



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

**A COMPONENT UNIT OF THE DISTRICT OF COLUMBIA
GOVERNMENT**

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
SEPTEMBER 30, 2020 and 2019

AND

MANAGEMENT'S DISCUSSION AND ANALYSIS

WASHINGTON CONVENTION AND SPORTS AUTHORITY

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2020 AND 2019

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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 Financial Statements

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 year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Prior Period Financial Statements*

The financial statements of the Authority as of and for the year ended September 30, 2019 were audited by other auditors. Those auditors expressed an unmodified opinion on those statements in their report dated December 19, 2019.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15, be presented to supplement the basic financial statements. Such information, 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.

Other 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 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 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 January 7, 2021, 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.



Washington, D.C.
January 7, 2021

WASHINGTON CONVENTION AND SPORTS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2020 AND 2019

(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, 2020, and 2019, with comparative information for 2018. 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 to 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, trade shows, 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. Elizabeths East Campus. The Department of General Services (DGS) maintains the Stadium and the Armory based on

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the 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 makes an appearance at the SXSW Conference and Festivals in Austin, Texas as well as supports the Washington Kastles, DC's multiple champion World Team Tennis squad.

Fiscal Year 2020 Financial Highlights

- In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. The outbreak of COVID-19 significantly impacted the hospitality industry across the globe. Adherence to public health guidelines has halted mass gatherings, substantially limited travel and therefore, drastically reduced hotel stays and restaurant patronage, which negatively impacted Events DC's financial position for the fiscal year ended September 30, 2020. As further detailed below in our Analysis of Changes in Net Position.
- The Authority ended the fiscal year with \$393.7 million in total net position, which is a decrease of \$60.3 million or 13% compared to the fiscal year ended September 30, 2019. This decrease in net position is primarily attributed to the COVID-19 pandemic related declines in revenues, as well as emergency funding from unrestricted reserves to support DC's local hospitality and tourism industry impacted by the pandemic. As further detailed below in our Analysis of Changes in Net Position.
- Operating revenues decreased by \$12.8 million or 41% from the fiscal year 2019. The decrease in revenues is primarily due to the global pandemic. Events DC experienced significant revenue declines, including cancellation and refunding of booked events.
- Operating expenses decreased by \$5.1 million or 5% from the fiscal year 2019 due to Events DC's management's immediate cost control efforts, including freezing vacant positions and pay increases, eliminating bonuses, renegotiating existing contracts, and reducing the operating budget.
- The Authority's long-term debt, excluding current maturities, decreased to \$471.8 million or 5% compared to the fiscal year 2019, 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 \$2.2 million.
- The Authority's bonds are rated "Aa1" by Moody's, "A+" by Standard & Poor's Corporation, and "AA+" by Fitch Ratings Services. These are the highest ratings the Authority received.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2020 AND 2019

(Dollar Amounts in Thousands)

Fiscal Year 2019 Financial Highlights

- The total net position decreased by \$3.3 million or 1% compared to the fiscal year ended September 30, 2018. The decrease is primarily attributed to a 59% reduction in the unrestricted fund due to a cash transfer of \$47 million to the District General Fund in accordance with DC code § 10–1202.13 requirements. The code requires any excess revenue at the end of a fiscal year to be transferred in cash to the District General fund. The reduction is partially offset by a 17% and 22% increase in net investment in capital assets and restricted assets, respectively.
- Operating expenses increased by \$17 million or 18% from the fiscal year 2018 due to increased costs related to personal services, contractual services, depreciation, occupancy, and miscellaneous expenses.
- Operating revenues show a slight decrease by \$336 thousand or 1% from the fiscal year 2018, resulting in total operating revenues of \$31.2 million in FY 2019.
- The Authority's long-term debt, excluding current maturities, decreased to \$498.5 million or 5% compared to the fiscal year 2018, mainly due to payment of the scheduled current portion of outstanding debt.
- The Statements of Cash Flows reflect a decrease in cash and cash equivalents of \$936 thousand.
- The Authority's bonds are rated "Aa1" by Moody's, "A+" by Standard & Poor's Corporation, and "AA+" by Fitch Ratings Services. These are the highest ratings the Authority received.

(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 a private sector business. These financial statements are prepared in conformity with the US 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.
- The Statements of Net Position present information on all of 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.

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SEPTEMBER 30, 2020 AND 2019

(Dollar Amounts in Thousands)

- 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.

(2) *Financial Analysis*

The Authority's audited Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows are presented on pages 16 through 18.

The following table reflects a summary of the Authority's net position as of September 30, 2020, 2019, and 2018 *(in thousands)*:

| Table 1 | | | | | |
|---|-------------------|-------------------|-------------------|--------------------------|------------------|
| Condensed Statements of Net Position | | | | | |
| (in thousands) | | | | | |
| | 2020 | 2019 | 2018 | Percentage Change | |
| | | | | 2020-2019 | 2019-2018 |
| Assets: | | | | | |
| Current assets | \$ 167,998 | \$ 195,232 | \$ 251,218 | -14% | -22% |
| Capital assets, net of accumulated depreciation | 551,554 | 573,869 | 554,500 | -4% | 3% |
| Other non-current assets | 208,645 | 242,782 | 229,741 | -14% | 6% |
| Total Assets | <u>928,197</u> | <u>1,011,883</u> | <u>1,035,459</u> | -8% | -2% |
| Deferred outflows of resources | 9,639 | 10,165 | 10,692 | -5% | -5% |
| Total Assets and Deferred Outflow of Resources | <u>937,836</u> | <u>1,022,048</u> | <u>1,046,151</u> | -8% | -2% |
| Liabilities: | | | | | |
| Current liabilities | 72,233 | 69,568 | 64,729 | -4% | 7% |
| Noncurrent liabilities | 471,903 | 498,516 | 524,191 | -5% | -5% |
| Total Liabilities | <u>544,136</u> | <u>568,084</u> | <u>588,920</u> | -4% | -4% |
| Net Position: | | | | | |
| Net investment in capital assets | 248,039 | 247,243 | 210,772 | 0% | 17% |
| Restricted | 136,696 | 158,482 | 130,404 | -14 | 22% |
| Unrestricted | 8,965 | 48,239 | 116,055 | -81% | -58% |
| Total Net Position | <u>\$ 393,700</u> | <u>\$ 453,964</u> | <u>\$ 457,231</u> | -13% | -1% |

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MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2020 AND 2019

(Dollar Amounts in Thousands)

(2) Financial Analysis *(continued)*

2020 – As summarized in the table above and detailed in the statements of net position, Events DC's total assets decreased by \$83.7 or 8% in the fiscal year 2020. Current assets decreased by \$27.2 million or 14%, capital assets, net of accumulated depreciation decreased by \$22.3 or 4%, and other non-current assets decreased by \$34.1 million or 14% for the year ended September 30, 2020. The decrease in both current and non-current assets is primarily due to spending from investments to support the operation of Events DC and the reduction in accounts receivable related to reduced billing as a result of the suspension of core operations in mid-March due to the COVID-19 pandemic.

Total liabilities decreased by \$23.9 million or 4% mainly due to payment of the scheduled current portion of outstanding debt offset by a receipt of \$9 million from the District to pass through to the Greater Washington Community Foundation to implement phase two of the DC CARES program to benefit DC workers excluded from the federal stimulus.

As of September 30, 2020, the Authority had a total net position amounting to approximately \$393.7 million, with the largest portion of the Authority's net position, \$248 million, or 63%, in net investment in capital assets. Of the Authority's remaining net position, \$136.6 million or 35%, representing resources subject to external restrictions on how they may be used (primarily related to the Authority's bond indenture reserve requirements). The remaining balance of \$9 million or 2% is unrestricted.

2019 – The Authority's overall financial position slightly decreased during the fiscal year 2019. The Authority's total net position decreased by \$3.3 million or 1% for the year ended September 30, 2019. As of September 30, 2019, the Authority had a total net position amounting to approximately \$453.4 million, with the largest portion of the Authority's net position, \$247.2 million, or 55%, representing a net investment in capital assets. Of the Authority's remaining net position, \$158.5 million or 35%, reflects resources subject to external restrictions on how they may be used (primarily related to the Authority's bond indenture minimum reserve requirements). The remaining balance of \$48.2 million or 10% is unrestricted.

The Authority uses its capital assets to promote conventions, tourism, and sports and entertainment events in the District. The resources used to repay the debt are derived from dedicated tax collections, which are composed of (i) 4.45% sales and use tax on hotel room charges and (ii) a 1% sales and use tax on restaurant meals, alcoholic beverages consumed on-premises and rental vehicle charges in the District.

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MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2020 AND 2019 (Dollar Amounts in Thousands)

(2) Financial Analysis (continued)

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

| | 2020 | 2019 | 2018 | Percentage Change | |
|--|-------------------|-------------------|-------------------|-------------------|-------------|
| | | | | 2020-2019 | 2019-2018 |
| Operating Revenues: | | | | | |
| Building rental | \$ 4,807 | \$ 8,807 | \$ 8,417 | -45% | 5% |
| Building lease rental | 3,922 | 3,419 | 3,246 | 15% | 5% |
| Ancillary charges | 9,614 | 18,939 | 19,838 | -49% | -5% |
| Total Operating Revenues | 18,343 | 31,165 | 31,501 | -41% | -1% |
| Operating Expenses: | | | | | |
| Personal services | 33,063 | 30,376 | 27,284 | 9% | 11% |
| Contractual services | 25,537 | 33,058 | 23,113 | -23% | 43% |
| Depreciation | 39,599 | 37,828 | 33,996 | 5% | 11% |
| Occupancy | 5,698 | 6,796 | 6,433 | -16% | 6% |
| Payments to District | 1,607 | 2,232 | 2,501 | -28% | -11% |
| Miscellaneous | 1,044 | 1,555 | 1,428 | -33% | 9% |
| Bad debt | 265 | 74 | 16 | 258% | 363% |
| Total Operating Expenses | 106,813 | 111,919 | 94,771 | -5% | 18% |
| Operating loss | (88,470) | (80,754) | (63,270) | 10% | 28% |
| Non-operating Revenues and (Expenses): | | | | | |
| Interest income | 3,973 | 8,478 | 4,821 | -53% | 76% |
| Dedicated taxes | 74,067 | 147,633 | 141,448 | -50% | 4% |
| TIF revenue | 12,175 | 19,248 | 20,320 | -37% | -5% |
| Miscellaneous revenue | 6,197 | 5,933 | 27,043 | 4% | -78% |
| Bond interest and amortization issue costs | (22,782) | (23,973) | (29,589) | -5% | -19% |
| Marketing agencies payments | (11,640) | (20,370) | (19,846) | -43% | 3% |
| Hospitality & Tourism Relief and Other Grants | (22,814) | - | - | 100% | NA |
| Miscellaneous expenses | (10,970) | (11,971) | (7,589) | -8% | - |
| Excess Cash Transfer to the District | - | (47,847) | - | - | - |
| Total Non-operating Revenues and (Expenses) | 28,206 | 77,131 | 136,608 | -63% | -44% |
| Change in net Positions | (60,264) | (3,623) | 73,338 | 1563% | -105% |
| Net position, beginning of year | 453,964 | 457,230 | 383,709 | -1% | 19% |
| Change in Accounting Principle | | 357 | 183 | | |
| Net Position, End of Year | \$ 393,700 | \$ 453,964 | \$ 457,230 | -13% | -1% |

WASHINGTON CONVENTION AND SPORTS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2020 AND 2019

(Dollar Amounts in Thousands)

(2) Financial Analysis (continued)

Analysis of Changes in Net Position

Revenues

For the fiscal years ended September 30, 2020, 2019 and, 2018 the Authority's operating revenues were \$18.3 million, \$31.2 million, and \$31.5 million, respectively.

2020 – In the fiscal year 2020, total operating revenue decreased by 41% or \$12.8 million. As a result of the COVID-19 pandemic, beginning mid-March 2020, Events DC canceled all events that were scheduled for the remainder of the fiscal year 2020 and refunded the deposits received, which impacted the rent revenue to decrease by \$4 million or 45% compared to the fiscal year 2019. Ancillary revenue such as food service, electrical, rigging, and telecommunication services decreased by \$9.3 million or 49%, driven by related conventions and meeting cancellations.

Non-operating revenues, mainly Dedicated taxes & TIF revenue, totaled \$86.2 million and were substantially impacted by the COVID 19 pandemic, declining \$80.6 million or 48% compared to the fiscal year 2019. Interest income also decreased by \$4.5 million or 53% compared to the fiscal year 2019.

2019 – Events DC's fiscal year 2019 operating revenues decreased by 1% compared to 2018. The net decrease is attributed to the nature and size of events and the amount of revenues derived from each event hosted during the year. In the fiscal year 2019, ancillary revenue decreased by 5% due to less demand for food service, electrical, rigging, and telecommunication services, a reflection of the type of events hosted during the fiscal year.

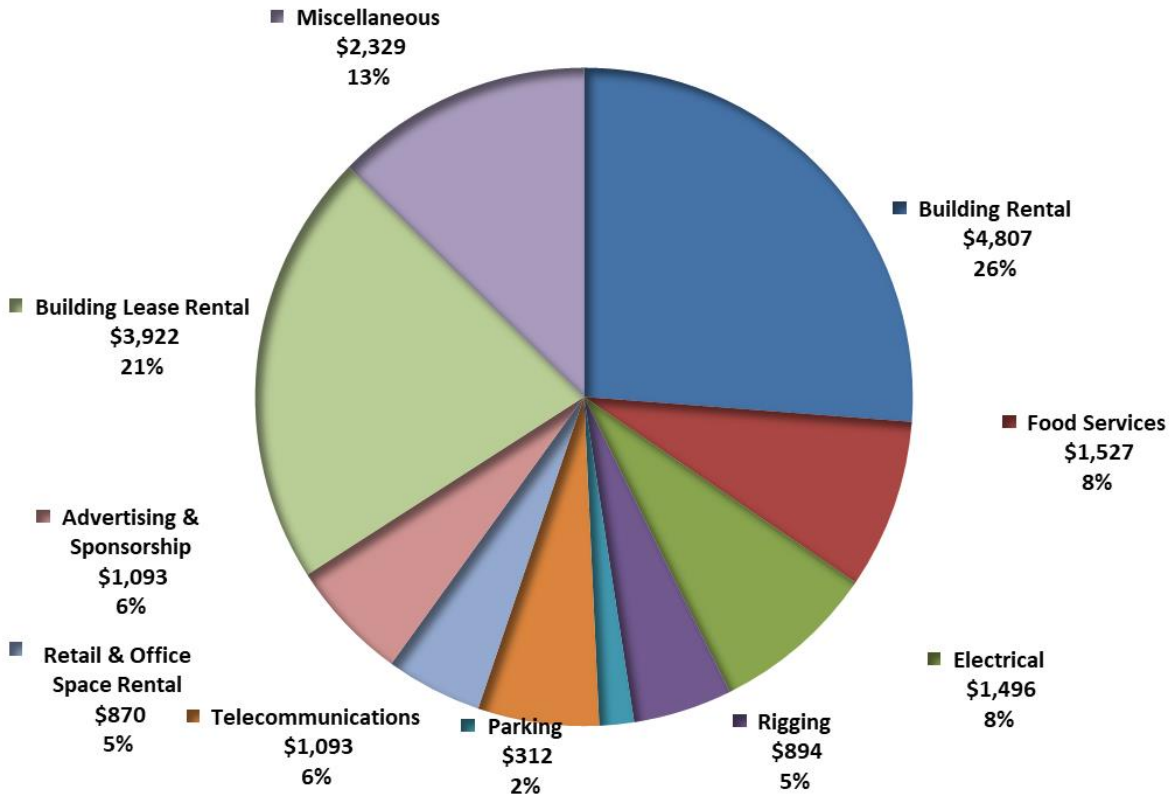
During the fiscal year 2019, non-operating revenues of \$181.3 million decreased by 6% compared to the fiscal year 2018. This was due to a \$23 million one-time contribution received from the District for the ESA project in the fiscal year 2018 offset by \$9.8 million increases in dedicated taxes and interest income from investments.

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MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2020 AND 2019 (Dollar Amounts in Thousands)

(2) Financial Analysis (continued)

The following is a graphic illustration of 2020 operating revenues by source (*in thousands*).



Expenses

For fiscal years 2020, 2019 and 2018, the Authority's total operating expenses were \$106.8 million, \$111.9 million and \$94.8 million, respectively.

2020 – Total operating expenses decreased by \$5.1 million or 5% from the fiscal year 2019. The decrease was driven by immediate cost control efforts taken by Events DC's management to mitigate COVID-related revenue shortfall.

Personal services increased by \$2.7 million or 9%. The increase was due to new hires and alignment of salaries (before COVID) and the full impact of positions that were filled around midyear in the previous fiscal year. Also, employee benefits grew due to the growth in salaries and wages and health care inflation. Contractual services costs decreased by \$7.5 million or 23% compared to the fiscal year 2019. This was primarily due to Events DC's management's swift action in renegotiating existing contracts, suspend some services during the period of closure, and reducing the operating budget to align with the revenue shortfall. Occupancy expense, which includes all utility-related costs such as electricity, telecommunications, water, sewer, and natural gas, totaled \$5.7 million, a decrease of 16% from the fiscal year 2019. The decline resulted from the pandemic-related reduction of events related activities due to the cancellation of events. Depreciation expense, primarily for the convention center building, amounted to \$39.6 million.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2020 AND 2019

(Dollar Amounts in Thousands)

(2) Financial Analysis *(continued)*

The Authority's non-operating expenses consisted of \$22.8 million in bond interest and amortization and \$11.6 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 percent hotel room tax was imposed. The 0.3 percent tax is dedicated to Destination DC through the Authority for marketing and promoting the District of Columbia as a destination.

The fiscal year 2020 includes one-time costs of \$12.7 million related to emergency funding for hospitality and tourism relief to address the impact of the COVID 19 pandemic. FY2020 non-operating expenses also include \$10.1 million grant to support cultural institutions operating in the District of Columbia as mandated per the Fiscal Year 2020 Budget Support Act of 2019, DC Law 23-0016.

2019 – Total operating expenses increased by \$17.1 million or 18% from the fiscal year 2018. The increase was driven by salaries and fringe benefits associated with hiring new FTEs and filling vacant positions. An increase in contractual services and depreciation expenses contributed to the variance.

Personal services increased by \$3.1 million or 11%. The increase was attributable, in part (57%), to new hires related to the new Entertainment and Sports Arena. The fiscal year 2019 represented the first year that Events DC began to operate Entertainment and Sports Arena. Cost of living adjustment, alignment of salaries, and growing demand in part-time labor for security and transportation services also contributed to the increases. Contractual services cost increased by \$9.9 million or 43% compared to the fiscal year 2018. This was primarily due to cost related to the new Entertainment and Sports Arena's first full year operation. Increased cost in marketing and sponsorship expenses associated with the new Arena also contributed to the variance. Occupancy expense, which includes all utility-related costs such as electricity, telecommunications, water, sewer, and natural gas, totaled \$6.8 million, an increase of 6% from the fiscal year 2018. Depreciation expense, primarily for the convention center building, amounted to \$37.8 million.

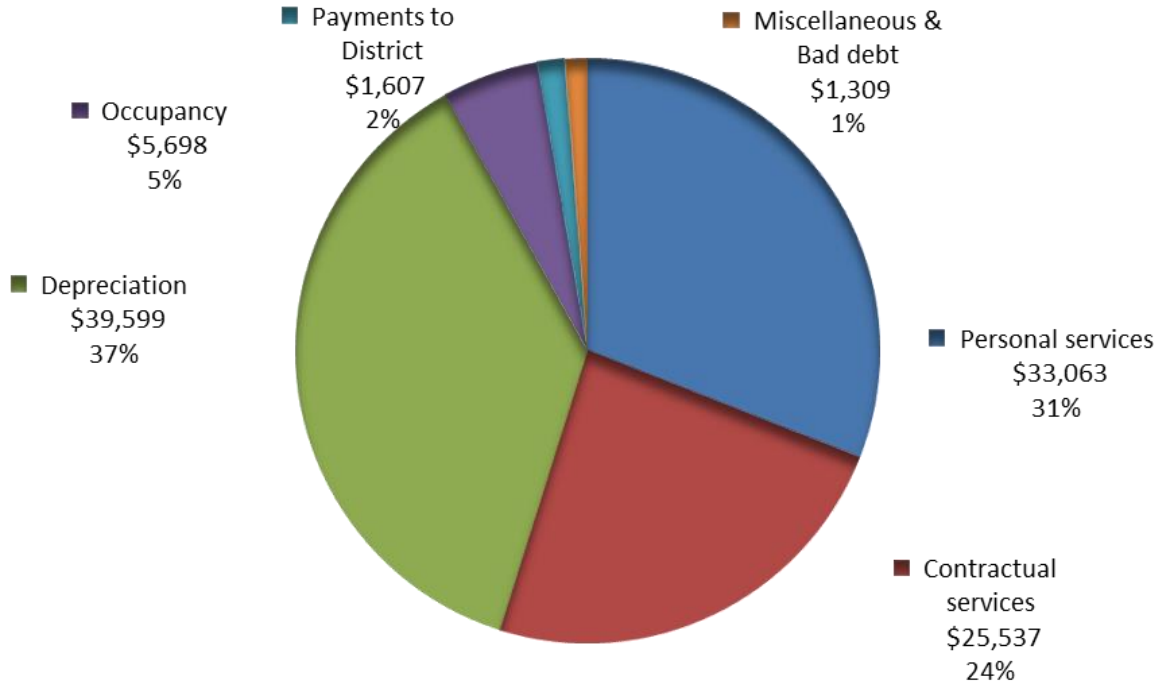
The Authority's non-operating expenses consisted of \$23.9 million in bond interest and amortization and \$20.4 million in payments to marketing entities. The Washington Convention Center Authority Act of 1994 (as amended in 1998) requires the Authority to transfer 17.4% of the hotel taxes received to 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 percent hotel room tax was imposed. The 0.3 percent tax is dedicated to Destination DC through the Authority for marketing and promoting the District of Columbia as a destination.

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MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2020 AND 2019 (Dollar Amounts in Thousands)

(2) *Financial Analysis (continued)*

The following is a graphic illustration of 2020 operating expenses (*in thousands*).



(3) *Capital Asset and Debt Administration*

Capital Assets

The Authority has invested \$551.6 million and \$573.9 million in capital assets, net of depreciation for 2020 and 2019, respectively. The Authority's 2020 net capital assets increased by \$22.3 million compared to the fiscal year 2019, which was primarily due to depreciation expenses of \$39.6 million partially offset by the purchase of furniture, machinery, equipment, and building improvement.

Table 3 summarizes the Authority's capital assets, net of accumulated depreciation as of September 30, 2020, 2019, and 2018. The changes are presented in detail in Note 4 to the financial statements.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2020 AND 2019 (Dollar Amounts in Thousands)

(3) Capital Asset and Debt Administration (continued)

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

| | 2020 | 2019 | 2018 | Percentage Change | |
|---|-------------------|-------------------|-------------------|-------------------|-----------|
| | | | | 2020-2019 | 2019-2018 |
| Non-depreciable | | | | | |
| Land | \$ 4,785 | \$ 4,785 | \$ 4,785 | 0% | 0% |
| Construction in progress | 8,130 | - | 71,489 | 100% | 100% |
| Artwork | 2,742 | 2,742 | 2,742 | 0% | 0% |
| Total non-depreciable capital assets | 15,657 | 7,527 | 79,016 | | |
| Depreciable | | | | | |
| Building | 769,409 | 769,409 | 769,409 | 0% | 0% |
| Building improvements | 50,324 | 49,920 | 42,790 | 1% | 17% |
| Plumber's building | 33,425 | 33,425 | 33,425 | 0% | 0% |
| Stadium structure | 19,037 | 19,037 | 19,037 | 0% | 0% |
| Building Improvements/Displays (SED) | 38,592 | 38,592 | 38,367 | 0% | 1% |
| Building-ESA | 73,976 | 73,975 | - | 0% | 0% |
| RFK Multi-purpose fields | 37,388 | 37,138 | - | 1% | 0% |
| Parking lot improvements | 7,041 | 7,041 | 7,041 | 0% | 0% |
| 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 | 1,479 | 0% | 0% |
| Financial systems | 2,930 | 2,124 | 1,751 | 38% | 21% |
| Furniture and fixtures | 35,071 | 33,547 | 28,005 | 5% | 20% |
| Furniture and fixtures-RFK | 1,652 | 1,652 | 1,578 | 0% | 5% |
| Machinery and equipment | 34,049 | 27,881 | 23,652 | 22% | 18% |
| Total depreciable capital assets | 1,135,437 | 1,126,283 | 997,597 | | |
| Less accumulated depreciation | 599,539 | 559,941 | 522,113 | 7% | 7% |
| Net depreciable capital assets | \$ 535,897 | \$ 566,342 | \$ 475,484 | | |

Debt Administration

The Authority had \$497.7 million and \$523.1 million in long-term liabilities outstanding, including current maturities, as of September 30, 2020 and 2019, respectively. Principal payments of \$24.6 million and \$18.3 million were made during fiscal years 2020 and 2019, respectively. The Authority's long-term liabilities are summarized below and presented in more detail in the financial statements (see Note 8 for more information on long-term debt).

WASHINGTON CONVENTION AND SPORTS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2020 AND 2019 (Dollar Amounts in Thousands)

(3) *Capital Asset and Debt Administration (continued)*

Table 4
Long-Term Debt Outstanding
(in thousands)

| | 2020 | 2019 | 2018 | Percentage Change | |
|--|-------------------|-------------------|-------------------|-------------------|------------|
| | | | | 2020-2019 | 2019-2018 |
| Bonds Payable, Premium & Deferral | \$ 491,247 | \$ 516,881 | \$ 536,240 | -5% | -4% |
| Capital Lease Obligation | 4,683 | 4,826 | 4,972 | -3% | -3% |
| Compensated Absences | 1,836 | 1,421 | 1,306 | 29% | 9% |
| Total debt outstanding | 497,766 | 523,128 | 542,518 | -5% | -4% |
| Current portion of debt outstanding | 25,863 | 24,612 | 18,327 | 5% | 34% |
| Debt outstanding less current portion | \$ 471,903 | \$ 498,516 | \$ 524,191 | -5% | -5% |

The current portion of debt outstanding includes \$121 thousand and \$89 thousand current portions of compensated absences, as of September 30, 2020 and 2019, respectively. See Note 8 for detail.

The Authority's bonds are rated "Aa1" by Moody's for the fiscal year 2018 and "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.

(5) *Economic Factors*

The COVID-19 pandemic has significantly impacted the Authority. All booked events from mid-March 2020 through the remainder of the fiscal year were cancelled, resulting in 41% loss in operating revenue compared to FY2019. Dedicated tax revenue derived from hotel tax also reduced by 50%, as compared to 2019. Looking forward to the year ahead, in considering the Authority's budget for fiscal year 2021, the Authority has strategically redeployed its resources to address the potential impacts on future revenue shortfalls to create greater liquidity and flexibility. The proactive actions include reducing the fiscal year 2021 operating expenses by freezing vacant positions, reducing contractual services and capital expenditures.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2020 AND 2019

(Dollar Amounts in Thousands)

(5) *Economic Factors* *(continued)*

It is anticipated that an available vaccine during 2021 will lay the foundation for the first steps for travel and tourism to begin the return towards industry stabilization and a return to conventions/meetings and live events later in the year. While the Authority management will still need to remain vigilant and continue to deal with the pandemic, given its reserves coupled with strong financial stewardship, the Authority is resilient; and is positioned to ramp up operations safely and quickly.

(6) *Request 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 Mount Vernon Place, N.W., Washington, DC 20001.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

STATEMENTS OF NET POSITION SEPTEMBER 30, 2020 AND 2019 (Dollar Amounts in Thousands)

| | 2020 | 2019 |
|--|-------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and Cash Equivalents | \$ 10,263 | \$ 17,146 |
| Restricted Cash | 14,512 | 5,414 |
| Investments | 127,900 | 140,100 |
| Due from District of Columbia | 5,277 | 21,259 |
| Accounts Receivable, Net of Allowance for Uncollectible Accounts | 4,426 | 5,656 |
| Prepaid Expenses and Other Assets | 5,142 | 4,970 |
| Accrued Interest Receivable | 478 | 687 |
| Total current assets | 167,998 | 195,232 |
| Noncurrent Assets | | |
| Other Receivable | 18,543 | 28,443 |
| Restricted Investments | 190,102 | 214,339 |
| Non-Depreciable Capital Assets | 15,657 | 7,527 |
| Capital Assets, Net of Accumulated Depreciation | 535,897 | 566,342 |
| Total Noncurrent Assets | 760,199 | 816,651 |
| Total Assets | 928,197 | 1,011,883 |
| Deferred Outflow of Resources | 9,639 | 10,165 |
| Total Assets and Deferred Outflow of Resources | \$ 937,836 | \$ 1,022,048 |
| Liabilities and Net Position | | |
| Current Liabilities | | |
| Accounts Payable | \$ 8,391 | \$ 13,632 |
| Other Liabilities | 15,085 | 6,151 |
| Due to District Government | 3,323 | 3,940 |
| Compensation Liabilities | 1,071 | 1,778 |
| Unearned Revenue | 6,885 | 7,211 |
| Accrued Interest Payable | 11,736 | 12,334 |
| Capital Lease- Current Portion | 142 | 143 |
| Bonds Payable, Current Portion | 25,600 | 24,380 |
| Total Current Liabilities | 72,233 | 69,569 |
| Noncurrent Liabilities | | |
| Compensated Absences | 1,716 | 1,332 |
| Capital Lease- Long-Term | 4,540 | 4,683 |
| Long-term Bonds Payable including Premium | 465,647 | 492,501 |
| Total Noncurrent Liabilities | 471,903 | 498,516 |
| Total Liabilities | 544,136 | 568,084 |
| Net Position | | |
| Net Position | | |
| Net Invested in Capital Assets | 248,039 | 247,243 |
| Restricted Net Position: | | |
| Debt Service and Capital Interest | 33,475 | 31,310 |
| Capital Renewal | 33,394 | 31,797 |
| Operating Fund | 42,129 | 67,677 |
| Debt Service Reserve | 27,554 | 27,554 |
| Kenilworth Park | 144 | 144 |
| Unrestricted Net Position | 8,965 | 48,239 |
| Total Net Position | \$ 393,700 | \$ 453,964 |

The accompanying notes are an integral part of these financial statements.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (Dollar Amounts in Thousands)

| | 2020 | 2019 |
|---|-------------------|-------------------|
| Operating Revenue and Expenses | | |
| Operating Revenues: | | |
| Building Rental- Events Related | \$ 4,807 | \$ 8,807 |
| Food Services | 1,527 | 6,549 |
| Electrical | 1,496 | 2,842 |
| Rigging | 894 | 1,504 |
| Parking | 312 | 608 |
| Telecommunications | 1,093 | 2,182 |
| Retail & Office Space Rental | 870 | 1,203 |
| Advertising & Sponsorship | 1,093 | 946 |
| Building Lease Rental | 3,922 | 3,419 |
| Miscellaneous | 2,329 | 3,105 |
| Total Operating Revenues | 18,343 | 31,165 |
| Operating Expenses | | |
| Personal Services | 33,063 | 30,376 |
| Contractual Services | 25,537 | 33,058 |
| Depreciation | 39,599 | 37,828 |
| Occupancy | 5,698 | 6,796 |
| Payment to District | 1,607 | 2,232 |
| Miscellaneous | 1,044 | 1,555 |
| Bad Debt | 265 | 74 |
| Total Operating Expenses | 106,813 | 111,919 |
| Operating Loss | (88,470) | (80,754) |
| Nonoperating Revenues and (Expenses) | | |
| Interest Income | 3,973 | 8,478 |
| Dedicated Taxes | 74,067 | 147,633 |
| TIF Revenue | 12,175 | 19,248 |
| Miscellaneous Revenue | 6,197 | 5,933 |
| Interest Expense | (23,510) | (24,702) |
| Amortization of Bond Issuance Costs | 728 | 729 |
| Marketing Agencies Payments | (11,640) | (20,370) |
| Hospitality & Marketing Relief and other Grants | (22,814) | - |
| Miscellaneous Expenses | (10,970) | (11,971) |
| Total Nonoperating Revenues and (Expenses) | 28,206 | 124,978 |
| Excess Cash Transfer to the District | - | (47,847) |
| Increase (Decrease) in Net Position | (60,264) | (3,623) |
| Net Position, Beginning of Year | 453,964 | 457,047 |
| Change in Accounting Principle | - | 540 |
| Net Position, End of Year | \$ 393,700 | \$ 453,964 |

The accompanying notes are an integral part of these financial statements.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (Dollar Amounts in Thousands)

| | 2020 | 2019 |
|---|--------------------|--------------------|
| Cash flows from operating activities: | | |
| Receipts from Customers | \$ 18,981 | \$ 28,400 |
| Payments to Suppliers | (28,757) | (45,624) |
| Payments to Employees | (33,386) | (29,814) |
| Other Payments | (2,224) | (1,322) |
| Net cash used in Operating Activities | (45,385) | (48,360) |
| Cash flows from Noncapital Financing Activities: | | |
| Dedicated Tax Receipts | 90,049 | 139,718 |
| Tax Increment Financing Tax Receipts | 12,175 | 19,248 |
| Transfer to Tourism Responsibility Centers | (11,640) | (20,370) |
| Other Payments | (33,784) | (59,818) |
| Other Receipts | 16,098 | 15,139 |
| Net cash provided by Noncapital Financing Activities | 72,899 | 93,916 |
| Cash flows from Capital and Related Financing Activities: | | |
| Acquisition and construction of capital assets | (17,284) | (57,195) |
| Capital Lease Payment | (143) | (146) |
| Bonds payable payment | (24,380) | (18,105) |
| Interest payments | (24,108) | (22,462) |
| Net cash used in Capital and Related Financing Activities | (65,916) | (97,908) |
| Cash flows from Investing Activities: | | |
| Proceeds from sale and maturities of investment securities | 162,338 | 230,413 |
| Purchases of investment securities | (125,903) | (187,300) |
| Interest and dividends on investments | 4,182 | 8,302 |
| Net cash provided in Investing Activities | 40,618 | 51,416 |
| Net (decrease) increase in cash and cash equivalents | 2,215 | (936) |
| Cash and Cash Equivalents, Beginning of Year | 22,560 | 23,496 |
| Cash and Cash Equivalents, End of Year | \$ 24,775 | \$ 22,560 |
| Reconciliation of Operating Loss to Net Cash Used In Operating Activities | | |
| Operating Loss | \$ (88,470) | \$ (80,754) |
| <i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities</i> | | |
| Depreciation | 39,599 | 37,828 |
| Provision for Doubtful Accounts | 228 | 40 |
| (Increase) Decrease in Receivables | 1,002 | (2,246) |
| Decrease (Increase) in Prepaid Expenses and Other Assets | (172) | 331 |
| (Decrease) Increase in Accounts Payable | 3,460 | (3,535) |
| (Decrease) Increase in Compensation Liabilities | (707) | 461 |
| (Decrease) Increase in Unearned Revenue | (326) | (485) |
| Net Cash Used in Operating Activities | \$ (45,385) | \$ (48,360) |
| Increase in Capital asset and related Liability from Capital Lease entered | \$ - | \$ 3,000 |

The accompanying notes are an integral part of these financial statements.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority's accounting policies conform to US 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 the 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 inflow of resources associated with the operations and are included on Net Position's Statements.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The financial statements have been prepared in accordance with GAAP as prescribed by GASB and 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 considered to be 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 nine separate funds: the Operating (C&M) Fund, the Building Fund, the Marketing Fund, Capital (C&M) Fund, Operating (SED) Fund, New Stadium Fund, Capital (SED) Fund, Operating (Carnegie Library) Fund and Capital (Carnegie Library) 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 center's operation.
- b. Building Fund – The building 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 the convention center's improvement.
- e. Operating (SED) Fund – The operating SED fund accounts for transactions related to the operation of Robert F. Kennedy Memorial Stadium, DC Armory, ESA and Gateway.
- f. New Stadium Fund – The new stadium fund accounts for transactions related to the new Nationals Park Stadium.
- g. Capital (SED) Fund – The SED capital fund accounts for the transactions related to the improvement of the Robert F. Kennedy Memorial Stadium and DC Armory.
- h. Operating Carnegie Library Fund – The operating fund accounts for transactions related to the operation of Carnegie Library.
- i. Capital Carnegie Library Fund – The capital fund accounts for the transactions related to the improvement of the Carnegie Library.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Accounts Receivable

Accounts receivable, which is recorded at net realizable value, is related to transactions involving building rental, electrical, telecommunications, audio-visual, advertising, sponsorships, parking, and miscellaneous revenue. As of September 30, 2020 and 2019, gross accounts receivable was \$4.4 million and \$6 million, respectively.

Allowance for Uncollectible Accounts

The Authority establishes an allowance for uncollectible accounts for all account receivables over 180 days old and based on management review of specific accounts. As of September 30, 2020 and 2019, the allowance for uncollectible accounts was \$570 thousand and \$342 thousand, respectively.

Investments

Investments in money markets and repurchase agreements are recorded at market value, which approximates 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.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital Assets and Depreciation

Capital assets are carried at cost. The Authority capitalizes assets with an original cost of \$5,000 or greater. Donated capital assets are recorded at fair market value at the date donated and capital lease assets are recorded at the net present value of minimum lease payments. 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, the Authority defeased series 2010C bond 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 bonds are amortized over 22 years. As of September 30, 2020 and 2019, bond refunding costs, which are reflected as a deferred outflow of resources in the Statements of Net Position, totaled \$9.6 million and \$10.2 million, respectively.

Bond Premium and Discount

The bond premium and discount is 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 revenue 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.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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:

Net investment in capital assets- This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction or improvement of the 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, 2020, and 2019, those restricted funds totaled approximately \$190.1 million and \$214.3 million, respectively.

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

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.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Rounding Numbers

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Net Position Restatement

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, Leases, in June 2017. After the new standard issuance, the Authority entered into two lease agreements in FY2018 and FY2019. The Authority applied the new rule to recognize the two leases and plan to transition the older leases within the expected implementation effective date to allow adequate time to analyze existing leases. However, the standard does not allow to account for the lease transactions under different models. As a result, the account has been restated, and the change has increased the net position on October 1, 2019, by \$540,000.

The Authority will implement GASB 87 in FY2021.

NOTE 2 CASH DEPOSITS AND INVESTMENTS

Cash Deposits

The Authority's cash-carrying amounts as of September 30, 2020, and 2019 were \$24.8 million and \$22.5 million, respectively. The Authority's bank balances as of September 30, 2020, and 2019 were \$25 million and \$24.3 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 US 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; certificate of deposits; time deposits or any other investments that are direct obligations of any bank; short-term obligations of US 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, 2020, and 2019, the Authority's investments were in the money market, US treasury securities, certificate of deposits, other US guaranteed securities, and federal agency securities, along with collateralized repurchase agreements. Agency securities and money market investments were rated AAA and/or collateralized by the fund provider.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 2 CASH DEPOSITS AND INVESTMENTS *(continued)*

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 for identical investments in active markets,
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

The Authority has the following recurring fair value measurements as of September 30, 2020 and 2019.

Investment Instrument Measured at Fair Value *(In Thousands)*

| Investment by Fair Value Level | Fair Value Measurement Using | | | |
|--|------------------------------|------------------|------------------|-------------|
| | 9/30/2020 | Level 1 | Level 2 | Level 3 |
| Debt Securities | | | | |
| U.S. Treasury Securities | \$ 12,851 | \$ 12,851 | \$ - | \$ - |
| Repurchase Agreement | 32,821 | 32,821 | - | - |
| Negotiable Certificate of Deposits | 21,362 | - | 21,362 | - |
| Money Market Deposits * | 250,968 | N/A | N/A | N/A |
| Total investments by fair value level | \$ 318,002 | \$ 45,672 | \$ 21,362 | \$ - |
| Fair Value Measurement Using | | | | |
| Investment by Fair Value Level | 9/30/2019 | Level 1 | Level 2 | Level 3 |
| Debt Securities | | | | |
| U.S. Treasury Securities | \$ 12,851 | \$ 12,851 | \$ - | \$ - |
| Repurchase Agreement | 32,821 | 32,821 | - | - |
| Negotiable Securities | 20,825 | - | 20,825 | - |
| Money Market Deposits* | 287,942 | N/A | N/A | N/A |
| Total investments by fair value level | \$ 354,439 | \$ 45,672 | \$ 20,825 | \$ - |

* Valued at net asset value

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, 2020, and 2019, 20% and 18% of the Authority's investments were held by an insured and collateralized counterparty.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 2 CASH DEPOSITS AND INVESTMENTS *(continued)*

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, 2020, and 2019, all funds were invested in AAA-rated money market funds, agency securities and certificate of deposits (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.

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, 2020 and 2019, the Authority's investments were all in AAA-rated short-term money market funds, AAA-rated agency securities, guaranteed investment contracts, and certificate of deposits.

Concentration of Credit Risk: To limit exposure to credit risk concentrations, the Authority's investment policy limits investment in US Treasury 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, 2020 and 2019 (in thousands).

| Reserve Accounts | Investment Balance as of September 30, 2020 | Minimum Required Reserve (Restricted) | Available Reserve Above the Required Minimum |
|--|--|--|---|
| <u>Series 2018A</u> | | | |
| Capital Renewal & Replacement Account | \$ 83,490 | \$ 33,394 | \$ 50,096 |
| Debt Service | 33,474 | 33,474 | - |
| Debt Service Reserve Account | 27,554 | 27,554 | - |
| Operating and Marketing Reserve Account | 119,792 | 42,129 | 77,663 |
| Revenue Account | 141 | - | 141 |
| Totals | 264,451 | 136,551 | 127,900 |
| <u>Series 2018B and 2010 Bonds</u> | | | |
| Tax Increment Financing Accounts | 28,261 | 28,261 | - |
| Debt Service Reserve Account | 25,290 | 25,290 | - |
| Totals | 53,551 | 53,551 | - |
| Total Restricted and Non-restricted Investments | \$ 318,002 | \$ 190,102 | \$ 127,900 |

WASHINGTON CONVENTION AND SPORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 2 CASH DEPOSITS AND INVESTMENTS *(continued)*

| Reserve Accounts | Investment Balance as of September 30, 2019 | Minimum Required Reserve (Restricted) | Available Reserve Above the Required Minimum |
|--|--|--|---|
| <u>Series 2018A</u> | | | |
| Capital Renewal & Replacement Account | \$ 118,214 | \$ 31,797 | \$ 86,416 |
| Debt Service | 31,310 | 31,310 | - |
| Debt Service Reserve Account | 30,002 | 27,554 | 2,449 |
| Operating and Marketing Reserve Account | 118,768 | 67,677 | 51,091 |
| Revenue Account | 143 | - | 143 |
| Totals | 298,437 | 158,338 | 140,098 |
| <u>Series 2010</u> | | | |
| Tax Increment Financing Revenue Account | 22,559 | 22,559 | - |
| Debt Service Reserve Account | 33,443 | 33,443 | - |
| | | - | - |
| Totals | 56,002 | 56,002 | - |
| Total Restricted and Non-restricted Investments | \$ 354,439 | \$ 214,340 | \$ 140,098 |

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 is reimbursed from the collection of excess Tax Increment Revenues (TIF) generated by the hotel. The contribution was disbursed in the fiscal year 2013 and was recorded as other assets. As of September 30, 2020, and 2019, the outstanding balance was \$18.5 million and \$28.4 million, respectively.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 4 CAPITAL ASSETS

Capital asset balances as of September 30, 2020, are summarized as follows (*in thousands*):

| | Balance @ 9/30/2019 | Additions | Disposals | Transfers/ Adjustments | Balance @ 9/30/2020 |
|---|------------------------|--------------------|-------------|---------------------------|------------------------|
| Non-depreciable | | | | | |
| Land | \$ 4,785 | \$ - | \$ - | \$ - | \$ 4,785 |
| Construction In Progress | - | 8,130 | - | - | 8,130 |
| Artwork | 2,742 | - | - | - | 2,742 |
| Total Non-depreciable Capital Assets | 7,527 | 8,130 | - | - | 15,657 |
| Depreciable | | | | | |
| Building (WEWCC) | 769,409 | - | - | - | 769,409 |
| Building Improvements (WEWCC) | 49,920 | 407 | - | (3) | 50,324 |
| Plumber's Building | 33,425 | - | - | - | 33,425 |
| Stadium Structure | 19,037 | - | - | - | 19,037 |
| Building Improvements/Displays (SED) | 38,592 | - | - | - | 38,592 |
| Building-ESA | 73,975 | - | - | - | 73,975 |
| RFK Multi-Purpose Fields | 37,138 | 250 | - | - | 37,388 |
| Parking Lot Improvements (SED) | 7,041 | - | - | - | 7,041 |
| Central Plant | 16,265 | - | - | - | 16,265 |
| Carnegie Library-Capital Lease | 14,798 | - | - | - | 14,798 |
| Carnegie Library-Building Improvements | 1,479 | - | - | - | 1,479 |
| Financial Systems | 2,124 | 806 | - | - | 2,930 |
| Furniture and Fixtures | 33,547 | 1,524 | - | - | 35,071 |
| Furniture and Fixtures (SED) | 1,652 | - | - | - | 1,652 |
| Machinery and Equipment | 27,881 | 6,169 | - | - | 34,049 |
| Total Depreciable Capital Assets | 1,126,283 | 9,156 | - | (3) | 1,135,436 |
| Less: Accumulated Depreciation | | | | | |
| Building (WEWCC) | 421,743 | 25,595 | - | - | 447,338 |
| Building Improvements (WEWCC) | 9,927 | 1,664 | - | - | 11,591 |
| Plumber's Building | 6,035 | 1,114 | - | - | 7,149 |
| Stadium Structure | 19,096 | 25 | - | - | 19,121 |
| Building Improvements/Displays (SED) | 36,745 | 303 | - | (3) | 37,045 |
| Building-ESA | 2,371 | 2,470 | - | - | 4,841 |
| RFK Multi-Purpose Fields | 282 | 1,239 | - | - | 1,521 |
| Parking Lot Improvements | 6,110 | 36 | - | - | 6,146 |
| Central Plant | 13,397 | 813 | - | - | 14,210 |
| Carnegie Library-Capital Lease | 3,623 | 505 | - | - | 4,127 |
| Carnegie Library-Building Improvements | 195 | 53 | - | - | 248 |
| Financial Systems | 1,534 | 136 | - | - | 1,670 |
| Furniture and Fixtures | 20,521 | 2,213 | - | - | 22,735 |
| Furniture and Fixtures (SED) | 868 | 199 | - | - | 1,067 |
| Machinery and Equipment | 17,493 | 3,236 | - | - | 20,729 |
| Total Accumulated Depreciation | 559,941 | 39,602 | - | (3) | 599,538 |
| Total Net Depreciable Capital Assets | \$ 566,342 | \$ (30,446) | \$ - | \$ (0) | \$ 535,897 |

WASHINGTON CONVENTION AND SPORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 4 CAPITAL ASSETS (continued)

Capital asset balances as of September 30, 2019, are summarized as follows (in thousands):

| | Balance @ 9/30/2018 | Additions | Disposals | Transfers/ Adjustments | Balance @ 9/30/2019 |
|---|------------------------|------------------|-------------|---------------------------|------------------------|
| Non-depreciable | | | | | |
| Land | \$ 4,785 | \$ - | \$ - | \$ - | \$ 4,785 |
| Construction In Progress | 71,489 | - | - | (71,489) | - |
| Artwork | 2,742 | - | - | - | 2,742 |
| Total Non-depreciable Capital Assets | 79,016 | - | - | (71,489) | 7,527 |
| Depreciable | | | | | |
| Building (WEWCC) | 769,409 | - | - | - | 769,409 |
| Building Improvements (WEWCC) | 42,790 | 7,129 | - | - | 49,920 |
| Plumber's Building | 33,425 | - | - | - | 33,425 |
| Stadium Structure | 19,037 | - | - | - | 19,037 |
| Building Improvements/Displays (SED) | 38,367 | 224 | - | - | 38,592 |
| Building-ESA | - | 5,012 | - | 68,963 | 73,975 |
| RFK Multi-Purpose Fields | - | 34,612 | - | 2,526 | 37,138 |
| Parking Lot Improvements (SED) | 7,041 | - | - | - | 7,041 |
| Central Plant | 16,265 | - | - | - | 16,265 |
| Carnegie Library -Capital Lease | 14,798 | - | - | - | 14,798 |
| Carnegie Library-Building Improvements | 1,479 | - | - | - | 1,479 |
| Financial Systems | 1,751 | 373 | - | - | 2,124 |
| Furniture and Fixtures | 28,005 | 5,542 | - | - | 33,547 |
| Furniture and Fixtures (SED) | 1,578 | 74 | - | - | 1,652 |
| Machinery and Equipment | 23,652 | 4,229 | - | - | 27,881 |
| Total Depreciable Capital Assets | 997,597 | 57,197 | - | 71,489 | 1,126,283 |
| Less: Accumulated Depreciation | | | | | |
| Building (WEWCC) | 396,148 | 25,595 | - | - | 421,743 |
| Building Improvements (WEWCC) | 8,609 | 1,318 | - | - | 9,927 |
| Plumber's Building | 4,921 | 1,114 | - | - | 6,035 |
| Stadium Structure | 19,068 | 28 | - | - | 19,096 |
| Building Improvements/Displays (SED) | 36,255 | 490 | - | - | 36,745 |
| Building-ESA | - | 2,371 | - | - | 2,371 |
| RFK Multi-Purpose Fields | - | 282 | - | - | 282 |
| Parking Lot Improvements | 6,073 | 37 | - | - | 6,110 |
| Central Plant | 12,584 | 813 | - | - | 13,397 |
| Carnegie Library-Capital Lease | 3,118 | 505 | - | - | 3,623 |
| Carnegie Library-Building Improvements | 142 | 53 | - | - | 195 |
| Financial Systems | 1,446 | 88 | - | - | 1,534 |
| Furniture and Fixtures | 18,599 | 1,922 | - | - | 20,521 |
| Furniture and Fixtures (SED) | 682 | 186 | - | - | 868 |
| Machinery and Equipment | 14,468 | 3,025 | - | - | 17,493 |
| Total Accumulated Depreciation | 522,113 | 37,827 | - | - | 559,941 |
| Total Net Depreciable Capital Assets | \$ 475,484 | \$ 19,369 | \$ - | \$ 71,489 | \$ 566,342 |

WASHINGTON CONVENTION AND SPORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 5 CAPITAL LEASE

A) *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 carrying value of the capital lease is \$14.8 million and the accumulated depreciation recorded as of September 30, 2020 was \$4.1 million.

The following is a schedule by year of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of September 30, 2020 (*in thousands*):

| Year Ended September 30, | Amount |
|--|-----------------|
| 2021 | \$ 188 |
| 2022 | 188 |
| 2023 | 188 |
| 2024 | 188 |
| 2025 | 188 |
| 2026-2030 | 940 |
| 2031-2035 | 968 |
| 2036-2040 | 955 |
| 2041-2045 | 997 |
| 2046-2050 | 988 |
| 2051-2055 | 1,027 |
| 2056-2060 | 1,028 |
| 2061-2065 | 1,058 |
| 2066-2070 | 1,058 |
| 2071-2075 | 1,090 |
| 2076-2080 | 1,090 |
| 2081-2085 | 1,312 |
| 2086-2090 | 1,123 |
| 2091-2095 | 1,156 |
| 2096-2099 | 617 |
| Total | 16,347 |
| Less: Interest Costs | (11,665) |
| Present Value of Minimum Lease Payments | \$ 4,682 |

WASHINGTON CONVENTION AND SPORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 6 OPERATING LEASES (Rental Income)

The Authority leases buildings and retail spaces to outside parties. As of September 30, 2020 and 2019 rental income from operating leases was \$4.8 million and \$4.6 million, respectively. The following is a schedule of minimum future rentals on non-cancelable operating leases as of September 30, 2020 (*in thousands*):

| Year Ended September 30, | Amount |
|--------------------------|-------------------|
| 2021 | \$ 4,662 |
| 2022 | 4,718 |
| 2023 | 4,787 |
| 2024 | 4,860 |
| 2025 | 4,869 |
| 2026-2030 | 23,413 |
| 2031-2035 | 24,931 |
| 2036-2040 | 24,788 |
| 2041-2045 | 16,131 |
| 2046-2050 | 2,040 |
| 2051-2055 | 2,140 |
| 2056-2060 | 2,240 |
| 2061-2065 | 2,340 |
| 2066-2070 | 2,440 |
| 2071-2075 | 2,540 |
| 2076-2080 | 2,640 |
| 2081-2085 | 2,740 |
| 2086-2090 | 2,840 |
| 2091-2095 | 2,940 |
| 2096-2100 | 3,040 |
| 2101-2105 | 3,140 |
| 2106-2110 | 2,580 |
| Total | \$ 146,819 |

NOTE 7 BONDS 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 Washington Convention Center's construction.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 7 **BONDS PAYABLE** *(continued)*

On February 1, 2007, WCCA issued \$492.5 million of refunding Series 2007A Bonds, with a net premium of \$15.6 million to effect 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 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 will fund 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 considered to be defeased and the liabilities for those bonds were extinguished. The aggregate difference in debt service between the refunded debt and the refunding debt was \$9.7 million (NPV).

Between June 2006 and July 2009, the 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 2015 to October 2040, at interest rates ranging from 3.1% to 7%. The proceeds are to be 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 Walter E. Washington 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.

A portion of the net proceeds from the issuance of Series 2010 Bonds was used to purchase US Government Securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt services payments until the Series 2007A bonds are called or matures. As a result, the aggregate principal amount of \$25.4 million from Series 2007A Bonds is considered to be defeased, and therefore, removed as a liability from the Authority's financial statements. The Trustee fully paid the amount on October 1, 2016.

¹ See New Convention Center Hotel Omnibus Financing and Development Act of 2006; New Convention Center Hotel Omnibus Financing and Development Amendment Act of 2008; New Convention Center Hotel Technical Amendments Act of 2008; New Convention Center Hotel Emergency Amendment Act of 2009, D.C. Bill No. 18-391; and New Convention Center Hotel Amendment Act of 2009, D.C. Bill No. 18-310.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 7 **BONDS PAYABLE** *(continued)*

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 1.390% and 3%. The proceeds from Series 2018A and 2018B Bonds were used to current refund outstanding maturities of Series 2007 and advance refund Series 2010C, respectively. The Authority deposited the net proceeds from 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 connection with the issuance of the bonds, the District and the Authority entered into lockbox and collection agreements with a local bank into which the dedicated taxes are deposited and transferred to the Bond trustee. Dedicated taxes are collected one month in arrears. 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 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 services, the Authority will utilize dedicated taxes to meet the requirements.

As of September 30, 2020, and 2019, the Authority's bond liability totaled approximately \$456.8 million and \$481.1 million, respectively. A summary of annual maturities of the bonds payable as of September 30, 2020, is as follows *(in thousands)*:

| Fiscal Years | Principal | Interest | Total Debt Service |
|--------------|-------------------|-------------------|-----------------------|
| 2021 | \$ 25,600 | \$ 22,209 | \$ 47,809 |
| 2022 | 27,590 | 20,853 | 48,443 |
| 2023 | 28,960 | 19,421 | 48,381 |
| 2024 | 12,480 | 18,801 | 31,281 |
| 2025 | 13,100 | 18,150 | 31,250 |
| 2026-2030 | 166,070 | 68,298 | 234,368 |
| 2031-2035 | 91,285 | 31,483 | 122,768 |
| 2036-2040 | 79,420 | 12,035 | 91,455 |
| 2041 | 12,250 | - | 12,250 |
| Total | \$ 456,755 | \$ 211,251 | \$ 668,006 |

As of September 30, 2020, and 2019, the unamortized bond premiums were \$34.7 million and \$36 million, respectively, and unamortized bond discount was \$243 thousand and \$255 thousand, respectively.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 8 LONG-TERM LIABILITIES

The following summarizes long-term liabilities as of September 30, 2020 and 2019 (*in thousands*):

| | Balance @ 9/30/2019 | Additions | Reductions | Balance @ 9/30/2020 | Amount Due Within One Year |
|-----------------------------|--------------------------------|------------------|-------------------|--------------------------------|---|
| Series 2018 Bond Payable | \$ 318,130 | | \$ (21,100) | \$ 297,030 | \$ 22,220 |
| Series 2010 Bond Payable | 163,005 | - | (3,280) | 159,725 | 3,380 |
| Series 2010 Bond Discount | (255) | - | 12 | (243) | - |
| Series 2018 Bond Premium | 36,001 | | (1,266) | 34,735 | - |
| Bonds Payable, net | 516,881 | - | (24,368) | 491,247 | 25,600 |
| Capital Lease Obligation | 4,826 | | (142) | 4,684 | 142 |
| Compensated Absences | 1,421 | 415 | - | 1,836 | 120 |
| Total Long-term Liabilities | \$ 523,128 | 415 | \$ (24,510) | \$ 497,767 | \$ 25,862 |

| | Balance @ 9/30/2018 | Additions | Reductions | Balance @ 9/30/2019 | Amount Due Within One Year |
|-----------------------------|--------------------------------|------------------|-------------------|--------------------------------|---|
| Series 2018 Bond Payable | \$ 333,050 | | \$ (14,920) | \$ 318,130 | \$ 21,100 |
| Series 2010 Bond Payable | 166,190 | - | (3,185) | 163,005 | 3,280 |
| Series 2010 Bond Discount | (267) | - | 12 | (255) | - |
| Series 2018 Bond Premium | 37,267 | | (1,266) | 36,001 | - |
| Bonds Payable, net | 536,240 | - | (18,093) | 516,881 | 24,380 |
| Capital Lease Obligation | 4,972 | | (146) | 4,826 | 143 |
| Compensated Absences | 1,306 | 169 | (54) | 1,421 | 89 |
| Total Long-term Liabilities | \$ 542,518 | 169 | (\$18,293) | \$ 523,128 | \$ 24,612 |

NOTE 9 RETIREMENT PLAN

Since April 1998, all Events DC full-time employees are covered by a defined contribution plan. The plan, which is managed by 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 2020 and 2019 were approximately \$1.4 million and \$1.6 million, respectively. The Plan's administrator issues financial statements and required supplemental information, which is available upon request. This report may be obtained from the following location: ICMA Retirement Corporation, 777 North Capitol Street, NE, Washington, DC 20002-4240.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 10 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 2007A Bonds. In fiscal years 2020 and 2019, the Authority recognized transfers from dedicated tax receipts of \$74.1 million and \$147.6 million, respectively. The transfers include the 0.3% hotel room tax that is dedicated to Destination DC which amounts to \$3.5 million and 6.2 million in fiscal years 2020, and 2019, respectively. As of September 30, 2020, and 2019, the dedicated taxes due from the District Government were \$3.6 million and \$16.3 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 2010A Bonds and the 2010B 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 2020 and 2019, the Authority recognized revenue from TIF tax receipts of \$12.2 million and \$19.2 million, respectively. As of September 30, 2019, TIF receivables due from the District Government were \$4.9 million. No receivables were recognized at year-end on September 30, 2020.

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 (2) a capital reserve of 5% of the original cost of the convention center adjusted for inflation.

During the year ended September 30, 2019, the Authority transferred \$47,847 to the District's General Fund for the excess funds related to the calculation for fiscal years 2017 and 2018 of \$27,852 and \$19,995, respectively. There was no excess cash transfer made in the fiscal year 2020.

District’s (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.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 10 RELATED PARTY TRANSACTIONS *(continued)*

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).

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 the amount of 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 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.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 10 RELATED PARTY TRANSACTIONS *(continued)*

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

On May 5, 2011, the District and the Authority entered into a Memorandum of Understanding (MOU) regarding the Carnegie Library and Reservation 8, whereby the District transferred to the Authority all of 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, 2110.

The Authority reported the lease as a capital asset and the related debt as a long-term liability in the Authority's Statements of Net Position.

NOTE 11 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 percent hotel room tax was imposed. The 0.3 percent tax is dedicated to Destination DC through the Authority for marketing and promoting the District of Columbia as a destination.

During fiscal years 2020 and 2019, the total amount of dedicated taxes allocated to the Marketing Fund was approximately \$11.6 million and \$20.3 million, respectively. The Authority incurred the following marketing services expenses in fiscal years 2020 and 2019 *(in thousands)*, respectively:

| <i>Marketing Agencies</i> | FY2020 | FY2019 |
|---------------------------------|------------------|------------------|
| Destination DC | \$ 7,712 | \$ 13,750 |
| Destination DC -0.3% Additional | 3,478 | 6,170 |
| DC Chamber of Commerce | 150 | 150 |
| Ibero Chamber of Commerce | 300 | 300 |
| | <u>\$ 11,640</u> | <u>\$ 20,370</u> |

NOTE 12 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 FY2020 and FY2019 was fully utilized.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 12 **BASEBALL STADIUM** *(continued)*

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 2020 and 2019, there was no activity other than a bank service charge fee. As of September 30, 2020, and 2019, the remaining balance of \$664,840 and \$664,906, 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, 2020, and 2019, the remaining balance of \$3.4 million and \$5 million is included in Other Liabilities in the financial statements.

NOTE 13 **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, 2020.

NOTE 14 **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 2020 and 2019. As of September 30, 2020, and 2019, there was an account balance of \$144 thousand. The amounts are reflected as Restricted Net Position in the financial statements.

NOTE 15 **CORONAVIRUS RELIEF FUNDING FOR HOSPITALITY INDUSTRY**

The coronavirus pandemic has severely impacted the hospitality industry in the District of Columbia's, including the suspension of numerous hotels and restaurants' operations, resulting in loss of business income and layoffs of thousands of hospitality workers. The Authority disbursed \$12.1 million emergency funding to assist in providing relief to hotel and restaurant operators and workers in the District of Columbia impacted by the COVID-19 pandemic.

WASHINGTON CONVENTION AND SPORTS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 16 CULTURAL INSTITUTIONS GRANT PROGRAM

The Fiscal Year 2020 Budget Support Act of 2019, D.C. Law 23-0016, directs the Authority to issue in the Fiscal Year 2020 not less than Ten Million Dollars (\$10,000,000) in grants from the Authority's Convention Center Fund to support cultural institutions operating in the District of Columbia; provided that funds are available for such purpose and that the Authority first satisfies its current liabilities and legally required reserves. The Authority has established a Cultural Institutions Grant Program ("Grant Program") for the Fiscal Year 2020 and disbursed \$10.1 million as of September 30, 2020.

NOTE 17 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 accident and surety bonds.

NOTE 18 CONTINGENCIES

Due to the nature of the Authority's business, it is involved in several claims and lawsuits. In the opinion of management and legal counsel, the expected outcome of claims and lawsuits, individually or in the aggregate, will not have a material adverse effect on the financial statements.

NOTE 19 SUBSEQUENT EVENTS

The Authority evaluated the subsequent events and transactions through January 7, 2021, 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.

SUPPLEMENTAL SCHEDULES

WASHINGTON CONVENTION AND SPORTS AUTHORITY

SCHEDULE OF NET POSITION BY FUND AS OF SEPTEMBER 30, 2020 (In Thousands)

| | Operating (WCC) Fund | Operating (SED) Fund | Marketing Fund | Capital Fund | Building Fund | New Stadium Fund | SED Fund Capital | Visitor Center Operating Fund | Visitor Center Fund | TOTAL |
|--|----------------------------|----------------------------|-------------------|-------------------|------------------|------------------------|---------------------|-------------------------------------|---------------------------|-------------------|
| ASSETS | | | | | | | | | | |
| Current assets: | | | | | | | | | | |
| Cash and cash equivalents | \$ 1,728 | \$ 3,526 | \$ 2,018 | \$ 1,490 | \$ - | \$ - | \$ - | \$ 1,501 | \$ - | \$ 10,263 |
| Restricted cash | 8,999 | 1,185 | - | - | - | 4,138 | - | 190 | - | 14,512 |
| Investments | 116,002 | - | 11,898 | - | - | - | - | - | - | 127,900 |
| Due from District of Columbia | 4,210 | 729 | 338 | - | - | - | - | - | - | 5,277 |
| Accounts receivable, net of allowance for uncollectible accounts | 1,304 | 783 | 29 | - | 2,310 | - | - | - | - | 4,426 |
| Prepaid expenses and other assets | 844 | 3 | 219 | - | - | - | - | 4,076 | - | 5,142 |
| Accrued interest receivable | 403 | - | - | - | 75 | - | - | - | - | 478 |
| Interfund Receivable (Payable) | (229) | 18 | 1,211 | - | (1,000) | - | - | - | - | - |
| Total current assets | 133,261 | 6,244 | 15,713 | 1,490 | 1,385 | 4,138 | - | 5,767 | - | 167,998 |
| Noncurrent Assets | | | | | | | | | | |
| Other Receivable | 18,543 | - | - | - | - | - | - | - | - | 18,543 |
| Restricted investments | 136,552 | - | - | - | 53,550 | - | - | - | - | 190,102 |
| Non-Depreciable Capital Assets | 7,511 | - | - | 8,146 | - | - | - | - | - | 15,657 |
| Capital assets, net depreciable | 326,656 | 33 | - | 167,553 | 26,276 | - | 3,471 | 10,671 | 1,237 | 535,897 |
| Total Noncurrent Assets | 489,262 | 33 | - | 175,699 | 79,826 | - | 3,471 | 10,671 | 1,237 | 760,199 |
| Total Assets | 622,523 | 6,277 | 15,713 | 177,189 | 81,211 | 4,138 | 3,471 | 16,438 | 1,237 | 928,197 |
| Deferred Outflow of Resources | 2,257 | - | - | - | 7,382 | - | - | - | - | 9,639 |
| Total Assets and Deferred Outflow of Resources | \$ 624,780 | \$ 6,277 | \$ 15,713 | \$ 177,189 | \$ 88,593 | \$ 4,138 | \$ 3,471 | \$ 16,438 | \$ 1,237 | \$ 937,836 |

WASHINGTON CONVENTION AND SPORTS AUTHORITY

SCHEDULE OF NET POSITION BY FUND *(Continued)*

AS OF SEPTEMBER 30, 2020

(In Thousands)

LIABILITIES AND NET POSITION

Current Liabilities

| | | | | | | | | | | |
|----------------------------------|---------------|---------------|--------------|--------------|---------------|--------------|----------|--------------|----------|---------------|
| Accounts payable | 2,287 | 2,573 | 1,014 | 2,492 | - | - | - | 25 | - | 8,391 |
| Other Short-term Liabilities | 9,077 | 1,535 | - | - | 1,000 | 3,473 | - | - | - | 15,085 |
| Due to District Government | 3 | 1,655 | - | - | 1,000 | 665 | - | - | - | 3,323 |
| Compensation liabilities | 895 | 172 | - | - | - | - | - | 4 | - | 1,071 |
| Unearned Revenue | 823 | 4,296 | - | - | - | - | - | 1,766 | - | 6,885 |
| Accrued interest payable | 6,003 | - | - | - | 5,733 | - | - | - | - | 11,736 |
| Capital Lease- Current portion | - | - | - | - | - | - | - | 142 | - | 142 |
| Bonds payable, current portion | 21,770 | - | - | - | 3,830 | - | - | - | - | 25,600 |
| Total Current Liabilities | 40,858 | 10,231 | 1,014 | 2,492 | 11,563 | 4,138 | - | 1,937 | - | 72,233 |

Noncurrent Liabilities

| | | | | | | | | | | |
|-------------------------------------|----------------|---------------|--------------|--------------|----------------|--------------|----------|--------------|----------|----------------|
| Compensated absences | 1,476 | 233 | - | - | - | - | - | 7 | - | 1,716 |
| Capital Lease- Long-Term | - | - | - | - | - | - | - | 4,540 | - | 4,540 |
| Bonds payable including premium | 253,044 | - | - | - | 212,603 | - | - | - | - | 465,647 |
| Total Noncurrent Liabilities | 254,520 | 233 | - | - | 212,603 | - | - | 4,547 | - | 471,903 |
| Total Liabilities | 295,378 | 10,464 | 1,014 | 2,492 | 224,166 | 4,138 | - | 6,484 | - | 544,136 |

NET POSITION

Net Position

| | | | | | | | | | | |
|---|-------------------|-------------------|------------------|-------------------|---------------------|-------------|-----------------|-----------------|-----------------|-------------------|
| Net Invested in capital assets | 61,610 | 33 | - | 175,699 | - | - | 3,471 | 5,989 | 1,237 | 248,039 |
| Restricted for: | - | - | - | - | - | - | - | - | - | - |
| Debt service Reserve and capitalized interest | 33,475 | - | - | - | - | - | - | - | - | 33,475 |
| Capital renewal | 33,394 | - | - | - | - | - | - | - | - | 33,394 |
| Operating & Marketing fund | 42,129 | - | - | - | - | - | - | - | - | 42,129 |
| Debt services reserve | 27,554 | - | - | - | - | - | - | - | - | 27,554 |
| Kenilworth Park | - | 144 | - | - | - | - | - | - | - | 144 |
| Unrestricted Net Position | 131,240 | (4,364) | 14,699 | (1,002) | (135,573) | - | - | 3,965 | - | 8,965 |
| Total Net Position | \$ 329,402 | \$ (4,187) | \$ 14,699 | \$ 174,697 | \$ (135,573) | \$ - | \$ 3,471 | \$ 9,954 | \$ 1,237 | \$ 393,700 |

WASHINGTON CONVENTION AND SPORTS AUTHORITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY FUND FOR THE YEAR ENDED SEPTEMBER 30, 2020 (In Thousands)

| | Operating (WCC) Fund | Operating (SED) Fund | Marketing Fund | Capital Fund | Building Fund | New Stadium Fund | SED Fund Capital | Visitor Center Operating Fund | Visitor Center Capital Fund | Total |
|---|----------------------------|----------------------------|-------------------|-------------------|---------------------|---------------------|---------------------|-------------------------------------|-----------------------------------|-------------------|
| Operating Revenues: | | | | | | | | | | |
| Building rental- Events Related | \$ 4,441 | \$ 366 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,807 |
| Food services | 1,500 | 27 | - | - | - | - | - | - | - | 1,527 |
| Electrical | 1,483 | 13 | - | - | - | - | - | - | - | 1,496 |
| Rigging | 894 | - | - | - | - | - | - | - | - | 894 |
| Parking | - | 312 | - | - | - | - | - | - | - | 312 |
| Telecommunications | 1,088 | 5 | - | - | - | - | - | - | - | 1,093 |
| Retail/ office rental | 282 | 588 | - | - | - | - | - | - | - | 870 |
| Advertising & Sponsorship | 75 | 1,018 | - | - | - | - | - | - | - | 1,093 |
| Building Lease Rental | - | 356 | - | - | 2,666 | - | - | 900 | - | 3,922 |
| Miscellaneous | 1,328 | 1,000 | - | - | - | - | - | 1 | - | 2,329 |
| Total Operating Revenues | 11,091 | 3,685 | - | - | 2,666 | - | - | 901 | - | 18,343 |
| Operating Expenses | | | | | | | | | | |
| Personal services | 27,951 | 5,015 | - | - | - | - | - | 97 | - | 33,063 |
| Contractual services | 12,858 | 5,910 | 5,430 | 1,173 | - | - | 85 | 81 | - | 25,537 |
| Depreciation | 26,574 | (2) | - | 10,666 | 1,114 | - | 686 | 505 | 56 | 39,599 |
| Occupancy | 4,038 | 1,469 | - | - | - | - | - | 191 | - | 5,698 |
| Payment to District | - | 1,607 | - | - | - | - | - | - | - | 1,607 |
| Miscellaneous | 844 | 200 | - | - | - | - | - | - | - | 1,044 |
| Bad debt | 265 | - | - | - | - | - | - | - | - | 265 |
| Total Operating Expenses | 72,530 | 14,199 | 5,430 | 11,839 | 1,114 | - | 771 | 874 | 56 | 106,813 |
| Operating Loss | (61,439) | (10,514) | (5,430) | (11,839) | 1,552 | - | (771) | 27 | (56) | (88,470) |
| Nonoperating Revenues and (Expenses) | | | | | | | | | | |
| Interest Income | 3,366 | - | - | - | 607 | - | - | - | - | 3,973 |
| Dedicated taxes | 74,067 | - | - | - | - | - | - | - | - | 74,067 |
| TIF Revenue | - | - | - | - | 12,175 | - | - | - | - | 12,175 |
| Miscellaneous revenue | - | - | - | - | 6,197 | - | - | - | - | 6,197 |
| Interest expense | (12,004) | - | - | - | (11,466) | - | - | (40) | - | (23,510) |
| Amortization of Bond Premium | 1,120 | - | - | - | (392) | - | - | - | - | 728 |
| Marketing Agencies Payments | - | - | (11,640) | - | - | - | - | - | - | (11,640) |
| Hospitality & Marketing Relief and Other Grants | (22,814) | - | - | - | - | - | - | - | - | (22,814) |
| Other | - | - | - | - | (10,900) | - | - | (70) | - | (10,970) |
| Total Nonoperating Revenues and (Expenses) | 43,735 | - | (11,640) | - | (3,779) | - | - | (110) | - | 28,206 |
| Increase (Decrease) in Net Position before Transfers | (17,704) | (10,514) | (17,070) | (11,839) | (2,227) | - | (771) | (83) | (56) | (60,264) |
| Transfer In (out) | (37,954) | 10,927 | 12,570 | 17,805 | (616) | (3,000) | 268 | - | - | - |
| Change in Net Position | (55,658) | 413 | (4,500) | 5,966 | (2,843) | (3,000) | (503) | (83) | (56) | (60,264) |
| Net Position, Beginning of Year | 385,060 | (4,600) | 19,199 | 168,731 | (132,730) | 3,000 | 3,974 | 10,037 | 1,293 | 453,964 |
| Net Position, End of Year | \$ 329,402 | \$ (4,187) | \$ 14,699 | \$ 174,697 | \$ (135,573) | \$ - | \$ 3,471 | \$ 9,954 | \$ 1,237 | \$ 393,700 |



**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**

INDEPENDENT AUDITOR'S 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.

We have audited, 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, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 7, 2021.

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) to determine the 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Washington, D.C.
January 7, 2021