

**UNION STATION CAPITAL MAINTENANCE
RESERVE FUND**

**Financial Statements
Together with Independent Auditors' Report**

For the Years Ended September 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Union Station Redevelopment Corporation
and the Management of Union Station Investco, LLC:

We have audited the accompanying financial statements of the Union Station Capital Maintenance Reserve Fund (the Fund), which comprise the statements of financial position as of September 30, 2020 and 2019, the related statements of activities and changes in net assets 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 the Union Station Capital Maintenance Reserve Fund 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

UNION STATION CAPITAL MAINTENANCE RESERVE FUND

Statements of Financial Position

<i>As of September 30,</i>	<i>2020</i>	<i>2019</i>
Assets		
Cash	\$ 729,430	\$ 1,592,567
Total Current Assets	729,430	1,592,567
Total Assets	\$ 729,430	\$ 1,592,567
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 418,380	\$ 350,893
Deferred revenue	311,050	1,241,674
Total Liabilities	729,430	1,592,567
Net Assets		
Net Assets without restrictions	-	-
Total Net Assets	-	-
Total Liabilities and Net Assets	\$ 729,430	\$ 1,592,567

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

UNION STATION CAPITAL MAINTENANCE RESERVE FUND

Statements of Activities and Changes in Net Assets

<i>For the Years Ended September 30,</i>	<i>2020</i>	<i>2019</i>
Operating Revenues and Other Support		
Contract revenue - USRC	\$ 1,210,438	\$ 472,495
Contract revenue - USI	1,208,891	178,026
Other revenue	121	-
Total Operating Revenues and Other Support	2,419,450	650,521
Operating Expenses		
HVAC Design and Construction	1,420,729	90,000
Main Hall Floor	407,874	-
Roof Repair	180,640	-
Vestibule Heaters	153,016	15,300
Revolving Doors Project	137,091	205,636
Building Automation System	59,900	-
West Loading Dock	53,326	-
Subbasement Structural Inspections	6,820	6,940
Fire Alarm Design Services	54	11,678
Concourse Ceiling Phase II	-	219,354
Marble Floor Tile	-	56,224
Main Hall Ceiling Repairs	-	45,300
Earthquake Berkadia	-	89
Total Operating Expenses	2,419,450	650,521
Change in Net Assets	-	-
Net Assets, beginning of year	-	-
Net Assets, end of year	\$ -	\$ -

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

UNION STATION CAPITAL MAINTENANCE RESERVE FUND

Statements of Cash Flows

<i>For the Years Ended September 30,</i>	<i>2020</i>	<i>2019</i>
Cash Flows from Operating Activities		
Change in net assets	\$ -	\$ -
Changes in operating assets and liabilities:		
Contract receivable	-	26,600
Accounts payable and accrued expenses	67,487	46,395
Deferred revenue	(930,624)	896,704
Net Cash Provided by (Used in) Operating Activities	(863,137)	969,699
Net Increase (Decrease) in Cash	(863,137)	969,699
Cash, beginning of year	1,592,567	622,868
Cash, end of year	\$ 729,430	\$ 1,592,567

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

UNION STATION CAPITAL MAINTENANCE RESERVE FUND

Notes to the Financial Statements For the Years Ended September 30, 2020 and 2019

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. USRC manages the redeveloped facilities of Union Station (the Station) and its parking garage in Washington, D.C. for the Secretary of Transportation of the United States, acting through the Administrator of the Federal Railroad Administration. Included in USRC's management responsibilities is the maintenance of the parking garage and Union Station's unique historical features.

The United States Department of Transportation leases the Station and its parking garage to USRC, and USRC in turn subleases the Station to Union Station Investco, LLC (USI). As part of the sublease agreement, the Union Station Capital Maintenance Reserve Fund ("the Organization" or "CMRF") was established and memorialized pursuant to the Escrow Agreement dated July 16, 1991, to fund capital repairs, including repairs to the Station's unique historical features. Under provisions of the leases for the Station, 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 amounts held in the CMRF. Expenditures made from the Fund are administered by USI, with approval from USRC (Note 2). USRC makes payments directly to vendors on behalf of CMRF.

Basis of Presentation

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. The information included in these financial statements is intended to present assets, liabilities and net assets of the CMRF and the related revenue and expenses for the purpose of meeting the audit provisions of the USRC/USI sublease agreement. Even though some of the costs are capital in nature, the amounts are shown as expenses on the CMRF's financial statements because the related assets are not owned by the CMRF.

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.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 Accounting Standards Codification (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. The CMRF implemented ASU 2014-09 during the year ended September 30, 2020.

UNION STATION CAPITAL MAINTENANCE RESERVE FUND

Notes to the Financial Statements For the Years Ended September 30, 2020 and 2019

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

Recently Adopted Accounting Pronouncements – cont'd.

The CMRF 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. The CMRF 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.

Cash

CMRF's cash is held in escrow by USRC and consists of a demand deposit with a financial institution. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. The CMRF periodically maintains cash balances in excess of FDIC coverage. Management considers this to be a normal business risk.

Revenue Recognition

Revenue is principally derived from lease agreements and is recognized as expenses are incurred. The CMRF receives monthly contributions from USI and USRC in accordance with the provisions of the sublease agreements between USRC and USI and the First Amendment to the Cooperative Agreement between FRA, USRC and Amtrak. Since USRC is responsible for expenditures in excess of amounts held in the CMRF, a receivable from USRC equal to any net asset deficit balance will be recorded in the event that expenditures exceed contract revenue.

The monthly payments are fixed amounts that are adjusted annually based on the consumer price index as of January 1 of each year. The USRC/USI agreement contains a provision that suspends USI's monthly payments to the CMRF if the CMRF's balance reaches \$5,000,000, as adjusted for inflation. As of September 30, 2020, and 2019, the estimated inflation-adjusted balance required to suspend USI's monthly payment was approximately \$9,700,000 and \$9,500,000, respectively. The agreements expire in September 2084.

Deferred Revenue

Deferred revenue consists of the cumulative contributions received from USRC/USI in excess of the CMRF expenditures incurred to date. The excess USRC/USI payments will be used to fund capital repairs and additions subsequent to year end. Deferred revenue totaled \$311,050 and \$1,241,674 as of September 30, 2020 and 2019, respectively.

UNION STATION CAPITAL MAINTENANCE RESERVE FUND

Notes to the Financial Statements For the Years Ended September 30, 2020 and 2019

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

Statement of Functional Expenses

A statement of functional expenses has not been included in the accompanying financial statements because 100% of expenses incurred during the years ended September 30, 2020 and 2019 were program related.

Subsequent Events

The CMRF 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. OPERATIONS OF THE UNION STATION CAPITAL MAINTENANCE RESERVE FUND

As stipulated in the USRC/USI sublease agreement, USRC controls the CMRF's assets and USI controls the funding requisition and reimbursement processes. Before each specific project begins, USI prepares a funding requisition that includes a project summary, estimated cost and a listing of critical contract terms. Once approved, USI is responsible for the procurement of all services, management of each project, payment of all contracted services, preparation of the fund reimbursement requests, and providing regular progress reports to USRC.

As payments are processed by USI for contracted services, USI prepares a fund reimbursement request and submits it to USRC for approval and payment. Once approved by USRC, USRC submits the approved reimbursement request for payment and initiates a withdrawal of funds from the CMRF's escrow deposit account. When current reimbursements exceed the amount available in the CMRF escrow account, USRC will transfer necessary funds into the escrow account to meet reimbursement and other obligations.

Under the sublease agreement between USRC and USI, the proceeds of the CMRF should be used for the following:

- a) Structural repair of the buildings on certain projects (the Project) as defined in the agreement;
- b) Repair of exterior improvements on the Project;
- c) Major repairs to and replacement of the Project's components, systems, and equipment;
- d) Repairs made to the improvements constructed or installed by USRC pursuant to the Work Allocation Agreement as defined in the sublease agreement;
- e) Repairs made to the improvements constructed or installed by USI pursuant to the Work Allocation Agreement (but only if such improvements were not constructed or installed exclusively for the benefit of individual retail tenants on the Project);
- f) Repair or restoration of the historic fabric and special features of the Union Station building that are difficult and expensive to replace or repair because of their age, style or uniqueness;
- g) Subsequent repairs and replacements of improvements, components, systems, equipment and work previously constructed, obtained or performed with the proceeds of the CMRF; and
- h) Any other capital expenditures agreed upon by USRC and USI

UNION STATION CAPITAL MAINTENANCE RESERVE FUND

Notes to the Financial Statements For the Years Ended September 30, 2020 and 2019

2. OPERATIONS OF THE UNION STATION CAPITAL MAINTENANCE RESERVE FUND – cont’d.

In addition, the agreement states that the funds in the CMRF should be used solely for work contemplated under certain provisions of the sublease agreement, the cost of which would be properly classified as a capital expenditure in accordance with generally accepted accounting principles. However, if it is a repair or restoration of the historical fabric and special features of the Union Station building, which are difficult and expensive to replace or repair because of their age, style or uniqueness, the cost of such repair or restoration shall be paid from the CMRF whether or not such cost is classified as a capital expenditure. Funds from the CMRF should not, without the approval of USRC, be used to repair any tenant improvements.

In December 2012, USRC and USI jointly established procedures for the CMRF, including procedures for emergency work performed or other changes to scope that impact previously approved projects and similar items, to ensure that both parties are in agreement on obligated funds.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

CMRF’s financial assets available within one year of the statements of financial position date for general expenditure are as follows as of September 30,:

	2020	2019
Cash	\$ 729,430	\$ 1,592,567
Financial assets available to meet cash needs for general expenditures within one year	\$ 729,430	\$ 1,592,567

4. 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 the operations of USI and USRC. 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 the CMRF. The extent of the impact, if any, will depend on future developments, including actions taken to contain COVID-19.