized by dedicated tax revenues maintained in the Convention Center Fund. The Sports and Entertainment Fund does not contain sufficient revenue for Events DC's Sports and Entertainment Division to operate independently of the dedicated taxes in the Convention Center Fund. Therefore, the Sports and Entertainment liabilities and operating requirements should be reflected in determining the cash that is actually available for transfer to the District. Excluding those operating requirements would understate the resources needed by Events DC to carry out its current statutory responsibilities and would result in transferring funds to the District while leaving the Authority to seek additional budget support to fund the same operations.

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

Events DC Response: The Marketing Fund is part of the Authority's financial operations and is supported by dedicated tax revenues associated with the Convention Center Fund. The liabilities reflected in Events DC's calculation include amounts due to our marketing partners, including payments required by D.C. law. Excluding those liabilities would treat funds committed to required marketing obligations as available excess cash. Events DC also notes ODCA's acknowledgement that the Operating and Marketing Reserve account is properly included in the statutory calculation, even while ODCA seeks to exclude the separate Marketing Fund balances and liabilities.

Recommendations

ODCA Finding: 1. Events DC should transfer \$45,042,160 additional excess cash to the District.

Events DC Response: Events DC does not concur. For the reasons stated above, Events DC does not agree with the methodology underlying ODCA's \$45,042,160 adjustment and therefore does not agree that an additional FY 2025 transfer is due.

ODCA Finding: 2. Events DC's calculation of excess cash for FY 2026 and subsequent fiscal years should correct the errors identified by ODCA, including use of actual expenditures, exclusion of future unaccrued interest, ODCA's method for maximum annual debt service, and exclusion of Sports and Entertainment and Marketing Fund accounts and liabilities.

Events DC Response: Events DC does not concur with these proposed methodology changes. Events DC will continue to evaluate its calculations in accordance with D.C. law, the MTA and Supplemental Trust Agreements, the MOU, applicable accounting principles, and its obligations to bondholders. Events DC remains willing to work with ODCA, the Office of the Chief Financial Officer, and the Council to resolve differing interpretations of the governing requirements prospectively.

Conclusion

Events DC Response: Events DC respectfully submits that its FY 2025 excess cash calculation reflects a reasonable and longstanding interpretation of the governing statute and agreements and appropriately accounts for the operational and bond-related obligations of the Authority. Events DC therefore disagrees with ODCA's conclusion that an additional \$45,042,160 is due to the District and with the proposed changes to the calculation methodology described above.

Recommendation Agreement Form

Recommendation Agreement and Action Form
Events DC Wrongly Calculated “Excess Cash,” Owes D.C. \$45 Million

Recommendation 1	
Events DC should transfer \$45,042,160 additional excess cash to the District.	
Agency Response to Recommendation:	☐ Agree ☐ Agree in Part ☒ Do not Agree
Will you take, or have you taken, corrective action?	☐ Yes ☒ No
Planned Corrective Action(s):	
Target Date or Date Implemented:	

Recommendation 2	
Events DC’s calculation of excess cash for FY 2026 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. • 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.	
Agency Response to Recommendation:	☐ Agree ☐ Agree in Part ☒ Do not Agree
Will you take, or have you taken, corrective action?	☐ Yes ☒ No
Planned Corrective Action(s):	
Target Date or Date Implemented:	

ODCA Response to Agency Comments

We appreciate Events DC providing comments in response to our report. After careful consideration of Events DC's comments and the relevant statutes, we determined that no changes to the report are necessary. ODCA is the only entity that has conducted an independent audit of what is currently required by D.C. Code, and our calculation is based on a wholistic analysis of all current governing laws and financial agreements.

We are aware that a bill containing legislative updates has been introduced by Councilmember Anita Bonds to update the Code to more closely reflect Events DC's longstanding interpretation of the excess cash calculation and their longstanding prior practice.

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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