

UNION STATION 2ND CENTURY MASTER PLAN

**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:

We have audited the accompanying financial statements of the Union Station 2nd Century Master Plan (the Plan), which comprise the statements of financial position as of September 30, 2020 and 2019, the related statements of activities and change 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 2nd Century Master Plan 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.

SCH Attest Services, P.C.

April 2, 2021

UNION STATION 2ND CENTURY MASTER PLAN

Statements of Financial Position

<i>As of September 30,</i>	<i>2020</i>	<i>2019</i>
Assets		
Cash	\$ 838,760	\$ 1,067,189
Accounts receivable	253,791	437,750
Total Assets	\$ 1,092,551	\$ 1,504,939
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 62,167	\$ 379,336
Deferred revenue	1,030,384	1,125,603
Total Liabilities	1,092,551	1,504,939
Net Assets		
Net assets without restrictions	-	-
Total Net Assets	-	-
Total Liabilities and Net Assets	\$ 1,092,551	\$ 1,504,939

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

UNION STATION 2ND CENTURY MASTER PLAN

Statements of Activities and Change in Net Assets

<i>For the Years Ended September 30,</i>	<i>2020</i>	<i>2019</i>
Operating Revenue and Support		
Contract revenue - Amtrak	\$ 461,539	\$ 547,811
Contract revenue - USRC	570,750	417,272
Contract revenue - Akridge	111,254	125,182
Other income	1,151	221
Total Operating Revenues and Other Support	1,144,694	1,090,486
Operating Expenses		
Program service - contractors	1,144,586	1,090,265
Management and general	108	221
Total Operating Expenses	1,144,694	1,090,486
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 2ND CENTURY MASTER PLAN

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	\$ -	\$ -
Adjustments to reconcile change in net assets to net cash		
Provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable	183,959	(92,995)
Accounts payable and accrued expenses	(317,169)	(104,058)
Deferred revenue	(95,219)	407,183
Net Cash Provided by (Used in) Operating Activities	(228,429)	210,130
Net Increase (Decrease) in Cash	(228,429)	210,130
Cash, beginning of year	1,067,189	857,059
Cash, end of year	\$ 838,760	\$ 1,067,189

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

UNION STATION 2ND CENTURY MASTER PLAN

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

The Union Station 2nd Century Master Plan (the Plan) is not a legal entity. Rather, it is a collaboration between Union Station Redevelopment Corporation (USRC), Akridge, and the National Passenger Railroad Corporation (Amtrak) (collectively referred to as the Collective Contributors), who are working together to further the vision presented in the 2012 Amtrak Washington Union Terminal Master Plan (the Master Plan) for improved rail operations and enhanced customer experience at Union Station in Washington, D.C. In support of the Master Plan, the partnership focuses on various preliminary studies. Each study is governed by a separate memorandum of understanding (MOU) that identifies which Collective Contributor will serve as the lead for procurement, the lead for project management, and the primary payment agent. The funding allocation among the Collective Contributors is determined based on the specific study, with the primary Collective Contributor beneficiary paying the majority of costs.

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 recorded when incurred. The information included in these financial statements is intended to present the assets, liabilities, and net assets of the Plan and the related revenue and expenses for the purpose of meeting the audit provision agreed to by the Collective Contributors. Although some of the costs are capital in nature, the amounts are shown as expenses on the Plan's financial statements as the related assets are not owned by the Plan.

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.

Cash

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

Statement of Functional Expenses

A statement of functional expenses has not been included in the accompanying financial statements. Program services consists entirely of payments to contractors. Management and general expenses consist of bank fees.

UNION STATION 2ND CENTURY MASTER PLAN

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

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. The Plan implemented ASU 2014-09 during the year ended September 30, 2020. The Plan 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, 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 Plan 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

Revenue is principally derived from agreements and is recognized as expenses are incurred. The Plan receives funding from the Collective Contributors in accordance with the provisions of the agreements between the Collective Contributors. The agreements govern and guide the funding allocations and include the total project cost, in some instances a contingency, and a related approved project expense budget.

Contributions from the Collective Contributors are fixed amounts based on the agreements. Revenue recognized on contracts for which billings have not been presented to, or collected from, the Collective Contributors is included in accounts receivable in the accompanying statements of financial position. Contributions collected from the Collective Contributors in advance of when the related contract costs are incurred are reported as deferred revenue in the accompanying statements of financial position.

Subsequent Events

The Plan 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.

UNION STATION 2ND CENTURY MASTER PLAN

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

2. OPERATIONS OF THE PLAN

As stipulated in the various MOU's, depending on the project, either USRC or Amtrak will control the procurement or serve as the payment agent; depending on the study, any of the three Collective Contributors will serve as project manager. Typically, whoever serves on the study as procurement lead is also the contracting party with the vendor. Each Collective Contributor has representation on the procurement evaluation committee to ensure a consensus in selection of the vendor to perform services. When the vendor contract is ready for signature, the Collective Contributor MOU is routed for signature (to include vendor scope and costs). When the Collective Contributor MOU is fully executed, the vendor contract can be signed. The Collective Contributors are then billed for their proportionate share of costs as outlined in the MOU. These shares are deposited into the 2nd Century Fund. When vendor invoices are received, they are routed to each of the Collective Contributors for approval. After receiving concurrence from each of the Collective Contributors as outlined by the parameters of the MOU on the cost submission, whoever is serving as the payment agent will make payment to the vendor.

Under the agreement between the Collective Contributors, the proceeds of the Plan are to support the following programs included in the accompanying financial statements as of September 30, 2020 and 2019:

Master Development Plan

To further the vision presented in the Master Plan for improved rail operations and enhanced customer experience at Washington Union Station through an analysis and modification of those initial concepts to ensure that the Union Station 2nd Century Project provides for the enhanced functionality of the existing regional intermodal facility, is respectful of the historic Washington Union Station setting, is seamlessly integrated with the surrounding neighborhoods and advances the construction of three million square feet of new development in the air rights over the rail yard.

As-Needed Engineering Services

USRC determined that Washington Union Station was in need of certain engineering review/consulting services on an as-needed basis. The Collective Contributors anticipate that there may be certain individual tasks related to the Union Station 2nd Century Project in which each of them has an interest for which the specialized services of an engineering firm may be required; in this way, the Collective Contributors may jointly utilize the services of an engineer for agreed-upon tasks.

Title Attorney Analysis

In connection with the proposed renovation and expansion of Washington Union Station and the planned development of Burnham Place in the air rights above the Station's rail yard, the Collective Contributors anticipate that there will be a series of transactions between themselves and other property owners. The Collective Contributors expect that these transactions will require the advice of legal counsel to coordinate the review and analysis of title work, and to advise the Collective Contributors as to the appropriate method to effectuate these transactions in an orderly and efficient way.

Terminal Infrastructure

A study focusing on development of a terminal infrastructure plan to study the operational and physical constraints within the Washington Union Station terminal rail yard to the implementation of the Master Plan and to provide recommendations and concept design for the implementation of the Master Plan.

UNION STATION 2ND CENTURY MASTER PLAN

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

2. OPERATIONS OF THE PLAN – cont'd.

Concourse Modernization Design

A design process to develop a set of improvements to the existing Washington Union Station passenger concourse that betters the customer experience and improves efficiency of Amtrak back of house operations.

3. ACCOUNTS RECEIVABLE

Revenue recognized on contracts for which billings have not been presented to, or collected from, the Collective Contributors is included in accounts receivable in the accompanying statements of financial position. Accounts receivable consists of the following amounts due from the Collective Contributors as of September 30,:

	2020	2019
USRC	\$ 32,763	\$ 106,110
Amtrak	-	105,938
Akridge	221,028	225,702
Total Accounts Receivable	\$ 253,791	\$ 437,750

As of September 30, 2020, all amounts due from the Collective Contributors are expected to be collected within one year.

4. DEFERRED REVENUE

Contributions received from the Collective Contributors in advance of when the related contract costs are incurred are reported as deferred revenue in the accompanying statements of financial position. Deferred revenue consists of the following amounts received in advance from each Collective Contributors as of September 30,:

	2020	2019
Amtrak	\$ 1,030,253	\$ 1,125,472
USRC	131	131
Total Deferred Revenue	\$ 1,030,384	\$ 1,125,603

The contributions received from the Collective Contributors in advance of the contract cost being incurred are related to on-going contracts and are expected to be earned within one year.

UNION STATION 2ND CENTURY MASTER PLAN

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

5. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Plan'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
Financial Assets		
Cash	\$ 838,760	\$ 1,067,189
Accounts receivable	253,791	437,750
Total financial assets available within one year	1,092,551	1,504,939
Less: deferred revenue restricted for specific purposes	(1,030,384)	(1,125,603)
Financial Assets Available to Meet Cash Needs		
for General Expenditures Within One Year	\$ 62,167	\$ 379,336

6. 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. 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 the Collective Contributors. 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 Plan. The extent of the impact, if any, will depend on future developments, including actions taken to contain COVID-19.