

FRIEDMAN LLP®

ACCOUNTANTS AND ADVISORS

December 18, 2018

To the Management & Board of Directors
Delaware River City Corporation
d/b/a Riverfront North Partnership
Philadelphia, Pennsylvania

We have audited the financial statements of Delaware River City Corporation d/b/a Riverfront North Partnership (the “Organization”) for the year ended June 30, 2018, and we will issue our report thereon dated December 18, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 21, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2018. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

New Financial Reporting Standards for Not-for-Profit Entities

The Financial Accounting Standards Board has issued Accounting Standards Update 2016-14, “Presentation of Financial Statements of Not-for-Profit Entities.” Highlights of the new standard include:

1. Presenting two classes of net assets (Without Donor Restrictions and With Donor Restrictions) on the face of the balance sheet (statement of financial position) and statement of activities, rather than the currently required three classes of net assets (Unrestricted, Temporarily Restricted and Permanently Restricted).
2. Providing enhanced disclosures in areas including qualitative information that communicates how a Not-for-Profit (“NFP”) manages liquid resources, and quantitative disclosures on the availability of an NFP’s financial assets.
3. Reporting an analysis of expenses by both functional and natural classification.
4. Providing enhanced disclosures for underwater endowments.
5. Providing new disclosures for board designations on net assets.
6. Reporting investment return net of external and direct internal investment expenses and no longer requiring disclosure of those netted expenses.

7. Using the placed-in-service approach to release from restrictions donations to build or acquire fixed assets.
8. No longer requiring the presentation or disclosure of the indirect method (reconciliation) if using the direct method for the presentation of operating cash flows on the face of the statement of cash flows.

The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. We recommend management review the new standards and adopt the applicable provisions as well as revisit the cash management/liquidity policy for purposes of drafting the liquidity footnote. If assistance is needed, please feel free to reach out to us.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- The allocation of expenses between program, management and general and fundraising expenses. We evaluated the key factors and assumptions used to develop the allocation of expenses of the Organization in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of in-kind contributions and program expenses is based on the fair value of the contributed good and services. We evaluated the key factors and assumptions used to develop the fair value of in-kind contributions and program expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of the related party transactions describing financial transactions with the members of the Board of Directors and employees included in Note 6 to the financial statements.
- The disclosure of the concentration of credit risk in Note 4 disclosing the Organization's concentration of revenue and support for the year as well as the uninsured cash balances as of June 30, 2018.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 18, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of management and the Board of Directors of Delaware River City Corporation d/b/a Riverfront North Partnership and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



FRIEDMAN LLP

**DELAWARE RIVER CITY CORPORATION
d/b/a RIVERFRONT NORTH PARTNERSHIP**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

AND

INDEPENDENT AUDITORS' REPORT

FRIEDMAN LLP[®]

ACCOUNTANTS AND ADVISORS

**DELAWARE RIVER CITY CORPORATION
d/b/a RIVERFRONT NORTH PARTNERSHIP**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Delaware River City Corporation
d/b/a Riverfront North Partnership
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Delaware River City Corporation d/b/a Riverfront North Partnership (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Organization'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 Organization'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 City Corporation d/b/a Riverfront North Partnership as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Friedman LLP". The signature is written in a cursive, flowing style.

Philadelphia, PA
December 18, 2018

DELAWARE RIVER CITY CORPORATION
d/b/a RIVERFRONT NORTH PARTNERSHIP

STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2018	2017
ASSETS		
Current assets		
Cash	\$ 928,586	\$ 1,568,551
Grants receivable	160,329	98,663
Prepaid expenses	1,494	1,437
Deposit	1,724	1,724
Total current assets	1,092,133	1,670,375
Property and equipment	28,776	28,804
Less accumulated depreciation	13,024	12,752
	15,752	16,052
Total assets	\$ 1,107,885	\$ 1,686,427
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 108,789	\$ 139,456
Accrued expenses	12,810	10,709
Deferred revenue	273,841	400,004
Total current liabilities	395,440	550,169
Commitments		
Net assets		
Unrestricted	452,755	369,754
Temporarily restricted	259,690	766,504
Total net assets	712,445	1,136,258
Total liabilities and net assets	\$ 1,107,885	\$ 1,686,427

See notes to financial statements.

DELAWARE RIVER CITY CORPORATION
d/b/a RIVERFRONT NORTH PARTNERSHIP

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and support				
Grants and contracts	\$ 956,578	\$ 207,182	\$ 1,163,760	\$ 1,351,174
Contributions	210,751	-	210,751	169,077
In-kind contributions	-	-	-	36,642
Miscellaneous income	733	-	733	726
Total revenue and support before reclassifications	1,168,062	207,182	1,375,244	1,557,619
Net assets released from restrictions	713,996	(713,996)	-	-
Total revenue, support and other	1,882,058	(506,814)	1,375,244	1,557,619
Expenses				
Management and general				
Payroll	39,999	-	39,999	41,604
Payroll taxes and benefits	4,359	-	4,359	3,760
Accounting and auditing	14,640	-	14,640	19,400
Consulting	15,437	-	15,437	-
Depreciation	1,772	-	1,772	2,172
Insurance	7,580	-	7,580	8,250
Legal fees	3,561	-	3,561	36,642
Office expense	13,818	-	13,818	12,377
Rent	10,437	-	10,437	10,283
Telephone	2,672	-	2,672	2,794
Total management and general	114,275	-	114,275	137,282
Program				
Payroll	233,508	-	233,508	170,758
Payroll taxes and benefits	24,411	-	24,411	15,434
Advertising	1,196	-	1,196	-
Other costs	10,796	-	10,796	1,837
Outreach event costs	46,601	-	46,601	9,450
Project costs	1,272,605	-	1,272,605	342,159
Total program	1,589,117	-	1,589,117	539,638
Fundraising				
Payroll	33,626	-	33,626	22,987
Payroll taxes and benefits	3,777	-	3,777	2,078
Consulting	45,210	-	45,210	45,175
Other	2,051	-	2,051	2,042
Special events	11,001	-	11,001	9,138
Total fundraising	95,665	-	95,665	81,420
Total expenses	1,799,057	-	1,799,057	758,340
Change in net assets	83,001	(506,814)	(423,813)	799,279
Net assets, beginning of year	369,754	766,504	1,136,258	336,979
Net assets, end of year	\$ 452,755	\$ 259,690	\$ 712,445	\$ 1,136,258

See notes to financial statements.

DELAWARE RIVER CITY CORPORATION
d/b/a RIVERFRONT NORTH PARTNERSHIP

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Grants and contracts	\$ 381,899	\$ 969,275	\$ 1,351,174
Contributions	169,077	-	169,077
In-kind contributions	36,642	-	36,642
Miscellaneous income	726	-	726
Total revenue and support before reclassifications	588,344	969,275	1,557,619
Net assets released from restrictions	220,627	(220,627)	-
Total revenue, support and other	808,971	748,648	1,557,619
Expenses			
Management and general			
Payroll	41,604	-	41,604
Payroll taxes and benefits	3,760	-	3,760
Accounting and auditing	19,400	-	19,400
Depreciation	2,172	-	2,172
Insurance	8,250	-	8,250
Legal fees	36,642	-	36,642
Office expense	12,377	-	12,377
Rent	10,283	-	10,283
Telephone	2,794	-	2,794
Total management and general	137,282	-	137,282
Program			
Payroll	170,758	-	170,758
Payroll taxes and benefits	15,434	-	15,434
Other costs	1,837	-	1,837
Outreach event costs	9,450	-	9,450
Project costs	342,159	-	342,159
Total program	539,638	-	539,638
Fundraising			
Payroll	22,987	-	22,987
Payroll taxes and benefits	2,078	-	2,078
Consulting	45,175	-	45,175
Other	2,042	-	2,042
Special events	9,138	-	9,138
Total fundraising	81,420	-	81,420
Total expenses	758,340	-	758,340
Change in net assets	50,631	748,648	799,279
Net assets, beginning of year	319,123	17,856	336,979
Net assets, end of year	\$ 369,754	\$ 766,504	\$ 1,136,258

See notes to financial statements.

DELAWARE RIVER CITY CORPORATION
d/b/a RIVERFRONT NORTH PARTNERSHIP

STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (423,813)	\$ 799,279
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	1,772	2,172
Changes in operating assets and liabilities		
Grants receivable	(61,666)	46,089
Prepaid expenses	(57)	(165)
Deposit	-	(28)
Accounts payable	(30,667)	119,117
Accrued expenses	2,101	(368,598)
Deferred revenue	(126,163)	221,925
Net cash (used in) provided by operating activities	(638,493)	819,791
Cash flows used in investing activities		
Purchase of property and equipment	(1,472)	(16,024)
Net (decrease) increase in cash	(639,965)	803,767
Cash, beginning of year	1,568,551	764,784
Cash, end of year	\$ 928,586	\$ 1,568,551

See notes to financial statements.

**DELAWARE RIVER CITY CORPORATION
d/b/a RIVERFRONT NORTH PARTNERSHIP**

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Delaware River City Corporation d/b/a Riverfront North Partnership ("RNP") is a Pennsylvania not-for-profit corporation which is tax exempt under Section 501(c)(3) of the Internal Revenue Code. RNP was organized for the purpose of revitalizing a sustainable riverfront corridor in northeast Philadelphia by reconnecting the people, places, businesses, and neighborhoods of the City of Philadelphia and the surrounding region to the Delaware River while simultaneously promoting a diversity of uses through implementation of the North Delaware Riverfront Greenway Plan.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Net Assets

The Organization reports information regarding its financial position and activities according to three classes of net assets, depending on the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets – Net assets that are available for the support of operations and whose use is not externally restricted.

Temporarily Restricted Net Assets – Net assets whose use by RNP has been limited by donors to a specific time period or purpose.

Permanently Restricted Net Assets – Net assets that the donor stipulates must be maintained by RNP in perpetuity. As of June 30, 2018 and 2017, RNP had no permanently restricted net assets.

**DELAWARE RIVER CITY CORPORATION
d/b/a RIVERFRONT NORTH PARTNERSHIP**

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

RNP reports contributions received as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor-imposed restrictions. Contributions received for specific purposes or with donor stipulations are reported as temporarily restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Grants Receivable

Grants receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the statement of activities in the year in which those differences are determined.

Property and Equipment and Depreciation

Property and equipment consists of furniture, equipment and machinery and is stated at cost. Expenditures for improvements that materially increase the estimated useful lives of the assets are capitalized; expenditures for repairs and maintenance are included in expenses. Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from 3 to 15 years.

Deferred Revenue

Deferred revenue primarily consists of reimbursable contract arrangements received in the current year, which are to be recognized as income as they are utilized in future periods.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs totaled \$1,196 and \$0 for the years ended June 30, 2018 and 2017, respectively.

Income Taxes

RNP has been granted tax exempt status in accordance with Section 501(c)(3) of the Internal Revenue Code and similar state code and is exempt from federal, state and local income taxes. RNP is not a private foundation.

DELAWARE RIVER CITY CORPORATION
d/b/a RIVERFRONT NORTH PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

2 - IN-KIND CONTRIBUTIONS AND EXPENSES

RNP recognizes revenues and related expenses for certain goods and services donated by in-kind sponsors at the fair value of the goods and services.

In-kind contributions and expenses are as follows:

	Year Ended June 30,	
	2018	2017
Legal fees	\$ -	\$ 36,642

3 - COMMITMENTS

RNP leases office space under a non-cancellable operating lease with a third party, expiring January 2019. Total rent expense incurred under this lease was \$10,437 and \$10,283 for the years ended June 30, 2018 and 2017, respectively.

The following is a schedule of future minimum lease payments required under the operating lease:

Year Ending June 30,	
2019	\$ 5,274

4 - CONCENTRATIONS OF CREDIT RISK

Revenue and Support

During the year ended June 30, 2018, RNP received approximately 54% and 14%, respectively, of its revenue and support from two organizations. As of June 30, 2018, 92% of the grants receivable was due from three organizations. During the year ended June 30, 2017, RNP received approximately 61% and 11%, respectively, of its revenue and support from two organizations. As of June 30, 2017, 100% of the grants receivable was due from three organizations.

Cash

RNP maintains cash in bank deposit accounts. Each of these accounts is guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2018, RNP's cash balances exceeded the insurable amount by approximately \$700,000.

**DELAWARE RIVER CITY CORPORATION
d/b/a RIVERFRONT NORTH PARTNERSHIP**

NOTES TO FINANCIAL STATEMENTS

5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of grants to be used for various projects towards the purpose of revitalizing a sustainable riverfront corridor in northeast Philadelphia. Temporarily restricted net assets amounted to \$259,690 and \$766,504 at June 30, 2018 and 2017, respectively.

6 - RELATED PARTY TRANSACTIONS

A law firm for whom one member of the board of directors is a partner contributed legal services of \$0 and \$36,642 for the years ended June 30, 2018 and 2017, respectively. Also, board members and employees of RNP collectively contributed approximately \$55,206 and \$39,250 to RNP for the years ended June 30, 2018 and 2017, respectively.

7 - UNCERTAIN TAX POSITIONS

Management of RNP considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur, including changes to RNP's status as a not-for-profit entity. Management believes RNP met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore no provision for income taxes has been provided in these financial statements.

8 - SUBSEQUENT EVENTS

RNP has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 18, 2018, the date on which the financial statements were available to be issued.