

# The Gateway Program Development Corporation

Unaudited Financial Statements as of and for the Year-Ended December 31, 2018

# THE GATEWAY PROGRAM DEVELOPMENT CORPORATION

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# THE GATEWAY PROGRAM DEVELOPMENT CORPORATION

## FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

### OVERVIEW OF THE GATEWAY PROGRAM

The Gateway Program (“Program”) is a comprehensive rail investment program that will update, modernize, and rehabilitate certain rail infrastructure in the Northeast corridor between Pennsylvania Station in Newark, New Jersey and Pennsylvania Station in New York, New York. The Northeast Corridor is the most heavily used passenger rail corridor in the United States of America and serves eight states and Washington, D.C.

The Hudson Tunnel Project is one of the first major components of the Program and consists of the design and construction of a new rail tunnel under the Hudson River, the rehabilitation of the existing century old North River Tunnel currently servicing Penn Station and related improvements.

The Gateway Program Development Corporation (“GPDC”) – a partnership of the State of New York, State of New Jersey, and the National Railroad Passenger Corporation (“Amtrak”) – was incorporated as a New Jersey Domestic Nonprofit Corporation for the purposes of “coordinating, developing, operating, financing, managing, owning or otherwise engaging in activities to effectuate” the Gateway Program and is currently charged with the planning, funding, design and construction of the Hudson Tunnel Project, with support from partner agencies, including the Port Authority of New York and New Jersey (“Port Authority”) and New Jersey Transit Corporation (“NJ TRANSIT”) (collectively, the “Project Partners”).

**Amtrak Support.** Amtrak will be the intercity rail operator for the Portal North Bridge Project and the Hudson Tunnel Project.

In 2018, Amtrak contributed in-kind services to support GPDC’s program management and operational expenses, including communications expenses and engineering-related services, in addition to cash contributions to support GPDC’s direct payments for corporate counsel.

**Port Authority Support.** Subject to Port Authority Board of Commissioner approval and facility certification, the Port Authority has included \$2.7 billion in its 2017-2026 Capital Plan to support the Program through funding of Program debt service support payments on up to an aggregate amount of \$2.7 billion low-cost borrowing for the Program , once all other financing had been obtained for the project. The 2017-2026 Capital Plan states that “[t]he Port Authority's commitment is capped at the agreed principal amount and [the Port Authority] will not be the primary obligor, nor will it be liable for any construction completion, cost overrun or project funding risk.”

On February 15, 2018, the Port Authority’s Board of Commissioners certified \$79 million for the Gateway Early Work Program (defined below), as an additional facility of the Port Authority, and further authorized the issuance of Consolidated Bonds for purposes which include capital expenditures in connection with such Gateway Early Work Program. To date, the Port Authority has provided \$35 million to reimburse Amtrak for a portion of the preliminary engineering and planning costs for the Program. In addition, the Port Authority has announced up to \$31.5 million to support GPDC’s program management and operational expenses and \$12.5 million for certain early works projects (collectively, the “Gateway Early Work Program”), with the understanding that Amtrak will provide equal funding.

In 2018, as part of the Port Authority’s \$31.5 million contribution toward GPDC’s program management and operational expenses, the Port Authority provided to GPDC in-kind services,

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including the provision of dedicated staff to work exclusively for GPDC and use of outside consulting services.

**NJ TRANSIT Support.** NJ TRANSIT is the public transportation corporation and the State of New Jersey's public transportation operator that would utilize the Hudson Tunnel Project. NJ TRANSIT has managed the environmental review of the Hudson Tunnel Project and is also expected to manage the property acquisitions in the State of New Jersey for the Hudson Tunnel Project.

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### 1. ORGANIZATION

The GPDC was incorporated as a New Jersey not-for-profit entity on November 17, 2016, for charitable purposes, specifically “coordinating, developing, operating, financing, managing, owning or otherwise engaging in activities to effectuate” the Program, and by engaging in such other programs or purposes as lessen the burdens of government as may be requested or determined from time to time.

The GPDC’s Board of Trustees is comprised of three representatives: one Trustee appointed by the governing body of the NJ TRANSIT, a body corporate and politic and an instrumentality of the State of New Jersey; one Trustee appointed by the Commissioner or Acting Commissioner of the New York State Department of Transportation (“NYSDOT”), an agency of the State of New York; and one Trustee appointed by Amtrak.

The three Trustees each have a term of three (3) years. The Chair of the Board shall rotate between the Trustee designated by NJ TRANSIT and the Trustee designated by NYSDOT with a term of one (1) year. Trustees may not receive compensation from the Corporation and only may receive reimbursement of expenses incurred in connection with serving as a Trustee, in accordance with the Trustee Reimbursement Policy adopted by the Board on September 28, 2018.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of Presentation*

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### *The Financial Statements*

The *Statements of Financial Position* provides information about the nature and amounts of Assets and Liabilities of the GPDC, with the difference between the two reported as Net Assets (Equity).

The *Statements of Activities* shows how the GPDC overall Net Assets changed during the twelve-month period ended December 31, 2018.

The *Statements of Cash Flows* provides information about the GPDC’s cash receipts, cash payments, and net changes in cash for the twelve-month period ended December 31, 2018.

#### *Net Asset Presentation*

GPDC financial statements distinguish between unrestricted, temporarily restricted and permanently restricted net assets. Net assets consist of the following:

*Unrestricted* – Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in achieving the primary objective of the GPDC.

*Temporarily Restricted* – Net assets that are subject to donor-imposed stipulations that will be met either by passage of time or by actions of the GPDC. As the restrictions are satisfied, temporarily

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restricted net assets are reclassified to unrestricted net assets and are reported in the accompanying statements of activities as net assets released from restrictions.

*Permanently Restricted* – Net assets that are subject to donor-imposed stipulations that do not expire by passage of time or actions of the GPDC.

### *Use of Estimates*

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### **3. REVENUE**

Revenues are recognized when earned. On April 11, 2017, the Board of Trustees of GPDC authorized the Chair of the Board or other officer of GPDC to take all actions as may be necessary to effectuate the entry of the GPDC into an agreement with Amtrak for the provision of short-term operating funds to support certain functional activities. On May 18, 2018, Amtrak entered into an agreement with GPDC to provide up to \$500,000 to fund the work of New Jersey counsel retained by GPDC to advise GPDC on corporate governance and other legal matters. Revenue from Amtrak totaled \$400,000 in 2018.

### **4. EXPENDITURES**

Functional expenses are recognized as incurred. On April 13, 2018, GPDC entered into an agreement with Duane Morris LLP for legal representation for an amount not to exceed \$500,000. Payments to Duane Morris LLP totaled \$322,218 in 2018.

Salary expenses were zero for 2018. As of December 31, 2018 there were no individuals directly employed by the GPDC.

### **5. CASH AND INVESTMENTS**

Cash includes cash on hand that is liquid in nature. At December 31, 2018, the GPDC maintained an interest bearing checking account with Chase. As of December 31, 2018, cash balances totaled \$78,091 and were not in excess of federally insured amounts.

Interest income earned on available cash balances totaled \$310 in 2018.

Investments are recognized at fair value. As of December 31, 2018, the GPDC had no investment securities.

### **6. ACCOUNTS RECEIVABLE**

Accounts receivable consist of outstanding cash collections from third-parties. As of December 31, 2018 the GPDC had no accounts receivable.

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**FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)**

**7. DEBT OBLIGATIONS**

As of December 31, 2018 the GPDC had no outstanding debt obligations.

**STATEMENT OF FINANCIAL POSITION – UNAUDITED**

December 31, 2018

|                                   |  |                  |
|-----------------------------------|--|------------------|
| <b>Assets</b>                     |  |                  |
| Cash                              |  | \$ 78,091        |
| Total assets                      |  | <u>78,091</u>    |
| <b>Liabilities and Net Assets</b> |  |                  |
| Liabilities                       |  | -                |
| Total liabilities                 |  | <u>-</u>         |
| Net Assets                        |  |                  |
| Unrestricted                      |  | 310              |
| Temporarily restricted            |  | -                |
| Restricted                        |  | 77,781           |
| Total Net Assets                  |  | <u>\$ 78,091</u> |

**STATEMENT OF ACTIVITIES – UNAUDITED**

Year-Ended December 31, 2018

|  | <u>Unrestricted</u> | <u>Restricted</u> | <u>Total</u>     |
|--|---------------------|-------------------|------------------|
| <b>Revenue and Support</b>                 |                     |                   |                  |
| Revenue                                    | \$ -                | \$ 400,000        | \$ 400,000       |
| Total Revenue and Support                  | <u>-</u>            | <u>400,000</u>    | <u>400,000</u>   |
| <b>Other Income</b>                        |                     |                   |                  |
| Interest income                            | 310                 | -                 | 310              |
| Total Other Income                         | <u>310</u>          | <u>-</u>          | <u>310</u>       |
| Total Revenue and Support and Other Income | <u>310</u>          | <u>400,000</u>    | <u>400,310</u>   |
| <b>Expense</b>                             |                     |                   |                  |
| Professional services fees                 | 322,219             | -                 |                  |
| Total Expense                              | <u>322,219</u>      | <u>-</u>          | <u>322,219</u>   |
| Change in Net Assets                       | (321,909)           | 400,000           | 78,091           |
| <b>NET ASSETS</b>                          |                     |                   |                  |
| Beginning of year                          | -                   | -                 | -                |
| End of year                                | <u>\$ (321,909)</u> | <u>\$ 400,000</u> | <u>\$ 78,091</u> |

**STATEMENT OF CASH FLOWS – UNAUDITED**

December 31, 2018

|   |  |               |
|---|--|---------------|
| Cash flows from operating activities:     |  |               |
| Cash received from operations             |  | \$ 400,000    |
| Cash paid for legal fees                  |  | (322,219)     |
| Net cash provided by operating activities |  | <u>77,781</u> |
| Cash flows from investing activities:     |  |               |
| Interest received on cash deposited       |  | 310           |
| Net cash provided by investing activities |  | <u>310</u>    |
| Net increase in cash                      |  | 78,091        |
| Cash at beginning of year                 |  | -             |



**Certification of Unaudited Financial Statements  
in accordance with the  
Bylaws of the Gateway Program Development Corporation**

Based upon my knowledge, I, the undersigned, certify that the information provided in the attached unaudited financials of the Gateway Program Development Corporation ("GPDC") for the GPDC fiscal year ending December 31, 2018 (a) was prepared from the books and records of GPDC without audit, (b) is accurate and correct and does not contain any untrue statement of material fact; (c) does not omit any material fact which, if omitted, would cause the unaudited financials to be misleading in light of the circumstances under which the statements are made; and (d) fairly presents in all material respects the financial condition and results of operations of GPDC of, and for, the period presented in the unaudited financials.



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Francis Sacr  
Acting Interim Executive Director

Dated: 5/27/2020