DELAWARE RIVER WATERFRONT CORPORATION

Financial Statements, Required Supplementary Information, And Other Additional Information For the Years Ended June 30, 2013 and 2012 With Report of Independent Auditors

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Delaware River Waterfront Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Delaware River Waterfront Corporation (the Corporation) as of and for the years ended June 30, 2013 and 2012 and the related notes to the financial statements, which collectively comprise the 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 conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Delaware River Waterfront Corporation as of June 30, 2013 and 2012, and

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the respective changes in financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis and Schedule of Funding Progress for Retirees Benefit Plan on pages 3-9 and 27 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 which 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, 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.

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The Statements of Net Position (Reformatted) and Statements of Revenues, Expenses, and Changes in Net Position (Reformatted) (collectively "the Other Information") are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Information is the responsibility of management and was derived from and relates 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. In our opinion, the Other Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Other Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Mitchell & Titus, LLP

January 15, 2014

INTRODUCTION

The following discussion and analysis 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, 2013, with selected comparative information for the years ended June 30, 2012 and 2011. 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.

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 of the Corporation exceeded its liabilities at June 30, 2013 by $8,314,534, representing the Corporation's total net assets. All the Corporation's net assets may be used to support continuing operations.

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 the historic site on the bank of 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 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 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements of the Corporation are designed to provide readers with a broad view of the Corporation's finances, in a manner similar to a private-sector business. The financial statements are prepared in accordance with accounting principles generally accepted in the United States as promulgated by Government Accounting Standards Board (GASB) principles. GASB issued a reporting model to governments and other related GASB statements. The objective of the GASB in developing the reporting model was to "enhance the understandability and usefulness of the general purpose external financial reports of state and local governments to the citizenry, legislative and oversight bodies and investors and creditors."

Specifically, the financial statements of the Corporation continue to be presented on an accrual basis, as income is recorded when earned and expenses are recorded when incurred. The operating revenues include 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 revenues received from the City. The Corporation's financial report includes three financial statements: the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows.

FINANCIAL ANALYSIS

The following table compares the statements of net position between the fiscal years ended June 30, 2013, 2012, and 2011.

DRWC's Statement of Net Position

	2013	2012	2011	Increase (Decrease) from 2012 to 2013	% Increase (Decrease) from 2012 to 2013
Current assets	$ 8,157,984	$ 11,483,842	$ 12,522,510	$ (3,325,858)	-29%
Capital assets, net	9,025,530	9,713,497	10,129,628	(687,967)	-7%
Total assets	17,183,514	21,197,339	22,652,138	(4,013,825)	-19%
Current liabilities	6,556,350	9,910,405	4,811,931	(3,354,055)	-34%
Non-current liabilities	2,312,630	2,354,266	8,738,550	(41,636)	-2%
Total liabilities	8,868,980	12,264,671	13,550,481	(3,395,691)	-28%
Net position	$ 8,314,534	$ 8,932,668	$ 9,101,657	$ (618,134)	-7%

FINANCIAL ANALYSIS *(continued)*

Highlights of Changes from 2013 to 2012

Current assets decreased by 29% from the previous year. The majority of this decrease is attributable to a decline in cash and cash equivalents as it was used to pay the cost of major projects. As of June 30, 2012, DRWC was holding significant cash balance to pay for the projects**.**

Capital assets decreased by 7% primarily due to depreciation expense for the period. Depreciation expense for the year was $1,072,754.

Current liabilities decreased by 34% from the previous year. The large outstanding payables for capital projects at the end of fiscal year 2012 were paid off during fiscal year 2013.

Non-current liabilities also decreased by 2% from the previous year due to a decrease in deferred revenue.

Highlights of Changes from 2012 to 2011

Current assets decreased by 5% from the previous year. The majority of this decrease is attributable to a decline in accounts receivable as the outstanding receivable from the City of Philadelphia and the Department of Conservation and Natural Resources (DCNR) was received in 2012 and was not outstanding again as of June 30, 2012.

Capital assets decreased by 4% primarily due to depreciation expense for the period. Depreciation expense for the year was $1,083,853.

Current liabilities decreased by 42% as the large outstanding payables for capital projects at the end of fiscal year 2011 were paid off upon receiving payment from the City of Philadelphia and DCNR.

Non-current liabilities increased by 13% from the previous year due to an increase in deferred revenue resulting from the settlement pending litigation.

FINANCIAL ANALYSIS (*continued*)

The following table compares the changes in revenues, expenses, and other changes in net position between the fiscal years ended June 30, 2013, 2012, and 2011:

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

	2013	2012	2011	Change from 2012 to 2013	Change from 2012 to 2013
Revenues					
Charges for services	$ 438,220	$ 431,652	$ 389,980	$ 6,568	2%
Fee for service—grant revenue	4,687,060	4,673,491	11,200,556	13,569	-
City reimbursements	500,000	500,000	500,000	-	-
Rentals, concessions, and events	5,914,858	6,290,032	6,647,695	(375,174)	-6%
Miscellaneous revenues	11,277	615,586	64,455	(604,309)	-98%
Interest income	55,065	44,875	57,629	10,190	23%
Fundraising contributions	155,535	151,876	196,800	3,659	2%
Total revenues	11,762,015	12,707,512	19,057,115	(945,497)	-7%
Expenses					
Personnel services	2,137,361	2,332,502	2,475,388	(195,141)	-8%
Grants to third parties	-	-	39,897	-	-
Purchase of services	1,400,573	989,483	1,126,103	411,090	42%
Materials and supplies	442,258	659,389	772,311	(217,131)	-33%
Employee benefits	713,488	827,104	794,325	(113,616)	-14%
Indemnities and taxes	819,168	897,437	891,432	(78,269)	-9%
Depreciation and amortization	1,072,754	1,083,853	872,671	(11,099)	-1%
Event expenses	2,244,286	2,221,535	1,766,928	22,751	1%
Engineering and construction	2,826,953	3,210,890	9,448,815	(383,937)	-12%
Fundraising	27,570	43,200	226,356	(15,630)	-36%
General and administrative	695,738	611,108	918,193	84,630	14%
Total expenses	12,380,149	12,876,501	19,332,419	(496,352)	-4%
Change in net position	(618,134)	(168,989)	(275,304)	(449,145)	-266%
Net position, beginning of year	8,932,668	9,101,657	9,376,961	(168,989)	2%
Net position end of year	$ 8,314,534	$ 8,932,668	$ 9,101,657	$ (618,134)	7%

FINANCIAL ANALYSIS (*continued*)

Highlights of Changes from 2013 to 2012

"Rentals, concessions, and events" decreased 6% in fiscal year 2013 mainly due to a decrease in parking revenue as compared to fiscal year 2012.

"Miscellaneous revenues" is lower by 98% as the previous year's revenue included a onetime settlement of pending litigation.

"Interest Income" is higher by 23% because of strategic investment of available funds to earn maximum interest.

"Personnel services" decreased by 8% because there was a gap in hiring new employees to replace outgoing employees.

"Purchase of services" is higher by 42% due to more professional fees paid out to consultants for the capital projects undertaken during fiscal year 2013 as compared to 2012.

"Materials and supplies" decreased 33% mainly due to DRWC's efforts to reduce expenses and cut costs due to limited revenue sources.

"Employee benefits" is lower by 14% due to decrease in premiums as a result of changing carriers and decrease in OPEB contributions paid due to the Plan is currently over-funded.

"Indemnities and taxes" decreased by 9% due to lower parking lot taxes due to lower parking revenue.

"Engineering and construction" is lower by 12% due to less capital projects undertaken during fiscal year 2012.

"Fundraising expenses" is lower by 36% mainly due to major cost incurred for a rain back up plan in 2012. No such expenses were incurred in fiscal year 2013.

Highlights of Changes from 2012 to 2011

"Charges for services" is higher by 11% mainly due to admission revenue from Blue Cross River Rink.

"Fee for service–grant revenue" is lower by 58%, mainly due to minimal capital projects in construction during fiscal year ending 2012 compared to last fiscal year's grant revenue for major capital projects like Race Street Pier Park, Race Street Connector, and Marina Improvements.

FINANCIAL ANALYSIS (*continued*)

Highlights of Changes from 2012 to 2011 *(continued)*

“Rentals, concessions, and events” decreased 5% in fiscal year 2012 mainly due to a decrease in management fees as there were less capital projects undertaken during the year by DRWC.

“Miscellaneous revenues” is higher by 855% due to the settlement of pending litigation.

In comparison to fiscal year 2011, “Fundraising contributions” decreased by 23%. In fiscal year 2011, there was a capital fundraising campaign in addition to the operating fundraising activities to support the construction of the Race Street Park in the form of large tree and bench donations. There were no capital campaign fundraising in fiscal year 2012, however, operating fundraising activities were undertaken.

“Personnel services” decreased by 6% because there was a gap in hiring new employees to replace outgoing employees.

“Grants to third parties” decreased 100% due to a favorable settlement to pending litigation resulting in the reversal of accrued expense.

“Purchase of services” is less by 12% due to less professional fees paid out to consultants as there were no major capital projects on hand.

“Materials and supplies” decreased 15% mainly due to DRWC’s efforts to reduce expenses and cut costs due to limited revenue source.

“Employee benefits” is higher by 4% due to increase in premiums and an increase in the number of retirees who are eligible for health care coverage.

“Depreciation and amortization” is higher by 24% mainly due to the reclassification of assets from construction in progress to depreciable assets.

“Event expenses” is higher by 26% primarily due to higher expenses related to a new stage setup, labor, security costs, and maintenance at the Great Plaza.

“Engineering and construction” is lower by 66% due to less capital projects undertaken during fiscal year 2012.

“Fundraising expenses” is lower by 81% mainly due to the cost of trees purchased in fiscal year 2011 for Race Street Pier.

“General and administrative” fees are lower by 33% mainly due to management fees paid in fiscal year 2011 that were not incurred in fiscal year 2012.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors were taken into consideration in preparing DRWC's operating budget for the 2014 fiscal year:

- City of Philadelphia appropriation funding continues to be $500,000.
- Capital grant revenue to reimburse DRWC's administrative and professional staff time and resources to manage capital grant projects is expected in the amount of $250,000.
- DRWC will received $85,000 for City of Philadelphia towards Business Privilege Tax Credit program.
- River Rink revenue includes sponsorship revenue from Independence Blue Cross in the amount of $350,000.
- Salary and benefits are based on 3% cost of living increase for administrative staff, and COLA increase as per union contracts for other employees.
- No benefits premium increase for 2014, staff anticipates changes in plan coverage to offset premium increases.

DELAWARE RIVER WATERFRONT CORPORATION

Statements of Net Position

As of June 30, 2013 and 2012

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,938,976	$ 4,645,145
Investments	1,175,203	1,133,950
Accounts receivable, net of doubtful accounts of $93,087 in 2013	3,877,655	5,621,411
Prepaid expenses and other assets	166,150	83,336
Total current assets	8,157,984	11,483,842
Capital assets being depreciated		
Furniture and equipment	4,974,295	4,879,541
Leasehold improvements	10,207,394	10,044,464
Ice skating rink and related equipment	1,598,370	1,581,684
Great Plaza stage	558,883	558,883
Walnut Street Plaza	387,180	387,180
Heliport	1,885,729	1,885,729
Public attraction	905,046	857,189
Website	62,600	-
Less : Accumulated depreciation	(13,403,732)	(12,330,938)
Capital assets not being depreciated		
Land and land improvements	1,849,765	1,849,765
Total capital assets, net	9,025,530	9,713,497
Total assets	$ 17,183,514	$ 21,197,339
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	$ 1,065,684	$ 2,305,742
Accrued costs and expenses	447,332	463,790
Term loans payable—current portion	-	35,000
Unearned revenue	5,043,334	7,105,873
Total current liabilities	6,556,350	9,910,405
Security deposits	144,343	144,343
Loan payable	1,849,765	1,849,765
OPEB liability	318,522	360,158
Total non-current liabilities	2,312,630	2,354,266
Total liabilities	8,868,980	12,264,671
NET POSITION		
Net investment in capital assets	9,025,530	9,713,497
Unrestricted	(710,996)	(780,829)
Total net position	$ 8,314,534	$ 8,932,668

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

DELAWARE RIVER WATERFRONT CORPORATION

Statements of Revenues, Expenses, and Changes in Fund Net Position

For the Years Ended June 30, 2013 and 2012

	2013	**2012**
OPERATING REVENUES		
Fee for service—grant revenue	$ 4,687,060	$ 4,673,491
Rentals, concessions, and events	5,914,858	6,290,032
Reimbursements from the city of Philadelphia	500,000	500,000
Charges for services	438,220	431,652
Miscellaneous operating revenues	11,277	615,586
Fundraising contributions	155,535	151,876
Total operating revenues	11,706,950	12,662,637
OPERATING EXPENSES		
Personnel services	2,137,361	2,332,502
Purchase of services	1,400,573	989,483
Materials and supplies	442,258	659,389
Employee benefits	713,488	827,104
Indemnities and taxes	819,168	897,437
Depreciation and amortization	1,072,754	1,083,853
Event expenses	2,244,286	2,221,535
Engineering and construction	2,826,953	3,210,890
Fundraising	27,570	43,200
General and administrative	695,738	611,108
Total operating expenses	12,380,149	12,876,501
Operating loss	(673,199)	(213,864)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	55,065	44,875
Total non-operating revenues	55,065	44,875
Change in net position	(618,134)	(168,989)
Net position, beginning of period	8,932,668	9,101,657
Net position, end of period	$ 8,314,534	$ 8,932,668

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

DELAWARE RIVER WATERFRONT CORPORATION

Statements of Cash Flows

For the Years Ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tenants, grantors, sponsors, and general public	$ 12,727,966	$15,019,442
Payments to employees	(2,276,504)	(3,129,907)
Payments for goods, services, and grants	(11,666,661)	(10,913,942)
Net cash (used in) provided by operating activities	(1,215,199)	975,593
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES		
Purchases of capital assets	(384,827)	-
Net payments on loans payable and obligations	(35,000)	(31,863)
Net cash (used in) provided by capital and financing activities	(419,827)	(31,863)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(126,208)	(310,873)
Interest income	55,065	44,875
Net cash provided by (used in) investing activities	(71,143)	(265,998)
Net increase in cash and cash equivalents	(1,706,169)	677,732
Cash and cash equivalents, beginning of year	4,645,145	3,967,413
Cash and cash equivalents, end of year	$ 2,938,976	$ 4,645,145
RECONCILIATION OF OPERATING INCOME TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (673,199)	$ (213,864)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation and amortization	1,072,794	1,083,853
Decrease in accounts receivable and prepaid expenses	1,660,942	891,945
Decrease in accounts payable, unearned revenue, accrued expenses and other	(3,275,736)	(786,341)
Net cash (used in) provided by operating activities	$ (1,215,199)	$ 975,593

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Delaware River Waterfront Corporation (DRWC, or 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 bank 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 both fiscal years ended June 30, 2013 and 2012.

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 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.

The Corporation is a direct reporting component financial unit of the City.

Penn's Landing LLC, a Pennsylvania limited liability company (the Company), exists exclusively for the benefit and support of the Delaware River Waterfront Corporation. For financial reporting purposes, the Corporation's financial statements are included with DRWC's financial statements.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of Presentation

The financial statements of the Corporation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the U.S.

The Corporation prepares its financial statements on the accrual basis of accounting, and accordingly, recognizes revenues when earned and when incurred.

Operating Revenues

Operating revenues primarily consist of rentals, concessions, and events, charges for services, grant revenue, and fund-raising contributions. Grant revenue is generally recognized as grant-related activities take place. Unearned revenue generally represents monies advanced by various funding sources in excess of funds disbursed to date for certain projects.

Operating Expenses

Operating expenses consist primarily of expenses for salaries and wages, fringe benefits, contractual services, engineering and construction, event expenses, utilities, and materials and supplies.

Capital Assets

The Corporation records all capital assets at cost, and capitalizes all expenditures over $1,000. Depreciation is provided on the straight-line method based on the estimated useful lives of the related assets as follows:

	Estimated Useful Life
Furniture and equipment	3–7 years
Leasehold improvements	10–20 years
Ice skating rink and related equipment	5–10 years
Walnut Street Plaza	20 years
Heliport	20 years

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash Equivalents

The Corporation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Furthermore, the Corporation deems cash equivalents to be non-negotiable.

Income Taxes

Management evaluated the Corporation's tax positions and concluded that, as of June 30, 2013, there were no uncertain tax positions taken or expected to be taken. Accordingly, no interest or penalties related to uncertain tax positions have been accrued in the accompanying financial statements. The Corporation is subject to audits by taxing jurisdictions; however, no audits for any tax periods are currently in progress. Management believes that the Corporation is no longer subject to income tax examinations by federal, state or local tax authorities for years ended on or prior to June 30, 2009.

Reclassifications

Certain reclassifications have been made to the 2012 amounts to conform to the presentation of the 2013 financial statements. In 2012, certain assets representing multiple year adjustments of $428,000 were offset against corresponding liabilities to conform to the 2013 presentation.

NOTE 2 DEPOSITS

The following is a schedule of the Corporations' deposits showing book balance, bank balance, and credit risk:

	2013		**2012**	
	Book Balance	**Bank Balance**	**Book Balance**	**Bank Balance**
Insured	$ 1,482,818	$ 1,557,521	$ 1,889,317	$ 1,902,491
Uninsured and uncollateralized	1,456,158	1,657,552	2,755,828	2,732,541
Total deposits	$ 2,938,976	$ 3,215,073	$ 4,645,145	$ 4,635,032

Cash and cash equivalents, which consist primarily of U.S. agency obligations and other short-term investments, are held in the Corporation's name for operating purposes and are covered by federal depository insurance up to $250,000 per deposit. Certificates of deposits and short-term, highly liquid U.S. agency obligations are recorded at cost if the remaining maturity of the investments at the time of purchase is one year or less.

NOTE 3 INVESTMENTS

Investments at June 30, 2013 and 2012 are summarized as follows:

	Fair value at	
	June 30, 2013	**June 30, 2012**
Fixed income	$ 945,465	$ 923,393
Equities–U.S.	148,062	132,108
Equities–International	51,878	46,249
Real estate fund	22,721	25,217
Emerging market fund	7,077	6,983
	$ 1,175,203	$ 1,133,950

Investments are recorded at fair value and are valued based on quoted market values as of June 30, 2013 and 2012.

NOTE 4 CAPITAL ASSETS

Changes in capital assets for the years ended June 30, 2013 and 2012 are as follows:

	Year ended June 30, 2013			
	Beginning Balance	**Increases**	**Decreases**	**Ending Balance**
Capital assets not being depreciated				
Land	$ 1,849,765	$ -	$ -	$ 1,849,765
Construction in progress	47,857	-	(47,857)	-
Total capital assets not being depreciated	1,897,622	-	(47,857)	1,849,765
Capital assets being depreciated				
Leasehold improvements	13,472,884	419,816	-	13,892,700
Equipment (including furniture)	6,673,929	12,868	-	6,686,797
Total capital assets being depreciated	20,146,813	432,684	-	20,579,497
Less: Accumulated depreciation				
Leasehold improvements	(6,811,740)	-	(889,287)	(7,701,027)
Equipment (including furniture)	(5,519,198)	-	(183,507)	(5,702,705)
Total accumulated depreciation	(12,330,938)	-	(1,072,794)	(13,403,732)
Net capital assets being depreciated	7,815,875	432,684	(1,072,794)	7,175,765
Total capital assets	$ 9,713,497	$ 432,684	$ (1,120,651)	$ 9,025,530

NOTE 4 CAPITAL ASSETS *(continued)*

	Year ended June 30, 2012			
	Beginning Balance	**Increases**	**Decreases**	**Ending Balance**
Capital assets not being depreciated				
Land	$ 1,849,765	$ -	$ -	$ 1,849,765
Construction in progress	3,056,785	-	(3,008,928)	47,857
Total capital assets not being depreciated	4,906,550	-	(3,008,928)	1,897,622
Capital assets being depreciated				
Leasehold improvements	9,767,012	3,705,872	-	13,472,884
Equipment (including furniture)	6,703,151	-	(29,222)	6,673,929
Total capital assets being depreciated	16,470,163	3,705,872	(29,222)	20,146,813
Less: Accumulated depreciation				
Leasehold improvements	(5,819,248)	(992,492)	-	(6,811,740)
Equipment (including furniture)	(5,427,837)	(91,361)	-	(5,519,198)
Total accumulated depreciation	(11,247,085)	(1,083,853)	-	(12,330,938)
Net capital assets being depreciated	5,223,078	2,622,019	(29,222)	7,815,875
Total capital assets	$ 10,129,628	$ 2,622,019	$ (3,038,150)	$ 9,713,497

NOTE 5 PIER AND GROUND 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:

Years	Amount
2014	$ 1,131,736
2015	1,149,970
2016	1,145,651
2017	849,345
2018	743,725
2019-2023	2,889,532
2024-2028	1,636,865
2029-2033	854,865
2034-2038	716,865
2039-2043	716,865
2044-2048	716,865
2049-2053	716,865
2054-2058	716,865
2059-2063	716,865
2064-2068	716,865
2069-2073	716,865
2074-2078	716,865
2079-2083	704,016
2084-2088	622,545
2089-2093	46,518
	$ 18,226,553

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, which were not material, are recorded by the Corporation when received.

NOTE 5 PIER AND GROUND LEASES *(continued)*

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 deferred revenue being amortized over the 99-year life of the sublease.

NOTE 6 OTHER LEASE AGREEMENTS

The Corporation has operating lease commitments for automobile and office equipment, which expire in 2014. The Corporation's future lease commitment approximates $50,000 for fiscal year 2014.

Expenses related to operating leases were $25,860 and $54,497 for the years ended June 30, 2013 and 2012, respectively.

NOTE 7 LINES OF CREDIT AND TERM LOANS PAYABLE

The Corporation has one unsecured revolving line of credit in the amount of $500,000 that bears interest at the lender's prime rate (3.25% at June 30, 2013) and expires on February 5, 2014. There were no borrowings on the line of credit at June 30, 2013 or 2012.

The Corporation maintains an operating lease agreement with a tenant. The 10-year agreement provided funds for the Corporation to construct a ramp on the Pier 11 bulkhead, which is instrumental in the tenant's operations. The tenant, as part of its rental agreement with the Corporation, receives a monthly rent credit of $2,917 to satisfy the obligation.

NOTE 8 LOAN PAYABLE

The Corporation has a non-interest-bearing note payable with Philadelphia Industrial Development Corporation (PIDC) in connection with the purchase of land currently used as a parking lot. The Corporation is required to repay the loan upon the sale of the property along with 50% of any related appreciation. The balance of the loan outstanding, which totals $1,849,765, is classified as a long-term loan payable as of June 30, 2013 and 2012.

NOTE 9 PENSION PLAN

The Penn's Landing 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.

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 date.

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 has contributed 100% of its annual required contributions, or approximately 6% of annual covered payroll for the fiscal years ended June 30, 2013 and 2012.

NOTE 9 PENSION PLAN *(continued)*

Funding Policy *(continued)*

The Corporation's annual pension cost and net pension obligation to the Plan for the current year were as follows:

Annual required contribution (ARC)	$ 197,990
Five-year amortization of unfunded actuarial liability	(17,784)
Adjustment to NPO	(49,252)
Annual pension cost	130,954
Contribution made	(180,206)
Decrease in net pension obligation	(49,252)
Net pension obligation/(benefit), beginning of year	(37,792)
Net pension obligation (benefit), end of year	$ (87,044)

Three-Year Historic Trend Information

Fiscal Year Ending	**Annual Pension Cost (APC)**	**Percentage of APC Contributed**	**Net Pension Obligation (Benefit)**
6/30/11	87,219	109%	$ (13,994)
6/30/12	146,380	116%	(37,792)
6/30/13	130,954	138%	(87,044)

Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the Plan was 101.9% funded. The actual assets value compares the actual investment return and the expected return (applying the valuation interest rate to the fair value of assets) and recognizes the difference over five years. As of January 1, 2013, the actuarial value of assets was equal to the fair value plus receivable. The actuarial accrued liability at January 1, 2013 was $3,915,338, and the actuarial value of assets was $3,988,257, which resulted in excess funding of $72,919. The covered payroll was $1,507,140 and the ratio of the Unfunded (Surplus) Actuarial Accrued Liability (UAAL) to covered payroll was (4.8%).

The schedule of funding progress, presented as 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.

NOTE 9 PENSION PLAN *(continued)*

Actuarial Method and Assumptions

The projected unit credit cost method was used in the January 1, 2013 actuarial valuation. The actuarial assumptions included: (a) 7% investment rate return (net of investment expenses) and (b) projected salary increases of 3% per year. Both (a) and (b) included a modest rate of anticipated future inflation. The annual required contribution was determined as part of the January 1, 2013 and 2012 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 UAAL is being amortized over a period of five years. The remaining amortization period, as of June 30, 2013, is 4.5 years.

NOTE 10 DEFERRED COMPENSATION PLAN

Effective November 1, 2006, the Corporation established a deferred compensation plan (the Plan) under Section 457(b) of the Code that covers the Corporation's key executive management. Contributions are determined annually at the discretion of the Corporation, and cannot exceed the maximum amounts outlined in the Plan document. For the years ended June 30, 2013 and 2012, the Corporation contributed $31,625 and $29,169, respectively, to the Plan.

NOTE 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 plan does not issue stand-alone financial statements, and the plan's accounting is reported within the financial statements of the Corporation. After 10 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.

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) *(continued)*

Funding Policy

For the years ended June 30, 2013, 2012, and 2011, no amounts were paid for these benefits. There are no required contributions on the part of the program participants (i.e., retirees).

Annual OPEB Cost and Net OPEB Obligation

The Corporation's annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer. The Corporation has elected to calculate the ARC and its related information using the alternative measurement method as permitted by GASB Codification Section P50 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the Corporation's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Corporation's net OPEB obligation to the Retiree Health Plan:

	2013	**2012**
Annual required contribution	$ 9,402	$ 10,852
Interest on net OPEB contribution	14,406	15,886
Adjustment to annual required contribution	(14,313)	(15,783)
Total annual OPEB cost	9,495	10,955
Contributions made (pay-as-you-go expds.)	(51,131)	(47,945)
Decrease in net OPEB obligation	(41,636)	(36,990)
Net OPEB obligation, beginning of fiscal year	360,158	397,148
Net OPEB obligation, end of fiscal year	$ 318,522	$ 360,158

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) *(continued)*

Annual OPEB Cost and Net OPEB Obligation *(continued)*

The Corporation's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2013, 2012, and 2011 were as follows:

Fiscal Year Ended	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/10	$ -	- %	$ 367,421
6/30/11	-	-	397,148
6/30/12	-	-	360,158
6/30/13	-	-	318,522

Funded Status and Funding Progress

As of June 30, 2013 and 2012, the actuarial accrued liability for benefits was $162,244 and $204,932, respectively, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $151,070 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 135.7% for the year ended June 30, 2012 and the estimated covered payroll was $155,208 and the ratio of the unfunded actuarial liability to the estimated covered payroll was 104.5% for the year ended June 30, 2013.

The schedule of funding progress for the Retiree Health Plan, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

The projections of future benefit payments for an ongoing plan's obligation involve estimating the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions on future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the obligation and the contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) *(continued)*

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include 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:

- Duration of retiree benefits: Three years.
- Retirement age for active employees: Average retirement age is 65.
- Mortality: Internal Revenue Service 2008 Static Mortality table for males and females projected 10 years.
- Payroll growth rate: Projected salary increases of 3%.
- Future contribution strategy: Remain at a level percentage of the total cost over time.
- Turnover assumptions: Standard turnover assumption—GASB Codification Section P50.
- Health care cost trend rate: The expected rate of increase in health care insurance premiums was based on a report produced by the Department of Health and Human Services Office of the Actuary. A rate of 10% initially, reduced to an ultimate rate of 5% after 10 years, was used for health care cost. Rates of 9%, 4%, and 3%—reducing to 5%, 3%, and 3%—was used for pharmacy, dental, and vision care cost, respectively.

Based on the historical and expected returns of the Corporation’s short-term investment portfolio, a discount rate of 4% was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll.

NOTE 12 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.

REQUIRED SUPPLEMENTARY INFORMATION

DELAWARE RIVER WATERFRONT CORPORATION

Required Supplementary Information

Schedule of Pension Funding Progress for the Year Ended June 30, 2013

Actuarial Valuation Date	**Actuarial Value of Assets (1)**	**Actuarial Accrued Liability (AAL) (2)**	**Unfunded (Overfunded) AAL (2-1)**	**Funded Ratio (1/2)**	**Covered Payroll (5)**	**Unfunded (Overfunded) AAL as a Percentage of Covered Payroll ((2-1)/5)**
1/1/05	$ 1,682,774	$ 1,532,421	$ (150,353)	109.8%	$ 1,687,066	-8.9%
1/1/06	1,884,725	1,876,408	(8,317)	100.4%	1,717,881	-0.5%
1/1/07	2,263,311	2,404,901	141,590	94.1%	1,864,031	7.6%
1/1/08	2,827,204	2,529,115	(298,089)	111.8%	2,014,033	-14.8%
1/1/09	3,088,880	2,665,122	(423,758)	115.9%	2,201,463	-19.2%
1/1/10	3,406,522	2,980,451	(426,071)	114.3%	1,909,060	-22.3%
1/1/11	3,698,346	3,210,297	(488,049)	115.2%	1,822,234	-26.8%
1/1/12	3,859,839	3,681,642	(178,197)	104.8%	1,824,322	-9.8%
1/1/13	3,988,257	3,915,338	(72,919)	101.9%	1,507,140	-4.8%

Revised actuarial assumptions for rate of investment return and projected salary increases.

OTHER ADDITIONAL INFORMATION

DELAWARE RIVER WATERFRONT CORPORATION
Statements of Net Position (Reformatted)
As of June 30, 2013 and 2012
(In Thousands)

	2013	2012
ASSETS		
Current assets		
Cash on deposit and on hand	$ 2,937	$ 4,645
Investments	1,177	1,134
Accounts receivable, net of doubtful accounts of $93 in 2013 and $73 in 2002	3,878	5,622
Prepaid expenses and other assets	166	83
Total current assets	8,158	11,484
Non-current assets		
Capital assets, net of accumulated depreciation and amortization of $13,404 and $12,331	9,025	9,713
Total non-current assets	9,025	9,713
Total assets	$ 17,183	$ 21,197
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	$ 1,066	$ 2,306
Accrued costs and expenses	447	464
Unearned revenue	5,043	7,105
Term loans payable	-	35
Total current liabilities	6,556	9,910
Non-current liabilities		
Security deposits	144	144
Loan payable	1,850	1,850
OPEB liability	319	360
Total non-current liabilities	2,313	2,354
Total liabilities	8,869	12,264
NET POSITION		
Net investment in capital assets	9,025	9,713
Unrestricted	(710)	(780)
Total net position	$ 8,315	$ 8,933

DELAWARE RIVER WATERFRONT CORPORATION
Statements of Revenues, Expenses, and Changes in Fund Net Assets (Reformatted)
For the Years Ended June 30, 2013 and 2012
(In Thousands)

	2013	2012
EXPENSES		
Total expenses	$ 12,380	$ 12,876
PROGRAM REVENUES		
Charges for services, rentals, and other revenues	6,520	7,490
Grant revenue	4,687	4,673
Reimbursements from city of Philadelphia	500	500
Total operating revenues	11,707	12,663
Operating loss	(673)	(213)
GENERAL REVENUES AND (EXPENSES)		
Interest income, net	55	44
Decrease in net position	(618)	(169)
Net position, beginning of year	8,933	9,102
Net position, end of year	$ 8,315	$ 8,933