



**WASHINGTON CONVENTION AND SPORTS AUTHORITY
T/A EVENTS DC**

A COMPONENT UNIT OF THE DISTRICT OF COLUMBIA GOVERNMENT

FINANCIAL STATEMENTS
(Together with Report of Independent Public Accountants)
SEPTEMBER 30, 2022 and 2021

AND

MANAGEMENT'S DISCUSSION AND ANALYSIS

WASHINGTON CONVENTION AND SPORTS AUTHORITY
FINANCIAL STATEMENTS
AND MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

To the Mayor, Members of the Council of the Government of the District of Columbia, the Board of Directors of the Washington Convention and Sports Authority and Inspector General of the Government of the District of Columbia
Washington, D.C.

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Washington Convention and Sports Authority (“the Authority”), a component unit of the Government of the District of Columbia, as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, respective financial position of the Authority as of September 30, 2022, and 2021, and the respective changes in its financial position and, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Authority’s management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal



control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, located as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedules of net position by fund and revenues, expenses, and changes in net position by fund, located as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of net position by fund and revenues, expenses, and changes in net position by fund are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to



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prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of net position by fund and revenues, expenses, and changes in net position by fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

McConnell Jones LLP

Washington, D.C.
November 15, 2023

WASHINGTON CONVENTION AND SPORTS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 and 2021
(Dollar Amounts in Thousands)

As the management of Washington Convention and Sports Authority (Authority) doing business as Events DC, we present this Management's Discussion and Analysis (MD&A) of the Authority's financial condition and the results of operations for the years ended September 30, 2022, and 2021, with comparative information for 2020. This discussion is a narrative overview and analysis of our financial activities and should be read in conjunction with the accompanying financial statements.

Introduction

In 1994, the Washington Convention Center Authority (WCCA) was created as a corporate body and an independent authority of the District of Columbia government responsible for managing and operating the District's Convention Center and for bringing national and international conventions, trade shows, and meetings in the District of Columbia. ["Washington Convention Center Authority Act of 1994," DC Law 10-188, effective September 28, 1994]. Pursuant to the Fiscal Year 2010 Budget Support Second Emergency Act of 2009 and the Fiscal Year 2010 Budget Support Act, the District of Columbia Sports and Entertainment Commission was merged into WCCA to form a new organization, the Washington Convention and Sports Authority (WCSA). The merger created one umbrella organization with a broadened charter to promote the District as a key sports, entertainment, and special events destination. Also, as part of the merger, WCSA gained control over the Nationals Park, the Robert F. Kennedy Memorial Stadium (RFK), and the non-military portions of the DC Armory. Facility maintenance for RFK and the Armory, previously performed by the DC Sports and Entertainment Commission, was assumed by the Department of Real Estate Services, now the Department of General Services.

In June 2011, the Washington Convention and Sports Authority launched a brand name, "Events DC." The entity fully encompasses the event experience in the city, elevates the organization's core assets and portfolio, and perhaps most importantly, aligns with the existing brands for Washington DC and the city's promotional arm, Destination DC.

About Our Business

The Authority operates three distinct business divisions that generate significant regional economic impact by hosting conventions, tradeshow, consumer shows, meetings, banquets, sports and entertainment and other special events.

Conventions & Meetings Division – operates the Walter E. Washington Convention Center and the historic Carnegie Library at Mount Vernon square. The Convention Center is a venue for large conventions, tradeshow, and mid-sized to small meetings. Recognized as one of the most energy-efficient buildings of its size, the Convention Center has won awards both for inspiring design and as a major contributor toward urban renewal in downtown DC. Events DC generates economic activity at the Center which brings millions of visitors to a revitalized downtown and the historic Shaw neighborhood. To further leverage the power of large-scale meetings and conventions, Events DC made a significant investment in the Washington Marriott Marquis hotel and continues to create economic benefits for the District. Carnegie Library generates rental income after opening the Apple global flagship retail store in the first quarter of FY 2019.

Sports and Entertainment Division – brings world-class sports, entertainment, cultural and hospitality events to the District while promoting the metropolitan region as a premier destination. It manages and programs the Robert F. Kennedy Memorial Stadium ("RFK Stadium"), the non-military functions of DC Armory, the RFK Festival Grounds, the Skate Park at RFK Stadium, the Fields at RFK, Gateway DC Pavilion, the RISE Demonstration Center and the Entertainment and Sports Arena on the St. Elizabeth East

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Campus. The Department of General Services (DGS) maintains the Stadium and the Armory based on the Memorandum of Understanding (MOU) signed with Events DC. The Deputy Mayor for Planning and Economic Development (DMPED) provides the funding for the operation of the Gateway DC and the RISE Demonstration Center, based on the MOU with Events DC.

Creative Services Division – is actively involved in the planning and supporting some of the city's most anticipated events, attracting thousands of attendees to locations around the city. Events DC makes strategic investments in various city-wide sports, entertainment and cultural events including the internationally renowned National Cherry Blossom Festival, an annual four-week long festival which features art, theater, and live performances throughout the city each spring; the annual DC Jazz festival, which showcases nearly 80 live performances in clubs, restaurants, hotels and galleries throughout the District; Events DC Embassy Chef Challenge Presented BY TCMA, a month long celebration of DC's diplomatic community through the culinary arts; and the Washington International Horse Show, which is held annually at the Capital One Arena. Additionally, Events DC supports the Washington Kastles, DC's multiple champion World Team Tennis squad.

In FY2022, the Authority once again was named as one of Exhibitor Magazine's 2022 Centers of Excellence. We have been recertified for 2022 as a GBAC Star Facility. And we became the first convention center to receive the WELL Health-Safety Rating from the International Well Building Institute.

Fiscal Year 2022 Financial Highlights

- Operating revenues for FY22 were \$24.6 million, a \$11 million or 80% increase from fiscal year 2021. This was due to the continued effort of our sales team to book new business. The increase was also due to a surge of in-person Events beginning around March of 2022, as we saw the decline in COVID-19 cases and the reopening of venues. We saw the return of our larger events. This included the OTAKON Event that drew over 40 thousand attendees this year, The Association of the United States Army, AWS Event and American College of Cardiology Event. We held over 98 more events in FY22 compared to FY21.
- Operating expenses increased by \$16.9 million, or 16%, from fiscal year 2021 due to contractual services costs associated with professional services. Occupancy expenses, including all utilities, increased due to live events and the return of most staff to the building for work.
- The Authority ended the fiscal year with \$407.9 million in total net position, which is an increase of \$71.5 million, or 21%, compared to the fiscal year ended September 30, 2021. This increase in net position is primarily attributed to an increase in revenues, as well as the gain from the land and building sale of the Marriott Marquis Hotel.
- The Authority's long-term liabilities decreased to \$18.3 million, or 4%, compared to fiscal year 2021, mainly due to payment of the scheduled current portion of outstanding debt.
- The Statements of Cash Flows reflect an increase in cash and cash equivalents of \$8.9 million.
- In June 2022, the Authority sold the Marriott Marquis Hotel Building (Plumbers Building) for over \$100 million, with a carrying amount of \$33.4 million.
- In FY22 the Authority went through a major Enterprise Resource Planning (ERP) Implementation to Oracle Fusion to support its HR, Finance and Procurement departments, housing each department's transactions for the organization under one system.

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Fiscal Year 2021 Financial Highlights

- The COVID-19 pandemic related business operation restrictions and social distancing requirements put in place in March 2020 began to be lifted in May 2021 following vaccination availability and improvements in infection and hospitalization rates. During the pandemic, the Authority launched Gather by Events DC, a virtual venue that produces and streams live events, while adhering to public health guidelines. In February and March 2021, the Convention Center and Entertainment & Sports Arena opened as high capacity COVID-19 vaccination sites. The Convention Center hosted its first major live event (OTAKON 2021) in August 2021.
- The Authority's financial position continued to be negatively impacted by the COVID-19 pandemic in FY2021. Total net position decreased by \$57.2 million, or 15%, compared to the fiscal year ended September 30, 2020. The decrease is primarily attributed to a reduction in revenues, and the use of unrestricted reserves to support the operation of the Authority during the COVID-19 pandemic.
- Operating revenues for FY2021 were \$13.6 million, a \$4.7 million, or 26%, decrease from fiscal year 2020. This was due to the continued disruption of event operations for the entire FY2021 because of the COVID-19 pandemic.
- Operating expenses decreased by \$3 million or 3% from the fiscal year 2020 mainly due to reductions in costs related to personal services and occupancy. Management continued freezing vacant positions and cost of living increases to reduce personal service expenses. Occupancy, which includes all utilities, was limited to usage only during events as the majority of personnel worked remotely.
- The Authority's long-term debt, excluding current maturities, decreased to \$461 million. The Authority took advantage of attractive interest rates to lower the overall cost of its debt by selling \$153 million Senior Lien Dedicated Tax Refunding Bonds (Series 2021ABC) to current refund its outstanding Series 2010 B Bonds and to advance refund a portion of its Series 2018A Bonds. That transaction resulted in net present value savings of \$28.5 million. The decrease was also due to payment of the scheduled current portion of outstanding debt offset by a Notes payable for Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the amount of \$5 million.
- The Statements of Cash Flows reflect a decrease in cash and cash equivalents of \$6.6 million.
- The Authority's bonds are rated "Aa3" by Moody's, "A+" by Standard & Poor's Corporation, and "AA" by Fitch Ratings Services.

(1) Overview of the Financial Statements

The Authority's financial report includes Management's Discussion and Analysis, the Financial Statements, and Notes to the Financial Statements.

- The Financial Statements are designed to provide readers with a broad overview of the Authority's financial activities in a manner similar to private sector business. These financial statements are prepared in conformity with the U.S. Generally Accepted Accounting Principles (GAAP) applied to governmental units on a full accrual basis. Under this basis of accounting, revenues are recognized in the period they are earned, while expenses are recognized in the period they are incurred. Depreciation and amortization of capital and deferred assets are recognized in the Statement of Revenues, Expenses, and Changes in Net Position. The basic financial statements include the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. This report also includes notes accompanying the statements to explain the activities detailed therein fully.

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- The Statements of Net Position present information on all the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources is classified as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Authority's financial situation is improving or declining.
- The Statements of Revenues, Expenses, and Changes in Net Position report both the operating and non-operating revenues and expenses and other changes in net position for the end of the fiscal year.
- The Statements of Cash Flows present information showing how the Authority's cash and cash-equivalents position changed during the fiscal years. The Statements of Cash Flows classify cash receipts and cash payments resulting from operating activities, capital and related financing activities, noncapital financing activities, and investing activities.
- The Authority's bonds are rated "Aa3" by Moody's, "A+" by Standard & Poor's Corporation, and "AA" by Fitch Ratings Services.

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(2) Financial Analysis

The following table reflects a summary of the Authority's net position as of September 30, 2022, 2021, and 2020 (in thousands):

Table 1
Condensed Statements of Net Position
(in thousands)

	2022	2021 as restated - See Note 5	2020	Percentage change	
				2022- 2021	2021- 2020
Assets:					
Current assets	\$ 263,155	\$ 137,279	\$ 167,998	92%	-18%
Capital assets, net of accumulated depreciation and amortization	\$ 464,561	\$ 522,293	\$ 551,554	-11%	-5%
Other non-current assets	\$ 203,365	\$ 197,011	\$ 208,645	3%	-6%
Total Assets	\$ 931,080	\$ 856,583	\$ 928,197	9%	-8%
Deferred outflows of resources	\$ 10,576	\$ 11,141	\$ 9,639	-5%	16%
Total Assets and Deferred Outflow of Resources	\$ 941,656	\$ 867,724	\$ 937,836	9%	-7%
Liabilities:					
Current liabilities	\$ 73,612	\$ 51,533	\$ 72,233	43%	-29%
Noncurrent liabilities	\$ 443,097	\$ 461,422	\$ 471,903	-4%	-2%
Total Liabilities	\$ 516,708	\$ 512,955	\$ 544,136	1%	-6%
Deferred Inflow of resources	\$ 16,957	\$ 18,278	\$ -	-7%	100%
Net Position:					
Net Investment in capital assets	\$ 225,214	\$ 237,177	\$ 248,039	-5%	-4%
Restricted	\$ 131,060	\$ 125,242	\$ 136,696	5%	-8%
Unrestricted	\$ 51,716	\$ (25,929)	\$ 8,965	-299%	-389%
Total Net Position	\$ 407,990	\$ 336,490	\$ 393,700	21%	-15%

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Table 2
Condensed Statements of Revenues, Expenses and Changes in Net Position
(in thousands)

	For the years ended September 30,			Percentage change	
	2022	2021	2020	2022-2021	2021-2020
Operating Revenues:					
Venue rental	\$ 7,121	\$ 5,357	\$ 4,807	33%	11%
Building lease rental	\$ 3,245	\$ 3,912	\$ 3,922	-17%	0%
Ancillary charges	\$ 14,236	\$ 4,376	\$ 9,614	225%	-54%
Total Operating Revenues	\$ 24,602	\$ 13,647	\$ 18,343	80%	-26%
Operating Expenses:					
Personal services	\$ 31,797	\$ 31,484	\$ 33,063	1%	-5%
Contractual services	\$ 35,325	\$ 25,413	\$ 25,537	39%	0%
Depreciation	\$ 45,362	\$ 40,722	\$ 39,599	11%	3%
Occupancy	\$ 6,204	\$ 4,484	\$ 5,698	38%	-21%
Payments to District	\$ 319	\$ 803	\$ 1,607	-60%	-50%
Miscellaneous	\$ 1,680	\$ 947	\$ 1,044	77%	-9%
Net bad debt (recovery)	\$ -	\$ (30)	\$ 265	-100%	-111%
Total Operating Expenses	\$ 120,687	\$ 103,823	\$ 106,813	16%	-3%
Operating loss	\$ (96,086)	\$ (90,176)	\$ (88,470)	7%	2%
Non-Operating Revenues and (Expenses):					
Interest income	\$ 1,673	\$ 1,126	\$ 3,973	49%	-72%
Dedicated taxes	\$ 122,281	\$ 54,932	\$ 74,067	123%	-26%
TIF revenue	\$ 12,029	\$ 5,838	\$ 12,175	106%	-52%
Miscellaneous revenue	\$ 74,319	\$ 5,817	\$ 6,197	1178%	-6%
Bond interest	\$ (15,108)	\$ (19,759)	\$ (22,782)	-24%	-13%
Marketing agencies payments	\$ (15,308)	\$ (6,085)	\$ (11,640)	152%	-48%
Hospitality & Tourism Relief and other Grants	\$ -	\$ (822)	\$ (22,814)	-100%	-96%
Miscellaneous expenses	\$ (12,300)	\$ (8,080)	\$ (10,970)	52%	-26%
Total Non-operating Revenues and (Expenses)	\$ 167,587	\$ 32,968	\$ 28,206	408%	17%
Change in net position	\$ 71,500	\$ (57,210)	\$ (60,264)	-225%	-5%
Net Position, beginning of year as restated	\$ 336,490	\$ 393,700	\$ 453,964	-15%	-13%
Net Position, End of Year	\$ 407,990	\$ 336,490	\$ 393,700	21%	-15%

2022 - The Authority's total net position increased by \$71.5 million, or 21%, for the year ended September 30, 2022. As of September 30, 2022, the Authority had a total net position of \$407.9 million, with the largest portion of the Authority's net position, \$225.2 million, or 56%, representing a net investment in capital assets. Of the Authority's remaining net position, \$131.1 million, or 33%, reflects resources subject to external restrictions on how they may be used (primarily related to the Authority's bond indenture minimum reserve requirements). The unrestricted net position was \$51.7 million.

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The unrestricted reserves in the Convention Center operating fund have always been significant enough to offset the negative unrestricted net position from the hotel until FY2021. The unrestricted reserves declined drastically due to the FY2019 excess cash transfer to the District and FY2020 COVID-19 pandemic revenue declines.

2021 - The Authority's total net position decreased by \$57.2 million, or 15%, for the year ended September 30, 2021. As of September 30, 2021, the Authority had a total net position of \$336.5 million, with the largest portion of the Authority's net position, \$237.2 million, or 70%, representing a net investment in capital assets. Of the Authority's remaining net position, \$125.2 million, or 37%, reflects resources subject to external restrictions on how they may be used (primarily related to the Authority's bond indenture minimum reserve requirements). The unrestricted net position was a negative \$25.9 million.

The negative unrestricted net position was primarily due to the Marriott Marquis Hotel liability. The Unrestricted Net Position is derived by subtracting Net Investment in Capital Assets and Restricted Assets from the Total Net Position. There is no Net Investment in Capital Assets for the Hotel, but the Authority owns the bonds for the hotel. Therefore, the result is always a negative Net Position when looking at the hotel fund separately. The unrestricted reserves in the Convention Center operating fund have always been large enough to offset the negative unrestricted net position from the hotel until FY 2021.

The unrestricted reserves in FY2019-FY2021 declined significantly due to the FY2019 excess cash transfer to the District and FY2020 COVID-19 pandemic revenue declines. This limited the authority's ability to offset the negative unrestricted net position from the hotel. The last time the Authority reported a negative unrestricted net position was between FY2011-FY2014 when the authority was funding the construction of the Marriot Marquis Hotel.

Total Assets declined by \$89.9 million, or 10%. Current assets, mainly investments, declined by \$30.7 million and were used to fund operations of Events DC during the COVID 19 pandemic to make up for the revenue shortfall. Non-current assets other than capital assets decreased by \$29.9 million, primarily due to a \$22.9 reduction in restricted investments related to the Authority's bond indenture reserve requirement and a \$7 million reduction in other receivables.

Total Liabilities declined by \$31.2 million, or 6%, mainly due to payment of the scheduled current portion of outstanding debt, and the refunding of the 2010A, 2020B, and a portion of 2018A bonds. This was partly offset by a \$5.25 million Paycheck Protection Program (PPP) loan. The Authority borrowed funds under the PPP established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act implemented by the Small Business Administration to offset payroll, utilities and other costs incurred by the Authority due to the COVID-19 pandemic.

Analysis of Changes in Net Position

Revenues

For the fiscal years ended September 30, 2022, 2021, and 2020 the Authority's operating revenues were \$24.6 million, \$13.6 million, and \$18.3 million, respectively.

2022 – total operating revenues increased by \$11 million, or 80%, because of post-pandemic surges in events beginning in March 2022

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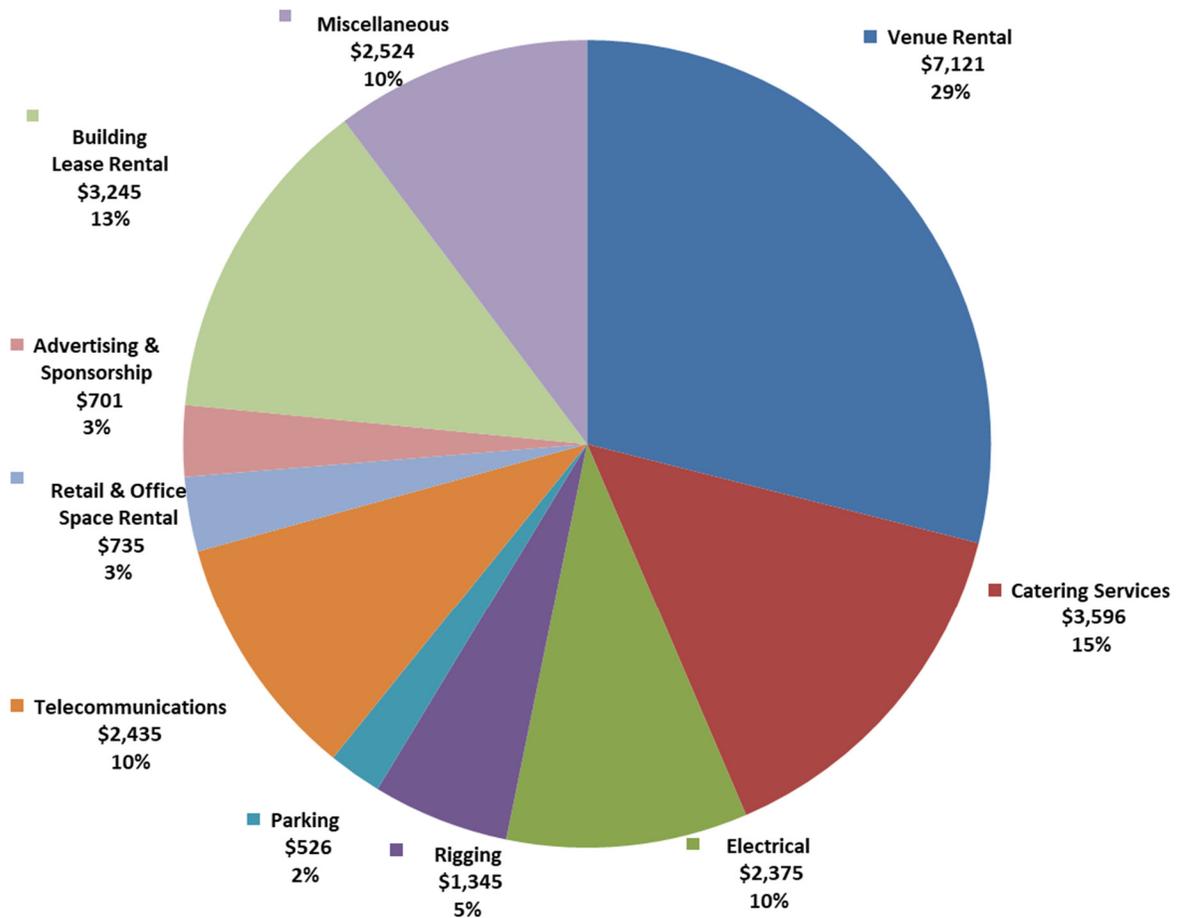
(Dollar Amounts in Thousands)

Non-operating revenues, mainly Dedicated taxes and TIF revenue, increased by \$67.3 million and \$6.2 million respectively compared to FY2021. Post pandemic surges in economic growth resulted in increases in tax revenue throughout the city, which resulted in increased Dedicated taxes and TIF Revenue.

2021 – total operating revenues decreased by \$4.7 million, or 26%. The COVID –19 pandemic disruptions continued for most of FY2021. The Convention Center held only 1 citywide event in FY2021 compared to 10 in FY2020 resulting in a significant drop of ancillary revenues from such events. The slight revenue increases from Building rental and Miscellaneous revenue are reimbursements for the utilization of spaces in the Convention Center and the Entertainment & Sports Arena as high-capacity vaccination sites.

Non-operating revenues mainly Dedicated taxes and TIF revenue declined by \$19.1 million and \$6.3 million respectively compared to FY2020 because of the continued impact of COVID-19 on the travel, hospitality, and convention industries throughout FY2021. The non-operating revenues of FY2020 reflect 6 months of full operation before the March 2020 COVID shutdown.

The following is a graphic illustration of 2022 operating revenues by source. (In Thousands)



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Expenses

For fiscal years 2022, 2021, and 2020, the Authority's total operating expenses were \$120.7 million, \$103.8 million, and \$106.8 million, respectively.

2022 - Total operating expenses increased by \$16.9 million, or 16%, from FY2021 mainly due to increased spending to generate revenue and economic impact for the District. Personal services expenses increased by \$0.3 million because of measures taken by management to fill vacant positions in line with the increased level of operations throughout FY2022. Occupancy expenses such as electricity, telecommunications, water, sewer, and natural gas increased by \$1.7 million, or 38.8%, as a result of measures taken by management in line with increased event operations.

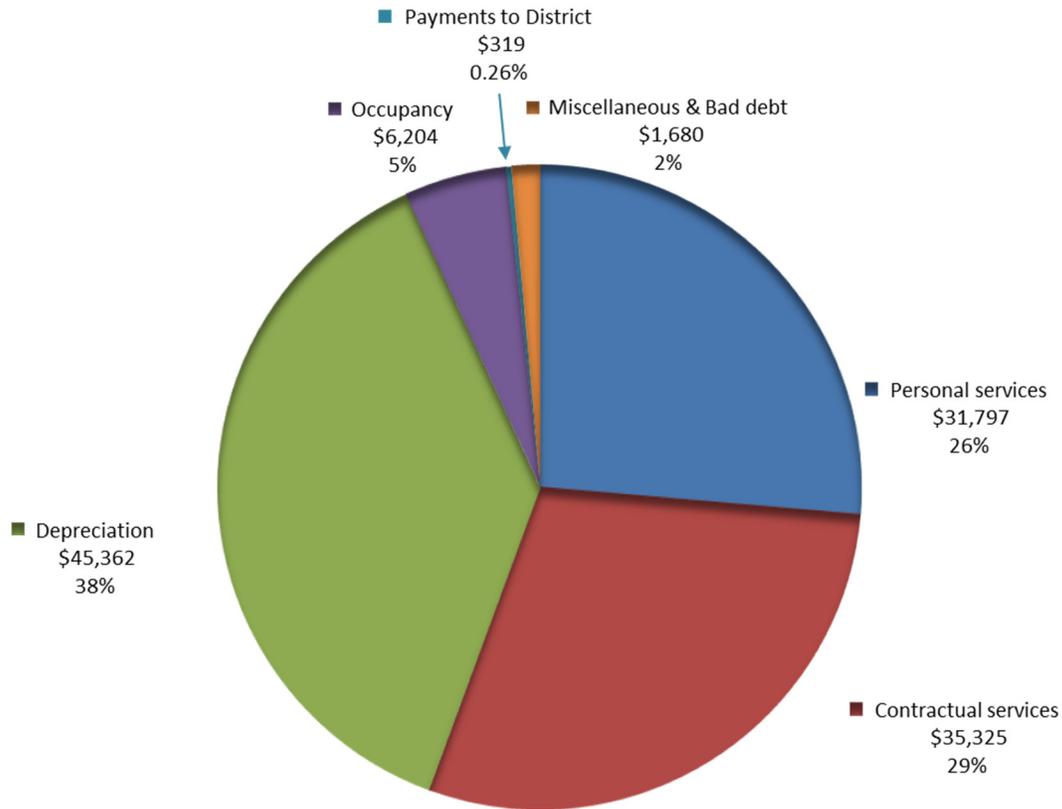
2021 – Total operating expenses decreased by \$3 million, or 3%, from FY2020 mainly due to lower spending in personal services and occupancy offset by depreciation expenses. Personal services expenses declined by \$1.6 million because of measures taken by management to freeze vacant positions in line with reduced level of operations throughout FY2021. Occupancy expenses such as electricity, telecommunications, water, sewer, and natural gas declined by \$1.2 million, or 21%, as a result of cost containment measures taken by management in line with reduced event operations.

Payment to the District, which represents expenses paid to the Department of General Services (DGS) for the maintenance of the RFK stadium and the non-military portion of DC Armory, declined by \$804 thousand because of measures taken by management to align expenses with the closing of the stadium.

Non-operating expenses consisted of \$19.8 million in bond interest and amortization and \$6.1 million in payments to marketing entities. The Washington Convention Center Authority Act of 1994 (as amended in 1998) requires the Authority to transfer 17.4% of the hotel taxes received to the Marketing Fund to promote conventions and tourism in the District of Columbia. Effective October 1, 2017, under the Hospitality Tax Dedication section of the Act, an additional 0.3% hotel room tax was imposed. The 0.3 % tax is dedicated to Destination DC through the Authority for marketing and promoting the District of Columbia as a destination. The non-operating expenses also include a one-time grant payment of \$821,800 to support Go-Go related programming, branding, tourism, and marketing, per D.C. Code §10-1202.08(h).

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The following is a graphic illustration of 2022 operating expenses. (In Thousands)



(3) Capital Asset and Debt Administration

Capital Assets

The Authority has invested \$464.6 million, and \$522.3 million in capital assets, net of depreciation as of September 30, 2022, and 2021, respectively. The Authority's 2022 net capital assets decreased by \$57.7 million compared to the fiscal year 2021, which was primarily due to depreciation expenses of \$45.3 million and the sale of the Marriott Marquis Hotel Building (Plumbers Building) and partially offset by the purchase of furniture, machinery, equipment and building improvements.

WASHINGTON CONVENTION AND SPORTS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 and 2021
(Dollar Amounts in Thousands)

Table 3 summarizes the Authority's capital assets, net of accumulated depreciation as of September 30, 2022, 2021, and 2020. The changes are presented in detail in Note 4 to the financial statements.

Table 3
Capital Assets (Net of Depreciation)
(in thousands)

	2022	2021	2020	Percentage Change	
				2022-2021	2021-2020
Non-depreciable					
Land	\$ 4,785	\$ 4,785	\$ 4,785	0%	0%
Construction in progress	\$ 20,792	\$ 13,064	\$ 8,130	59%	61%
Artwork	\$ 2,742	\$ 2,742	\$ 2,742	0%	0%
Total non-depreciable capital assets	\$ 28,319	\$ 20,591	\$ 15,657		
Depreciable					
Building	\$ 769,409	\$ 769,409	\$ 769,409	0%	0%
Building improvements	\$ 60,034	\$ 50,984	\$ 50,324	18%	1%
Plumber's building	\$ -	\$ 33,425	\$ 33,425	-100%	0%
Stadium structure	\$ 19,037	\$ 19,037	\$ 19,037	0%	0%
Building Improvements/Displays (SED)	\$ 33,762	\$ 38,592	\$ 38,592	-13%	0%
Building-ESA	\$ 73,976	\$ 73,976	\$ 73,976	0%	0%
RFK Multi-Purpose Fields	\$ 39,261	\$ 39,261	\$ 37,388	0%	5%
Parking Lot improvements	\$ 7,474	\$ 7,258	\$ 7,041	3%	3%
Central plant	\$ 16,265	\$ 16,265	\$ 16,265	0%	0%
Carnegie Library	\$ 14,798	\$ 14,798	\$ 14,798	0%	0%
Carnegie Library-building improvements	\$ -	\$ 1,479	\$ 1,479	-100%	0%
Financial systems	\$ 2,930	\$ 4,349	\$ 2,930	-33%	48%
Furniture and fixtures	\$ 36,770	\$ 35,650	\$ 35,071	3%	2%
Furniture and fixtures-RFK	\$ -	\$ 1,652	\$ 1,652	-100%	0%
Machinery and equipment	\$ 39,051	\$ 35,829	\$ 34,049	9%	5%
Total depreciable capital assets	\$ 1,112,767	\$ 1,141,963	\$ 1,135,437		
Less accumulated depreciation	\$ 676,526	\$ 640,261	\$ 599,539	6%	7%
Net depreciable capital assets	\$ 436,242	\$ 501,702	\$ 535,897		

Debt Administration

The Authority had \$443 million and \$461 million in long-term liabilities outstanding, including current maturities, as of September 30, 2022, and 2021, respectively. Principal payments of \$10.7 million and \$16.2 million were made during the fiscal years 2022 and 2021, respectively. The Authority's long-term liabilities are summarized below and presented in more detail in the financial statements (see Note 7 for more information on long-term debt).

WASHINGTON CONVENTION AND SPORTS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2022 and 2021
(Dollar Amounts in Thousands)

Table 4
Long-Term Debt Outstanding
(in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>Percentage change</u>	
				<u>2022-2021</u>	<u>2021-2020</u>
Bonds Payable, Premium & Deferral	\$ 447,868	\$ 466,289	\$ 491,247	-4%	-5%
Right-to-use Lease obligation	\$ 4,402	\$ 4,541	\$ 4,683	-3%	-3%
Notes Payable-PPP	\$ -	\$ 5,251	\$ -	-100%	100%
Compensated Absences	\$ 1,822	\$ 1,816	\$ 1,836	0%	-1%
Total debt outstanding	\$ 454,092	\$ 477,897	\$ 497,766	-5%	-4%
Current portion of debt outstanding	\$ 10,705	\$ 16,474	\$ 25,862	-35%	-36%
Debt outstanding less current portion	\$ 443,387	\$ 461,422	\$ 471,904	-4%	-2%

The current portion of debt outstanding includes compensated absences and \$156 thousand and \$101 thousand, as of September 30, 2022, and 2021, respectively. See Note 7 for detail.

The Authority's bonds are rated "Aa3" by Moody's, "A+" by Standard & Poor's Corporation, and "AA" by Fitch Ratings Services.

(4) Budgetary Controls

The Authority adopts an operating and capital budget approved by its Board of Directors in February of each year for the subsequent fiscal year. The budget is reviewed and adjusted, if necessary, and the Board approves changes. The budgets are loaded into the Authority's Financial Management System. The Financial Management Division prepares monthly reports for the Board of Directors and its Finance Committee. The reports are reviewed and acted upon each month to ensure the Authority complies with its authorized budget levels.

After approval by the Board of Directors, the Authority is required to submit its annual operating and capital budgets to the Mayor and Council of the District of Columbia to be included in the District's budgets sent to the United States Congress for approval.

WASHINGTON CONVENTION AND SPORTS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2022 and 2021

(Dollar Amounts in Thousands)

(5) Economic Factors

The District's continued recovery from the COVID-19 pandemic positively impacted the Authority. Operating revenues increased by \$11 million, or 80%, in FY2022. Dedicated taxes, which are mainly derived from hotel and restaurant taxes increased by \$67.3 million, or 123%. On September 30, 2022, OCFO revenue estimate increased the FY2023-FY2026 Dedicated Tax projections for the Authority by \$106.6 million compared to the February 2022 estimate. This was due to the strong recovery of the hospitality and travel industry. The Authority revised its FY2023-FY2026 financial plan in line with the increased OCFO Dedicated taxes projection by funding capital projects which were deferred during COVID-19 and incorporating program enhancements such as security and event operations. The Authority has projected to reduce its reliance on reserves to fund expenditures in the FY2023-FY2026 financial plan and revenues are projected to fully-fund expenditures by FY2025.

(6) Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Mr. Henry W. Mosley, Chief Financial Officer, Washington Convention and Sports Authority, 801 Allen Y. Lew Place N.W., Washington, DC 20001.

WASHINGTON CONVENTION AND SPORTS AUTHORITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2022 AND 2021
(Dollar Amounts in Thousands)

	2022	2021 as Restated
Assets		
Current assets:		
Total Cash	\$ 16,971	\$ 11,716
Cash-Restricted	10,058	6,429
Investment	207,362	99,441
Due From District	17,536	12,390
Accounts Receivable, Net of Allowance for Uncollectible Accounts	5,850	2,217
Prepaid and Others	4,420	4,619
Accrued Interest	957	467
Total current assets	\$ 263,155	\$ 137,279
Noncurrent Assets		
Lease Receivable	17,850	18,361
Other Receivables	10,164	11,464
Restricted Investment	175,351	167,186
Non-Depreciable Capital Assets	28,319	20,591
Depreciable and Amortizable Capital Assets, Net	436,242	501,702
Total Noncurrent Assets	\$ 667,926	\$ 719,304
Total Assets	931,080	856,584
Total Deferred Outflow of Resources	10,576	11,141
Total Assets and Deferred Outflow of Resources	\$ 941,656	\$ 867,724
Liabilities		
Current Liabilities		
Accounts Payable	\$ 14,399	\$ 9,394
Other Current Liabilities	27,778	7,374
Due to DC Government	2,276	2,233
Compensation Liabilities	1,563	1,336
Unearned Revenue	8,215	6,784
Accrued Interest Payable	8,542	8,039
Lease- Current Portion	134	138
Debt- Current Portion	10,705	16,235
Total Current Liabilities	\$ 73,612	\$ 51,533
Noncurrent Liabilities		
Compensated Absences	1,666	1,715
Lease- Long Term	4,268	4,402
Bonds Payable	437,163	450,054
Contributed Capital - Long Term	-	5,251
Total Noncurrent Liabilities	443,097	461,422
Total Liabilities	\$ 516,708	\$ 512,955
Total Deferred Inflow of Resources	16,957	18,278
Net Position		
Invested in Capital Assets, Net	225,214	237,177
Restricted Net Position:		
Kenilworth Park	144	144
Debt Service & Capitalized	21,592	25,675
Capital Renewal	33,509	32,816
Operating & Marketing fund	45,067	35,352
Debt Service Reserve	30,748	31,255
Unrestricted Net Position	51,716	(25,929)
Total Net Position	407,990	336,490
Total Liabilities, Net Position and Deferred Inflow of Resources	\$ 941,656	\$ 867,724

WASHINGTON CONVENTION AND SPORTS AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(Dollar Amounts in Thousands)

	<u>2022</u>	<u>2021 as Restated</u>
Operating Revenue and Expenses		
Operating Revenue:		
Venue Rental	\$ 7,121	\$ 5,357
Catering Services	3,596	31
Electrical Services	2,375	111
Rigging Services	1,345	35
Parking Revenue	526	206
Telecommunications Services	2,435	142
Retail & Office Space Rental	735	585
Advertising & Sponsorship	701	713
Building Lease Rental	3,245	3,912
Digital Revenue	52	-
Audio and Visual	751	-
Miscellaneous Revenue	1,721	2,555
Total Operating Revenues	<u>24,602</u>	<u>13,647</u>
Operating Expenses:		
Personnel and Payroll Services	31,797	31,484
Contractual Services	35,325	25,413
Occupancy	6,204	4,484
Payment to District	319	803
Miscellaneous Expenses	1,680	947
Depreciation Expense	45,362	40,722
Net Bad Debt Expense (Recovery)	-	(30)
Total Operating Expenses	<u>120,687</u>	<u>103,823</u>
Operating Profit /(Loss)	<u>(96,086)</u>	<u>(90,176)</u>
Nonoperating Revenues and (Expenses)		
Debt Services	(15,108)	(19,410)
Marketing Agencies Payments	(15,308)	(6,085)
Hospitality & Marketing Relief and other Grants	-	(822)
Miscellaneous Expenses	(12,300)	(8,429)
Interest Income-Total	1,673	1,126
Dedicated Tax	122,281	54,932
TIF Revenue	12,029	5,838
Miscellaneous -Non-operting	74,319	5,816
Total Nonoperating Revenues and (Expenses)	<u>167,586</u>	<u>32,966</u>
Increase (Decrease) in Net Position	<u>71,501</u>	<u>(57,210)</u>
Net Position, Beginning of Year	<u>336,490</u>	<u>393,700</u>
Net Position, End of Year	<u>\$ 407,990</u>	<u>\$ 336,490</u>

WASHINGTON CONVENTION AND SPORTS AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(Dollar Amounts in Thousands)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Receipts from Customers	\$ 25,731	\$ 12,181
Payments to Suppliers	(19,768)	(36,830)
Payments to Employees	(31,618)	(31,220)
Other Receipts (Payments)	1,887	(2,089)
Net cash used in Operating Activities	<u>(23,768)</u>	<u>(57,959)</u>
Cash flows from Noncapital Financing Activities:		
Dedicated Tax Receipts	110,470	51,422
Tax Increment Financing Tax Receipts	12,029	5,838
Transfer to Tourism Responsibility Centers	(15,308)	(6,085)
Other Payments	(13,512)	(8,901)
Other Receipts	64,297	12,813
Net cash provided by Noncapital Financing Activities	<u>157,975</u>	<u>55,087</u>
Cash flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(11,955)	(11,460)
Proceeds from disposal of fixed assets	24,325	-
Proceeds on issuance of bonds	-	181,944
Lease Payments	(138)	(144)
Proceeds on issuance of notes	-	5,251
Principal payment of notes	(5,251)	-
Principal payment on bonds	(16,235)	(204,485)
Interest payments	(1,167)	(27,373)
Net cash used in Capital and Related Financing Activities	<u>(10,421)</u>	<u>(56,267)</u>
Cash flows from Investing Activities:		
Proceeds from sale and maturities of investment securities	121,287	51,374
Purchases of investment securities	(237,373)	-
Interest and dividends on investments	1,183	1,137
Net cash flow provided (used) by investing activities	<u>(114,903)</u>	<u>52,511</u>
Net (decrease) increase in cash and cash equivalents	8,883	(6,628)
Cash and Cash Equivalents, Beginning of Year	18,146	24,774
Cash and Cash Equivalents, End of Year	<u>\$ 27,029</u>	<u>\$ 18,146</u>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities		
Operating Loss	\$ (96,086)	\$ (90,176)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities		
Depreciation	45,362	40,722
Increase (Decrease) Allowance for Doubtful Accounts	427	(30)
Increase in Receivables	(729)	(1,366)
(Increase) in Prepaid Expenses and Other Assets	197	524
Increase in Accounts Payable	25,456	(7,797)
(Decrease) Increase in Compensation Liabilities	173	265
(Decrease) Increase in Unearned Revenue	1,431	(101)
Net Cash Used in Operating Activities	<u>\$ (23,768)</u>	<u>\$ (57,959)</u>

WASHINGTON CONVENTION AND SPORTS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Washington Convention Center and Sports Authority's (The Authority) accounting policies conform to U.S. Generally Accepted Accounting Principles (GAAP) as applicable to government enterprises. The following is a summary of the Authority's significant accounting policies:

Reporting Entity

The Washington Convention Center Authority (WCCA, or Authority), a corporate body and independent Authority of the District of Columbia (District) Government, was created pursuant to the Washington Convention Center Authority Act of 1994 (the WCCA Act), effective September 28, 1994.

On October 1, 2009, the Washington Convention and Sports Authority (WCSA) was formed following the transfer of the DC Sports and Entertainment Commission's mission, responsibilities, and assets to WCCA in accordance with the Washington Convention Center Authority and Sports and Entertainment Commission Merger Amendment Act of 2009.

Following the transfer, the Authority's Board of Directors (the Board) grew from nine to twelve members. Three members, including the District's Chief Financial Officer, the chief executive of the Hotel Association of Washington DC, and the third person designated by the mayor, serve as voting ex-officio members. The remaining nine public members are appointed by the mayor with the consent of the Council of the District of Columbia (the Council). The terms of the public members are four years. The mayor appoints one public member as chairperson with the advice and consent of the Council.

In June 2011, the Washington Convention and Sports Authority launched a new brand name, "Events DC."

Events DC receives its funding by generating operating revenues from conventions, meetings, sports events, parking, advertising, sponsorships, and ancillary operations. A significant part of the funding comes from dedicated taxes from the hospitality industry. In addition, it receives interest and dividend income from investments. The dedicated taxes were established pursuant to the WCCA Act. The dedicated taxes consist of separate sales and use tax of 4.45% (of the District's 14.5%) on hotel room charges and a sales and use tax of 1% (of the District's 10%) on restaurant meals, alcoholic beverages consumed on-premises, and rental vehicle charges. Effective October 1, 2017, the hotel room charges of 14.5% changed to 14.8%, with an additional 0.3% increase going to Destination DC through the Authority for marketing and promoting the District of Columbia as a destination. The dedicated taxes are collected on behalf of the Authority in accordance with the September 1998 Lockbox and Collection Agreements executed by the Authority, the District, and a financial institution.

The Authority is a component unit of the District of Columbia Government.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The Authority's basic financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The economic measurement focus reports all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operations, which are included on the Statements of Net Position.

WASHINGTON CONVENTION AND SPORTS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

The financial statements have been prepared in accordance with GAAP as prescribed by the Governmental Accounting Standards Board (GASB). They are presented as required by these standards to provide a comprehensive perspective of the Authority's net position, changes in net position, and cash flows.

For financial reporting, the Authority is a single enterprise fund. However, for accounting purposes and to ensure observation of limitations and restrictions placed on the use of the resources available to the Authority, accounts are maintained in accordance with the principles of fund accounting.

The Authority accounts for its activities in six separate funds: the Operating (C&M) Fund, the Hotel TIF Fund, the Marketing Fund, Capital (C&M) Fund, Operating (SED) RFK Campus Fund, and Operating (SED) Saint Elizabeth's Fund. The following activities are reported in each fund:

- a. Operating (C&M) Fund – The operating fund accounts for the transactions related to the convention centers, Carnegie Library's operation and any operational transactions related to National's Park Stadium.
- b. Hotel TIF Fund – The Hotel TIF fund accounts for the transactions related to the new hotel and expansion projects.
- c. Marketing Fund – The marketing fund accounts for the transactions related to marketing and promoting conventions and tourism in the District.
- d. Capital (C&M) Fund – The capital fund accounts for the transactions related to capital improvements for the Convention Center, Carnegie Library, RFK Memorial Stadium, DC Armory, ESA, Gateway, and the National's Park Stadium.
- e. Operating (SED) Fund – The operating SED fund accounts for transactions related to the operation of Robert F. Kennedy Memorial Stadium and DC Armory.
- f. Operating (St. Elizabeth's) Fund – the operating St. Elizabeth's Fund accounts for transactions related to the operation of ESA and Gateway.

Current and Non-current

Current assets are used to designate cash and other assets, or resources commonly identified as those which are reasonably expected to be realized in cash or consumed during a normal operating cycle of business, usually one year or less, without interfering with normal business operations. Current liabilities are defined as obligations whose liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets or the creation of other current liabilities.

Use of Restricted Components of Net Position

The Authority spends restricted reserve funds only when the unrestricted amounts are insufficient or unavailable.

Cash and Cash Equivalents

The Authority considers all highly liquid instruments purchased with an original maturity of less than ninety (90) days to be cash equivalents.

WASHINGTON CONVENTION AND SPORTS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

Accounts Receivable

Accounts receivable, which are recorded at net realizable value, are related to transactions involving building rental (related to events and conferences), electrical, telecommunications, audio-visual, advertising, sponsorships, parking, trade accounts receivable, tenant space rental and miscellaneous transactions. As of September 30, 2022, and 2021, accounts receivable was \$5.8 million and \$2.2 million, respectively.

Allowance for Uncollectible Accounts

The Authority establishes an allowance for uncollectible accounts for all accounts receivable over 180 days old and based on management's review of specific accounts. As of September 30, 2022, and 2021, the allowance for uncollectible accounts was \$706 thousand and \$279 thousand, respectively. These amounts are included in the accounts receivable balance reported on the Statements of Net Position.

Investments

Investments in money markets and repurchase agreements are recorded at fair value. Treasury obligations and commercial paper are recorded at amortized cost, which approximates fair value.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of the assets' availability. Such constraints are either externally imposed by creditors, contributors, grantors, or other governments' laws or are imposed by law through enabling legislation.

Capital Assets and Depreciation/Amortization

Capital assets are carried at cost. The Authority capitalizes assets with an original cost of \$5,000 or greater. Donated capital assets are measured at the acquisition value on the date of donation in accordance with GASB 72 and right to use assets are recorded at the net present value of minimum lease payments including all expected renewal periods. Land and artwork are carried on the Authority's books at cost and are not depreciated. Depreciation expense is calculated using the straight-line method over the following estimated useful lives:

Financial Systems	5 years
Machinery and Equipment	5 years
Furniture and Fixtures	10 years
Central Plant	20 years
Building and Building Improvements	30 years
Structure and Parking Lot Improvements	5-35 years
RFK Stadium	50 years

Expenditures for repairs and maintenance that do not increase the useful economic lives of related assets are charged to operations during the fiscal year in which the costs are incurred. Improvements are capitalized.

Deferred Outflows of Resources

On February 22, 2018, and on May 14, 2021, the Authority deceased series 2010C and Series 2010B bonds and incurred bond refunding costs. The cost is the difference between the reacquisition price and the net carrying amount of the old debts and is deferred and amortized over the remaining life of the old debt Series 2010C and 2021B bonds are amortized over 22 years. As of September 30, 2022, bond refunding costs, which are reflected as a deferred outflow of resources in the Statements of Net Position, totaled \$10.6 million.

WASHINGTON CONVENTION AND SPORTS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

Deferred Inflows of Resources

Deferred inflows of resources consist of unamortized lease revenue from leases where the Authority leases the space to third parties. As of September 30, 2022, and 2021 the deferred inflows of resources were \$16,957,000 and \$18,278,000 (restated in the Financial Statements for the adoption of GASB 87).

Bond Premium and Discount

The bond premium and discount are recorded as an increment of the carrying cost of the bonds. Both are amortized based upon the weighted average of bonds outstanding over the term of the bonds.

Unearned Revenue

Unearned revenue represents money and deposits received in advance from show managers and promoters for events booked at the Walter E. Washington Convention Center and the Sports & Entertainment Division.

Revenue Recognition

Revenues are recorded when earned. Dedicated and Tax Increment Financing taxes are recorded in the period when the exchange transaction on which the tax is imposed occurs.

Compensated Absences

The Authority accrues a liability for annual leave based on salary rates and accumulated leave hours on September 30. Employees earn annual leave during the year at varying rates, depending on their classification and years of service. Generally, non-union employees may carry over a maximum of 240 hours of annual leave and union employees may carry a maximum of 320 hours beyond December 31 of each calendar year. Carryover of annual leave in excess of 240 and 320 hours is permitted with appropriate Authority officials' approval. The accrued yearly maximum leave balance is payable to employees upon termination of employment.

Components of Net Position

Net position is reported in the following categories:

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - Under the Bond Trust agreements, the Authority is required to maintain specific reserve requirements for debt service, operating and marketing, capital renewal and replacement, marketing, and hotel projects. The Authority held funds in various reserve accounts to meet the requirements. As of September 30, 2022, and 2021, those restricted funds totaled approximately \$179 million and \$167.2 million, respectively.

Unrestricted - This amount is the portion of net position that does not meet the definition of net investment in capital assets or restricted.

**WASHINGTON CONVENTION AND SPORTS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

Revenues and Expenses

The Authority distinguishes between operating revenues and expenses and non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operations. The Authority's principal operating revenues consist of building rental, electrical, telecommunications, food services, retail/office, advertisements and sponsorship, and miscellaneous revenues such as audio-visual, event services, meeting setup charges, and equipment rental. Operating expenses include personnel services, contractual services, depreciation, occupancy, payment to District of Columbia, and miscellaneous expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the financial statements' date. Estimates and assumptions may also affect the reported amounts of revenues and expenses. Accordingly, actual results could differ from those estimates.

New Accounting Standards

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, in June 2017. The objective of GASB No. 87 is to improve the accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. GASB No. 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an asset. GASB No. 87 is effective for reporting periods beginning after June 15, 2021. The Authority officially adopted and implemented GASB No. 87 on its financial statements and disclosures for FY22 (see Note 5).

The Authority has not determined the impact, if any, that the implementation of GASB Statement No. 91 *Conduit Debt Obligations*, No. 93 *Replacement of Interbank Offered Rates*, No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, No. 96 *Subscription-Based Information Technology Arrangements*, No. 99 *Omnibus 2022*, No. 100 *Accounting Changes and Error Corrections*, and No. 101 *Compensated Absences* will have on its financial statements. Accordingly, no determination has been made regarding the materiality of impact. However, GASB Statement Nos. 94, 96 and 99 will have an impact on the way the Authority reports on its Public-Private Partnerships (PPPs) and Subscription-Based Information Technology Arrangements (SBITAs) for FY23.

Restatements

The Authority implemented GASB Statement No. 87, *Leases*, in fiscal year 2022. As a result of this implementation, the beginning balances of Lease Receivables and Deferred Inflows of Resources were both increased by \$18,278,000, compared to the amounts previously reported as of September 30, 2021.

The effect of these changes on the fiscal year 2021 financial statements, are reflected in the table shown below.

	September 30, 2021 as originally reported	Restatement	September 30, 2021 as restated
Lease Receivables	\$ 83,000	\$ 18,278,000	\$ 18,361,000
Deferred Inflows of Resources	\$ -	\$ 18,278,000	\$ 18,278,000

WASHINGTON CONVENTION AND SPORTS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2 CASH DEPOSITS AND INVESTMENTS

Cash Deposits

The Authority's cash-carrying amounts as of September 30, 2022, and 2021 were \$27 million and \$18.1 million, respectively. The Authority's bank balances as of September 30, 2022, and 2021 were \$28.6 million and \$20.3 million, respectively. These bank balances are entirely insured or collateralized with third parties' securities in the Authority's name.

Investments

In accordance with the Authority's investment policy adopted in 1997 and amended in 2009, the Authority may invest in bonds, notes, certificates of indebtedness, treasury bills, or other securities guaranteed by the U.S. Government, its agencies such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); domestic interest-bearing savings accounts; certificates of deposit; time deposits or any other investments that are direct obligations of any bank; short-term obligations of U.S. Corporations; shares or other securities legally issued by state or federal savings and loan associations that are insured by the FDIC; money market mutual funds registered under the amended Investment Act of 1940; repurchase agreements with any bank, trust company, or national banking association or government bond dealer reporting to the Federal Reserve Bank of New York; and investment agreements which represent the unconditional obligation of one or more banks, insurance companies or other financial institutions, or are guaranteed by a financial institution.

As of September 30, 2022, and 2021, the Authority's investments were in money market, deposit accounts, U.S. guaranteed securities, federal agency securities, and collateralized repurchase agreements. Federal agency securities and money market investments were rated AAA and/or collateralized.

Fair Value Measurement: The Authority measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted Prices in Active Markets for Identical Assets
- Level 2: Significant Other Observable Inputs
- Level 3: Significant Unobservable Inputs.

WASHINGTON CONVENTION AND SPORTS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

The Authority has the following recurring fair value measurements as of September 30, 2022, and 2021.

Investment Instruments Measured at Fair Value (In Thousands)				
Fair Value Measurement Using				
Investment by Fair Value Level	9/30/2022	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Debt Securities				
Repurchase Agreements	\$ 32,821	\$ 32,821	\$ -	\$ -
U.S. Treasuries	103,989	103,989	-	-
Total Debt Securities	\$ 136,810	\$ 136,810	\$ -	\$ -
Investments Measured at the net asset value (NAV)				
Money Market Deposits	\$ 245,904			
Total Investment Measured at NAV	\$ 245,904			
Total Investments Measured at Fair Value	\$ 382,714			
Fair Value Measurement Using				
Investment by Fair Value Level	9/30/2021	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Debt Securities				
Repurchase Agreements	\$ 32,821	\$ 32,821	\$ -	\$ -
Negotiable Certificates of Deposit	21,415	21,415	-	-
Total Debt Securities	\$ 54,236	\$ 54,236	\$ -	\$ -
Investments Measured at the net asset value (NAV)				
Money Market Deposits	\$ 212,392			
Total Investment Measured at NAV	\$ 212,392			
Total Investments Measured at Fair Value	\$ 266,628			

The Authority's investments are subject to certain risks. Those risks are as follows:

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not recover the value of its investments. As of September 30, 2022, and 2021, 8% and 20% of the Authority's investments were held by an insured and collateralized counterparty.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The risk may vary based on the type of investment. As of September 30, 2022, and 2021, all funds were invested in AAA-rated money market funds, federal agency securities and certificates of deposit (CDs), thereby limiting the Authority's exposure to interest rate risk. In accordance with the Authority's investment policy, the investment maturities vary from 1- 5 years.

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Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy limits investments to investments that are highly rated by Moody's or Standard & Poor's. As of September 30, 2022, and 2021, the Authority's investments were all in AAA-rated short-term money market funds, AAA-rated federal agency securities, guaranteed investment contracts, and certificates of deposit.

Concentration of Credit Risk: To limit exposure to credit risk concentrations, the Authority's investment policy limits investment in U.S. Treasuries to 100%, Federal Agencies to 40%, money market mutual funds to 25%, and repurchase agreements to 25% to anyone issuer.

The following tables summarize the minimum reserve requirements and restricted and unrestricted amounts as of September 30, 2022, and 2021 (in thousands).

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Reserve Accounts	Investment Balance as of September 30, 2022	Minimum Required Reserve (Restricted)	Available Reserve Above the Required Minimum
Series 2018 A and 2021C Bonds			
Capital Renewal & Replacement	\$ 108,716	\$ 33,482	\$ 75,234
Debt Service Account	21,545	21,545	-
Debt Service Reserve Acct	30,795	30,795	-
Operating & Marketing Reserve Acct	125,612	41,388	84,224
Revenue Account	47,905	-	47,905
Totals	\$ 334,572	\$ 127,210	\$ 207,362
Series 2021 and 2018B Bonds			
Tax Increment Financing Revenue Account	\$ 23,139	\$ 23,139	-
Debt Service Reserve Accounts	25,002	25,002	-
Totals	\$ 48,141	\$ 48,141	\$ -
Total Restricted and Non-Restricted Investments	\$ 382,713	\$ 175,351	\$ 207,362

Reserve Accounts	Investment Balance as of September 30, 2021	Minimum Required Reserve (Restricted)	Available Reserve Above the Required Minimum
Series 2018 A and 2021C Bonds			
Capital Renewal & Replacement	\$ 77,582	\$ 32,816	\$ 44,766
Debt Service Account	25,675	25,675	-
Debt Service Reserve Acct	31,255	31,255	-
Operating & Marketing Reserve Acct	88,375	35,352	53,023
Revenue Account	1,652	-	1,652
Totals	\$ 224,539	\$ 125,098	\$ 99,441
Series 2021 and 2018B Bonds			
Tax Increment Financing Revenue Account	\$ 18,300	\$ 18,300	-
Debt Service Reserve Accounts	23,788	23,788	-
Totals	\$ 42,088	\$ 42,088	\$ -
Total Restricted and Non-Restricted Investments	\$ 266,627	\$ 167,186	\$ 99,441

NOTE 3 OTHER ASSETS

The Authority contributed \$47 million in additional funding from its cash reserves to HQ Hotel LLC to facilitate the Marriott Marquis Convention Center Headquarters' Hotel Project development. The contribution, which the Authority characterizes as equity because it is reimbursed from the collection of excess Tax Increment Financing (TIF) revenues generated by the hotel and is therefore technically at risk to the extent such excess revenues are not collected. The contribution was disbursed in the fiscal year 2013 and is recorded as other assets (Receivable). As of September 30, 2022, and 2021, the outstanding balance was \$10.2 million and \$11.5 million, respectively.

WASHINGTON CONVENTION AND SPORTS AUTHORITY
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NOTE 4 CAPITAL ASSETS

Capital asset balances as of September 30, 2022, are summarized as follows (*in thousands*):

	Balance @ 09/30/2021	Additions	Disposals	Transfers/ Adjustments	Balance @ 09/30/2022
Non-depreciable					
Land	\$ 4,785	\$ -	\$ -	\$ -	\$ 4,785
Construction In Progress	13,064	6,478	-	1,250	20,792
Artwork	2,742	-	-	-	2,742
Total Non-depreciable Capital Assets	\$ 20,591	\$ 6,478	\$ -	\$ 1,250	\$ 28,319
Depreciable and Amortizable					
Building (WEWCC)	\$ 769,409	\$ -	\$ -	\$ -	\$ 769,409
Building Improvements (WEWCC)	50,984	1,869	-	7,181	60,034
Plumber's Building	33,425	-	(33,425)	-	-
Stadium Structure	19,037	-	-	-	19,037
Building Improvements/Displays (SED)	38,592	-	-	(4,830)	33,762
Building-ESA	73,976	-	-	-	73,976
RFK Multi-Purpose Fields	39,261	-	-	-	39,261
Parking Lot Improvements (SED)	7,258	216	-	-	7,474
Central Plant	16,265	-	-	-	16,265
Right to Use-Building	14,798	-	-	-	14,798
Carnegie Library-Building Improvements	1,479	-	-	(1,479)	-
Financial Systems	4,349	-	-	(1,419)	2,930
Furniture and Fixtures	35,650	970	-	151	36,770
Furniture and Fixtures (SED)	1,652	-	-	(1,652)	-
Machinery and Equipment	35,829	1,475	-	1,747	39,051
Total Depreciable and Amortizable Capital Assets	\$ 1,141,963	\$ 4,530	\$ (33,425)	\$ (301)	\$ 1,112,767
Less: Accumulated Depreciation/Amortization					
Building (WEWCC)	\$ 472,933	\$ 25,595	\$ -	\$ -	\$ 498,528
Building Improvements (WEWCC)	13,501	5,578	-	3,685	22,763
Plumber's Building	8,264	836	(9,100)	-	-
Stadium Structure	19,146	14	-	-	19,160
Building Improvements/Displays (SED)	37,533	545	-	(3,331)	34,747
Building-ESA and RFK Multi-Purpose Fields	10,076	3,715	-	-	13,791
Parking Lot Improvements	6,183	56	-	-	6,240
Central Plant	15,024	813	-	-	15,837
Right to Use - Building	4,631	505	-	-	5,136
Carnegie Library-Building Improvements	301	53	-	(354)	-
Financial Systems	1,963	300	-	-	2,263
Furniture and Fixtures	24,658	3,037	-	-	27,695
Furniture and Fixtures (SED)	1,267	199	-	(1,466)	-
Machinery and Equipment	24,784	4,116	-	1,466	30,366
Total Accumulated Depreciation and Amortization	\$ 640,261	\$ 45,362	\$ (9,100)	\$ -	\$ 676,526
Total Net Depreciable and Amortizable Capital Assets	\$ 501,702	\$ (40,832)	\$ (24,325)	\$ (301)	\$ 436,242

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Capital asset balances as of September 30, 2021, are summarized as follows *(in thousands)*:

	Balance @ 09/30/2020	Additions	Disposals	Transfers/ Adjustments	Balance @ 09/30/2021
Non-depreciable					
Land	\$ 4,785	\$ -	\$ -	\$ -	\$ 4,785
Construction In Progress	8,130	4,934	-	-	13,064
Artwork	2,742	-	-	-	2,742
Total Non-depreciable Capital Assets	\$ 15,657	\$ 4,934	\$ -	\$ -	\$ 20,591
Depreciable and Amortizable					
Building (WEWCC)	\$ 769,409	\$ -	\$ -	\$ -	\$ 769,409
Building Improvements (WEWCC)	50,324	660	-	-	50,984
Plumber's Building	33,425	-	-	-	33,425
Stadium Structure	19,037	-	-	-	19,037
Building Improvements/Displays (SED)	38,592	-	-	-	38,592
Building-ESA	73,976	-	-	-	73,976
RFK Multi-Purpose Fields	37,388	1,873	-	-	39,261
Parking Lot Improvements (SED)	7,041	217	-	-	7,258
Central Plant	16,265	-	-	-	16,265
Carnegie Library-Building Improvements	1,479	-	-	-	1,479
Financial Systems	2,930	1,419	-	-	4,349
Furniture and Fixtures	35,071	579	-	-	35,650
Furniture and Fixtures (SED)	1,652	-	-	-	1,652
Machinery and Equipment	34,049	1,780	-	-	35,829
Right to Use - Building	14,798	-	-	-	14,798
Total Depreciable and Amortizable Capital Assets	1,135,437	6,527	-	-	1,141,964
Less: Accumulated Depreciation/Amortization					
Building (WEWCC)	\$ 447,338	\$ 25,595	\$ -	\$ -	\$ 472,933
Building Improvements (WEWCC)	11,592	1,908	-	-	13,501
Plumber's Building	7,149	1,114	-	-	8,264
Stadium Structure	19,121	25	-	-	19,146
Building Improvements/Displays (SED)	37,046	487	-	-	37,533
Building-ESA	4,841	2,470	-	-	7,311
RFK Multi-Purpose Fields	1,521	1,245	-	-	2,766
Parking Lot Improvements	6,146	36	-	-	6,183
Central Plant	14,211	813	-	-	15,024
Carnegie Library-Building Improvements	248	53	-	-	301
Financial Systems	1,670	293	-	-	1,963
Furniture and Fixtures	22,733	1,925	-	-	24,658
Furniture and Fixtures (SED)	1,068	199	-	-	1,267
Machinery and Equipment	20,729	4,055	-	-	24,784
Right to Use - Building	4,126	505	-	-	4,631
Total Accumulated Depreciation and Amortization	\$ 599,539	\$ 40,723	\$ -	\$ -	\$ 640,262
Total Net Depreciable and Amortizable Capital Assets	\$ 535,897	\$ (34,195)	\$ -	\$ -	\$ 501,702

**WASHINGTON CONVENTION AND SPORTS AUTHORITY
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NOTE 5 LEASES

The Authority as a Lessee

In May 2011, the Authority entered into a Memorandum of Understanding (MOU) with the District Government in order to assume the District's responsibility for the operation and maintenance of the historic Carnegie Library and grounds. Under the MOU, the Authority was required to pay \$9 million over three years based on an agreed-upon schedule. Previously, the District had a 99-year lease in place with the Historical Society of Washington, DC (HSW); under the terms of the former lease, HSW was allowed to use the entire Library interior for certain revenue-generating programs and activities that supported HSW's mission. The MOU required the Authority to negotiate a lease agreement with HSW, which was executed on November 9, 2011. On August 10, 2017, the Authority signed an amendment to the lease agreement. Under the amended lease agreement, the annual payment to HSW increased by \$50,000 for the remaining 81-year term to use approximately 80% of the library interior. The Authority is currently generating revenues from the leasable space for events and tourism-related activities.

The following is a schedule by year of future minimum lease payments for the right-to-use asset, (In thousands):

<i>Year Ended September 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2023	\$ 134,388	\$ 53,703	\$ 188,091
2024	130,474	57,617	188,091
2025	126,673	61,417	188,091
2026	122,984	65,107	188,091
2027	119,402	68,689	188,091
2028-2032	552,829	398,440	951,270
2033 and thereafter	3,215,236	10,699,162	13,914,398
Total minimum lease payments	\$ 4,401,986	\$ 11,404,136	\$ 15,806,122

The carrying value of the right-to-use asset is \$14.8 million less accumulated amortization recorded as of September 30, 2022, of \$5 million.

The Authority as the Lessor

The Authority leases buildings and retail space to outside parties under various lease agreements with terms through fiscal year 2037 including renewal options for some of the leases. The Authority has included these renewal periods in the lease term when they are both non-cancellable and reasonably certain to be exercised. The Authority's lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in the Authority's leases is not readily determinable, the Authority utilizes its estimated incremental borrowing rate to discount the lease payments. Although the Authority is exposed to changes in the residual value at the end of the current leases, the Authority typically enters into new operating leases and, therefore, will not immediately realize any reduction in residual value at the end of these leases.

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The total amount of deferred inflows of resources relating to leases recognized in fiscal years 2022 and 2021 were as follows:

	Fiscal Year Ended September 30,			
	2022		2021	
Lease Revenue	\$	1,320,460	\$	606,927
Interest Revenue		757,538		786,938
	\$	2,077,998	\$	1,393,864

During the fiscal year ended September 30, 2022, the Authority adopted GASB No. 87, *Leases*. The Authority is the lessor and lessee for several leases which required the adoption of GASB No. 87. As part of the adoption, the Authority restated its balance sheet as of September 30, 2021, to account for these leases under the new standard. The adoption required the Authority to record a lease receivable and deferred inflow related to leases of \$18,278,000 as of September 30, 2021 (See Note 1 for Restatement). The restatement of amounts effective as of October 1, 2020, was not practical.

NOTE 6 BONDS AND NOTE PAYABLE

The Authority was authorized to issue bonds to finance the new convention center's costs pursuant to the WCCA Act, as amended. On September 28, 1998, the Authority issued \$524.5 million in senior lien dedicated tax revenue bonds (Series 1998A Bonds) to finance the new Walter E. Washington Convention Center's construction.

On February 1, 2007, WCCA issued \$492.5 million in refunding Series 2007A Bonds, with a net premium of \$15.6 million to affect a refunding for the Series 1998A Bonds. These refunding bonds were delivered on February 8, 2007, with maturities ranging from October 1, 2008, to October 1, 2036, at interest rates ranging from 3.75% to 5%. The net proceeds of these refunding bonds were used to 1) advance refund all of the Series 1998A Bonds in the aggregate principal amount of \$480.6 million; 2) refinance a portion of the land acquisition cost of WCCA related to the Headquarters Hotel; 3) pay the premium for the Reserve Account Facility that funded the Series 2007A Debt Service Reserve Requirement; and 4) pay Costs of Issuance of the Series 2007A Bonds, including the premium for the Financial Guaranty Insurance Policy. As a result, the previously outstanding refunded bonds were defeased and the liabilities for those bonds were extinguished. The aggregate difference in debt service between the refunded debt and the refunded debt was \$9.7 million (NPV).

Between June 2006 and July 2009, the D.C. City Council passed a series of legislative Acts (collectively, the "Hotel Acts"),^[1] which authorized the financing, construction, and development of a privately owned and operated Headquarters Hotel (the "HQ Hotel") for the Convention Center, including a program to train DC residents for HQ Hotel jobs. In October 2010, the Authority issued senior lien dedicated tax revenue bonds (Series 2010 Bonds) with a \$249.2 million face value. On October 26, 2010, these Bonds were delivered with maturities ranging from October 1, 2015, to October 1, 2040, at interest rates ranging from 3.1% to 7%. The proceeds were used to (i) make funds available to the Developer to pay a portion of the costs of acquiring, developing, constructing, and equipping the Convention Center Hotel Project to be constructed on the Hotel Site adjacent to the Convention Center; (ii) fund capitalized interest for a portion of the Series 2010 Bonds during the construction phase of the Convention Center Hotel Project; (iii) fund the Debt Service Reserve Account Requirement for each series of Series 2010 Bonds; (iv) defease to the earliest optional redemption date that portion of the Authority's outstanding Senior Lien Dedicated Tax Revenue and Refunding Bonds, Series 2007A maturing on December 1, 2036, in the aggregate principal amount of \$25.4 million; (v) make \$2 million available to the Authority for the establishment of the DC Citizen's Job Program created pursuant to the Hotel Act; and (vi) pay the Cost of Issuance for the Series 2010 Bonds. As the hotel will be privately owned, the disbursement of the hotel-related bond proceeds will be recorded as an expense by the Authority.

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A portion of the net proceeds from the issuance of Series 2010 Bonds was used to purchase U.S. Government Securities which were deposited in an irrevocable trust with an escrow agent to provide debt service payments on the \$25.4 million defeased Series 2007 Bonds. The Trustee fully paid the amount on October 1, 2016.

On February 22, 2018, the Authority issued \$333.1 million in Senior Lien Dedicated Tax Revenue Refunding Bonds, with a net premium of \$37.9 million, with interest rates ranging between 1.39% - 3%. (Series A) and 2.05%-4.12% (Series B). The proceeds from the Series 2018A and 2018B Bonds were used to refund the remaining outstanding maturities of the Series 2007 Bonds and advance refund the Series 2010C Bonds, respectively. The Authority deposited the net proceeds from Series 2018B along with other funds of the Authority in an irrevocable trust to provide for all future debt service on the refunded 2010C Bonds. As a result, the 2010C series bonds are considered legally defeased and, as such, are not reflected in the Authority's books. The aggregate difference in debt service between the refunded debt and the refunding debt was \$9.7 million Net Present Value (NPV).

In May 2021, the Authority issued \$153.2 million of Senior Lien Dedicated Tax Revenue Refunding Bonds in three Series: \$53.5 million of Series 2021A (Tax Exempt) which were sold on April 28, 2021; \$70.35 million of Series 2021B (Tax Exempt) and \$29.36 million of Series 2021C (Taxable), which sold on May 13, 2021. The proceeds of the Series 2021 Bonds were used to refund the Authority's outstanding Series 2010A and B Bonds and to advance refund a portion of its Series 2018A Bonds. That transaction resulted in aggregate Net Present Value savings of \$28.5 million. The pricing of the three Series of Bonds were separated by 14 days for tax reasons. All three Series of Bonds closed on May 27. The proceeds of the Series 2021A Bonds were used, together with certain other funds of the Authority, to refund all the Outstanding Series 2010A Bonds. The proceeds of the Series 2021B Bonds were used, together with certain other funds of the Authority, to: (i) refund a portion of the Outstanding Series 2010B Bonds; (ii) fund the reserve requirement for the Series 2021B Bonds; and (iii) pay the costs of issuance of the Series 2021B Bonds and the TIF Note. The proceeds of the Series 2021C Bonds were used to: (i) refund the remaining portion of the Outstanding Series 2010B Bonds; (ii) refund a portion of the Outstanding Series 2018A Bonds; (iii) fund the reserve requirement for the Series 2021C Bonds, and (iv) pay costs of issuance of the Series 2021A Bonds and Series 2021C Bonds. The Series 2021A Bonds mature on October 1, 2026-2040 and bear interest rates between 4% and 5%. The Series 2021B Bonds mature on October 1, 2029-2039 and bear interest rates from 4% to 5%. The taxable Series 2021C Bonds mature on October 1, 2023-2029 and bear interest rates from 0.56%-2.2%. Upon the issuance of the Series 2021 Bonds those Bonds and the unrefunded portion of the Authority's Series 2018 Bonds are the only Bonds of the Authority that are Outstanding.

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The WCCA Act states that on or before July 15 of each year, the District’s Auditor should deliver a certification relating to the sufficiency of the projected dedicated tax revenues, Authority’s operating revenues, and any amounts in excess of the minimum reserve account deposits to meet the sum of the projected operating and debt service expenditures and reserve requirements. If the projected revenues are insufficient, the WCCA Act requires the mayor to impose a surtax in an amount sufficient to meet the projected deficiency. The District’s Auditor determined that the projected dedicated taxes for the fiscal year 2021 were expected to be sufficient to meet the projected expenditures and reserve requirements. Therefore, no surtax was imposed by the mayor.

The Tax Increment Financing (TIF) revenue generated from the HQ Hotel operations is projected to cover the hotel project's debt services. If the TIF revenue is not sufficient to pay the debt service, the Authority will utilize dedicated taxes to meet the requirements.

As of September 30, 2022, and 2021, the Authority’s bond liability totaled approximately \$389.2 million and \$410.7 million, respectively. A summary of annual maturities of the bonds payable as of September 30, 2022, is as follows (in thousands):

Fiscal Years	Principal	Interest	Total Debt Service
2023	\$ 10,705	\$ 17,083	\$ 27,788
2024	13,040	16,571	29,611
2025	13,570	16,120	29,690
2026	16,285	15,631	31,916
2027	34,940	15,075	50,015
2028 -2032	169,735	49,535	219,270
2033-2037	67,845	21,700	89,545
2038-2041	63,130	6,267	69,397
Total	\$ 389,250	\$ 157,982	\$ 547,232

As of September 30, 2022, and 2021, the unamortized bond premiums were \$58.6 million and \$60.8 million, respectively.

In June 2021, with the unanimous approval of the Board of Directors, the Authority applied for and received a Paycheck Protection Program (PPP) Loan through Wells Fargo Bank for \$5.3 million. The Authority borrowed funds under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act implemented by the Small Business Administration (SBA) to offset payroll, utilities and other costs incurred by the Authority due to the COVID-19 pandemic. The Authority applied for debt forgiveness of the PPP loan in FY2022, and the \$5.3 million PPP loan was forgiven in February 2022.

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NOTE 7 LONG-TERM LIABILITIES

The following summarizes long-term liabilities as of September 30, 2022, and 2021 (*in thousands*):

	Balance @			Balance @		Amount Due
	9/30/2021	Additions	Reductions	9/30/2022	Within One Year	
Series 2018 Bonds Payable	\$ 252,270	\$ -	\$ (16,235)	\$ 236,035	\$ 10,705	
Series 2021 Bonds Payable	153,215	-	-	153,215	-	
Series 2018 Bond Premium	32,394	-	(1,228)	31,166	-	
Series 2021 Bond Premium	28,410	-	(958)	27,452	-	
Bonds Payable, net	<u>\$ 466,289</u>	<u>\$ -</u>	<u>\$ (18,421)</u>	<u>\$ 447,868</u>	<u>\$ 10,705</u>	
Notes Payable-PPP	\$ 5,251	\$ -	\$ (5,251)	\$ -	\$ -	
Lease Obligations	4,541	-	(139)	4,402	134	
Compensated Absences	1,815	37	(30)	1,822	156	
Total Long-term Liabilities	<u>\$ 477,896</u>	<u>\$ 37</u>	<u>\$ (23,841)</u>	<u>\$ 454,092</u>	<u>\$ 10,995</u>	

	Balance @			Balance @		Within
	9/30/2020	Additions	Reductions	9/30/2021	One Year	
Series 2018 Bonds Payable	\$ 297,030	\$ -	\$ (44,760)	\$ 252,270	\$ 16,235	
Series 2010 Bonds Payable	159,725	-	(159,725)	-	-	
Series 2021 Bonds Payable	-	153,215	-	153,215	-	
Series 2010 Bond Discount	(243)	-	243	-	-	
Series 2018 Bond Premium	34,735	-	(2,341)	32,394	-	
Series 2021 Bond Premium	-	28,729	(319)	28,410	-	
Bonds Payable, net	<u>\$ 491,247</u>	<u>\$ 181,944</u>	<u>\$ (206,902)</u>	<u>\$ 466,289</u>	<u>\$ 16,235</u>	
Notes Payable-PPP	\$ -	\$ 5,251	\$ -	\$ 5,251	\$ 5,251	
Lease Obligations	4,684	-	(142)	4,542	138	
Compensated Absences	1,836	47	(68)	1,815	101	
Total Long-term Liabilities	<u>\$ 497,767</u>	<u>\$ 187,242</u>	<u>\$ (207,112)</u>	<u>\$ 477,897</u>	<u>\$ 21,725</u>	

NOTE 8 RETIREMENT PLAN

Since April 1998, all Events DC full-time employees are covered by a defined contribution plan. The plan, which is managed by Mission Square Retirement (formerly ICMA Retirement Corporation), requires no employee contributions. All employees are fully vested after four years of service. The contribution is 7% of total employee's salaries. The Authority's contributions for fiscal years 2022 and 2021 were approximately \$1.5 million, respectively. The Plan's administrator issues financial statements and requires supplemental information, which is available upon request. This report may be obtained from the following location: Mission Square Retirement Corporation, 777 North Capitol Street, NE, Washington, DC 20002-4240.

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NOTE 9 RELATED-PARTY TRANSACTIONS

Dedicated Taxes

In accordance with the WCCA Act and amended Master Trust Agreement, the District of Columbia Government collects and forwards to the Authority the dedicated tax receipts that are used to fund the debt service and reserve requirements of its Series 2018A Bonds. In fiscal years 2022 and 2021, the Authority recognized transfers from dedicated tax receipts of \$122.3 million and \$54.9 million, respectively. The transfers include the 0.3% hotel room tax that is dedicated to Destination DC which amounts to \$3.8 million and \$1.75 million in fiscal years 2022, and 2021, respectively. As of September 30, 2022, and 2021, the dedicated taxes due from the District Government were \$15.6 million and \$8.6 million, respectively. These receivables represent September tax payments collected by the District in October.

Tax Increment Financing (TIF) Revenue

The District issued the TIF Note to the WCSA, and the WCSA pledged the TIF Note to the Trustee to secure the payment of the Series 2021A Bonds and the 2021B Bonds (collectively, the “Bonds”). Pursuant to the TIF Note, the District has agreed to make regularly scheduled payments of principal and interest (the “Regular Payments”) to the extent that funds are available in the New Convention Center Hotel Fund. TIF revenue is from the sales and use taxes and property taxes generated from the operation of the HQ Hotel. In fiscal years 2022 and 2021, the Authority recognized revenue from TIF tax receipts of \$12 million and \$5.8 million, respectively. As of September 30, 2022, and 2021, TIF receivables due from the District Government were \$1.1 million and \$187 thousand, respectively.

Excess Cash Transfer to the District’s General Fund

In accordance with DC Code § 10-1202.13, Transfer of Excess Cash, if, at the end of a fiscal year, the Authority’s balance of cash and investments in its Convention Center Operating Fund exceeds the balance of current liabilities, reserves, and any amounts the Authority will need to purchase or redeem its outstanding indebtedness during the upcoming fiscal year, the Authority must transfer the excess, in cash, to the District’s General Fund. Consistent with District legislation, the Master Trust Agreement between the Authority and The Bank of New York (as Trustee), and a Memorandum of Understanding between the District and the Authority, the Authority must maintain the following reserves: (1) maximum annual debt service on outstanding bonds and notes issued by the Authority; (2) an operating reserve equal to 1.5 times the operating and marketing budget; and (3) a capital reserve of 5% of the original cost of the convention center adjusted for inflation. There was no excess cash transfer made in the fiscal years 2022 and 2021.

The District’s Department of General Services (DGS) Management Agreement

On October 1, 2009, under the Washington Convention Center Authority and Sports and Entertainment Commission Merger Amendment Act of 2009, the Authority merged with the DC Sports and Entertainment Commission to form the Washington Convention and Sports Authority (WCSA). As part of the merger, the District of Columbia’s Department of General Services (DGS), formerly known as Department of Real Estate Services (DRES), became responsible for the facility maintenance tasks on RFK Stadium and the DC Armory previously performed by the DC Sports and Entertainment Commission. The Authority has agreed to pay DGS up to \$2.5 million each year for facility maintenance services.

Relationship to the United States Government

The United States Government contracted with the DC Sports and Entertainment Commission’s predecessor, the District of Columbia Armory Board, for the construction of RFK Stadium while the United States Government constructed the surrounding motor vehicle parking areas. Both were constructed on land owned by the United States Government (DC Official Code § 3-322).

**WASHINGTON CONVENTION AND SPORTS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

In 1988, the United States Government deeded, pursuant to Public Law 99-581, “all rights, title, and interest of the United States in and to the Stadium” to the District. In addition, the United States Department of the Interior leased to the District the land occupied by the stadium and the parking areas without consideration for 50 years.

Relationship to the District of Columbia Government

Prior to the merger, the DC Sports and Entertainment Commission (DCSEC) entered into a lease agreement in March 2006 with the government of the District of Columbia under which the District leased the Baseball Stadium Site and the Baseball Stadium complex to the DCSEC for a 99-year term, for one dollar (\$1) for the entire term. The DCSEC subsequently entered into a Lease Agreement dated March 6, 2006, with Baseball Expos, LP, which is now the Washington Nationals Baseball Club (the “Team”). The agreement established provisions for the DCSEC, as lessor, to sublease the Baseball Stadium Site and the Baseball Stadium Complex to the Team. The lease term extends for 30 years with an initial lease payment of \$3.5 million and with an added escalation clause after that. The Team is required to pay additional rent in each lease year in which the number of certain tickets issued exceeds \$2.5 million.

The former DCSEC also entered into a Funding and Assignment Agreement dated May 1, 2006, with the District of Columbia whereby the DCSEC assigned to the District all rent and other revenue amount that it receives or is entitled to receive under or related to the March 6, 2006, Lease Agreement with the Team. During fiscal years 2020 and 2019, the District received annual rent equal to \$6.2 million and \$6.1 million, respectively. The District uses the rent revenue to pay the outstanding debt related to the Baseball Stadium Bonds. The Authority assumed all the rights and obligations of the former DCSEC pursuant to the merger.

Leasing Arrangements-Carnegie Library (Visitor Center)

The District of Columbia holds the former Central Public Library known as the Carnegie Library at Mount Vernon Square situated on Lot 800 in Square 403N, with a street address at 801 K Street, NW, under a grant of jurisdiction dated March 3, 1899, from the Fifty-Fifth session of the Congress of the United States of America, in Chapter 455, entitled “An act to provide a site for a building for the Washington Public Library.”

On June 1, 1999, the District and the Historical Society of Washington, DC (HSW) entered into a lease agreement with respect to the building as the leased premises for a term of the ninety-nine (99) years commencing on June 1, 1999, and ending on May 31, 2098. The Original Lease was amended on April 17, 2002, and May 29, 2002.

In 2006, the United States of America transferred to the District administrative jurisdiction of U.S. Reservation 8, being the land underneath and adjacent to the building.

On May 5, 2011, the District and the Authority entered a Memorandum of Understanding (MOU) regarding the Carnegie Library and Reservation 8, whereby the District transferred to the Authority all its rights and obligations with respect to the administrative jurisdiction over the Carnegie Library and with respect to the Original Lease, as amended, as well as setting forth certain obligations and rights with respect to Reservation 8, among other items, for \$9 million payable in three annual installments beginning November 30, 2011. The MOU is effective from May 1, 2011, through April 30, 2112.

The Authority reported the lease as a right to use asset and the related debt as a long-term liability (lease obligation) in the Authority’s Statements of Net Position.

**WASHINGTON CONVENTION AND SPORTS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 10 MARKETING SERVICE CONTRACTS

In accordance with the provisions of Section 208(a) of the Washington Convention Center Act of 1994 (as amended in 1998), the Authority is required to maintain a Marketing Fund for the payment of marketing service contracts to promote conventions, tourism, and leisure travel in the District. The Act states that the total payment amount of the marketing service contracts is based on 17.4% of the hotel sales tax received. Effective October 1, 2017, under the Hospitality Tax Dedication section of the Act, an additional 0.3% hotel room tax was imposed. The 0.3% tax is dedicated to Destination DC through the Authority for marketing and promoting the District of Columbia as a destination.

During fiscal years 2022 and 2021, the total amount of dedicated taxes allocated to the Marketing Fund was approximately \$12.8 million and \$4.6 million excluding the 0.3% additional taxes collected for Destination DC (DDC), respectively. The Authority incurred the following marketing services expenses in fiscal years 2022 and 2021 (in thousands), respectively:

<i>Marketing Agencies</i>	<u>FY2022</u>	<u>FY2021</u>
Destination DC	\$ 10,175	\$ 4,000
Destination DC-0.3% Additional	4,583	1,535
DC Chamber of Commerce	250	250
Ibero Chamber of Comm	300	300
	<u>\$ 15,308</u>	<u>\$ 6,085</u>

NOTE 11 BASEBALL STADIUM

Capital Fund Reserve

Pursuant to the lease agreement dated March 6, 2006, the District contributes \$1.5 million to the Capital Reserve Fund each year to be used for necessary improvements and repairs costs to the Baseball Stadium. The Authority manages the Capital Reserve Fund balance and the contribution received in FY2022 and FY2021 were not fully utilized.

Close Out Project

A memorandum of agreement was signed between the District and former DCSEC on September 30, 2009, to close out all spending to construct and develop the Baseball Stadium. A transfer of \$1.9 million was made to the New Stadium Account, which is managed by the Authority. During fiscal years 2022 and 2021, there was no activity other than a bank service charge fee. As of September 30, 2022, and 2021, the remaining balance of \$664,840 and \$664,840, respectively, is reflected in Due to District Government in the financial statements.

Contingency Reserve Fund

Pursuant to the lease agreement dated March 6, 2006, the District was required to contribute \$5 million, on or before the Commencement Date's fifth anniversary, to the Contingency Reserve Fund. The fund is to be used for necessary and appropriate expenditures to preserve, maintain, or enhance the Baseball Stadium complex's value. The Authority manages the Contingency Reserve Fund. As of September 30, 2022, and 2021, the remaining balance of \$5.8 million and \$4.3 million is included in Other Liabilities in the financial statements.

WASHINGTON CONVENTION AND SPORTS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 12 BASEBALL ACADEMY

On March 7, 2012, the District entered into a ground lease agreement with the Washington Nationals Youth Baseball Academy, Inc. (the “Academy”) for a portion of the Fort DuPont Park Site that the Academy will use to construct and operate a youth baseball academy. In accordance with the lease agreement, the District is to make payments for the Academy improvements and has requested the Authority to facilitate the timely transfer of these payments. The Authority is in receipt of the first payment in the amount of \$1 million which is included in Other Liabilities in the financial statements.

On March 7, 2012, the Authority also entered into a grant agreement with the Academy to fund \$10.2 million to construct and develop a youth baseball academy. The funding was completed in 2014, and there is no outstanding commitment as of September 30, 2022.

NOTE 13 KENILWORTH PARK PROJECT

The former DCSEC received funds from the Federal Government, the Washington Nationals and the District of Columbia Department of Parks and Recreation to renovate a soccer field at Kenilworth Fort Greble fields, which was completed in the fiscal year 2008. At the time of the merger, the Kenilworth fund had a balance of \$145 thousand. This project had no activities besides monthly interest/service charge payments in fiscal years 2021 and 2020. As of September 30, 2022, and 2021, there was an account balance of \$144 thousand. The amounts are reflected as Restricted Net Position in the financial statements.

NOTE 14 CORONAVIRUS RELIEF FUNDING FOR HOSPITALITY INDUSTRY

The coronavirus pandemic impact on the hospitality industry included the suspension of numerous hotels and restaurants' operations, resulting in loss of business income and layoffs of thousands of hospitality workers. Through the Districts Cultural Institution Grant, the Authority received \$86 million in October 2021 to support business relief for District Hotels, undocumented and excluded workers, and marketing campaigns with Destination DC to attract business tourists to the District of Columbia. Events DC has disbursed \$83.9 million of the funds as of September 30, 2022, with \$81 million going to hospitality relief, \$41 million for excluded workers, and \$40 million to hotels.

NOTE 15 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage for property, liability, errors and omissions, employee accidents and surety bonds.

NOTE 16 CONTINGENCIES

Due to the nature of the Authority’s business, it is involved in several claims and lawsuits. In fiscal year 2022, the Authority recorded a contingent liability in the amount of \$10 million in anticipation of a settlement with the Nationals Stadium to contribute to prior years costs of capital improvements to the Stadium, per the terms of the lease agreement.

WASHINGTON CONVENTION AND SPORTS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 17 MARRIOTT LAND SALE

Under the hotel ground lease, HQ Hotel LLC (Tenant) had the option to purchase the land beneath the hotel owned by the District and Events DC (jointly the Landlord). The Tenant exercised the purchase option in June 2022 at the appraised price of \$100.7 million and the parties finalized transaction documents and closed the deal. Pursuant to the FY20 Budget Support Act, any unobligated proceeds from the sale of the Marriott Marquis leasehold shall be held by the Authority and shall be set aside for the large grants for cultural institutions, provided that the proceeds first be used to satisfy the Authority's current liabilities and legally required reserves, which shall not include the elective purchase or redemption of outstanding indebtedness.

NOTE 18 NEW ERP SYSTEM

In July 2022, Events DC went live with a New ERP System, Oracle Fusion. This system brings in all Human Capital Management (HCM), Procurement and Financial Management transactions and processes under one system. This one system now replaces the three separate systems of UltiPro for HRIS, Apex for the Procurement system and FMS for the Financial Management System. The new system allows for better integration and workflow between the three different divisions.

NOTE 19 OTHER EVENTS

On or about September 29, 2022, the Authority discovered evidence of an unauthorized information systems intrusion. The Authority subsequently received a monetary extortion demand from a threat actor in exchange for the release of encrypted personal network drive files, which files are believed to contain financial information and personally identifiable information of employees, as well as vendor, stakeholder, and customer information. The Authority refused to accede to the extortion demand and immediately notified the FBI. The Authority also engaged a forensics firm and undertook system restoration and hardening efforts to help strengthen our internal network system.

NOTE 20 SUBSEQUENT EVENTS

The Authority evaluated the subsequent events and transactions through November 15, 2023, the date these financial statements were available for issue and has determined that no subsequent material events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure, individually or in the aggregate, will not have a material adverse effect on the financial statements.

**WASHINGTON CONVENTION AND SPORTS AUTHORITY
SUPPLEMENTAL FINANCIAL INFORMATION**

**STATEMENTS OF NET POSITION BY FUND
AS OF September 2022
(ACTUAL DOLLARS)**

	C&M	Marketing	Capital	Hotel -TIF	RFK Campus (SED)	ESA (St Elizabeth)	All Fund Values
Assets							
Current assets:							
Total Cash	\$ 2,991,262	\$ 3,073,328	\$ 6,550,020	\$ -	\$ 2,456,509	\$ 1,900,375	\$ 16,971,493
Cash-Restricted	2,318,581	-	6,554,483	-	1,184,674	-	10,057,738
Investment	204,066,196	3,296,230	-	-	-	-	207,362,426
Tax Receivables	13,163,896	2,467,032	-	1,121,517	-	783,351	17,535,796
Accounts Receivable	4,405,590	-	-	-	543,255	901,501	5,850,346
Prepaid and Others	4,418,492	-	-	-	-	2,581	4,421,074
Accrued Interest	770,250	-	-	186,499	-	-	956,749
Total current assets	232,134,267	8,836,590	13,104,503	1,308,016	4,184,438	3,587,808	263,155,622
Noncurrent Assets							
Lease Receivable	17,850,103	-	-	-	-	-	17,850,103
Net Capital Assets	280,771,515	-	155,465,953	-	4,324	-	436,241,793
Other Receivables	10,163,793	-	-	-	-	-	10,163,793
Restricted Investment	127,209,958	-	-	48,141,291	-	-	175,351,249
Non-Depreciable Capital Assets	7,510,395	-	20,808,449	-	-	-	28,318,844
Total Noncurrent Assets	443,505,764	0	176,274,402	48,141,291	4,324	-	667,925,782
Total Assets	675,640,030	8,836,590	189,378,905	49,449,307	4,188,762	3,587,808	931,081,403
Deferred Outflows of Resources	1,964,646	-	-	8,610,835	-	-	10,575,481
Total Assets and Deferred Outflow of Resources	\$ 677,604,676	\$ 8,836,590	\$ 189,378,905	\$ 58,060,142	\$ 4,188,762	\$ 3,587,808	\$ 941,656,886
Liabilities and Net Position							
Current Liabilities							
Accounts Payable	2,905,965	2,116,761	7,146,171	1,000,000	939,617	290,522	14,399,036
Other Current Liabilities	12,206,072	-	3,773,574	10,500,000	1,259,469	40,000	27,779,115
Due to DC Government	56,713	-	664,840	1,000,000	95,218	459,139	2,275,910
Compensation Liabilities	1,314,698	-	-	-	137,325	111,180	1,563,203
Unearned Revenue	4,590,808	-	-	-	145,165	3,478,574	8,214,547
Accrued Interest Payable	4,712,719	-	-	3,829,024	-	-	8,541,743
Lease- Current Portion	134,388	-	-	-	-	-	134,388
Debt- Current Portion	9,335,000	-	-	1,370,000	-	-	10,705,000
Total Current Liabilities	35,256,363	2,116,761	11,584,585	17,699,024	2,576,794	4,379,415	73,612,942
Noncurrent Liabilities							
Compensated Absences	1,409,746	-	-	-	118,347	138,080	1,666,173
Capital Lease-Long Term	4,267,561	-	-	-	-	-	4,267,561
Bonds Payable	231,975,802	-	-	205,187,442	-	-	437,163,244
Contributed Capital - Long Term	-	-	-	-	-	-	-
Total Noncurrent Liabilities	237,653,109	-	-	205,187,442	118,347	138,080	443,096,978
Total Liabilities	272,909,472	2,116,761	11,584,585	222,886,466	2,695,141	4,517,495	516,709,920
Deferred Inflows of Resources	16,956,838	-	-	-	-	-	16,956,838
Net Position							
Invested in Capital Assets, Net	48,935,754	-	176,274,402	-	4,324	-	225,214,481
Restricted Net Position:							
Kenilworth Park	-	-	-	-	144,014	-	144,014
Debt Service & Capitalized	21,592,150	-	-	-	-	-	21,592,150
Capital Renewal	33,508,539	-	-	-	-	-	33,508,539
Operating & Marketing fund	45,067,449	-	-	-	-	-	45,067,449
Senior Proceeds	3,194,071	-	-	-	-	-	3,194,071
Debt Service Reserve	27,553,500	-	-	-	-	-	27,553,500
Unrestricted Net Position	103,418,599	11,286,414	1,965,748	(138,358,413)	243,971	1,658,991	(19,784,690)
YTD Net Position	104,468,304	(4,566,585)	(445,830)	(26,467,911)	1,101,312	(2,588,678)	71,500,614
Total Net Position	387,738,366	6,719,829	177,794,320	(164,826,324)	1,493,621	(929,687)	407,990,128
Total Liabilities, Net Position and Deferred Inflow of Resources	\$ 677,604,676	\$ 8,836,590	\$ 189,378,905	\$ 58,060,142	\$ 4,188,762	\$ 3,587,808	\$ 941,656,886

**WASHINGTON CONVENTION AND SPORTS AUTHORITY
SUPPLEMENTAL FINANCIAL INFORMATION**

**STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION YTD BY FUND
AS OF September 2022
(ACTUAL DOLLARS)**

	C&M	Marketing	Capital	Hotel-TIF	RFK Campus (SED)	ESA (St Elizabeth)	All Fund Values
Operating Revenue and Expenses							
Operating Revenue:							
Venue Rental	\$ 6,388,794	\$ -	\$ -	\$ -	\$ 559,063	\$ 173,289	\$ 7,121,146
Catering Services	3,379,571	-	-	-	201,177	15,197	3,595,944
Electrical Services	2,354,441	-	-	-	20,488	-	2,374,929
Rigging Services	1,344,795	-	-	-	-	-	1,344,795
Parking Revenue	-	-	-	-	394,886	130,730	525,616
Telecommunications Services	2,427,936	-	-	-	6,648	96	2,434,679
Retail & Office Space Rental	613,542	-	-	-	108,609	13,000	735,151
Advertising & Sponsorship	-	-	-	-	638,362	62,500	700,862
Building Lease Rental	829,796	-	-	2,097,960	-	316,837	3,244,593
Digital Revenue	51,973	-	-	-	-	-	51,973
Audio and Visual	747,663	-	-	-	-	3,162	750,825
Miscellaneous Revenue	(148,397)	-	-	-	1,275,848	593,773	1,721,223
Total Operating Revenues	\$ 17,990,114	\$ -	\$ -	\$ 2,097,960	\$ 3,205,081	\$ 1,308,584	\$ 24,601,736
Operating Expenses							
Personnel and Payroll Services	26,881,626	-	-	-	2,458,581	2,456,466	31,796,672
Contractual Services	16,857,890	6,286,450	5,166,319	-	3,324,435	3,689,783	35,324,876
Occupancy	4,969,758	-	-	-	749,279	484,823	6,203,860
Payment to District	-	-	-	-	318,984	-	318,984
Miscellaneous Expenses	1,369,397	-	-	-	228,448	82,541	1,680,386
Depreciation Expense	30,973,908	-	13,526,208	835,635	26,707	-	45,362,459
Total Operating Expenses	81,052,579	6,286,450	18,692,527	835,635	7,106,434	6,713,613	120,687,237
Operating Profit /(Loss)	\$ (63,062,465)	\$ (6,286,450)	\$ (18,692,527)	\$ 1,262,325	\$ (3,901,353)	\$ (5,405,029)	\$ (96,085,501)
Nonoperating Revenues and (Expenses)							
Debt Services	(8,343,486)	-	-	(7,119,961)	-	405,058	(15,058,390)
E81000 Leases - Interest Expense	(49,669)	-	-	-	-	(62)	(49,731)
Marketing Agencies Payments	-	(15,308,286)	-	-	-	-	(15,308,286)
Payment to District – NOE	-	-	-	(2,299,876)	-	-	(2,299,876)
Miscellaneous Expense	(10,000,000)	-	-	-	-	-	(10,000,000)
Interest Income-Total	1,525,562	128	-	147,388	-	-	1,673,078
Dedicated Tax	115,967,575	2,467,032	-	-	-	-	118,434,607
TIF Revenue	-	-	-	12,029,431	-	-	12,029,431
Additional DDC Tax	3,845,783	-	-	-	-	-	3,845,783
Miscellaneous -Non-operting	5,250,685	-	-	69,068,814	-	-	74,319,499
Total Nonoperating Revenues and (Expenses)	108,196,450	(12,841,126)	-	71,825,796	-	404,996	167,586,115
Increase (Decrease) in Net Position	\$ 45,133,985	\$ (19,127,576)	\$ (18,692,527)	\$ 73,088,121	\$ (3,901,353)	\$ (5,000,033)	\$ 71,500,614



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Mayor, Members of the Council of the Government of the District of Columbia, the Board of Directors of Washington Convention Center and Sports Authority and Inspector General of the Government of the District of Columbia
Washington, D.C.

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Washington Convention and Sports Authority (the Authority), a component unit of the Government of the District of Columbia, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 15, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as item 2022-001 through 2022-005 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item 2022-006 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective



McConnell Jones

of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The Authority's responses were not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McConnell Jones LLP

McConnell Jones LLP

Washington, D.C.
November 15, 2023



WASHINGTON CONVENTION AND SPORTS AUTHORITY
A Component Unit of the Government of the District of Columbia
Current Findings – *Government Auditing Standards*
For the Year Ended September 30, 2022

Finding 2022-001 Internal Control over Financial Reporting

Condition:

During fiscal year 2022, the Washington Convention Center and Sports Authority (the Authority) had a significant cyber intrusion event, which resulted in financial data loss and our inability to perform sufficient audit work to timely render an opinion on Events DC's financial statements as of and the year ended September 30, 2022. The Authority hired forensic accountants to assist in reconstructing the fiscal year 2022 accounting records, and, beginning in July 2023, the Authority was able to submit to audit.

Criteria:

Management of the Authority is responsible for establishing and maintaining internal controls to achieve reliable financial reporting. In addition, management is responsible for implementing and evaluating its internal control system, including internal controls to meet reporting objectives related to the preparation of reports for use by management of the Authority, its stakeholders, and other external parties.

Cause:

Due to the significant cyber intrusion event during fiscal year 2022 and the resulting data loss and reliability issues, the Authority's books and records were not available to be audited.

Effect:

The cyber event resulted in a significant amount of financial data being lost. With the help of forensic accountants, management of the Authority was able to reconstruct its book and records and submit it to audit beginning in July 2023.

Recommendation:

We recommend management of the Authority undergo an enterprise-wide information system vulnerability assessment process to protect against future information system cyber intrusions which may jeopardize the Authority's ability to produce financial statements.

Management Response:

We concur with the finding as reported by the independent auditors and have taken measures to address and resolve the condition noted. The underlying factors which allowed the cyber intrusion event have been evaluated by our technology team and corrective actions have been implemented to better protect Events DC against future system breaches.



WASHINGTON CONVENTION AND SPORTS AUTHORITY
A Component Unit of the Government of the District of Columbia
Current Findings – *Government Auditing Standards*
For the Year Ended September 30, 2022

Finding 2022-002 Improper Back-up and Recovery Procedures

Condition:

During fiscal year 2022, the Washington Convention Center and Sports Authority (the Authority) did not have a policy for backing up financial data and failed to properly back-up and test data to ensure that, in the event of data loss, a full recovery is possible.

Criteria:

Management is responsible for establishing and maintaining internal controls to achieve reliable financial reporting. This includes performing information system back-ups, testing and restoring data in a manner that ensures recovery of systems and continuity of operations in the event of a disaster. (National Institute of Standards and Technology (NIST) 800-53, standards CP-9, *System Backup*, and CP-10, *System Recovery and Reconstitution*)

Cause:

Events DC did not have a policy for back-ups and failed to properly back up and test data to ensure that in the event of data loss, a full recovery is possible.

Effect:

The Authority had a significant cyber event occur in September 2022, which resulted in financial data loss and our inability to perform sufficient audit work to render an opinion on the Authority's financial statements as of and the year ended September 30, 2022, in a timely manner.

Recommendation:

Management should ensure internal controls are maintained to achieve reliable financial reporting. We recommend management of the Authority:

1. Update its policies and procedures to include proper back-up of data based on the guidance set forth in NIST 800-53 standards CP-9 and CP-10.
2. Perform regular backups of IT system data and store those backups in an offsite location.
3. Regularly test the ability to restore critical systems and data, and document and mitigate any irregularities identified by the tests.

Management Response:

We concur with the finding as reported by the independent auditors and have taken the necessary measures to prevent its recurrence. Events DC has revised its backup procedures and has developed a schedule for regular and routine back-ups. These measures have been documented in our updated policies. In addition, in an effort to better secure Events DC data, enhancements have been made to our processes for online and offsite storage. Moreover, we have established and implemented a schedule for routinely testing our organization's ability to recover data for all backup systems.



**WASHINGTON CONVENTION AND SPORTS AUTHORITY
A Component Unit of the Government of the District of Columbia
Current Findings – *Government Auditing Standards*
For the Year Ended September 30, 2022**

Finding 2022-003 Insufficient Safeguards Against Malicious Code and Software

Condition:

The Washington Convention Center and Sports Authority (the Authority) did not have a documented continuous monitoring process and effective internal controls in place to detect malicious code and potentially harmful traffic within its information technology network environment.

Criteria:

Management of the Authority has a responsibility to safeguard the Authority's network, data and system infrastructure from all threats, both internal and external, by detecting and preventing threat actors from accessing the network, stealing data, and causing disruption.

Cause:

During the year under audit, the Authority did not have a documented continuous monitoring process and did not have effective internal controls and/or tools in place to detect, alert, and remove threat actors and malicious software.

Effect:

During the year under audit, critical systems within the Authority's network were compromised causing disruption and data loss. Notably, the system of record was compromised, and logs were lost that reduced the reliability of system-generated reports and management's ability to rely upon its system.

Recommendation:

We recommend management of the Authority:

1. Document and implement an automated threat detection system to automatically detect, alert, and remove malicious code.
2. Document and implement a continuous monitoring process to assess risk to the Authority from emerging threats and make necessary adjustments to ensure system integrity.

Management Response:

We concur with the finding as reported by the independent auditors and have implemented corrective actions to resolve the condition noted. More specifically, our technology team has identified, secured and implemented a threat detection system which provides ongoing and continuous monitoring for purposes of threat detection, provides alerts regarding potential threats, and removes malicious code. The ongoing monitoring provided by this system allows Events DC to proactively identify and assess data security risks and thereby address potential and emerging threats to the organization.



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Finding 2022-004 Insufficient Controls to Properly Maintain and Protect System Logs

Condition:

The Washington Convention Center and Sports Authority (the Authority) did not have adequate policies and procedures for proper audit system log creation, security, and maintenance.

Criteria:

Event's DC management has a responsibility to ensure that audit logs are created, maintained, and safeguarded against threats to its information systems.

Cause:

Events DC did not have policies, procedures and tools to protect and retain system logs, including both systems of record.

Effect:

Subsequent to a system compromise in September 2022, no logs were available to determine the full extent of the breach and its effect on data on both the new and old financial information systems. As a result, management was not able to gain sufficient comfort that all remnants of the intruders were removed and that the data within the system was not compromised.

Recommendation:

We recommend that management of the Authority develop and implement a policy that identifies, based on risk and-compliance, system logs that should be retained and for what duration. This includes logs generated by third-party software. In cases where the third-party does not retain system logs for the entity-defined timeframe, management should implement a system of retention outside of the third-party network.

Management Response:

We concur with the finding as reported by the independent auditors and have taken measures to address and resolve the issues identified. To that end, we have developed a log retention policy for system logs, reviewed log retention applications to aggregate and maintain logs, and set up an application to aggregate all logs.



**WASHINGTON CONVENTION AND SPORTS AUTHORITY
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Current Findings – *Government Auditing Standards*
For the Year Ended September 30, 2022**

Finding 2022-005 Vulnerability Scanning

Condition:

The Washington Convention Center and Sports Authority (the Authority) did not follow its policy of performing semi-annual vulnerability scanning, which was noted as a prior year finding. A scan was performed in March 2022, but no further scans were performed during fiscal year 2022. No additional scans were performed immediately following the September 2022 cyber-attack until January 2023 in direct response to the auditor's inquiries. As a result, management was not able to provide the auditor with a recent vulnerability scan to provide reasonable assurance that the system and system data were properly safeguarded from attack. Additionally, the auditors were not able to get comfort that all remnants of the intruders were removed and that the data within the system was not compromised.

Criteria:

Management of the Authority has a responsibility to conduct regular vulnerability scanning to safeguard against threats to its information systems / network.

Cause:

The Authority did not comply with its IT policy requiring performance of semi-annual vulnerability scans in place to safeguard its network.

Effect:

Failure to perform regular scans, or a vulnerability scan being performed timely in response to a cyber attack such as that occurring in September 2022, the possibility remains that there is vulnerable software, backdoors, and other vulnerabilities / weaknesses in the information system environment.

Recommendation:

We recommend management of the Authority develop and implement a stronger policy to ensure the Authority performs regular vulnerability scanning based on risk to the environment. These scans should ensure that all the potential sources of vulnerabilities, such as infrastructure components (e.g., switches, routers, guards, sensors, networked printers, scanners, and copiers) are covered.

Management Response:

We concur with the finding as reported by the independent auditors and have updated our vulnerability scanning and Pen-testing policies and practices to better safeguard Events DC's systems and system data from future attacks. Events DC has developed and implemented a regular schedule for vulnerability scanning and Pen-testing.



**WASHINGTON CONVENTION AND SPORTS AUTHORITY
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Finding 2022-006 Insufficient Risk Management Standard to Govern Information Systems

Condition:

During the year under audit, the Washington Convention Center and Sports Authority (the Authority) did not have a risk management framework to govern and manage risk to its information systems.

Criteria:

Management of the Authority has a responsibility to properly safeguard Events DC's systems and data against unauthorized access, use, disclosure and/or destruction.

Cause:

Management of the Authority did not adopt a risk management standard or framework to govern its information systems.

Effect:

As a result of not governing according to a risk management framework, the Authority only had ad hoc policies and procedures in place. These ad hoc control policies and procedures did not operate effectively to prevent or detect and protect the Authority from threat actors accessing its information systems.

Recommendation:

We recommend the Authority adopt a risk management framework relevant to its position as a quasi-government organization (e.g., NIST 800-53 rev. 5). In addition, we recommend the Authority adopt a risk-based approach based on the selected standard and ensure that its policies, procedures, and controls adhere to that standard and that they enable controls which are adequately designed to effectively prevent or detect and protect against cyber intrusions.

Management Response:

We concur with the finding as reported by the independent auditors and have taken certain measures to address and resolve the issues noted. As part of our efforts to adopt the most appropriate risk management framework at Events DC, an assessment of the network framework has been completed and recommendations resulting from that assessment are being used to update and/or develop information technology security policies and establish and document the needed framework.