UNION STATION REDEVELOPMENT CORPORATION

Financial Statements
Together with Independent Auditors' Report

For the Years Ended September 30, 2020 and 2019

Table of Contents

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Union Station Redevelopment Corporation:

We have audited the accompanying financial statements of Union Station Redevelopment Corporation (USRC), which comprise the statements of financial position as of September 30, 2020 and 2019, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Union Station Redevelopment Corporation as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

SC&H Attest Services, P.C.

April 2, 2021

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UNION STATION REDEVELOPMENT CORPORATION

Statements of Financial Position

As of September 30,	*2020*	*2019*
Current Assets		
Cash and cash equivalents	$ 27,773,196	$ 30,068,970
Restricted cash	6,990,056	8,616,974
Accounts receivable, net	4,188,158	4,803,893
Due from related party	-	1,643
Prepaid expenses and other current assets	239,361	149,508
Total Current Assets	39,190,771	43,640,988
Property and Equipment, net	71,256,918	71,287,679
Other Assets		
Deferred participation rent receivable	42,510,553	39,958,315
Other assets	328,392	328,392
Total Assets	$ 153,286,634	$ 155,215,374
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 1,079,960	$ 1,162,669
Note payable, current portion	1,088,421	1,048,160
Funds held for others	1,842,801	2,740,565
Total Current Liabilities	4,011,182	4,951,394
Long-Term Liabilities		
Deferred rent	115,031	106,441
Note payable, net of current portion	20,921,187	22,073,892
Interest rate swap	3,030,227	612,538
Other long-term liabilities	60,458	68,993
Total Liabilities	28,138,085	27,813,258
Commitments and Contingencies (Notes 14 and 17)		
Net Assets		
Without donor restrictions	124,671,546	127,397,426
With donor restrictions	477,003	4,690
Total Net Assets	125,148,549	127,402,116
Total Liabilities and Net Assets	$ 153,286,634	$ 155,215,374

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

UNION STATION REDEVELOPMENT CORPORATION

Statement of Activities
For the Year Ended September 30, 2020

	Without Donor Restriction	With Donor Restriction	Total
Operating Revenues and Other Support			
USI participation and index rent and retail rental income	$ 5,092,617	$ -	$ 5,092,617
Parking garage base rent	2,916,667	-	2,916,667
Contributions	355,626	472,313	827,939
Parking garage additional rent	1,186,331	-	1,186,331
USI base rent	1,000,000	-	1,000,000
Bus deck operator fees	827,504	-	827,504
Grants	452,603	-	452,603
Investment and other income	176,984	-	176,984
Union Station tour	3,731	-	3,731
Total Operating Revenues and Support	12,012,063	472,313	12,484,376
Operating Expenses			
Program expenses - station complex maintenance and preservation	9,089,661	-	9,089,661
Management and general	2,414,299	-	2,414,299
Total Operating Expenses	11,503,960	-	11,503,960
Change in Net Assets From Operating Activities	508,103	472,313	980,416
Nonoperating Expenses			
Interest expense	(816,295)	-	(816,295)
Unrealized loss on interest rate swap	(2,417,688)	-	(2,417,688)
Change in Net Assets	(2,725,880)	472,313	(2,253,567)
Net Assets, beginning of year	127,397,426	4,690	127,402,116
Net Assets, end of year	$ 124,671,546	$ 477,003	$ 125,148,549

The accompanying notes are an integral part of this financial statement.

UNION STATION REDEVELOPMENT CORPORATION

Statement of Activities
For the Year Ended September 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
Operating Revenues and Other Support			
USI participation and index rent and retail rental income	$ 5,078,055	$ -	$ 5,078,055
Parking garage base rent	7,000,000	-	7,000,000
Contributions	373,485	-	373,485
Parking garage additional rent	770,948	-	770,948
USI base rent	1,000,000	-	1,000,000
Bus deck operator fees	1,824,935	-	1,824,935
Grants	67,397	-	67,397
Investment and other income	362,281	-	362,281
Net assets released from restrictions:			
Satisfaction of donor restrictions	27,210	(27,210)	-
Total Operating Revenues and Support	16,504,311	(27,210)	16,477,101
Operating Expenses			
Program expenses - station complex maintenance and preservation	6,373,249	-	6,373,249
Management and general	2,038,474	-	2,038,474
Total Operating Expenses	8,411,723	-	8,411,723
Change in Net Assets From Operating Activities	8,092,588	(27,210)	8,065,378
Nonoperating Expenses			
Interest expense	(940,096)	-	(940,096)
Unrealized loss on interest rate swap	(443,875)	-	(443,875)
Change in Net Assets	6,708,617	(27,210)	6,681,407
Net Assets, beginning of year	120,688,809	31,900	120,720,709
Net Assets, end of year	$ 127,397,426	$ 4,690	$ 127,402,116

The accompanying notes are an integral part of this financial statement.

UNION STATION REDEVELOPMENT CORPORATION

Statement of Functional Expenses
For the Year Ended September 30, 2020

	Station Complex Maintenance and Preservation	Management and General	Total
Depreciation and amortization	$ 3,150,477	$ 36,838	$ 3,187,315
Union Station 2nd Century	2,413,161	-	2,413,161
Salaries and wages	-	1,028,217	1,028,217
Capital Maintenance Reserve Fund expense	30,129	-	30,129
Bus Deck	1,399,716	-	1,399,716
Other	-	40,614	40,614
Possessory interest tax	704,592	-	704,592
Station project expense	734,387	-	734,387
Professional services	-	670,583	670,583
Office rent and telephone	-	325,257	325,257
Garage management expenses	539,220	-	539,220
Payroll taxes and employee benefits	-	282,755	282,755
Insurance	117,979	30,035	148,014
Total Expenses	$ 9,089,661	$ 2,414,299	$ 11,503,960

The accompanying notes are an integral part of this financial statement.

UNION STATION REDEVELOPMENT CORPORATION

Statement of Functional Expenses
For the Year Ended September 30, 2019

	Station Complex Maintenance and Preservation	Management and General	Total
Depreciation and amortization	$ 2,963,637	$ 25,638	$ 2,989,275
Union Station 2nd Century	1,119,839	-	1,119,839
Salaries and wages	-	932,772	932,772
Capital Maintenance Reserve Fund expense	497,000	-	497,000
Bus deck expenditures	539,518	-	539,518
Other	-	50,412	50,412
Possessory interest tax	701,921	-	701,921
Station project expense	71,396	-	71,396
Professional services	2,082	443,546	445,628
Office rent and telephone	-	314,031	314,031
Garage management expenses	365,535	-	365,535
Payroll taxes and employee benefits	-	242,019	242,019
Insurance	112,321	30,056	142,377
Total Expenses	$ 6,373,249	$ 2,038,474	$ 8,411,723

The accompanying notes are an integral part of this financial statement.

UNION STATION REDEVELOPMENT CORPORATION

Statements of Cash Flows

For the Years Ended September 30,	*2020*	*2019*
Cash Flows from Operating Activities		
Change in net assets	$ (2,253,567)	$ 6,681,407
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation and amortization expense	3,187,315	2,989,275
Amortization of debt issuance costs	5,094	7,500
Unrealized loss on interest rate swap	2,417,689	443,875
Contributions designated for capital improvements	(472,313)	(373,485)
Changes in operating assets and liabilities:		
Accounts receivable	615,735	(92,317)
Due from related party	1,643	(1,643)
Grants receivable	-	9,696
Prepaid expenses and other current assets	(89,853)	20,951
Deferred participation rent receivable	(2,552,238)	(2,605,084)
Accounts payable and accrued expenses	(420,108)	294,590
Funds held for others	(897,764)	898,779
Deferred rent	8,590	14,289
Other long-term liabilities	(8,535)	(8,535)
Net Cash and Cash Equivalents Provided by (Used In) Operating Activities	(458,312)	8,279,298
Cash Flows from Investing Activities		
Purchases of property and equipment	(2,819,155)	(1,999,281)
Net Cash and Cash Equivalents Used in Investing Activities	(2,819,155)	(1,999,281)
Cash Flows from Financing Activities		
Contributions designated for capital improvements	472,313	373,485
Payment of debt issuance costs	(69,377)	-
Repayments on note payable	(1,048,161)	(955,927)
Net Cash and Cash Equivalents Used in Financing Activities	(645,225)	(582,442)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,922,692)	5,697,575
Cash and cash equivalents, beginning of year	38,685,944	32,988,369
Cash and cash equivalents, end of year	$ 34,763,252	$ 38,685,944
Reconciliation to Statement of Financial Position Presentation		
Cash and cash equivalents	$ 27,773,196	$ 30,068,970
Restricted cash	$ 6,990,056	$ 8,616,974
Total	$ 34,763,252	$ 38,685,944
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 811,201	$ 932,596
Noncash Investing and Financing Activities		
Capital expenditures incurred but not paid	$ 337,399	$ -

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

1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Organization

Union Station Redevelopment Corporation (USRC) is a not-for-profit organization incorporated in the District of Columbia on April 12, 1983. Originally, the purpose of USRC was to manage the redevelopment of Union Station and its parking garage in Washington, DC, for the Secretary of Transportation of the United States, acting through the administrator of the Federal Railroad Administration (the FRA). Currently, USRC manages the redeveloped facilities. The redeveloped station complex, which includes a passenger railroad station, retail and office space, and a parking garage, was opened for business on September 29, 1988. Included in USRC's management responsibilities is the maintenance of the parking garage and Union Station's unique historical features. These activities are funded through defined revenue paid to the USRC to provide these services.

USRC's Board of Directors includes the Secretary of Transportation, the President of the National Railroad Passenger Corporation (Amtrak), the Mayor of the District of Columbia, the Federal Railroad Administrator and the President of the Federal City Council.

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities: Presentation of Financial Statements.* Under ASC 958-205, USRC is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets Without Donor Restrictions: These represent net assets that are not subject to donor-imposed restrictions. Contributions with donor-imposed restrictions that are met in the same reporting period that the contribution is received are reported as net assets without donor restrictions.

Net Assets With Donor Restrictions: These represent net assets subject to donor-imposed restrictions that either expire by passage of time or can be fulfilled and removed by actions of USRC pursuant to donor restrictions. Net assets may be restricted for various purposes, such as use in future periods or use for specified purposes. Net assets subject to donor-imposed restrictions to be maintained permanently by USRC would be included in this net asset class.

1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Financial Statement Presentation – cont'd.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related asset is limited by donor-imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions recognized on net assets, such as the fulfillment of donor-stipulated purpose and/or the passage of stipulated time period, are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions. Restrictions on contributions to acquire long-lived assets are considered met in the period in which the long-lived assets are acquired or placed in service.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. As of September 30, 2019, management's estimate of the allowance for doubtful accounts for the receivable relating to the Crummell Lot (Note 2) is considered a significant estimate.

Cash and Cash Equivalents

USRC maintains substantially all of its cash with one commercial bank. USRC considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor. USRC periodically maintains cash balances in excess of FDIC coverage. Management considers this to be a normal business risk.

Restricted Cash

In accordance with the license agreements (Note 7) with several intercity bus operators (the Operators), USRC is required to maintain an interest-bearing escrow fund. All per passenger fees paid by the Operators are maintained in a separate reserve fund to pay for anticipated capital repairs and improvements to the bus deck. This capital reserve will be reviewed annually by the Bus Deck Management Committee. The cash held by USRC related to this fund is reported as restricted cash in the accompanying statements of financial position.

USRC manages a Capital Maintenance Reserve Fund (the CMRF) required to be maintained under the sublease agreement (Note 8) to fund capital repairs, including repairs to Union Station's unique historical features. The cash held by USRC related to this fund and the corresponding liability are reported as restricted cash and funds held for others in the accompanying statements of financial position.

USRC has entered into a collective agreement for the Union Station 2nd Century Master Plan (the Master Plan) to improve all rail operations and enhance customer experience at Union Station in Washington, DC (Note 8).

1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Restricted Cash – cont'd.

The cash held by USRC under this agreement and the corresponding liability are reported as restricted cash and funds held for others in the accompanying statements of financial position.

In August 2018 USRC entered into an agreement with Amtrak and Washington Metropolitan Area Transit Authority (WMATA) to oversee construction of improvements to the Claytor Concourse at Union Station in Washington, DC and improvements to the WMATA North Mezzanine and First Street Entrance Project at Union Station (Note 8). Due to lack of progress on the Claytor Concourse USRC; WMATA and Amtrak terminated the agreement in May 2020. In March 2020, USRC began an effort with Amtrak to complete a 30% design for the Utility Relocation component of the Amtrak Trackbed structural replacement project. Amtrak funded this effort 100% and the cash held by USRC for this design work and the corresponding liability are reported as restricted cash and funds held for others in the accompanying statements of financial position.

Accounts Receivable

Accounts receivable are recorded at their net realizable value. Accounts receivable are ordinarily due 30 days after the amount is invoiced. Receivables considered delinquent, based on periodic reviews by management, and determined to be uncollectible will be reserved based on individual credit evaluation and specific circumstances. Based on management's assessment, USRC provides for estimated uncollectible amounts through a charge to expenses and a credit to a valuation allowance. Balances that remain outstanding after USRC has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management determined that no amounts were uncollectible as of September 30, 2020. Management deemed certain accounts uncollectible as of September 30, 2019, and recorded an allowance for doubtful accounts totaling $834,547 (Note 2).

Property and Equipment

Property and equipment is stated at historical cost, less accumulated depreciation. Depreciation is recognized using the straight-line method over the following estimated useful lives:

Office equipment	3-5 years
Computer equipment	3-5 years
Office furniture	3-5 years

Leasehold improvements, including interest capitalized in connection with major long-term leasehold improvements, are amortized over the lesser of the economic useful life of the assets or the remaining lease term. Gains and losses from disposals are recorded in the year the item is disposed. Repairs and maintenance costs are expensed when incurred.

1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Valuation of Long-Lived Assets

USRC accounts for the valuation of long-lived assets in accordance with ASC 360, *Property, Plant and Equipment*. ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed are reportable at the lower of the carrying amount or fair value, less costs to sell. As of September 30, 2020 and 2019, USRC has determined that there is no impairment indicated or assets intended for disposal.

Debt Issuance Costs

USRC accounts for debt issuance costs, in accordance with Financial Accounting Standard Board (FASB) Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires that debt issuance costs be presented in the statement of financial position as a reduction from the related debt liability rather than as an asset. Debt issuance costs include costs, incurred, relating to the issuance and extension of the Term Loan (Note 10). Debt issuance costs are being amortized using the straight-line method over the term of the related debt. Accounting principles generally accepted in the United States of America require that the effective interest method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from what would be obtained under the effective interest method. The term note in the accompanying statements of financial position has been reduced by net debt issuance costs totaling $76,784 and $12,500 as of September 30, 2020 and 2019, respectively. During the years ended September 30, 2020 and 2019, the amortization expense totaled $5,094 and $7,500, respectively, and is included in interest expense within the accompanying statements of activities.

Interest Rate Swap

USRC entered into an interest rate swap agreement to manage the interest cost and risk associated with its outstanding debt. USRC's policies prohibit the use of derivative financial instruments for speculative or trading purposes.

USRC accounts for derivatives in accordance with ASC 815, *Derivatives and Hedging*, which requires not-for-profit entities to recognize all derivatives as either assets or liabilities.

The guidance also requires that changes in the derivative's fair value be recognized in the statements of activities. Changes in the fair value of the swap are recorded as unrealized gain or loss on interest rate swap in the accompanying statements of activities.

USRC is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap agreement. The counterparty for this swap transaction is a major financial institution from which USRC management does not anticipate nonperformance.

1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* which amends the existing accounting standards for revenue recognition. ASU 2014-09 supersedes the revenue recognition requirements in FASB ASC 605 and most industry-specific guidance through the Industry Topics in the FASB ASC. Under the new standard, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

USRC implemented ASU 2014-09 during the year ended September 30, 2020. USRC determined that the new standard does not have a material impact on the timing of the revenue recognition. There was no effect on changes in net assets or net assets as a result of the adoption of ASU 2014-09.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and accounting guidance for contributions. ASU 2018-08 clarifies whether certain transactions should be characterized as contributions (nonreciprocal transactions) within the scope of Topic 958-605 or as exchange (reciprocal) transactions subject to other guidance such as Topic 606, *Revenue from Contracts with Customers*. The ASU provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The update as it relates to contributions received and made is effective for periods beginning after December 15, 2018 and December 15, 2019, respectively. Early adoption is permitted. USRC implemented ASU 2018-08 during the year ended September 30, 2020. The adoption of the new standard did not have a material impact on the accompanying financial statements.

Revenue Recognition

USRC's main source of revenue is rent payments as defined in sublease agreements between Union Station Investco, LLC (USI), a privately-held Delaware limited liability company (Note 5), and the parking garage operator (Note 6).

Rental income under leases with scheduled rent increases is recognized using the straight-line method over the term of the lease. Deferred participation rent receivable represents the difference between the rental revenue recognized on a straight-line basis over the term of the respective lease agreement and the cash rental payments contractually due under the applicable lease provisions. USRC's sublease agreement contains a provision under which USI is required to reimburse USRC for a portion of real property taxes. Such reimbursements are recognized in the period in which the expenses are incurred, and any amounts that have not been reimbursed by USI are shown as accounts receivable in the accompanying statements of financial position. The lease with the parking garage operator also includes rental payments that are contingent on the revenue earned by the parking garage operator. The revenue is recognized when earned. All leases between USRC and USI and the parking garage operator are recorded as operating leases.

1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Revenue Recognition – cont'd.

Bus deck operator fees, collected from various intercity bus operators for their use of the bus facilities, in excess of the amounts received for reimbursement of USRC's initial costs (Note 7) are recorded as revenue in the accompanying statements of activities in the period in which the fees are earned.

Contributions are reported as revenue in the year in which payments are received and/or unconditional promises to give are made. USRC reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated asset. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Deferred Revenue

Deferred revenue represents advance payments received from Greyhound Bus lines for the monthly lease payment for the retail pavilion on the bus deck under the terms of the License Agreement and relate to services that are to be performed within the next fiscal year. The amounts are recognized as revenue at the time the services are performed. Deferred revenue related to these advance payments totaled $87,333 as of September 30, 2020 and 2019.

Deferred revenue also includes the portion of grant money receipts which was unspent on the related grant expenditures during the year. The amounts are recognized as revenue at the time of the related expenditures. There were no unspent grant money receipts as of September 30, 2020. The deferred revenue related to unspent grant money receipts totaled $212,603 as of September 30, 2019.

Deferred revenue is included in accounts payable and accrued expenses in the accompanying statements of financial position.

Fair Value Measurement

ASC 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value, and enhances disclosures about fair value measurements. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that USRC has the ability to access.

1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Fair Value Measurement – cont'd.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

Interest Rate Swap: The fair value of the interest rate swap agreement is the estimated amount that USRC would receive or pay to terminate the agreement at the reporting date. The fair value of the interest rate swap is determined using pricing models developed based on the contractual terms of the swap, current interest rates, and other observable market data. The value is adjusted to reflect nonperformance risk of the counterparty of USRC.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while USRC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at September 30, 2020 and 2019.

The following table sets forth by level, within the fair value hierarchy, USRC's liabilities at fair value as of September 30, 2020:

	Level 1	Level 2	Level 3	Total
Interest rate swap	$ -	$ 3,030,227	$ -	$ 3,030,227

1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Fair Value Measurement – cont'd.

The following table sets forth by level, within the fair value hierarchy, USRC's liabilities at fair value as of September 30, 2019:

	Level 1	Level 2	Level 3	Total
Interest rate swap	$ -	$ 612,538	$ -	$ 612,538

Tax Status

USRC is exempt from payment of Federal income taxes under section 501(c)(3) of the Internal Revenue Code (the Code). Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Sales and Use Taxes

Effective July 31, 2012, USRC was granted an exemption from District of Columbia sales and use tax, in accordance with DC Code 47-2005 and Title 9 DCMR 445.

Accounting for Uncertainty in Income Taxes

ASC 740, *Income Taxes*, prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return as well as guidance on de-recognition, classification, interest and penalties, and financial statement reporting disclosures. For these benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. USRC has considered its income tax positions, including any positions that may be considered uncertain by the relevant tax authorities in the jurisdictions in which USRC operates. As of September 30, 2020 and 2019, USRC had not identified any uncertain tax positions or unrecognized tax exposures.

USRC recognizes interest and penalties accrued on any unrecognized tax exposures as a component of income tax expense. USRC does not have any amounts accrued relating to interest and penalties as of September 30, 2020 and 2019.

Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. Management believes USRC has no net unrelated business income for the years ended September 30, 2020 and 2019. USRC is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress.

1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Statement of Functional Expenses

The classification of expenses between program services and supporting services, where applicable, is based on direct expenses incurred. Any expenditure not charged directly has been allocated based on personnel time allocations.

Reclassifications

Certain amounts presented in the prior year financial statements have been reclassified to conform to the current year presentation. The reclassification had no effect on the previously reported total change in net assets or total net assets.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among Organizations by recognizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing transactions. The distinction between finance leases and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous leases' guidance. Lessor accounting is largely unchanged. For lessees, leases under both categories will be reported on the statement of financial position as a depreciable right-to-use asset and a liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease.

In June 2020, the FASB deferred the effective date of the lease guidance for non-public entities to reporting periods beginning after December 15, 2021. Early adoption is permitted. Management has elected not to adopt ASU 2016-02 early and is evaluating the impact of adopting the new lease standard on USRC's accompanying financial statements.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The objectives of the amendments in this update are to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. Among other provisions, the new standard (1) eliminates the separate measurement and reporting of hedge ineffectiveness and (2) permits an entity to recognize in earnings the initial value of an excluded component under a systematic and rational method over the life of the derivative instrument. The amendments are effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. All transition requirements and elections should be applied to hedging relationships existing on the date of adoption. The effect of the adoption should be reflected as of the beginning of the fiscal year of adoption. USRC is currently evaluating the timing of its adoption and the impact of adopting ASU 2017-12 on its financial statements.

Subsequent Events

USRC evaluated for disclosure any subsequent events through April 2, 2021, the date the financial statements were available to be issued, and determined that there were no material events that warrant disclosure.

2. ACCOUNTS RECEIVABLE

The components of accounts receivable are as follows as of September 30,:

	2020	2019
Crummell Lot	$ 2,000,000	$ 2,834,547
USI	1,867,315	1,814,457
Parking Garage	275,395	828,186
Bus Operators	45,448	161,250
Total accounts receivable	4,188,158	5,638,440
Less: allowance for doubtful accounts	-	(834,547)
Accounts receivable, net	$ 4,188,158	$ 4,803,893

As of September 30, 2020 and 2019, USRC incurred survey, construction and interest expense relating to the Crummell Lot totaling $2,834,547. Due to ongoing disputes with the District of Columbia (the City), this offsite parking lot is not currently being used by the intercity bus operators. USRC is in settlement talks with the City to return the Crummell Lot to the City and be reimbursed by the City for the accumulated costs. USRC received a letter from the City that offered a settlement of $999,999. USRC has responded contesting the settlement amount and is continuing its negotiations with the City. USRC recorded an allowance as of September 30, 2019 based on management's estimate of the amount they expect to collect from the City. Management wrote off the estimated uncollectible amount due from the City against the allowance during the year ended September 30, 2020.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of September 30,:

	2020	2019
Leasehold improvements	$ 94,428,435	$ 92,119,948
Construction in progress	6,978,321	6,130,254
Office equipment	1,983,426	1,983,426
Computer equipment	393,814	393,814
Office furniture	41,920	41,920
Total property and equipment	103,825,916	100,669,362
Less: accumulated depreciation and amortization	(32,568,998)	(29,381,683)
Property and Equipment, net	$ 71,256,918	$ 71,287,679

Depreciation and amortization expense totaled $3,188,552 and $2,989,275 for the years ended September 30, 2020 and 2019, respectively.

4. LEASE AGREEMENT WITH THE FEDERAL RAILROAD ADMINSTRATION

Effective October 31, 1985, USRC entered into an agreement with the FRA to lease the Union Station complex for 29 years, with options to extend the lease for up to five subsequent 14 year terms, of which all renewal options have been exercised, extending the lease through 2084 (Note 9). This lease contains funding clauses wherein neither party is obligated to carry out the lease term and related responsibilities if sufficient funds are not available. As part of the agreement, USRC is responsible for redevelopment, maintenance and operation of the Union Station complex. The agreement states there is no legal liability to the FRA for any expenses of the Union Station complex, except to the extent to which funds are appropriated or otherwise made available to the FRA for such purpose.

5. SUBLEASE AGREEMENT WITH UNION STATION INVESTCO, LLC, SUCCESSOR TO UNION STATION VENTURE, LTD.

Effective October 31, 1985, USRC entered into an agreement with Union Station Venture, LTD. (USV) to sublet the Union Station complex for 29 years (the Sublease Agreement), with options for up to five subsequent 14-year terms. This sublease is subordinate to the aforementioned lease with the FRA.

As part of the agreement, USV is responsible for developing and leasing the retail and office space and for maintaining and operating the complex. USRC receives an annual base rent of $1,000,000, plus a percentage of the net profit from rental operations (referred to as participation rent) and a payment based on a percentage of the change in consumer price index multiplied by the annual rent (index rent).

On January 25, 2007, USV sold its leasehold interest to USI. The terms and conditions of the above sublease agreement remain in effect, and USI has assumed all rights and obligations under the agreement previously assigned to USV. USI has also exercised the option to renew the sublease for the five subsequent 14-year terms, extending the lease through 2084.

On May 9, 2008, USRC and USI signed the Third Amendment to the sublease agreement, which changed the participation rent to a fixed payment schedule, effective retroactively beginning in calendar year 2007.

On April 9, 2019, USRC and USI signed the Fourth Amendment to the sublease agreement, which changed the payment due during the 2084 calendar year from $11,470,424 to $9,558,304.

Rental income for the year ended September 30, 2020 related to this agreement totaled $6,044,618, consisting of $1,000,000 in base rent, $4,664,251 in participation rent, and $380,367 in index rent. Rental income for the year ended September 30, 2019 related to this agreement totaled $6,030,056, consisting of $1,000,000 in base rent, $4,675,685 in participation rent, and $354,371 in index rent. Participation rent is subject to incremental increases of 2% each year. Pursuant to ASC 840, *Leases*, USRC records participation rent income on a straight-line basis over the term of this lease. Deferred participation rent receivable represents the excess of recorded rent income over amounts received to date under the terms of the lease agreement. As of September 30, 2020 and 2019, deferred participation rent related to this agreement totaled $42,510,553 and $39,958,315, respectively.

As of September 30, 2020 and 2019, accounts receivable from USI relating to the base rent, the participation rent, and the index rent totaled $1,867,315 and $1,814,457 respectively, and is included in accounts receivable in the accompanying statements of financial position. This receivable is expected to be collected in full within one year.

6. PARKING GARAGE OPERATOR CONTRACT

USRC has entered into an agreement with a contractor for the management, operation and maintenance of the parking facilities adjacent to the Union Station complex, which expires September 30, 2022. Under the terms of the agreement, the contractor agreed to pay USRC an annual minimum base rent and the net profit less the incentive fees resulting from the operations of the garage, which are recorded as parking garage additional rent in the accompanying statements of activities.

Under the terms of the agreement, the annual minimum base rent was $7,000,000 for the years ended September 30, 2020 and 2019. On October 14, 2020, a third amendment to the agreement was entered into due to the loss of parking gross revenue sustained by the garage operator from March 1, 2020 through September 30, 2020 as a result of impact of coronavirus (Note 17). The impact of coronavirus was considered an "adverse demand event" under the terms of the agreement. Under the third amendment, the garage operator was not required to pay the monthly license of $583,333 from March 1, 2020 through September 30, 2020. As of September 30, 2020 and 2019, accounts receivable from the parking garage operator totaled $275,395 and $828,186, respectively.

7. INTERCITY BUS FACILITIES

Effective August 17, 2011, USRC entered into a Memorandum of Understanding (MOU) with the Operators to establish initial terms and use of a bus deck in the parking garage adjacent to Union Station and an offsite parking lot located near Union Station to provide bus storage and related amenities for tour bus operators. USRC funded initial costs in connection with evaluating the feasibility, design, engineering and construction of the bus deck and offsite parking lot (Note 2). Such costs are recoverable by USRC from the Operators, as USRC is to operate the bus facilities in a manner that is capital and revenue neutral.

On November 1, 2011, USRC and the Operators entered into multiyear binding license agreements that superseded the terms of the MOU, and detailed the terms of conditions regarding the use of the bus facilities in exchange for predefined fees intended to cover USRC's operating and management costs. Under the license agreements, all initial costs incurred by USRC, as noted above, plus interest at the rate of 3% per annum until fully reimbursed, were to be repaid by the Operators after the bus facility improvements are substantially complete. The bus facility improvements were substantially completed in July 2013.

Repayment of these costs incurred for the bus deck started in July 2013 and were paid in full in June 2016. Bus operator fees collected in excess of the amounts used for the repayment of these costs incurred for the bus deck are recorded as revenue in the accompanying statement of activities. In accordance with the license agreements, these excess fees are held in escrow for future improvements to the bus deck. The balance held in escrow as of September 30, 2020 and 2019, was $5,147,256 and $5,867,409, respectively, which is included in restricted cash within the accompanying statements of financial position.

8. RELATED PARTY TRANSACTIONS

Amtrak

In June 2005, USRC entered into an agreement with Amtrak, which is a related party as Amtrak's President serves on USRC's Board of Directors, for engineering and related force account services in connection with the Union Station garage expansion. The agreement, which was amended on October 28, 2009 to increase the scope of services is for Amtrak to provide resources to support USRC’s construction work that Amtrak deems as affecting the operating railroad. Estimated costs are detailed in the agreement but are not considered contractual obligations.

There were no amounts owed to or due from Amtrak as of September 30, 2020 and 2019. As of September 30, 2020 and 2019, USRC had a deposit related to the agreement with Amtrak totaling $309,800. The garage expansion for which the deposit was made was completed in 2006; however, the deposit has not been returned to USRC because Amtrak requires that the 2005 agreement remains open in order for USRC contractors to perform work near the operating railroad. Ensuring that USRC can maintain the garage structure as required in the agreement is of higher priority than the return of the deposit.

The Federal Railroad Administrator also serves on the Board of Directors of USRC. Therefore, all transactions with the FRA are considered related party transactions. There were no amounts owed to or due from the FRA as of September 30, 2020 and 2019.

Capital Maintenance Reserve Fund

The CMRF was established to fund capital repairs, including repairs to Union Station's unique historical features. Under the provisions of the Sublease Agreement, USI and Amtrak are required to make equal monthly contributions to the CMRF. USRC makes monthly contributions on Amtrak's behalf and is responsible for expenditures in excess of the amount in the CMRF.

Expenditures made from the CMRF are administered by USI with approval from USRC. In June 2008, as part of the Third Amendment to the Sublease Agreement, USRC and USI agreed to increase the monthly contribution to the CMRF annually by a fraction, the numerator of which is the consumer price index (the CPI) for the month of December of the preceding calendar year and the denominator of which is the CPI for the month of December of the second preceding calendar year.

Contributions made to the CMRF during the year ended September 30, 2020 totaled $1,427,311, which is comprised of contributions from USRC and USI totaling $713,637 and $713,674, respectively. Contributions from USRC and USI that were made prior to October 1, 2019 and were used to fund CMRF expenditures during the year ended September 30, 2020 totaled $992,018. During the year ended September 30, 2020, the CMRF incurred cost totaling $1,537,885 related to the HVAC design and construction project, vestibule heater equipment, revolving doors project and the main hall floor project. Accordingly, these costs were recognized as a contribution to USRC during the year ended September 30, 2020 and USRC capitalized these costs as property and equipment as of September 30, 2020. Contributions from CMRF that were funded by USRC were offset against the contributions made to the CMRF resulting in a net contribution totaling $824,248 during the year ended September 30, 2020.

8. RELATED PARTY TRANSACTIONS – cont'd.

Capital Maintenance Reserve Fund – cont'd.

Contributions made to the CMRF during the year ended September 30, 2019 totaled $1,396,818, which was comprised of contributions from USRC and USI totaling $698,409 and $698,409, respectively. Contributions from USRC and USI that were made prior to October 1, 2018 and were used to fund CMRF expenditures during the year ended September 30, 2019 totaled $746,297. During the year ended September 30, 2019 the CMRF incurred cost totaling $447,403 related to the concourse ceiling project, hot water replacement project, vestibule heater equipment, fire alarm project, revolving door project and the marble floor project. Accordingly, these costs were recognized as a contribution to USRC during the year ended September 30, 2019 and USRC capitalized these costs as property and equipment as of September 30, 2019. Contributions from CMRF that were funded by USRC were offset against the contributions made to the CMRF resulting in a net contribution to CMRF totaling $223,202 during the year ended September 30, 2019.

As of September 30, 2020 and 2019, the CMRF's cash balance totaled $729,430 and $1,592,567, respectively, which is included in restricted cash within the accompanying statements of financial position.

Union Station 2nd Century Master Plan

The parties to the Union Station 2nd Century Master Plan Agreement (the Master Plan) include USRC, Akridge and Amtrak (collectively known as the Collective Contributors), which are working together to further the vision presented in the 2012 Amtrak Washington Union Terminal Master Plan for improved rail operations and enhanced customer experience at Union Station in Washington, DC. In support of the Master Plan, the partnership focuses on various preliminary studies. Each study is governed by a separate MOU that identifies which of the Collective Contributors will serve as the lead for procurement, the lead for project management and the primary payment agent. The funding allocation amongst the Collective Contributors is determined based on the specific study, with the primary Partners beneficiary paying the majority of costs.

For the years ended September 30, 2020 and 2019, USRC recorded contributions to the Master Plan of $2,413,461 and $1,119,839, respectively. For the years ended September 30, 2020 and 2019, costs incurred by the Plan that were identified as capital costs totaled $1,000 and $149,784, respectively. These costs related to the HVAC relocation capital project and accordingly, these costs were recognized as a contribution to USRC during the years ended September 30, 2020 and 2019 and USRC capitalized these costs as property and equipment as of September 30, 2020 and 2019. The portion of these cost which were funded by USRC totaled $0. Contributions from the Master Plan that were funded by USRC are recorded against the contributions to the Master Plan resulting in net contributions to the Master Plan totaling $2,413,461 and $1,119,839 during the years ended September 30, 2020 and 2019.

As of September 30, 2020 and 2019, the Master Plan's cash balance totaled $838,761 and $1,067,189 respectively, and is included in restricted cash in the accompanying statements of financial position. As of September 30, 2020 and 2019, contributions due to the Master Plan totaled $32,763 and $107,810, respectively, and are included in accounts payable and accrued expenses within the accompanying statements of financial position.

8. RELATED PARTY TRANSACTIONS – cont'd.

Amtrak Concourse Modernization

The Amtrak Concourse Modernization includes USRC, Amtrak and WMATA, working together to construct the improvements to Amtrak's existing Claytor passenger concourse at Union Station in Washington, DC and improvements to the WMATA North Mezzanine and First Street Entrance Project at Union Station. Initially, the parties agreed that one Construction Manager should be procured for both projects due to proximity of the work and need for coordination between the two projects. An agreement between USRC and Amtrak governing the Construction Manager contract was signed and effective as of March 21, 2018. The Construction Manager scope of work began in April 2018. On February 26, 2019, WMATA decided that the modifications to the First Street Entrance Project should be performed by a WMATA contractor and the improvements should be performed separately from the WMATA North Mezzanine project. In support of constructing the improvements, the Agreement identifies USRC as the procurement and contracting authority and requires both Amtrak and WMATA to provide all funding. USRC establishes and maintains the bank accounts and makes all payments to third party vendors, providing quarterly reports to each funding party for the duration of the project. As of September 30, 2020 and 2019, USRC held cash for others totaling $274,610 and $80,809, respectively. The cash held for others is included in restricted cash within the accompanying statements of financial position.

9. DISTRIBUTION INCOME

By agreement with Amtrak and the FRA, income earned by USRC from rents, parking garage revenue, and interest income was to be expended or distributed as follows:

a) First, to pay operating expenses and Amtrak's contributions to the CMRF (Note 8), and to pay financial obligations incurred by USRC in the course of USRC's authorized operations;
b) Second, to pay the FRA $118,239 in rent each month through June 2001 to cover the FRA's mortgage payment on Union Station;
c) Third, to pay amounts advanced to USRC by the FRA;
d) Fourth, to pay amounts due to the FRA from rent owed to the FRA discussed above that were previously deferred;
e) Fifth, to distribute all remaining income to Amtrak.

In fiscal year 2002, USRC completed all payment obligations to the FRA as described under b, c, and d. As of September 30, 2020 and 2019, USRC determined there was no excess revenue to distribute to Amtrak.

10. NOTE PAYABLE

In July 2005, USRC entered into a $38,000,000 construction/term loan and promissory note (collectively referred to as a term note) with a financial institution to provide funds for its garage expansion. On June 9, 2011, USRC refinanced $30,000,000 of the outstanding promissory note with PNC Bank, N.A. into a term note and loan agreement that matures on June 9, 2021. Effective October 30, 2019, the PNC loan was extended, with a new maturity date of October 30, 2029. USRC was required to pay an extension fee of $69,377. The term note requires consecutive monthly principal and interest payments under interest terms at the one-month London Interbank Offered Rate (LIBOR) plus 0.75%. As of September 30, 2020 and 2019, the effective one-month LIBOR was 0.16% and 2.04%, respectively. The term note is secured by the gross receipts from the Union Station complex and parking garage operations together with a collateral assignment of the parking garage operator contract. Additionally, USRC is required to adhere to certain annual financial covenants that include maintaining certain unrestricted cash levels and maintain an acceptable debt service coverage ratio as defined in the term note. As of September 30, 2020 and 2019, USRC was in compliance with all covenants.

As of September 30, 2020 and 2019, USRC had an outstanding balance on the term note of $22,086,392 and $23,134,552, respectively. Interest incurred under the term note and the related interest rate swap agreement (Note 11) totaled $811,201 and $932,596 for the years ended September 30, 2020 and 2019, respectively.

Future maturities under this term note are as follows for the years ending September 30,:

2021	$ 1,088,421
2022	1,124,775
2023	1,162,344
2024	1,201,167
2025	1,241,287
Thereafter	16,268,398
Total future maturities	22,086,392
Less: current maturities	(1,088,421)
Less: debt issuance costs, net	(76,784)
Note payable, net of current maturities	$ 20,921,187

11. INTEREST RATE SWAP AGREEMENT

On June 9, 2011, USRC entered into an interest rate swap agreement to manage the interest cost and risk associated with its outstanding debt. The notional amount of the swap agreement originally totaled $30,000,000 and is periodically reduced such that it is equal to the outstanding principal balance. Under the terms of the agreement, USRC's interest rate exposure effectively changes its floating rate loan to a fixed rate of 3.95% and receives a variable rate of LIBOR plus 0.75% on the outstanding notional balance. The fair value of the swap agreement was a liability of $3,030,227 and $612,538 as of September 30, 2020 and 2019, respectively. Effective October 30, 2019, the interest rate swap agreement was amended. The amended agreement extended the maturity date to October 30, 2029 and eliminated the interest rate swap termination payment. USRC records the decrease in the fair value of the interest rate swap agreement as an unrealized loss. The unrealized loss on the interest rate swap agreement totaled $2,417,688 and $443,875 for the years ended September 30, 2020 and 2019, respectively.

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the followings purposes as of September 30,:

	2020	2019
Capital projects not yet placed into service	$ 472,313	$ -
Regild of Union Station Main Hall ceiling adornments	4,690	4,690
Net assets with donor restrictions	$ 477,003	$ 4,690

During the year ended September 30, 2020 there were no net assets released from restrictions. During the year ended September 30, 2019 net assets released from restrictions totaled $27,210.

13. EMPLOYEE BENEFIT PLANS

USRC established a qualified Section 401(a) defined contribution retirement plan and a retirement savings plan effective July 1, 1984. Under the defined contribution retirement plan, all employees paid on a salaried basis, as defined by the plan, are eligible to participate. USRC contributes 8% of employees' annual base pay toward the defined contribution retirement plan. Under the retirement savings plan, all employees are eligible to participate immediately and USRC matches employee contributions up to 7% of the annual base pay for each participant in the plan. USRC's contribution to these plans for the years ended September 30, 2020 and 2019 totaled $113,259 and $98,001, respectively.

14. COMMITMENTS AND CONTINGENCIES

Litigation

USRC may from time-to-time be involved in various legal proceedings and other contract disputes arising in the normal course of business. While the outcome of these matters is not presently determinable, it is the opinion of management that the resolution of these matters will not have a material adverse impact on USRC’s financial position.

14. COMMITMENTS AND CONTINGENCIES – cont'd.

Operating Lease

On July 12, 2016, USRC entered into a 10-year noncancelable operating lease for office space. The lease commenced in November 2017 and contains an annual 2.5% escalation clause.

Future minimum lease payments are as follows for the years ending September 30,:

2021	$	239,747
2022		245,756
2023		251,902
2024		258,183
2025		264,638
Thereafter		572,530
Total	$	1,832,756

In accordance with ASC 840, USRC records rent expense from noncancelable operating leases using the straight-line method over the term of the lease. The deferred rent represents the excess of recorded rent expense over amounts paid to date under the terms of the noncancelable operating lease. As of September 30, 2020 and 2019, deferred rent totaled $115,031 and $106,441, respectively. Rent expense for the years ended September 30, 2020 and 2019 totaled $236,009 and $217,826, respectively.

15. LIQUIDITY AND AVAILABILITY OF RESOURCES

USRC's financial assets available within one year for general expenditures are as follows as of September 30,:

	2020	2019
Cash and cash equivalents	$ 27,773,196	$ 30,068,970
Accounts receivable, net	4,188,158	4,803,893
Total financial assets available within one year	31,961,354	34,872,863
Less: net assets with donor restrictions	(477,003)	(4,690)
Financial assets available to meet cash needs for general expenditures within one year	$ 31,484,351	$ 34,868,173

USRC's working capital and cash flows fluctuate during the year due to the timing of government collections, contributions, programmatic expenses and capital expenditures. To manage liquidity, USRC has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

16. CONCENTRATION OF CREDIT RISK

The majority of USRC's revenue is earned from contracts with USI and the parking garage operator (USPG). In addition, USI and USPG account for a large portion of USRC's accounts receivable. As a result, a significant reduction in revenue from USI or USPG would have an adverse impact on USRC's operations.

17. CORONAVIRUS

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. During January 2020, COVID-19 began to spread throughout the United States and the World Health Organization declared COVID-19 a global health emergency. Since January 2020, COVID-19 has continued to spread throughout the United States. Beginning in March 2020, Federal, state and local governments mandated restrictions in an effort to contain COVID-19. The mandated restrictions resulted in a significant reduction in travel including travel by bus and rail, which adversely impacted USRC's operations. Because of the size and duration of COVID-19, all of the direct and indirect consequences of COVID-19 are not yet known and may not emerge for some time. The future impact of the pandemic is highly uncertain and cannot be predicted, but it could have a material adverse impact on the future results of operations and financial position of USRC. The extent of the impact, if any, will depend on future developments, including actions taken to contain COVID-19.