Delaware River Waterfront Corporation (A Component Unit of the City of Philadelphia, Pennsylvania)

Financial Statements
Years Ended June 30, 2019 and 2018

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DELAWARE RIVER WATERFRONT CORPORATION
(A COMPONENT UNIT OF THE CITY OF PHILADELPHIA, PENNSYLVANIA)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delaware River Waterfront Corporation
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Delaware River Waterfront Corporation, a component unit of the City of Philadelphia, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Delaware River Waterfront Corporation's basic financial statements as listed in the table of contents.

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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware River Waterfront Corporation, as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3 to 9 and various schedules of changes in net pension liability, pension contributions and changes in OPEB liability on pages 28 to 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of net position (reformatted) and statements of revenues, expenses and changes in net position (reformatted) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The statements of net position (reformatted) and statements of revenues, expenses and changes in net position (reformatted) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements of net position (reformatted) and statement of revenues, expenses and changes in net position (reformatted) are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2019, on our consideration of Delaware River Waterfront Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Delaware River Waterfront Corporation's internal control over financial reporting and compliance.

BDO, LLP.

Philadelphia, Pennsylvania
December 2, 2019

Management's discussion and analysis (***"MD&A"***) of the financial performance and activities of Delaware River Waterfront Corporation (***"DRWC"*** or the ***"Corporation"***) are presented to provide an introduction and understanding of the basic financial statements for the year ended June 30, 2019, with selected comparative information for the years ended June 30, 2018 and 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

BACKGROUND INFORMATION ON DELAWARE RIVER WATERFRONT CORPORATION

DRWC is a component unit of the City of Philadelphia (the ***"City"***). It was founded to assist the City and the Commonwealth of Pennsylvania and its agencies in the rehabilitation, renewal and management of six miles of waterfront from Allegheny Avenue to Oregon Avenue known as the Central Delaware River Waterfront, including the historic site on the Delaware River known as Penn's Landing (the ***"Project Area"***).

Under an agreement with the Philadelphia Redevelopment Authority of the City of Philadelphia (the ***"Authority"***) dated May 1, 1976, the Corporation agreed to continue to develop and improve the Project Area. In connection with this agreement, the Corporation leased the Project Area from the Authority for 99-year term, expiring April 20, 2075. In addition, the Corporation also holds long term leases for other land, piers, and riverbed along the six mile Central Delaware River Waterfront that it has acquired over time under similar redevelopment contracts and sublease structures as Penn's Landing.

The Delaware River Waterfront Corporation is a 501(c)3 nonprofit corporation organized exclusively for the benefit of the City of Philadelphia, the Commonwealth of Pennsylvania and its agencies and citizens. The fundamental purpose of DRWC is to design, develop and manage the central Delaware River waterfront in Philadelphia between Oregon and Allegheny Avenues. DRWC is open, transparent and accountable in connection with its governance, operations and activities. Through the judicious use of financing, land acquisition and development capabilities, the Corporation works cooperatively with city, state and federal agencies to ensure the realization of the City's vision for the central Delaware River. The Corporation is eligible for foundation, state, and federal grants to support its mission.

DRWC's mission is to transform the central Delaware River waterfront into a vibrant destination for recreational, cultural, and commercial activities for the residents and visitors of Philadelphia. DRWC will serve as a catalyst for high quality investment in public parks, trails, maritime, residential, retail, hotel and other improvements that create a vibrant amenity, extending Philadelphia to the river's edge.

FINANCIAL HIGHLIGHTS

- Revenues were consistent with budget projections. At the same time, expenses were higher than anticipated mainly due to construction and capital projects.
- The assets and deferred outflows of the Corporation exceeded its liabilities and deferred inflows at June 30, 2019 by $5,176,111 representing the Corporation's total net position. All of the Corporation's net position may be used to support continuing operations.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements are comprised of two components: 1) basic financial statements and 2) notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS

The Statement of Net Position presents information on all of the Corporation's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the Corporation is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Corporation's net position changed during the year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The Statement of Cash Flows presents the sources and uses of cash during the course of the year. The net effect of cash flows is reconciled to cash balances held by the Corporation at the beginning and end of the reporting period.

The basic financial statements can be found on Pages 10 through 12 of this report.

The financial statements of the Corporation continue to be presented on an accrual basis. Accordingly, income is recorded when earned and expenses are recorded when incurred. Operating revenue includes charges for services, rentals, grants and expense reimbursements from the City. The operating expenses include personnel services, employee benefits, other post-employment benefit expenses, materials and supplies, indemnities and taxes, depreciation and amortization, grants to third parties, event expenses, engineering and construction, and general and administrative. Other income includes interest income and other capital-related revenue received from the City. The Corporation's financial report includes three financial statements: the statement of net position, the statement of revenue, expenses and changes in net position and the statement of cash flows.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS

The following table compares the statements of net position among the fiscal years ended June 30, 2019, 2018 and 2017.

DRWC's Statements of Net Position

	2019	2018	2017	Increase (Decrease) from 2018 to 2019	% Increase (Decrease) from 2018 to 2019
Current assets	$ 18,863,200	$ 19,395,773	$ 15,754,525	$ (532,573)	-3%
Capital assets	6,038,163	6,685,406	8,376,665	(647,243)	-10%
Total assets	24,901,363	26,081,179	24,131,190	(1,179,816)	-5%
Deferred outflows of resources related to pension and OPEB	1,301,795	396,292	486,170	905,503	228%
Current liabilities	7,103,217	12,638,783	13,768,684	(5,535,566)	-44%
Noncurrent liabilities	13,432,172	6,940,778	4,327,390	6,491,394	94%
Total liabilities	20,535,389	19,579,561	18,096,074	955,828	5%
Deferred inflows of resources related to pension and OPEB	491,658	630,221	246,230	(138,563)	-22%
Net investment in capital assets	6,038,163	6,685,406	8,376,665	(647,243)	-10%
Unrestricted (deficit)	(862,052)	(417,717)	(2,101,609)	(444,335)	106%
Net position	$ 5,176,111	$ 6,267,689	$ 6,275,056	$ (1,091,578)	-17%

Highlights of Changes from 2019 to 2018

Current assets decreased by 3% from the previous year. The majority of the decrease is due to decrease in receivable from City of Philadelphia for capital budget funding as this was received during fiscal year 2019.

Capital assets decreased by 10% primarily due to depreciation expense for the period. Depreciation expense for the year was $855,859.

Current liabilities decreased by 44% due to expenditure of grants received in advance for projects completed in fiscal year 2019 and therefore recognized as revenue. Current liabilities also includes an open bridge loan for a capital project for approximately $435,000. The bridge loan has since been paid in full in September 2019.

Noncurrent liabilities increased by 94% due to additional grants received in advance for long-term projects.

Highlights of Changes from 2018 to 2017

Current assets increased by 23% from the previous year. The majority of the increase is due to increase in cash balance and receivable from City of Philadelphia for fiscal year 2018 capital budget funding.

Capital assets decreased by 20% primarily due to depreciation expense for the period. Depreciation expense for the year was $1,210,017.

Current liabilities decreased by 15% from the previous year as the prior year balance includes large outstanding payables for capital projects at the end of fiscal year 2017.

Noncurrent liabilities decreased by 72% from previous year due to the loan being discharged in the amount of $1,849,765.

The following table compares the changes in revenues, expenses and other changes in net position among the fiscal years ended June 30, 2019, 2018 and 2017:

DRWC's Changes in Revenues, Expenses and Changes in Net Position

	2019	2018	2017	Increase (Decrease) from 2019 to 2018	% Increase (Decrease) from 2019 to 2018
Revenue					
Charges for services	$ 1,800,242	$ 1,735,284	$ 1,733,681	$ 64,958	4%
Grant revenue	10,390,742	6,074,366	4,699,280	4,316,376	71%
City reimbursements	500,000	500,000	500,000	-	0%
Rentals, concessions and events	10,617,299	11,898,488	10,704,363	(1,281,189)	-11%
Miscellaneous revenues	227,313	105,098	110,275	122,215	116%
Discharged loan	-	1,849,765	-	(1,849,765)	-100%
In-kind contribution	-	-	300,000	-	0%
Fundraising contributions	307,809	206,544	146,549	101,265	49%
Total revenues	23,843,405	22,369,545	18,194,148	1,473,860	
Expenses					
Personnel services	4,267,062	3,850,685	3,576,361	416,377	11%
Purchase of services	1,356,349	1,190,646	950,037	165,703	14%
Materials and supplies	1,867,008	1,934,432	1,599,191	(67,424)	-3%
Employee benefits	1,208,252	1,107,719	1,175,037	100,533	9%
Indemnities and taxes	1,518,645	1,511,812	1,561,819	6,833	0%
Depreciation and amortization	855,859	1,210,017	1,242,200	(354,158)	-29%
Engineering and construction	9,271,281	5,395,699	4,163,841	3,875,582	72%
Events	3,834,083	4,949,909	3,733,511	(1,115,826)	-23%
Fundraising	2,408	7,231	7,173	(4,823)	-67%
Loss on disposal of fixed assets	-	519,393	-	(519,393)	-100%
General and administrative	754,036	699,369	604,939	54,667	8%
Total expenses	24,934,983	22,376,912	18,614,109	2,558,071	
Change in net position	(1,091,578)	(7,367)	(419,961)	(1,084,211)	
Net position					
Beginning of year	6,267,689	6,275,056	6,695,017	(7,367)	
End of year	$ 5,176,111	$ 6,267,689	$ 6,275,056	$ (7,367)	

Highlights of Changes from 2019 to 2018

“Charges for Services” increased by 4% mainly due to Ferry Ticket Revenue. Fiscal year 2019 is the first year DRWC had a net surplus for Ferry operations due to a refund on tax paid on ferry tickets.

"Grant revenue" increased by 71% mainly due to increase in funding and reimbursements of expenses related to engineering and construction for various capital projects undertaken in fiscal year 2019.

"Rentals, concessions and events" decreased by 11% in fiscal year 2019 mainly due to lower revenue in the parks due to inclement weather leading to lost operating days. Parking revenue is also comparatively lower due to weather related attendance.

“Miscellaneous revenues” increased by 116% as some funds were invested in short term secured certificates of deposit to earn better return before the funds were used for their project purpose. These certificates were converted to cash before year end.

"Fundraising contributions" increased by 49% due to the increased success of fundraising efforts of DRWC and higher sponsorship levels for the annual fundraiser.

"Personnel services" increased by 11% because of a COLA increase and increased as mandated by union agreements, as well as increased level of staffing to support DRWC's new initiative Cherry Street Pier.

"Purchase of services" increased by 14% due to increase in professional fees to consultants for various upcoming capital projects and higher legal fees.

"Materials and supplies" decreased by 3% mainly to due to DRWC's ongoing efforts to cut costs and bring in efficiency wherever possible.

"Employee benefits" increased by 9% primarily due to an increase in medical and hospital premiums and increased payroll taxes corresponding to higher wages.

"Engineering and construction" increased by 72% as DRWC undertook more capital projects during fiscal year 2019. Some of these capital projects are Scissor Ramps, Pier 9/Cherry Street Pier, Delaware River Trail and Connector Streets.

"Event Expenses" decreased by 23% due to unbudgeted event of Sail Philadelphia held in May 2018. This was a new event undertaken in partnership with Independence Seaport Museum and did not take place in 2019.

"General and administrative expenses" increased by 8% mainly to accommodate DRWC's larger operations and to maintain the new capital developments on the waterfront.

Highlights of Changes from 2018 to 2017

"Grant revenue" increased by 29% mainly due to increase in reimbursements of expenses related to engineering and construction.

"Rentals, concessions and events" increased by 11% in fiscal year 2018 mainly due to an increase in parking revenue and additional revenue generated from Spruce Street Harbor Park and Summerfest midway rides.

"Fundraising contributions" increased by 35% due to the increased success of fundraising efforts of DRWC.

"Personnel services" increased by 8% because of a COLA increase and increased as mandated by union agreements, as well as increased level of staffing to support DRWC's new initiatives.

"Purchase of services" increased by 25% mainly due to increase in professional fees to consultants for various upcoming capital projects and higher legal fees.

"Materials and supplies" increased by 21% mainly to accommodate DRWC's larger operations and programing initiatives, like Spruce Street Harbor Park, Winterfest, Summerfest and Roller Rink.

"Employee benefits" decreased by 6% primarily due to a decrease in pension obligation because of the cash contributions to pension plan.

"Engineering and construction" increased by 30% as DRWC undertook more capital projects during fiscal year 2018. Some of these capital projects are Scissor Ramps, Pier 9, Pier 36S and Delaware River Trail.

"Event Expenses" increased by 33% due to unbudgeted event of Sail Philadelphia held in May 2018. This was a new event undertaken in partnership with Independence Seaport Museum.

"General and administrative expenses" increased by 16% mainly to accommodate DRWC's larger operations and to maintain the new capital developments on the waterfront.

CAPITAL ASSETS

At June 30, 2019, 2018 and 2017, the Corporation had capital assets as outlined below:

	2019	2018	2017
Capital assets being depreciated			
Furniture and equipment	$ 8,167,492	$ 7,984,814	$ 8,959,793
Building and leasehold improvements	9,109,054	9,083,116	9,861,133
Ice skating rink and related equipment	2,125,350	2,125,350	2,120,793
Great Plaza stage	558,883	558,883	558,883
Walnut Street Plaza	387,180	387,180	387,180
Heliport	1,885,729	1,885,729	1,885,729
Public attraction	300,000	300,000	300,000
Website	72,600	72,600	72,600
	22,606,288	22,397,672	24,146,111
Less: accumulated depreciation	(18,417,890)	(17,562,031)	(17,619,211)
	4,188,398	4,835,641	6,526,900
Capital assets not being depreciated			
Land and improvements	1,849,765	1,849,765	1,849,765
Total capital assets, net	$ 6,038,163	$ 6,685,406	$ 8,376,665

NONCURRENT LIABILITIES

The Corporation's net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled $1,362,357 as of June 30, 2019. The Corporation's net pension liability increased by $826,478 or 154% during the fiscal year.

The Corporation's grants received in advance represent grant funds received by the Corporation that are to be spent on future for longer-term projects and are not to be completed or worked on in the next year. The balance of the noncurrent grants received in advance was $11,655,295 as of June 30, 2019. This amount increased by $5,655,295 due to additional grants received.

Other noncurrent liabilities consist of the Corporation's liabilities for security deposits and post-employment benefits which totaled $414,520 as of June 30, 2019. These liabilities increased by $9,621 or 2%.

ECONOMIC FACTORS AND 2020 BUDGETS AND RATES

The budget for the 2019-2020 fiscal year projects a breakeven year. The following factors were taken into consideration in preparing DRWC's operating budget for the 2020 fiscal year:

- City of Philadelphia appropriation funding continues to be $500,000.
- DRWC will receive $85,000 from the City of Philadelphia toward the Business Privilege Tax Credit program.

DRWC also has several upcoming projects for the 2019-2020 fiscal year as described below:

- The central segment of the Delaware River Trail (running nearly 2 miles between Washington Avenue and Spring Garden Street) will begin construction in the spring. Phase I of the southern DRT completed construction this summer, and we are set to complete construction of the North Trail segment through Penn Treaty Park this fall.

- The new Park at Penn's Landing continues to move forward in design, with anticipated construction start of 2021.

- DRWC is finalizing the design of two connector streets – Washington Avenue and Frankford Avenue – and actively working on raising funding for construction for both projects.

- DRWC recently began the development of concept designs for two new public parks, Graffiti Pier in the Port Richmond neighborhood and the South Wetlands Park in South Philadelphia.

DELAWARE RIVER WATERFRONT CORPORATION
(A COMPONENT UNIT OF THE CITY OF PHILADELPHIA, PENNSYLVANIA)

STATEMENTS OF NET POSITION

June 30, 2019 and 2018

	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash	$ 14,618,888	$ 9,196,931
Investments	1,154,322	1,387,921
Accounts receivable	2,842,961	8,532,965
Prepaid expenses and other assets	247,029	277,956
Total current assets	18,863,200	19,395,773
NONCURRENT ASSETS		
Capital assets being depreciated		
Furniture and equipment	8,167,492	7,984,814
Building and leasehold improvements	9,109,054	9,083,116
Ice skating rink and related equipment	2,125,350	2,125,350
Great Plaza stage	558,883	558,883
Walnut Street Plaza	387,180	387,180
Heliport	1,885,729	1,885,729
Public attractions	300,000	300,000
Website	72,600	72,600
	22,606,288	22,397,672
Less: accumulated depreciation	(18,417,890)	(17,562,031)
Net capital assets being depreciated	4,188,398	4,835,641
Capital assets not being depreciated		
Land and land improvements	1,849,765	1,849,765
Total capital assets, net	6,038,163	6,685,406
Total assets	24,901,363	26,081,179
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges pension	1,301,323	396,292
Deferred charges OPEB	472	-
Total deferred outflows of resources	1,301,795	396,292
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	1,570,591	1,657,471
Accrued costs and expenses	1,402,437	737,685
Grants received in advance	2,241,685	8,684,581
Unearned revenue	1,453,385	1,559,046
Loan payable	435,119	-
Total current liabilities	7,103,217	12,638,783
NONCURRENT LIABILITIES		
Security deposits	180,384	180,384
Grants received in advance	11,655,295	6,000,000
Pension liability	1,362,357	535,879
OPEB liability	234,136	224,515
Total noncurrent liabilities	13,432,172	6,940,778
Total liabilities	20,535,389	19,579,561
DEFERRED INFLOWS OF RESOURCES		
Deferred credits pension	490,895	627,898
Deferred credits OPEB	763	2,323
Total deferred inflows of resources	491,658	630,221
NET POSITION		
Net investment in capital assets	6,038,163	6,685,406
Unrestricted (deficit)	(862,052)	(417,717)
Total net position	$ 5,176,111	$ 6,267,689

See accompanying notes

DELAWARE RIVER WATERFRONT CORPORATION
(A COMPONENT UNIT OF THE CITY OF PHILADELPHIA, PENNSYLVANIA)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Grant revenue	$ 10,390,742	$ 6,074,366
Rentals, concessions and events	10,617,299	11,898,488
Reimbursements from the City of Philadelphia	500,000	500,000
Charges for services	1,800,242	1,735,284
Miscellaneous revenues	227,313	105,098
Fundraising contributions	307,809	206,544
Total operating revenues	23,843,405	20,519,780
OPERATING EXPENSES		
Personnel services	4,267,062	3,850,685
Purchase of services	1,356,349	1,190,646
Materials and supplies	1,867,008	1,934,432
Employee benefits	1,208,252	1,107,719
Indemnities and taxes	1,518,645	1,511,812
Depreciation	855,859	1,210,017
Engineering and construction	9,271,281	5,395,699
Event expense	3,834,083	4,949,909
Fundraising	2,408	7,231
General and administrative	754,036	699,369
Total operating expenses	24,934,983	21,857,519
Operating loss	(1,091,578)	(1,337,739)
NONOPERATING REVENUES AND EXPENSES		
Discharged loan	-	1,849,765
Loss on disposal of capital assets	-	(519,393)
Total nonoperating revenues and expenses	-	1,330,372
CHANGE IN NET POSITION	(1,091,578)	(7,367)
NET POSITION		
Beginning of year	6,267,689	6,275,056
End of year	$ 5,176,111	$ 6,267,689

See accompanying notes

DELAWARE RIVER WATERFRONT CORPORATION
(A COMPONENT UNIT OF THE CITY OF PHILADELPHIA, PENNSYLVANIA)

STATEMENTS OF CASH FLOWS

Years ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tenants, grantors, sponsors and general public	$ 28,470,570	$ 24,028,665
Payments to employees	(4,276,389)	(3,870,849)
Payments for goods, services and grants	(19,401,903)	(17,497,173)
Net cash provided by operating activities	4,792,278	2,660,643
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(208,616)	(38,151)
Proceeds from loan payable	2,435,189	-
Payments on loan payable	(2,000,070)	-
Net cash provided by (used for) financing activities	226,503	(38,151)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	233,599	(43,686)
Investment income	169,577	51,459
Net cash provided by investing activities	403,176	7,773
Net change in cash	5,421,957	2,630,265
CASH AND CASH EQUIVALENTS		
Beginning of year	9,196,931	6,566,666
End of year	$ 14,618,888	$ 9,196,931
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Discharged loan	$ -	$ 1,849,765
Cash paid for interest	$ 87,045	$ -
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating loss	$ (1,091,578)	$ (1,337,739)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities		
Depreciation	855,859	1,210,017
Investment income	(169,577)	(51,459)
(Increase) decrease in		
Accounts receivable	5,690,004	(897,673)
Prepaid expenses and other assets	30,927	(69,624)
Increase (decrease) in		
Accounts payable	(85,878)	(611,750)
Accrued costs and expenses	664,461	23,832
Unearned revenue	(893,262)	4,458,017
Security deposits	-	-
Pension Liability	(215,556)	(62,065)
OPEB Liability	6,878	(913)
Net cash provided by operating activities	$ 4,792,278	$ 2,660,643

See accompanying notes

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Delaware River Waterfront Corporation (***"DRWC"*** or the ***"Corporation"***) have been prepared in conformity with U.S. generally accepted accounting principles (***"GAAP"***) as applied to governmental units. The Governmental Accounting Standards Board (***"GASB"***) is the accepted standard-setting body for establishing government accounting and financial reporting principles which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards. The significant accounting principles and policies utilized by the Corporation are described below:

Organization and Purpose

The Corporation, a Pennsylvania corporation and component unit of the City of Philadelphia (the ***"City"***), was founded to assist the City and the Commonwealth of Pennsylvania and their agencies in the rehabilitation, renewal and management of the historic site known as Penn's Landing (the ***"Project Area"***), located on the banks of the Delaware River.

Under an agreement with the Philadelphia Redevelopment Authority (the ***"Authority"***) dated May 1, 1976, the Corporation (or its nominees) agreed to continue to develop and improve the Project Area. Under this agreement, the Corporation received $500,000 in cost reimbursement funding in accordance with its contract agreement with the City during fiscal years ended June 30, 2019 and 2018.

In connection with this agreement, the Corporation leases from the Authority the Project Area for a term of 99 years, until April 20, 2075. The City maintains the option to terminate this lease at its discretion.

In a special meeting on January 30, 2009, DRWC's Board of Directors, led by Mayor Michael A. Nutter, voted to reorganize Penn's Landing Corporation and change its name to Delaware River Waterfront Corporation, resulting in an expanded geographic scope and a transparent governing structure with a new governance and a new Board of Directors. Additionally, as a Section 501(c)(3) entity, DRWC is eligible for foundation, state and federal grants to support its mission.

The Corporation serves residents and visitors from a broad geographic area that includes portions of Pennsylvania, New Jersey and Delaware.

Reporting Entity

Penn's Landing LLC (the ***"Company"***), a Pennsylvania limited liability company, exists exclusively for the benefit and support of DRWC. For financial reporting purposes, the Company is included as a blended component unit in DRWC's financial statements. Summarized financial data for the Company for the years ended June 30, 2019 and 2018 is as follows:

	2019	2018
Total current assets	$ 8,776,000	$ 7,265,000
Total current liabilities	119,000	119,000
Unrestricted net position	8,657,000	7,146,000

	2019	2018
Total revenue	$ 2,524,000	$ 2,655,000
Total expenses	1,013,000	1,014,000

Basis of Presentation

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows.

Method of Accounting

Accounting standards requires a statement of net position, a statement of revenues, expenses and changes in net position. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

- **Restricted** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Corporation presently has no restricted net position.

- **Unrestricted net position** – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance are available, it is currently the Corporation’s policy to use restricted first, then unrestricted fund balance. When expenditures are incurred for purposes for which committed, assigned, and unassigned amounts are available, it is currently the Corporation’s policy to use committed first, then assigned, and finally unassigned amounts.

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts and disclosure. Actual results could differ from those estimates.

Concentration of Credit Risk

Cash and accounts receivable potentially subject the Corporation to concentrations of credit risk. The Corporation maintains its cash at high quality institutions. At times, such deposits may exceed federally-insured limits. Accounts receivable are due from lessees, governmental agencies and employees. Accounts receivable from lessees and governmental agencies are expected to be collected in 2020.

Prepaid Expenses

Prepaid expenses include payments to vendors for services applicable to future accounting periods such as rental payments and insurance premiums.

Capital Assets

Capital assets are recorded at cost and updated for additions and retirements during the year. The Corporation maintains a threshold level of $1,000 or more for capitalizing assets. The Corporation does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Similar items purchased in the same timeframe and items related to the same project or purchase can be pooled together for capitalization and depreciation. Capital assets of the Corporation are depreciated using the straight-line method over the useful lives of the assets as follows:

Furniture and equipment	3 – 7 years
Buildings and leasehold improvements	10 – 20 years
Ice skating rink and related equipment	5 – 10 years
Walnut Street Plaza	20 years
Heliport	20 years
Great Plaza stage	10 years
Public attractions	10 years
Website	5 years

Impairment of Long-Lived Assets

The Corporation evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the Corporation. No impairment losses were recognized in the year ended June 30, 2019 and 2018.

Income Tax Status

The Corporation is exempt from income tax as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in these financial statements.

Investments

Investments are stated at fair value based upon quoted market prices.

Fair Value Measurements of Assets and Liabilities

GAAP define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Corporation. Unobservable inputs reflect the Corporation's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Corporation's own assumptions.

Revenues and Expenses

Revenues and expenses are segregated into operating and nonoperating items. Operating revenues generally result from providing service in connection with the Corporation's principal ongoing operations. The principal operating revenue of the Corporation is rental, concession and event income. Significant operating expenses include salaries and benefits, event expenses for ongoing operations and engineering and construction costs related to ongoing projects.

Grants Received in Advance

Revenue from federal, state and other grants designated for payment of specific Corporation expenditures is recognized when the related expenditures are incurred. Accordingly, when such funds are received and all of the eligibility requirements of the grant are not met, they are reported as a liability until earned.

Reclassification

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation.

(2) CASH

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. The Corporation diversifies cash to different banking institutions with a maximum of $250,000 per institution. As of June 30, 2019, the Corporation's bank balance with one of its bank institutions was exposed to custodial credit risk as its balance exceeded the federally insured limit.

At June 30, 2019, the carrying amount of the Corporation's deposits was $14,618,888 and the bank balance was $15,447,635. The Corporation deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Of the bank balance, $1,051,084 was covered by federal depository insurance, and $14,396,551 was collateralized and held by the Pledging Bank's Trust Department.

At June 30, 2018, the carrying amount of the Corporation's deposits was $9,196,931 and the bank balance was $9,871,006. The Corporation deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Of the bank balance, $555,927 was covered by federal depository insurance, and $9,315,079 was collateralized and held by the Pledging Bank's Trust Department.

(3) INVESTMENTS

Investments consisted of the following at June 30, 2019 and 2018:

	Fair Value	
	2019	2018
Money market funds and accrued interest	$ 616	$ 1,594
Common stock	209,557	173,700
Mutual funds		
Fixed income	609,867	861,001
Equities	334,282	351,626
	$ 1,154,322	$ 1,387,921

Investments are recorded at fair value and are valued based using Level 1 inputs as of June 30, 2019 and 2018.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of the investments or collateral security that are in the possession of an outside party. The Corporation had no investment subject to the custodial credit risk as of June 30, 2019 and 2018.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2019 and 2018, the Corporation did not have any investments that were exposed to interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Corporation does not have a formal investment policy that addresses credit risk. The Corporation had no investments that were exposed to credit risk as of June 30, 2019 and 2018.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates that will adversely affect the fair value of an investment. The Corporation does not have a formal investment policy that addresses foreign currency risk. The Corporation had no investments that were exposed to foreign currency risk as of June 30, 2019 and 2018.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Corporation's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. The Corporation does not have a formal investment policy that addresses concentration of credit risk. At June 30, 2019 and 2018, no investment in any one organization represented 5% or more of the Corporation's investments.

Investment income for the years ended June 30, 2019 and 2018 consisted of the following:

	2019	2018
Interest and dividends	$ 139,639	$ 43,507
Unrealized and realized gain	29,938	7,952
	$ 169,577	$ 51,459

(4) ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019 and 2018 consisted of the following:

	2019	2018
Operating	$ 1,072,275	$ 1,312,074
Less: allowance for doubtful accounts	-	(12,725)
	1,072,275	1,299,349
City of Philadelphia	-	5,640,000
Commonwealth of Pennsylvania	1,551,614	1,483,003
Other	219,072	110,613
Total	$ 2,842,961	$ 8,532,965

(5) CAPITAL ASSETS

A summary of the changes in the Corporation's capital assets for 2019 and 2018 was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated				
Land and land improvement	$ 1,849,765	$ -	$ -	$ 1,849,765
Capital assets being depreciated				
Building and leasehold improvements	12,214,908	25,938	-	12,240,846
Equipment (including furniture)	10,182,764	182,678	-	10,365,442
Total capital assets being depreciated	22,397,672	208,616	-	22,606,288
Less accumulated depreciation for				
Building and leasehold improvements	(9,546,448)	(351,478)	-	(9,897,926)
Equipment (including furniture)	(8,015,583)	(504,381)	-	(8,519,964)
Total accumulated depreciation	(17,562,031)	(855,859)	-	(18,417,890)
Total capital assets being depreciated, net	4,835,641	(647,243)	-	4,188,398
Total capital assets, net	$ 6,685,406	$ (647,243)	$ -	$ 6,038,163

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated				
Land and land improvement	$ 1,849,765	$ -	$ -	$ 1,849,765
Capital assets being depreciated				
Building and leasehold improvements	12,992,925	-	(778,017)	12,214,908
Equipment (including furniture)	11,153,186	38,151	(1,008,573)	10,182,764
Total capital assets being depreciated	24,146,111	38,151	(1,786,590)	22,397,672
Less accumulated depreciation for				
Building and leasehold improvements	(9,604,751)	(407,161)	465,464	(9,546,448)
Equipment (including furniture)	(8,014,460)	(802,856)	801,733	(8,015,583)
Total accumulated depreciation	(17,619,211)	(1,210,017)	1,267,197	(17,562,031)
Total capital assets being depreciated, net	6,526,900	(1,171,866)	(519,393)	4,835,641
Total capital assets, net	$ 8,376,665	$ (1,171,866)	$ (519,393)	$ 6,685,406

(6) LINE OF CREDIT

The Corporation has one unsecured revolving line of credit in the amount of $500,000 that bears interest at the lender's prime rate of 5% at June 30, 2018 and expires on January 31, 2020. There were no borrowings on the line of credit at June 30, 2019 or 2018.

(7) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2019 and 2018:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Security deposits	$ 180,384	$ -	$ -	$ 180,384
Grants received in advance	6,000,000	5,675,000	(19,705)	11,655,295
Pension liability	535,879	826,478	-	1,362,357
OPEB liability	224,515	16,669	(7,048)	234,136
Total noncurrent liabilities	$ 6,940,778	$ 6,518,147	$ (26,753)	$ 13,432,172

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Security deposits	$ 180,384	$ -	$ -	$ 180,384
Loan payable	1,849,765	-	(1,849,765)	-
Grants received in advance	1,000,000	5,000,000	-	6,000,000
Pension liability	1,069,490	-	(533,611)	535,879
OPEB liability	227,751	32,131	(35,367)	224,515
Total noncurrent liabilities	$ 4,327,390	$ 5,032,131	$ (2,418,743)	$ 6,940,778

(8) LOAN PAYABLE

The Corporation had a non-interest bearing note payable to Philadelphia Industrial Development Corporation (PIDC) in connection with the purchase of land currently used as a parking lot. The Corporation was required to repay the loan upon the sale of the property along with 50% of any related appreciation. This loan was discharged during the year ended June 30, 2018 and DRWC maintains ownership of the land.

The Corporation's loan payable consists of a bridge loan from Philadelphia Industrial Development Corporation (PIDC) for up to $2,625,000 in connection with the financing of construction, equipment and landscaping and related soft costs for the Cherry Street Pier renovation project. The loan is secured by the assignment of grant proceeds and business assets of the Corporation. Interest only payments at 5.5% interest are due during the term of the loan with a balloon payment due in November 2019. The balance of the loan was $435,119 and is classified as noncurrent liabilities as of June 30, 2019. This loan was repaid in September 2019.

(9) PIER, GROUND AND RIVERBED LEASES

The Corporation subleases certain commercial piers, property and related leasehold improvements for periods generally ranging from two to 30 years. Certain leases, such as the Pier 3 lease discussed below, have periods of greater than 30 years. These subleases with non-cancelable lease terms are expected to result in rental income for the fiscal years ending June 30, as follows:

2020	$ 1,262,680
2021	1,261,803
2022	803,605
2023	692,031
2024	405,364
2025-2029	1,975,570
2030-2034	1,001,820
2035-2039	1,001,820
2040-2044	1,001,820
2045-2049	1,001,820
2050-2054	1,001,820
2055-2059	1,001,820
2060-2064	1,001,820
2065-2069	1,001,820
2070-2074	1,001,820
2075-2079	1,001,820
2080-2084	964,596
2085-2089	907,500
2090-2094	-
	$ 18,291,349

Some lease agreements, in addition to a minimum annual rental, require rental payments based on a percentage of the lessee's gross receipts. Rental payments based on the lessee's gross receipts were $71,408 and $58,390 for the years ended June 30, 2019 and 2018, respectively.

The Corporation also subleases Piers 3 and 5 North, which, in turn, are leased from the City for a term of 99 years at a total rental of $1 per year.

In a restructuring agreement of the sublease for Pier 3, which originally called for $3,435,000 in total payments over the life of the sublease (99 years – December 1, 1984 to April 30, 2083), the Corporation agreed to accept a $1,000,000 upfront payment in 1991 and additional payments totaling $1,290,000, based on $7,500 per condominium unit sales between April 29, 1991 and April 29, 2006. The $1,000,000 payment was received in 1991 and is classified as unearned revenue being amortized over the 99-year life of the sublease.

DRWC holds a sublease with Desert Diamond 34, LP for the Riverbed area beneath and beside Piers 34 and 35 south for an amount of $811,300. Upon execution in 2007, Desert Diamond paid $202,825 and is classified as unearned revenue being amortized over the life of the lease. The balance amount of $608,475 is due upon issuance of a building permit.

(10) PENSION PLAN

Plan Description

The Delaware River Waterfront Corporation Retirement Plan (the ***"Plan"***) administers a single-employer defined benefit plan covering all employees who have completed six months of service, as defined. The Corporation is responsible for setting benefits and contributions and amending plan provisions. The Plan does not issue a stand-alone financial report.

Plan Membership

At January 1, 2019, participants in the Plan consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	9
Inactive plan members entitled to but not yet receiving benefits	18
Active plan members	30
Total	57

Benefits Provided

An employee may retire after completing five years of service and after reaching the normal retirement age (60). Employees are eligible to participate after one full year of service (1,000 hours of service). Benefits vest after five years of credited service. Employees who retire after reaching age 55 and who have at least five years of credited service are entitled to receive pension benefits equal to 2% of their final average monthly compensation multiplied by the years of credited service (not to exceed 35 years), reduced by 0.5% for each month that commencement of benefits precedes the normal retirement age.

Method Used to Value Investments

Investments in the Plan are reported at fair value. Investments that do not have an established market value are reported at estimated fair value.

Funding Policy

The Corporation's contribution requirements are determined principally based on an actuarially determined rate. Employees do not contribute to the Plan. The Corporation remitted contributions of $355,969 and $352,532 to the Plan for the years ended June 30, 2019 and 2018, respectively.

Annual Pension Costs

The annual required contribution was determined as part of the January 1, 2019 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.00% percent investment rate of return (net of administrative costs) and (b) Inflation assumption set at a modest rate of anticipated future inflation and 3.00% salary increases. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis over 10 years.

Discount Rate

The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made based on rates determined by the actuary. Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and on-active members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability. In the event of benefit payments that are not covered by the pension plan's fiduciary net position, a rate of 3.64% would have been used to discount the benefit payments not covered by the plan's fiduciary net position. The rate equals the S&P Municipal Bond 20 Year High Grade Rate Index at December 31, 2018. The Plan currently does not have a target investment allocation.

Net Pension Liability

As of January 1, 2019, the most recent actuarial valuation date, the Plan fiduciary net position as a percentage of the total pension liability was 80.95%. The actuarial accrued liability at January 1, 2019 was $7,153,005, and the actuarial value of the Plan's fiduciary net position was $5,790,648. The covered payroll was $2,474,731, and the ratio of the net pension liability to covered payroll was 55.05%.

The required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the Plan's assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

At June 30, 2019 and 2018, the Corporation reported a total liability of $1,362,357 and $535,879, respectively. The net pension liability was measured as of January 1, 2019 and January 1, 2018, respectively. The Corporation's change in net pension liability and pension expense to the Plan for the years ended June 30, 2019 and 2018 were as follows:

	2019	2018
Net pension liability, beginning of year	$ 535,879	$ 1,069,490
Service cost	250,504	245,927
Interest cost	473,592	436,091
Projected earnings on plan investments	(430,793)	(356,141)
Amortization of deferred outflows and inflows	1,244,314	(506,956)
Plan changes	(355,170)	-
Employer contributions	(355,969)	(352,532)
Net pension liability, end of year	$ 1,362,357	$ 535,879

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following table presents the proportionate share of the collective net pension liability as of June 30, 2019, calculated using the discount rate of 7%, as well as the impact on the net pension liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease of the Discount Rate 6%	Current Discount Rate 7%	1% Increase of the Discount Rate 8%
2019 net pension liability	$2,432,142	$1,362,357	$481,425

Pension Expense and Deferred Outflows of Related to Pension

For the year ended June 30, 2018, the Corporation recognized pension expense of $296,951. At June 30, 2018, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 35,679	$ 84,810
Net difference between expected and actual liability experience	20,919	150,122
Net difference between projected and actual investment earnings	183,105	392,966
Contributions subsequent to measurement date	156,589	-
	$ 396,292	$ 627,898

For the year ended June 30, 2019, the Corporation recognized pension expense of $132,724. At June 30, 2019, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 52,824	$ 71,247
Net difference between expected and actual liability experience	282,568	124,923
Net difference between projected and actual investment earnings	817,031	294,725
Contributions subsequent to measurement date	148,900	-
	$ 1,301,323	$ 490,895

$148,900 reported as deferred outflows of resources related to pensions resulting from Corporation contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2020	$ 180,874
2021	117,918
2022	87,977
2023	186,756
2024	5,481
2025	40,278
2026	42,244
	$ 661,528

Actuarial Method and Assumptions

The actuarial assumptions included:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return was 7% (net of investment expenses)
- Projected salary increases of 3% per year
- Inflation assumption was set at a modest rate of anticipated future inflation
- RP-2014 mortality tables were used with a projection including the MP-2018 improvement scale
- The annual required contribution was determined as part of the January 1, 2018 and 2017 actuarial valuations using the projected-unit credit actuarial cost method. One year's interest has been added to the normal cost to assume payment at the end of the year. The annual contribution and net periodic obligations were prepared in accordance with the methodology required by the Government Accounting Standards Board.

Changes in Plan Provisions from the January 1, 2018 Valuation

The plan was amended to freeze the accrued benefit for one participant effective January 1, 2019.

(11) OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

Plan Description

The Corporation self-administers its single-employer, retirement health defined benefit plan (the ***"Retiree Health Plan"***). The Retiree Health Plan does not issue stand-alone financial statements and the Retiree Health Plan's accounting is reported within the financial statements of the Corporation. After ten years of service with the Corporation, all full-time employees (Administration and Site Operations–Union full-time employees), except those covered under certain collective bargaining agreements, become entitled to three years of Corporation-provided, post-employment medical, dental, vision and prescription drug benefits, as well as life insurance. The Corporation may amend the Retiree Health Plan at any time. Membership in the Retiree Health Plan consists of 6 actives and covered dependents as of July 1, 2018.

Funding Policy

The Corporation funds the Retiree Health Plan on a pay-as-you-go basis. There are no required contributions on the part of the program participants (i.e., retirees).

OPEB Liability

The Corporation's OPEB liability has been measured as of June 30, 2019 and 2018, respectively. The total OPEB liability was determined by an actuarial valuation as of July 1, 2018 and July 1, 2017, respectively, and by rolling forward the liabilities from the July 1, 2018 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The OPEB liability as of June 30, 2019 and 2018 is $234,136 and $224,515, respectively, all of which is unfunded.

The Corporation's changes in it OPEB liability for the year ended June 30, 2019 and 2018 was as follows:

	2019	2018
OPEB liability, beginning of year	$ 224,515	$ 227,751
Service cost	8,766	9,050
Interest cost	7,192	6,455
Changes of assumptions	711	(2,323)
Other changes	-	18,949
Employer contributions	(7,048)	(35,367)
OPEB liability, end of year	$ 234,136	$ 224,515

OPEB Expense and Deferred Outflows Related to OPEB

For the year ended June 30, 2018, the Corporation recognized OPEB expense of $14,725. At June 30, 2018, the Corporation had deferred inflows and outflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	$ 2,323

For the year ended June 30, 2019, the Corporation recognized OPEB expense of $15,417. At June 30, 2019, the Corporation had deferred inflows and outflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 472	$ 763

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2019	$ (524)
2020	233
	$ (291)

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following table presents the proportionate share of the collective net pension liability as of June 30, 2019, calculated using the discount rate of 2.98%, as well as the impact on the net pension liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease of the Discount Rate 1.98%	Current Discount Rate 2.98%	1% Increase of the Discount Rate 3.98%
2019 OPEB liability	$238,816	$234,136	$229,323

Sensitivity of the System OPEB Liability to Change in Healthcare Cost Trend Rates

The combined effect of price inflation and utilization on eligible medical and prescription drug charges is based on the most recent National Health Care Trend Survey. Plans were selected that most closely match DRWC's benefits to set the initial trend. The ultimate trend is developed based on a building block approach which considered CPI, GDP and Technology growth.

The following presents the OPEB liability for June 30, 2019 calculated using current Healthcare cost trends as well as what the OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease of the Discount Rate	Current Discount Rate	1% Increase of the Discount Rate
2019 OPEB liability	$225,678	$234,136	$242,950

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on substantive benefits (the plan as understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

- The following simplifying assumptions were made:
- Actuarial cost method – Entry Age Normal – level % of pay
- Duration of retiree benefits: Three years.
- Retirement age for active employees: Average retirement age is 63.
- Mortality: RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006 and projected on a fully generational basis with a mortality scale based on the Mortality Improvement Scale MP-2018.
- CPI assumption remains at 2.5% and the CPI assumption used in the measurement of the Cadillac tax remains at 2.25%.
- Discount rate has been decreased from 3.13% to 2.98% since the previous valuation. Additionally, a discount rate of 3.13% was used to measure the liability using a measurement date of July 1, 2017.
- Health care cost trend rates were unchanged from the previous valuation however, they are still in line with the most recent National Health Care Trend Survey

(12) DEFERRED COMPENSATION PLAN

Effective November 1, 2006, the Corporation established a deferred compensation plan (the ***"Plan"***) under Section 457(b) of the Code. The deferred compensation plan, available to the Corporation's key executive management who meet the eligibility requirements set forth in the deferred compensation plan, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, disability or unforeseeable emergency. All amounts of compensation deferred under the deferred compensation plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property or rights of the participants. The Corporation has no liability for losses under the plan. Investments are managed by the plan's administrator under several different investment options of combinations thereof. The choice of the investment options is made by the participants. The Corporation has no management control over the assets of the deferred compensation plan. Accordingly, the assets of the Plan are not included in these financial statements. For each of the years ended June 30, 2019 and 2018, the Corporation contributed $16,500 to the Plan.

(13) CONTINGENCIES

The Corporation purchases commercial insurance to cover risks of loss related to general liabilities and torts; theft of, damage to and destruction of assets of the Corporation; injuries to employees; and natural disasters. The commercial insurance has been sufficient to satisfy loss claims during recent fiscal years.

The Corporation is involved in litigation in the normal course of business. Management believes such litigation will not materially affect its financial statements.

(14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 2, 2019, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2019 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

DELAWARE RIVER WATERFRONT CORPORATION
(A COMPONENT UNIT OF THE CITY OF PHILADELPHIA, PENNSYLVANIA)

SCHEDULES OF CHANGES IN NET PENSION LIABILITY

Year ended June 30, 2019

	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY					
Service cost	$ 250,504	$ 245,927	$ 230,852	$ 208,671	$ 218,222
Interest on total pension liability	473,592	436,091	418,101	383,588	345,046
Change in benefit terms	(355,170)	-	-	-	-
Differences between expected and actual experience	304,766	11,715	(197,306)	(3,750)	24,896
Changes of assumptions	33,186	(27,464)	(81,039)	-	83,251
Benefits payments	(135,632)	(134,623)	(122,959)	(112,496)	(110,086)
Net change in total pension liability	571,246	531,646	247,649	476,013	561,329
Total pension liability, beginning	6,581,759	6,050,113	5,802,464	5,326,451	4,765,122
Total pension liability, ending	$ 7,153,005	$ 6,581,759	$ 6,050,113	$ 5,802,464	$ 5,326,451
PLAN FIDICIARY NET POSITION					
Employer contributions	$ 355,969	$ 352,532	$ 319,989	$ 62,582	$ -
Employee contributions	-	-	-	-	-
Net investment income	(475,569)	847,348	251,552	3,984	239,052
Benefit payments, including refunds of employee contributions	(135,632)	(134,623)	(122,959)	(112,496)	(110,086)
Net change in plan fidiciary net position	(255,232)	1,065,257	448,582	(45,930)	128,966
Fiduciary net position, beginning	6,045,880	4,980,623	4,532,041	4,577,971	4,449,005
Fiduciary net position, ending	$ 5,790,648	$ 6,045,880	$ 4,980,623	$ 4,532,041	$ 4,577,971
Net pension liability, ending	$ 1,362,357	$ 535,879	$ 1,069,490	$ 1,270,423	$ 748,480
Fiduciary net position as a % of total pension liability	80.95%	91.86%	82.32%	78.11%	85.95%
Covered payroll	$ 2,474,731	$ 2,150,217	$ 2,112,691	$ 1,948,249	$ 1,767,499
Net pension liability as a % of covered payroll	55.05%	24.92%	50.62%	65.21%	42.35%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively . This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

DELAWARE RIVER WATERFRONT CORPORATION
(A COMPONENT UNIT OF THE CITY OF PHILADELPHIA, PENNSYLVANIA)

SCHEDULE OF PENSION CONTRIBUTIONS

Year ended June 30, 2019

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2015	$ -	$ -	$ -	$ 1,767,499	0.00%
2016	62,582	62,582	-	1,948,249	3.21%
2017	319,989	319,989	-	2,112,691	15.15%
2018	352,532	352,532	-	2,150,217	16.40%
2019	355,969	355,969	-	2,474,731	14.38%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

DELAWARE RIVER WATERFRONT CORPORATION
(A COMPONENT UNIT OF THE CITY OF PHILADELPHIA, PENNSYLVANIA)

SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN

Year ended June 30, 2019

	2019	2018
TOTAL OPEB LIABILITY		
Service cost	$ 8,766	$ 9,050
Interest on total OPEB liability	7,192	6,455
Changes of assumptions	711	(2,323)
Other changes	-	18,949
Benefits payments	(7,048)	(35,367)
Net change in total OPEB liability	9,621	(3,236)
Total OPEB liability, beginning	224,515	227,751
Total OPEB liability, ending	$ 234,136	$ 224,515
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%
Covered payroll	$ 170,961	$ 195,380
Net OPEB liability as a % of covered payroll	136.95%	114.91%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SUPPLEMENTARY INFORMATION

DELAWARE RIVER WATERFRONT CORPORATION
(A COMPONENT UNIT OF THE CITY OF PHILADELPHIA, PENNSYLVANIA)

STATEMENTS OF NET POSITION (REFORMATTED)

June 30, 2019 and 2018
(In Thousands)

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash on deposit and on hand	$ 14,619	$ 9,197
Investments	1,154	1,388
Accounts receivable	2,843	8,533
Prepaid expenses and other assets	247	278
Total current assets	18,863	19,396
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation and amortization of $18,418 and $17,619, respectively	6,038	6,685
Total assets	24,901	26,081
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges pension	1,301	396
Deferred charges OPEB	-	-
Total deferred outflows of resources	1,301	396
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	1,571	1,657
Accrued costs and expenses	1,402	738
Grants received in advance	2,242	8,685
Unearned revenue	1,453	1,559
Loan payable	435	-
Total current liabilities	7,103	12,639
NONCURRENT LIABILITIES		
Security deposits	180	180
Grants received in advance	11,655	6,000
Pension liability	1,362	536
OPEB liability	234	225
Total noncurrent liabilities	13,431	6,941
Total liabilities	20,534	19,580
DEFERRED INFLOWS OF RESOURCES		
Deferred credits pension	491	628
Deferred credits OPEB	1	2
Total deferred inflows of resources	492	630
NET POSITION		
Net investment in capital assets	6,038	6,685
Unrestricted	(862)	(418)
Total net position	$ 5,176	$ 6,267

DELAWARE RIVER WATERFRONT CORPORATION
(A COMPONENT UNIT OF THE CITY OF PHILADELPHIA, PENNSYLVANIA)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (REFORMATTED)

Years ended June 30, 2019 and 2018
(In Thousands)

	2019	2018
EXPENSES	$ 24,935	$ 21,858
PROGRAM REVENUE		
Charges for services, rentals and other revenue	12,953	13,945
Grant revenue	10,391	6,074
Reimbursements from City of Philadelphia	500	500
Total operating revenue	23,844	20,519
Operating loss	(1,091)	(1,339)
NONOPERATING REVENUE AND EXPENSES		
Discharged loan	-	1,850
Loss on disposal of fixed assets	-	(519)
	-	1,331
CHANGE IN NET POSITION	(1,091)	(8)
NET POSITION		
Beginning of year	6,267	6,275
End of year	$ 5,176	$ 6,267

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Delaware River Waterfront Corporation
Philadelphia, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Delaware River Waterfront Corporation, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Delaware River Waterfront Corporation's basic financial statements, and have issued our report thereon dated December 2, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Delaware River Waterfront Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Delaware River Waterfront Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Delaware River Waterfront Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delaware River Waterfront Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO, LLP.

Philadelphia, Pennsylvania
December 2, 2019