Financial Statements and Report of Independent Certified Public Accountants

Community College of Philadelphia

(A Component Unit of the City of Philadelphia)

June 30, 2015 and 2014

Contents

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Report of Independent Certified Public Accountants

Board of Directors
Community College of Philadelphia
(A Component Unit of the City of Philadelphia)

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Community College of Philadelphia (the College) as of and for the year ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the College'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 opinions on these financial statements based on our audit. We conducted our audit 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 College'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 College'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the Community College of Philadelphia as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of new accounting pronouncement

As discussed in Note A to the financial statements, the College adopted the provisions of Governmental Accounting Standards board Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, effective July 1, 2014. Our audit opinion was not modified with respect to this matter.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 14, the schedule of funding progress on page 56, the schedule of proportionate share of net pension liability on page 57 and the schedule of contributions on page 58, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Government 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. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures 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 information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supplementary schedules on pages 68 to 70 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

The statistical section on pages 59 through 67 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 30, 2015, on our consideration of the College'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 the effectiveness of 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 the College's internal control over financial reporting and compliance.

Grant Thornton LLP

Philadelphia, Pennsylvania

September 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2015 and 2014

INTRODUCTION

This Management's Discussion and Analysis (MD&A) is based upon facts, decisions, and conditions known as of the date of the audit report. The results for 2015 are compared to those for the 2014 fiscal year. The MD&A should be read in conjunction with the financial statements and accompanying notes which follow this section.

Community College of Philadelphia (the College) has prepared its financial statements in accordance with Government Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require the financial statements be presented to focus on the College as a whole. The financial results of the Community College of Philadelphia Foundation (the Foundation) are reported as a component unit. These statements include the statistical reporting section in accordance with GASB Statement 44.

Financial and Institutional Highlights

- Moody's has affirmed the College's Bond Rating A1.
- Credit enrollments continue to be strong. Final credit FTEs were only 201 less (1.3%) than the prior year, which is better than state-wide and national trends. This is the second consecutive year the College has not increased tuition and fees.
- Several renovation projects were completed. These projects included: renovation of four chemistry labs and preparatory space; creation of biochemistry and engineering technology laboratories; and creation of a research laboratory. In addition, planning has begun on renovations to the College's biology labs on the main campus and the biology prep room in the Northeast Regional Center which will be funded by a $5.9 million, ten-year bond issue with the State contributing 50% of the annual debt service.
- The College undertook a collaborative reorganization to be a national leader in student success and completion. This student-focused reorganization is designed to build capacity while supporting the College's strategic goals and continuing our longstanding commitment to affordable education and open success.
- The College received $452,279 of additional funds from the State and $500,000 of additional funds from the City.
- For the eleventh consecutive year, a balanced budget was achieved.
- Net position decreased by $6.61 million or 9.1% primarily due to the impact of GASB 45 and the initial adoption of GASB 68.
- Operating revenues decreased by $3.22 million or 8.7%.
- Operating expenses decreased by $2.7 million or 1.6%.
- Nonoperating revenues increased by $3.5 million or 3.2%.

Overview of Financial Statements

The College's financial statements focus on the College as a whole, rather than upon individual funds or activities. The GASB reporting model is designed to provide readers with a broad overview of the College's finances and is comprised of three basic statements:

- The *Statements of Net Position* present information on the College's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets serve as one indicator of how the financial position of the College is changing.

- The *Statements of Revenues, Expenses and Changes in Net Position* present information showing how the College's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

- The *Statements of Cash Flows* are reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations, financing, and investing receipts and disbursements.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes contain details on both the accounting policies and procedures that the College has adopted, as well as additional information for certain amounts reported in the financial statements.

Net Position

The College's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less accumulated depreciation and outstanding debt incurred to acquire those assets. The College uses these capital assets to provide services to students, faculty, and administration; consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At June 30, 2015, the College's net position was $65.9 million, with assets of $219.0 million exceeding liabilities of $153.6 million. As a result of financial circumstances which contributed to asset growth, net position increased by $4.2 million in the 2015 fiscal year prior to recording the impact of the post-employment benefit liability. The change in net assets after recording the post-employment benefit accrual was a negative $4.6 million. Unrestricted net assets fell from a negative $26.0 million to a negative $35.8 million. Absent the cumulative impact of the post-employment benefit liability (GASB 45 & 68) reporting requirements, unrestricted net assets would currently be at a level of $22.4 million. The other factor significantly reducing the unrestricted net asset value was unfunded depreciation expense for 2015 in the amount of $9.7 million.

The negative unrestricted net asset position ($35.8 million) reflects the cumulative impact of the post-employment benefit expense accruals in the amount of $58.2 million.

Summary of Net Position

June 30,

	2015	2014	2013
		(In millions)	
Assets:			
Current assets	$ 31.5	$ 32.7	$ 31.8
Noncurrent assets:			
Capital assets net of depreciation	171.3	179.5	183.0
Bond proceeds available for campus construction	-	0.2	2.4
Other	16.2	16.1	15.8
Total assets	$ 219.0	$ 228.5	$ 233.0
Deferred outflow of resouces	$ 0.5		
Liabilities:			
Current liabilities	$ 27.2	$ 29.6	$ 31.4
Noncurrent liabilities	126.3	126.4	124.5
Total liabilities	$ 153.5	$ 156.0	$ 155.9
Deferred inflow of resouces	$ 0.1		
Net position:			
Net investment in capital assets	$ 97.0	$ 93.8	$ 89.7
Unrestricted	(35.8)	(26.0)	(15.3)
Restricted:			
Expendable	4.7	4.7	2.7
Total net position	$ 65.9	$ 72.5	$ 77.1

Assets

Current assets decreased by $1.14 million in fiscal year 2015. Net receivables, cash and cash equivalents, and short-term investments increased. The decrease in accounts receivable were primarily related to the change in the College's refund policy for financial aid students who withdrew from a course prior to the census date. Other receivables are related to Foundation payments, vendors and governmental agencies.

Noncurrent assets decreased by $8.3 million. Bond proceeds available for campus construction decreased as the College completed renovation projects on the Main Campus in the West Building. These completed projects included creating a new biochemistry lab and an engineering technology lab, creation of a research lab, and renovations of four chemistry labs and preparatory space. The College's capital assets as of June 30, 2015 net of accumulated depreciation was $171.3 million, a decrease of $8.2 million over the amount reported for 2014 of $179.5 million. The decrease in the net value of assets is related to the increase in accumulated depreciation which exceeded the value of capital additions.

Liabilities

Total current liabilities decreased by $2.3 million in fiscal year 2015. Accounts payable and accrued liabilities increased by $1.1 million. Included in this category of current liabilities is $1.2 million that represents the value of medical claims incurred prior to June 30, 2015 that have not yet been processed and billed by the College's health care providers. The College self-insures its employee medical plan. A reinsurance limit of $225,000 was in place for the 2015 fiscal year to cap institutional financial exposure for individuals with extraordinarily large claims in a policy year.

The current portion of long-term debt remained relatively stable for the year. Payables to government agencies decreased by $2.5 million primarily due to Financial Aid processing more State PHEAA funds prior to June 30.

The College's outstanding long-term debt was at $65.0 million as of June 2015, a decrease of $6.3 million from June 2014 reflecting principal payments made during the fiscal year as well as the retirement of the College's 2010 revolving loan. The present value of future post-retirement benefits other than pensions, projected to be paid to retired employees, were prepared as of July 1, 2013 for reporting as of June 30, 2015. The July 1, 2013 report included some changes in actuarial assumptions; the amount of the liability increased by $8.4 million in fiscal year 2015. The College has elected to phase in the reporting of the post-employment benefit liability over a 30-year period and to continue to fund the costs of the post-retirement benefit out of the College's annual budgeted revenues. A separate trust has not been established to fund any portion of this liability. The post-employment benefits liability amount for fiscal year 2015 also includes $2.8 million related to the adoption of GASB 68 which requires the College to record their relative proportion of the net funded status of certain state cost sharing pension plans. The cumulative estimated value for the accrued post-employment benefit liability in fiscal years 2015, 2014, and 2013 was $58.2 million, $47.3 million and $38.8 million, respectively. Absent this reporting requirement, the College's net assets as of June 30, 2015 would have been at a level of $124.1 million.

Capital lease obligations include mainly technology associated with academic and administrative computing, as well as digital press and copier equipment. The remaining obligation ($3.8 million) associated with a 15-year performance guarantee contract with Johnson Controls, Inc., was paid off as of June 30, 2015. Under the terms of this contract, the College completed ten separate capital projects, having a value of $5.3 million, which addressed critical infrastructure renewal needs at the College's main campus facilities and are reducing operating costs through energy and other facility operating cost savings. The College also paid off the remaining obligation ($412,766) of a 10-year lease related to a telephone switch upgrade, which was completed in 2008.

Statement of Revenues, Expenses and Changes in Net Position

The change in net position for fiscal years 2015, 2014, and 2013 was a negative $4.6 million, negative $4.5 million and negative $4.2 million, respectively. The following table quantifies the changes:

Revenues, Expenses and Changes in Net Position

June 30,

	2015	2014	2013
		(In millions)	
Operating revenues:			
Net tuition and fees	$ 32.0	$ 35.3	$ 32.0
Auxiliary enterprises and other sources	2.0	1.8	1.9
Total	34.0	37.1	33.9
Operating expenses	163.4	166.1	164.0
Operating loss	(129.4)	(129.0)	(130.1)
Net nonoperating revenues	114.0	110.5	112.2
Change in net assets before other revenues	(15.4)	(18.5)	(17.9)
Net capital revenue and changes to endowments	10.8	14.0	13.7
Total change in net position	$ (4.6)	$ (4.5)	$ (4.2)

Operating Revenues

The largest sources of operating revenue for the College are student tuition and fees and auxiliary enterprise revenues. In 2015, the tuition charge per credit was $153; no increase was made over the 2014 fee. The Technology Fee was unchanged at $28 per credit. The General College Fee, which supports student life programs and athletics, remained unchanged at $4 per credit. The College charges course fees which range from $75 to $300 in selected high-cost courses. Average total tuition and fee revenue per credit for 2015 was $204. Auxiliary enterprise revenues are generated from bookstore, food service and parking operations.

Tuition and fee revenue totaled $78,506,460 in fiscal year 2015, $78,732,758 in 2014 and $75,272,804 in 2013, which is offset by the scholarship allowance amounts for 2015, 2014 and 2013, respectively, of $46,533,705, $43,395,057, $43,269,962. The scholarship allowance represents tuition and fee payments made using public and private grants and scholarships. The relatively stable scholarship allowance amounts between fiscal 2015 and fiscal 2014 are reflective of the stable enrollments coupled with the small increase in the federal Pell financial aid award amounts for the 2015 fiscal year.

Gift revenue in the amount of $140,848 was received in 2015 and is reported in the Statement of Revenues, Expenses and Changes in Net Assets. This value reflects a contribution received from the Foundation that was used to partially pay the College's cost for its partnership with Single Stop USA. Single Stop USA is a nonprofit organization that delivers services to families nationwide by connecting students to state and federal financial resources and local community services. The aim is to help students overcome economic barriers, continue with their education and move toward economic mobility.

Nonoperating Revenues

State appropriations in fiscal year 2015, excluding capital appropriations, totaled $28,631,589, an increase of $452,279 over the $28,179,310 received in fiscal year 2014. In fiscal year 2013, the College received $28,239,824.

Total 2015 City funding was $26,909,207, a $500,000 increase (1.9%) over the amount received in fiscal year 2014. Of the funding appropriation, $21,277,040 was used for operating budget purposes in 2015. In fiscal year 2014, $18,346,138 of the total appropriation was used for operating purposes and $18,063,705 in fiscal year 2013. Net investment income was $364,680 in fiscal year 2015, $695,167 in 2014 and $332,708 in 2013. Included in net investment income for 2015 is an unrealized loss of $123,965 and a realized loss of $596 for all investment activity as of June 30, 2015.

Capital Appropriations

The State provided capital funding for debt service and capital purchases in the amounts of $5,017,352 and $6,109,663 for fiscal years 2015 and 2014, respectively. The amount received in fiscal year 2013 was $6,384,089. The College used $5,836,028 of the total City appropriation of $27,113,068 in fiscal year 2015 for debt service and capital purchases. In fiscal years 2014 and 2013, City appropriations used for debt service and capital purchases was $7,859,208 and $7,435,502, respectively.

Expenses by Function

June 30,

	2015	2014	2013
Instruction	$ 65,046,544	$ 66,209,598	$ 66,436,316
Public service	64,882	108,954	155,657
Research	20,921	-	-
Academic support	18,372,027	17,492,238	17,246,555
Student services	23,493,959	22,810,350	21,913,072
Institutional support	24,370,565	25,229,115	26,216,369
Physical plant operations	13,335,791	12,585,835	12,741,867
Depreciation	9,697,798	10,490,412	10,423,443
Student aid	8,210,976	10,459,176	8,327,636
Auxiliary enterprises	831,206	770,012	559,068
Total operating expenses	$163,444,669	$166,155,690	$164,019,983

Exclusive of Student Aid and Depreciation expenses, the College's operating expenses totaled $145,535,895 in fiscal year 2015, $145,206,102 in fiscal 2014 and $145,268,904 in fiscal 2013. September 1, 2014 began year four of a five-year labor contract that was ratified by the union in September 2013.

In fiscal 2008, the College implemented the GASB 45 accounting standard. This standard requires that the present value of future post-retirement benefits other than pensions, projected to be paid to retired employees be recorded as an expense in pubic institutions' financial statements. The value of the expense for fiscal years 2015, 2014 and 2013 was $8,016,318, $8,641,201 and $8,530,033, respectively.

Expenses by Natural Classifications

June 30,

	2015	2014	2013
		(In thousands)	
Expenses:			
Salaries	$ 77,161	$ 75,438	$ 76,015
Benefits	35,767	35,885	34,247
Contracted services	8,330	9,697	11,373
Supplies	3,073	3,232	3,636
Depreciation	9,698	10,490	10,423
Student aid	8,211	10,459	8,328
Other	12,815	12,314	11,468
GASB 45 & 68 (Other post-employment benefits) accrual	8,390	8,641	8,530
Total operating expenses	163,445	166,156	164,020
Interest on capital asset-related debt service	4,225	4,258	4,689
Total nonoperating expenses	4,225	4,258	4,689
Total expenses	$ 167,670	$ 170,414	$ 168,709

In fiscal year 2015, expenses associated with the College's operating budget increased by $5.03 million or 4.1 %. Total operating expenditures ended the year $1.2 million less than budgeted. A number of vacant positions during the year resulted in a higher-than-budgeted lapse salary savings. A one-time special retirement incentive program added unbudgeted costs of $740,000 to the fiscal 14-15 budget year but will result in projected salary savings of $3.9 million over the next five years. Overall, salaries were $715,000 lower than budgeted. The fringe benefit budget was positively affected by a favorable year for the medical self-funded program. Final medical program costs were almost $1.7 million below budget. Administration took advantage of the savings from the salary and fringe benefit lines and other expense lines to pay-off existing longer-term leases in the amount of $3.578 million. This strategy provides flexibility in the College's operating budget for future years. Expenses associated with restricted grants decreased by $1.32 million, 1.1% from the fiscal year 2014 expenses. This decrease was related to the TAACCCT grant which, in fiscal year 2015, had $2.07 million less expenses than in fiscal year 2014.

Schedule of Fund Balances

The following chart shows fund balances in the four fund groups: Unrestricted, Restricted, Endowment and Plant. The 2015, 2014 and 2013 amounts reported for unrestricted operations funds were reduced by the impact of GASB 45 and 68 reporting of an accrued expense liability for post-employment benefits. The impact of GASB 45 reporting in 2015 was $8,016,318, in 2014 was $8,641,201 and in 2013 was $8,530,033. The negative unrestricted plant fund balance reflects the cumulative impact of unfunded depreciation expense.

	June 30,		
	2015	2014	2013
Total unrestricted fund	$ (26,926,568)	$ (16,669,094)	$ (8,297,655)
Endowment fund:			
Quasi endowment (unrestricted)	1,606,385	1,762,678	1,859,894
Total endowment	1,606,385	1,762,678	1,859,894
Plant fund:			
Net invested in capital assets	96,978,995	93,771,459	89,660,198
Restricted expendable - capital	4,742,166	4,742,069	2,740,642
Unrestricted	(10,482,019)	(11,069,072)	(8,890,495)
Total plant fund	91,239,142	87,444,456	83,510,345
Total net position	$ 65,918,959	$ 72,538,040	$ 77,072,584

Community College of Philadelphia Foundation

The Foundation was established in 1985. Total assets for 2015, 2014 and 2013 were $12.9 million, $11.8 million and $12.6 million, respectively. Total unrestricted net position for 2015, 2014 and 2013 for the Foundation was $1.7 million, $1.6 million and $1.5 million, respectively. The remaining net position is restricted based upon donor intent.

Future Impacts

For fiscal year 2016, City funding to the College was increased by an additional $3.4 million with $1.4 million of the increase designated for capital. The State budget submitted by the governor has not been approved by the State legislature. The governor's budget included a significant increase in operating funds for community colleges; the additional funding for the College is estimated at $1.98 million. The College's budget was built upon this level of funding. Student tuition and fees remained at the same level as fiscal year 2014-15. Credit FTE enrollments for the fall 2015 semester are trending 0.3% above enrollments of fall 2014.

Community College of Philadelphia
(A Component Unit of the City of Philadelphia)

STATEMENTS OF NET POSITION

June 30, 2015 and 2014

	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
ASSETS	2015	2014	2015	2014
Current assets:				
Cash and cash equivalents (Note B)	$ 10,323,803	$ 10,601,463	$ 191,827	$ 127,848
Short-term investments (Note B)	12,396,932	13,384,688	1,164,745	1,738,570
Accounts receivable, net (Note C)	4,830,003	4,410,755	1,246,209	534,445
Receivable from government agencies (Note G)	2,848,056	2,650,481	-	-
Accrued interest receivable	47,160	48,062	-	-
Other assets	1,066,648	1,559,866	-	-
Total current assets	31,512,602	32,655,315	2,602,781	2,400,863
Noncurrent assets:				
Endowment investments (Note B)	-	-	8,953,083	8,415,537
Accounts receivable, net (Note C)	-	-	609,173	977,110
Bond proceeds available for campus construction	5,060	207,733	-	-
Other long-term investments (Note B)	16,222,800	16,134,491	-	-
Capital assets, net (Note D)	171,293,451	179,492,948	-	-
Total noncurrent assets	187,521,311	195,835,172	9,562,256	9,392,647
Total assets	$ 219,033,913	$ 228,490,487	$ 12,165,037	$ 11,793,510
Deferred outflows of resources:				
Deferred outflows	$ 543,675	$ -	$ -	$ -

See accompanying notes to financial statements.

Community College of Philadelphia
(A Component Unit of the City of Philadelphia)

STATEMENTS OF NET POSITION - CONTINUED

June 30, 2015 and 2014

	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
LIABILITIES AND NET POSITION	2015	2014	2015	2014
Current liabilities:				
Accounts payable and accrued liabilities (Note E)	$ 16,517,824	$ 15,429,984	$ 398,169	$ 359,368
Payable to government agencies (Note G)	490,637	3,025,477	-	-
Deposits	561,301	460,793	-	-
Unearned revenue	2,360,265	2,561,108	852,272	1,067,505
Current portion of capital lease obligation (Note F)	1,128,414	1,909,178	-	-
Current portion of long-term debt (Note F)	6,170,886	6,157,176	-	-
Unamortized bond premium	51,170	51,170	-	-
Total current liabilities	27,280,497	29,594,886	1,250,441	1,426,873
Noncurrent liabilities:				
Accrued liabilities (Note E)	1,084,173	1,149,303	-	-
Annuity payable	-	-	4,153	9,367
Capital lease obligation (Note F)	1,580,569	6,069,858	-	-
Long-term debt (Note F)	65,021,752	71,323,947	-	-
Unamortized bond premium	366,724	417,892	-	-
Other post-employment benefits liability (Note H)	58,227,563	47,396,561	-	-
Total noncurrent liabilities	126,280,781	126,357,561	4,153	9,367
Total liabilities	153,561,278	155,952,447	1,254,594	1,436,240
Deferred inflows of resources:				
Deferred inflows	97,351	-	-	-
Net position:				
Net investment in capital assets	96,978,995	93,771,458	-	-
Restricted:				
Nonexpendable:				
Scholarships, awards and faculty chair	-	-	6,934,838	6,638,178
Annuities	-	-	2,571	9,021
Expendable:				
Scholarships, awards and faculty chair	-	-	1,653,576	1,465,496
Capital projects	4,742,166	4,742,069	580,500	613,710
Unrestricted	(35,802,202)	(25,975,487)	1,738,958	1,630,865
Total net position	$ 65,918,959	$ 72,538,040	$ 10,910,443	$ 10,357,270

See accompanying notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30, 2015 and 2014

	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
	2015	2014	2015	2014
Operating revenues:				
Student tuition	$ 61,189,199	$ 61,356,712	$ -	$ -
Student fees	17,317,261	17,376,046	-	-
Less scholarship allowance	(46,533,705)	(43,395,057)	-	-
Net student tuition and fees	31,972,755	35,337,701	-	-
Auxiliary enterprises	1,785,603	1,671,145	-	-
Gifts	-	-	770,634	532,223
Other sources	196,423	166,024	118,048	130,783
Total operating revenues	33,954,781	37,174,870	888,682	663,006
Operating expenses (Note J):				
Educational and general:				
Instruction	65,046,544	66,209,598	40,426	28,607
Public service	85,803	108,954	-	-
Academic support	18,372,027	17,492,238	-	-
Student services	23,493,959	22,810,350	37,050	24,082
Institutional support	24,370,565	25,229,115	1,703,304	2,110,740
Physical plant operations	13,335,791	12,585,835	-	-
Depreciation	9,697,798	10,490,412	-	-
Student aid	8,210,976	10,459,176	308,944	270,038
Auxiliary enterprises	831,206	770,012	-	-
Total operating expenses	163,444,669	166,155,690	2,089,724	2,433,467
Operating loss	$ (129,489,888)	$ (128,980,820)	$ (1,201,042)	$ (1,770,461)

See accompanying notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CONTINUED

Years ended June 30, 2015 and 2014

	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
	2015	2014	2015	2014
Nonoperating revenues (expenses):				
State appropriations (Note K)	$ 28,631,589	$ 28,179,310	$ -	$ -
City appropriations (Note K)	21,271,006	18,346,138	-	-
Federal grants and contracts	57,870,842	58,795,574	-	-
Gifts from the Community College of Philadelphia Foundation	140,848	100,000	(140,848)	(100,000)
State grants and contracts	7,343,322	6,591,410	-	-
Nongovernmental grants and contracts	1,521,465	1,703,933	1,624,928	1,746,152
Net investment income	364,680	695,167	270,135	828,478
Interest on capital asset-related debt service	(4,224,570)	(4,258,483)	-	-
Other nonoperating revenues	1,087,072	324,356	-	-
Net nonoperating revenues	114,006,254	110,477,405	1,754,215	2,474,630
(Loss) gain before other revenues, expenses, gains or losses	(15,483,634)	(18,503,415)	553,173	704,169
Capital appropriations	10,859,413	13,968,871	-	-
(Decrease) increase in net position	(4,624,221)	(4,534,544)	553,173	704,169
Net position, beginning, as previously reported	72,538,040	77,072,584	10,357,270	9,653,101
Change in accounting principle - GASB 68 adjustments (Note A)	(1,994,860)	-	-	-
Net position, beginning of the year, restated	70,543,180	77,072,584	10,357,270	9,653,101
Net position, ending	$ 65,918,959	$ 72,538,040	$ 10,910,443	$ 10,357,270

See accompanying notes to financial statements.

Community College of Philadelphia
(A Component Unit of the City of Philadelphia)

(Business-Type Activities - College only)

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2015	2014
Cash flows from operating activities:		
Tuition and fees	$ 31,283,356	$ 35,016,023
Payments to suppliers	(23,707,061)	(22,531,001)
Payments to employees	(76,943,418)	(76,666,839)
Payments for employee benefits	(35,067,726)	(36,319,049)
Payments for student aid	(8,210,976)	(10,459,176)
Auxiliary enterprises	1,778,519	1,685,121
Other cash receipts	196,423	166,024
Net cash used in operating activities	(110,670,883)	(109,108,897)
Cash flows from noncapital financing activities:		
State appropriations	28,641,818	28,168,713
City appropriations	21,277,040	18,346,138
Gifts and grants	64,331,404	68,319,487
Other nonoperating	1,187,580	598,247
Net cash provided by noncapital financing activities	115,437,842	115,432,585
Cash flows from capital and related financing activities:		
State capital appropriations	5,017,352	6,109,663
City capital appropriations	5,836,028	7,859,208
Decrease in bond proceeds available for campus construction	202,673	2,236,413
Purchases of capital assets	(1,217,392)	(5,854,492)
Principal on capital debt and amortization of capital leases	(11,839,447)	(10,939,049)
Interest on capital debt and capital leases	(4,308,863)	(4,352,741)
Net cash used in capital and related financing activities	(6,309,649)	(4,940,998)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	53,179,375	20,833,100
Purchases of investments	(52,279,927)	(24,276,749)
Interest on investments	365,582	695,048
Net cash provided by (used in) investing activities	1,265,030	(2,748,601)
Decrease in cash	(277,660)	(1,365,911)
Cash and cash equivalents, beginning	10,601,463	11,967,374
Cash and cash equivalents, ending	$ 10,323,803	$ 10,601,463

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS - CONTINUED

Years ended June 30,

	2015	2014
Reconciliation of net operating loss to net cash used in operating activities:		
Operating loss	$ (129,489,888)	$ (128,980,820)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation	9,697,798	10,490,412
Changes in assets and liabilities:		
Accounts receivable	(589,271)	948,329
Prepaid and other assets	493,218	(221,716)
Loans to students and employees	(27,550)	157,775
Accounts payable and accrued liabilities	1,102,852	(271,373)
Deferred revenues	(247,860)	127,295
Other post-employment benefits	8,389,818	8,641,201
Net cash used in operating activities	$ (110,670,883)	$ (109,108,897)
Supplemental disclosure of noncash capital financing activity:		
Capital assets acquired via capital lease	$ 280,909	$ 699,553

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Community College of Philadelphia (the College) operates in accordance with the provisions of Commonwealth of Pennsylvania (the Commonwealth) legislation and through the sponsorship of the City of Philadelphia (the City). For financial reporting purposes, the College has been determined to be a component unit of the City, and as such has adopted the applicable provisions of the Governmental Accounting Standards Board (GASB).

Component Unit

The Community College of Philadelphia Foundation (the Foundation), was established to serve as an organization responsible for College fund-raising activities.

The by-laws of the Foundation give the College's board of trustees the authority to amend the Articles of Incorporation of the Foundation at any time. The Foundation is considered to be a discretely presented component unit of the College, and all financial transactions are reported within the financial statements of the College.

2. Measurement Focus, Basis of Accounting, and Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as prescribed by the GASB. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The College has determined that it functions as a Business Type Activity, as defined by the GASB. The effect of interfund activity has been eliminated from these financial statements.

The College's policy is to define operating activities in the statement of revenues, expenses and changes in net position as those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as nonoperating activities. These nonoperating activities include the College's operating and capital appropriations from the Commonwealth and the City; federal, state, and private grants; net investment income; gifts; interest expense; and disposals of capital assets.

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. Government Appropriations

Revenue from the Commonwealth and the City is recognized in the fiscal year during which the funds are appropriated to the College. The College is fiscally dependent upon these appropriations. Specific accounting policies with regard to government appropriations are as follows:

Commonwealth of Pennsylvania

General state legislation establishing community colleges provides for the reimbursement of certain college expenses from Commonwealth funds appropriated for this purpose. Act 46 enacted in July 2005 changed the original basis of allocating operating funds to Commonwealth community colleges from a formula approach based upon full-time equivalent (FTE) students taught in the current fiscal year to a state-wide community college appropriation. Under Act 46, the state-wide operating budget appropriation for community colleges is to be distributed among each of the 14 colleges in three parts: base funding, growth funding and high priority (economic development) program funding. The provisions of Act 46 are intended to ensure that base operating funding for each college will at least equal the amount of funds received in the prior year. Annually, 25% of any new dollars in the operating funding granted community colleges is to be distributed proportionally among the colleges experiencing growth in the prior year based upon their share of the FTE growth. Colleges whose enrollments are stable or decline do not receive any increase from the growth funding.

The other significant operating funding change as a result of Act 46 was the establishment of Economic Development (high priority) program funding. High priority program funding is based upon prior year enrollments in program areas defined by the State to contribute to trained worker growth in critical employment areas. Using prior-year FTE enrollments in targeted programs as the allocation mechanism, each college is to receive a proportionate share of the available funds allocated to high priority programs.

For the 2015 and 2014 fiscal years, the provisions of Act 46 were not followed in allocating operational funds to Pennsylvania community colleges.

Under the provisions of Act 46, a separate revolving pool was established for community college capital funding. Capital funding, which may include major equipment and furniture purchases, capital improvements to buildings and grounds, debt service on major capital projects, and net rental costs for eligible capital leases, is reimbursed at the rate of 50%. Capital costs not previously approved for annual funding are subject to a competitive application process, with the allocation of available funds made by the Pennsylvania Department of Education using state-wide criteria.

Any excesses or deficiencies between provisional payments and the final annual reimbursement calculation of annual Commonwealth funding are reflected as a payable or receivable from the Commonwealth.

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Net Position

The College classifies its net position into the following four net position categories:

Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

Restricted - nonexpendable: Net position subject to externally imposed conditions that the College must maintain them in perpetuity.

Restricted - expendable: Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the College or by the passage of time.

Unrestricted: All other categories of net position. Unrestricted net position may be designated by actions of the College's board of trustees.

The College has adopted a policy of generally utilizing restricted - expendable funds, when available, prior to unrestricted funds.

5. Cash and Cash Equivalents

The College considers all petty cash accounts and demand deposits with financial banking institutions to be cash. The College considers all short-term investments (primarily certificates of deposit) with a maturity of 90 days or less to be cash equivalents.

6. Investments

Investments in marketable securities are stated at fair value. Valuations for marketable securities are provided by external investment managers or are based on audited financial statements when available.

Dividends, interest and net gains or losses on investments of endowments and similar funds are reported in the statement of revenues, expenses and changes in net position. Any net earnings not expended are included in net position categories as follows:

(i) as increases in restricted - nonexpendable net position if the terms of the gift require that they be added to the principal of a permanent endowment fund;
(ii) as increases in restricted - expendable net position if the terms of the gift or the College's interpretation of relevant state law impose restrictions on the current use of the income or net gains; and
(iii) as increases in unrestricted net position in all other cases.

The College policy permits investments in obligations of the U.S. Treasury; certificates of deposit; commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record; bankers' acceptances; repurchase agreements; and the Commonfund's Intermediate Term Fund and Multi-Strategy Bond Fund, and specifically approved fixed income securities. The investment practice of the Foundation includes the use of the Commonfund Multi-Strategy Equity Funds, Multi-Strategy Bond Funds, and specifically approved fixed income securities.

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. Interest costs on debt related to capital assets are capitalized during the construction period.

Assets are depreciated using the straight-line method. The range of estimated useful lives by asset categories is summarized as follows:

Asset category	Years
Buildings	10 to 50
Furniture and equipment	3 to 10
Library books	10
Audiovisual media	5
Computer desktop software	3
Computer system software	10

The costs of normal maintenance and repairs that do not increase the value of the asset or materially extend assets' lives are not capitalized.

8. Compensated Absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through the statement of net position date. Upon retirement, these employees are entitled to receive payment for this accrued balance as defined in the College policy and collective bargaining agreements.

9. Students' Deposits and Unearned Revenue

Deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year are deferred and are recorded as revenues when instruction is provided.

10. Student Fees

Included in student fees are general college fees of $1,515,884 and $1,536,150 for the years ended June 30, 2015 and 2014, respectively, which have been designated for use by the various student organizations and activities.

11. Tax Status

The College generally is exempt from federal and state taxes due to its status as an unincorporated association established by the Pennsylvania Community College Act of 1963 (the Act). Under the Act, community colleges are considered to be activities of the Commonwealth.

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Internal Revenue Service (IRS) determined the Foundation is also classified as a public charity under Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code to serve as an organization responsible for College fund-raising activities.

12. Use of Estimates

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

13. Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on students' behalf. Certain governmental grants are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

14. Self-Insurance

The Community College of Philadelphia Board of Trustees approved the College's participation in a self-insurance medical plan through Independence Blue Cross, which became effective September 1, 2009. A reinsurance limit of $225,000 is in place to limit institutional financial exposure for individuals with extraordinarily large claims in a policy year. The College has established a self-insurance accrued liability account for incurred claims as well as an estimate of claims incurred but not reported. The College's self-insurance liability at June 30, 2015 and 2014 was $1,233,369 and $1,079,362, respectively, based upon an actuarial calculation based upon historical claim experience.

15. Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until then. In addition to liabilities, the Statements of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of a net position that applies to future periods and will not be recognized as an inflow of resources until that time. The College's deferred outflow/inflow relates to amounts recorded in connection with the adoption of GASB 68.

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

16. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Employees Retirement System (SERS) and the Pennsylvania Public School Employees Retirement System (PSERS) and additions to/deductions from the SERS' and PSERS' fiduciary net position have been determined on the same basis as they are reported by SERS/PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

17. Recent Accounting Pronouncements

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), which was adopted for the College's fiscal year ended June 30, 2014, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. As a result of the adoption of GASB 65, debt issuance costs are recognized as an expense in the period incurred, rather than as an asset.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurements and Application* (GASB 72). This statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this statement become effective for fiscal periods beginning after June 15, 2015. The College has not completed the process of evaluating the impact of adopting the statement.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The primary objective of this statement is to improve accounting and financial reporting for postemployment benefits other than pensions. This statement replaces the requirements of Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for OPEB. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expenses. This statement also identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payment to their actuarial present value, and attribute that present value to periods of employee service. The requirement of this Statement are effective for financial statements for periods beginning after June 15, 2017. The College has not completed the process of evaluating the impact of adopting this statement.

18. Change in Accounting Principle

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), which improves accounting and financial reporting by state and local governments for pensions. This statement also supercedes GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers,* as well as GASB Statement No 50, *Pension Disclosures.* GASB 68 required the College as a cost sharing pension employer to record a liability for its proportionate share of the net pension liability of PSERS and SERS. In connection with the adoption of GASB 68, the College recorded an adjustment to net position as of July 1, 2014 for $1,994,860 to reflect the initial recording of the liability. The financial statements for the year ended June 30, 2014 were not restated as information was not available from the pension plans to be able restate the prior year information.

NOTE B - DEPOSITS AND INVESTMENTS

The College invests its funds in accordance with the Board of Trustees' investment policy, which authorizes the College to invest in cash equivalents which consist of treasury bills, money market funds, commercial paper, bankers' acceptances, repurchase agreements and certificates of deposit; fixed income securities including U.S. government and agency securities, corporate notes and bonds, asset-backed bonds, floating rate securities and Yankee notes and bonds; and mutual funds including the Commonfund Multi-Strategy Bond Fund and Commonfund Intermediate Fund. Regardless of fund classifications, certain general tenets apply. Investments in all classifications seek to maintain significant liquidity and maximize annual income for the College while avoiding excessive risk. Specific objectives include maintaining sufficient liquidity to meet anticipated cash needs and the preservation of principal. The College recognizes that it may be necessary to forego opportunities for potential large gains to achieve a reasonable risk posture. Certain investments are prohibited, including equity securities, commodities and futures contracts, private placements, options, limited partnerships, venture capital, tangible personal property, direct real estate, short selling, margin transactions and certain derivative instruments. Diversification, insofar as it reduces portfolio risk, is required. At least annually, the Board of Trustees will review the investment policy and performance to determine any appropriate revisions.

Operating funds may be invested only in corporate bonds rated at a minimum A- by Standard and Poor's or A3 by Moody's Investors Service, Inc. (Moody's) that are of U.S. dollar denomination. Investments in asset-backed and mortgage-backed bonds are limited to those rated AAA/Aaa. Investments in commercial paper must be rated A1/P1 or better. The maximum percentage of investments in any one sector is limited to 100% for U.S. government and agency, 25% for asset-backed bonds, 40% for corporate notes and bonds, and 25% for mortgage-backed bonds.

Deposits are comprised of demand deposit accounts with financial institutions. At both June 30, 2015 and 2014, cash on hand was $4,000. At June 30, 2015 and 2014, the carrying amount of deposits was $10,319,803 and $10,597,463, and the bank balance was $10,964,508 and $11,625,165, respectively. The differences were caused primarily by items in transit. Deposits of $1,000,000 were covered by federal depository insurance of $250,000 for each of four bank accounts at both June 30, 2015 and 2014.

Demand deposits include $129,351 in restricted cash at June 30, 2015, which represents unused proceeds of the 2014 SPSBA PNC Loan to be used for specific state-approved capital projects and included in cash and cash equivalents in the accompanying statements of net position.

(Continued)

NOTE B - DEPOSITS AND INVESTMENTS - Continued

The following is the carrying value (fair value) of deposits and investments at June 30, 2015:

	College	Foundation
Deposits:		
Demand deposits	$ 10,319,803	$ 191,827
Investments:		
Insured money market deposit	206,256	-
U.S. Treasury obligations	4,728,180	600,496
U.S. government agency obligations	1,742,187	-
Corporate and foreign bonds	3,870,295	-
Intermediate fixed income mutual fund	5,487,189	2,266,546
Equity mutual fund	-	5,815,402
Multi-strategy bond mutual fund	5,218,290	-
Money market mutual funds	7,367,335	1,164,745
Private real estate	-	270,639
Total deposits and investments	$ 38,939,535	$ 10,309,655

The following is the carrying value (fair value) of deposits and investments at June 30, 2014:

	College	Foundation
Deposits:		
Demand deposits	$ 10,597,463	$ 127,848
Investments:		
Insured money market deposit	2,194,886	-
U.S. Treasury obligations	4,739,619	-
U.S. government agency obligations	1,815,598	-
Corporate and foreign bonds	3,915,844	384,086
Intermediate fixed income mutual fund	5,522,522	-
Equity mutual fund	-	5,648,714
Multi-strategy bond mutual fund	5,336,381	2,236,480
Money market mutual funds	5,994,329	1,738,570
Private real estate	-	146,257
Total deposits and investments	$ 40,116,642	$ 10,281,955

(Continued)

NOTE B - DEPOSITS AND INVESTMENTS - Continued

In addition to the deposits and investments listed above, the College also has bond proceeds available for campus construction held by Sovereign Bank, the State Public School Building Authority, and the Bank of New York (the trustees), under the terms of various bond indentures. Bond proceeds available for campus construction are carried in the financial statements at fair value and consist of short-term investments and government securities. As of June 30, 2015 and 2014, bond proceeds available for campus construction include the following:

	2015	2014
Construction funds	$ 5,060	$ 207,733

The College's investments are subject to various risks. Among these risks are custodial credit risk, credit risk, and interest rate risk. Each one of these risks is discussed in more detail below.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to the College. The College does not have a deposit policy for custodial credit risk. Commonwealth of Pennsylvania Act 72 of 1971, as amended, allows banking institutions to satisfy the collateralization requirement by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments.

At June 30, 2015 and 2014, the College's bank balance was exposed to custodial credit risk as follows:

	2015	2014
Uninsured and collateral held by pledging bank's trust department not in the College's name	$ 10,319,803	$ 10,625,165

The College participates in the Certificate of Deposit Account Registry Service (CDARS) for its certificates of deposit and Insured Cash Sweep (ICS). CDARS and ICS allow the College to access Federal Deposit Insurance Corporation (FDIC) insurance on multi-million dollar certificates of deposit and money market deposit accounts to earn rates that compare favorably to treasuries and money market mutual funds. Custodial credit risk has been eliminated for the College's certificates of deposit as a result of its participation in the CDARS program.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's.

(Continued)

NOTE B - DEPOSITS AND INVESTMENTS - Continued

The multi-strategy bond fund and the intermediate fixed income fund are mutual funds managed by the Commonfund. The credit quality of the investments that comprise these funds are:

	June 30, 2015	
	Multi-Strategy Bond	Intermediate
Government	17%	17%
Agency	23	25
AAA	9	22
AA	4	7
A	14	19
BBB	17	9
Below BBB	11	1
Non-rated/Other	5	-
Total	100%	100%

	June 30, 2014	
	Multi-Strategy Bond	Intermediate
Government	17%	39%
Agency	27	10
AAA	8	19
AA	4	8
A	12	16
BBB	16	7
Below BBB	10	1
Non-rated/Other	6	-
Total	100%	100%

(Continued)

NOTE B - DEPOSITS AND INVESTMENTS - Continued

The credit quality of the fixed income investments in which the College directly invests, including U.S. Treasury obligations, U.S. government agency obligations and corporate bonds, is as follows:

	June 30, 2015 Fixed income securities	June 30, 2014 Fixed income securities
Aaa	64%	63%
Aa	9	-
A	14	20
Baa	13	17
Total	100%	100%

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income investments. The College's investment policy does not specifically address limitations in the maturities of investments. The weighted average maturities of the College's fixed income investments at June 30, 2015 and 2014 are as follows:

	June 30, 2015 Weighted average maturity (years)	June 30, 2014 Weighted average maturity (years)
U.S. Treasury obligations	4.27	2.53
U.S. government agency obligations	2.56	3.35
Corporate bonds	5.13	4.76

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable include the following at June 30:

	2015		2014	
	College	Component unit Foundation	College	Component unit Foundation
Tuition and fee receivables	$ 7,694,272	$ -	$ 6,191,729	$ -
Grants receivable	71,783	783,048	60,384	390,516
Other receivables	1,287,937	-	1,468,680	-
Pledges receivable	-	1,164,430	-	1,223,573
Receivable from Foundation	316,686	-	167,852	-
	9,370,678	1,947,478	7,888,645	1,614,089
Less allowance for doubtful accounts	(4,540,675)	(92,096)	(3,477,890)	(102,534)
Total	$ 4,830,003	$ 1,855,382	$ 4,410,755	$ 1,511,555

The College anticipates that all of its net accounts receivable will be collected within one year.

Accounts receivable, tuition and fees and other are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the College's historical losses and periodic review of individual accounts. The allowance was $4,540,675 and $3,477,890 for the years ended June 30, 2015 and 2014, respectively. $609,173 of the Foundation's pledges receivable are expected to be collected subsequent to June 30, 2015, generally on a five-year payment schedule.

NOTE D - CAPITAL ASSETS

Capital assets consist of the following at June 30, 2015:

	Balance July 1, 2014	Additions	Retirements and adjustments	Balance June 30, 2015
Capital assets not depreciated:				
Land and improvements	$ 29,054,933	$ 151,327	$ -	$ 29,206,260
Construction in progress	351,752	663,880	(821,878)	193,754
Works of art	705,208	-	-	705,208
	30,111,893	815,207	(821,878)	30,105,222
Capital assets being depreciated:				
Buildings and improvements	232,527,699	524,176	-	233,051,875
Equipment and furniture	36,632,837	877,431	(1,521,342)	35,988,926
Library books	5,018,677	115,244	-	5,133,921
Microforms	1,671,710	-	-	1,671,710
Software	4,039,594	-	-	4,039,594
System software	8,115,093	-	-	8,115,093
Total before depreciation	288,005,610	1,516,851	(1,521,342)	288,001,119
	$ 318,117,503	$ 2,332,058	$ (2,343,220)	$ 318,106,341

Accumulated depreciation by asset categories is summarized as follows:

	Balance July 1, 2014	Depreciation	Retirements	Balance June 30, 2015
Buildings and improvements	$ 95,185,374	$ 5,900,495	$ -	$ 101,085,869
Equipment and furniture	26,821,243	3,235,678	(1,509,464)	28,547,457
Library books	4,165,027	149,367	-	4,314,394
Microforms	1,664,224	4,491	-	1,668,715
Software	3,429,162	9,442	-	3,438,604
System software	7,359,525	398,326	-	7,757,851
Total	$ 138,624,555	$ 9,697,799	$ (1,509,464)	146,812,890
Net capital assets				$ 171,293,451

(Continued)

NOTE D - CAPITAL ASSETS - Continued

Capital assets consist of the following at June 30, 2014:

	Balance July 1, 2013	Additions	Retirements and adjustments	Balance June 30, 2014
Capital assets not depreciated:				
Land and improvements	$ 29,054,933	$ -	$ -	$ 29,054,933
Construction in progress	1,116,503	3,647,681	(4,412,432)	351,752
Works of art	705,208	-	-	705,208
	30,876,644	3,647,681	(4,412,432)	30,111,893
Capital assets being depreciated:				
Buildings and improvements	227,040,303	6,245,328	(757,932)	232,527,699
Equipment and furniture	38,791,583	921,332	(3,080,078)	36,632,837
Library books	4,839,108	179,569	-	5,018,677
Microforms	1,671,710	-	-	1,671,710
Software	4,039,594	-	-	4,039,594
System software	8,080,668	34,425	-	8,115,093
Total before depreciation	284,462,966	7,380,654	(3,838,010)	288,005,610
	$ 315,339,610	$ 11,028,335	$ (8,250,442)	$318,117,503

Accumulated depreciation by asset categories is summarized as follows:

	Balance July 1, 2013	Depreciation	Retirements	Balance June 30, 2014
Buildings and improvements	$ 89,867,806	$ 6,038,571	$ (721,003)	$ 95,185,374
Equipment and furniture	26,535,758	3,809,712	(3,524,227)	26,821,243
Library books	4,010,826	154,201	-	4,165,027
Microforms	1,655,015	9,209	-	1,664,224
Software	3,419,047	10,115	-	3,429,162
System software	6,890,921	468,604	-	7,359,525
Total	$ 132,379,373	$ 10,490,412	$ (4,245,230)	138,624,555
Net capital assets				$ 179,492,948

NOTE E - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30:

	2015		2014	
	College	Component unit Foundation	College	Component unit Foundation
Category:				
Vendors and others	$ 7,871,185	$ 190,634	$ 7,849,176	$ 191,516
Accrued salaries	2,959,758	-	2,674,853	-
Accrued benefits	2,201,264	-	2,063,472	-
Compensated absences	2,928,054	-	3,098,015	-
Retirement incentive payments	1,120,033	-	388,775	-
Payroll withholding taxes	255,960	-	206,129	-
Accrued interest	265,743	-	298,867	-
Payable to College	-	316,687	-	167,852
Total	$ 17,601,997	$ 507,321	$ 16,579,287	$ 359,368

Long-term liability activity for the year ended June 30, 2015 was as follows:

2015	Beginning balance	Additions	Deductions	Total ending balance	Current portion
Long-term liabilities:					
Accrued liabilities	$ 16,579,287	$ 1,393,064	$ (370,354)	$ 17,601,997	$16,517,824
Payable to government agencies	3,025,477	-	(2,534,840)	490,637	490,637
Capital lease obligation	7,979,036	-	(5,270,053)	2,708,983	1,128,414
Long-term debt	77,481,123	-	(6,288,485)	71,192,638	6,170,886
Unamortized bond premium	469,062	-	(51,168)	417,894	51,170
Other post-employment benefits	47,396,561	10,831,002	-	58,227,563	-
	$152,930,546	$12,224,066	$(14,514,900)	$150,639,712	$24,358,931

(Continued)

NOTE E - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES - Continued

Long-term liability activity for the year ended June 30, 2014 was as follows:

2014	Beginning balance	Additions	Deductions	Total ending balance	Current portion
Long-term liabilities:					
Accrued liabilities	$ 16,896,985	$ 596,920	$ (914,618)	$ 16,579,287	$ 15,429,984
Payable to government agenci[e]	1,907,504	2,096,125	(978,152)	3,025,477	3,025,477
Capital lease obligation	9,214,685	1,168,631	(2,404,280)	7,979,036	1,909,178
Long-term debt	86,015,892	-	(8,534,769)	77,481,123	6,157,176
Unamortized bond premium	520,233	-	(51,171)	469,062	51,170
Other post-employment benefits	38,755,360	8,641,201	-	47,396,561	-
	$ 153,310,659	$ 12,502,877	$ (12,882,990)	$ 152,930,546	$ 26,572,985

NOTE F - DEBT

The College's debt financing is primarily provided through Community College Revenue Bonds issued by the Hospitals and Higher Education Facilities Authority and the State Public School Building Authority.

Debt consisted of the following at June 30, 2015:

	Balance July 1, 2014	Additions	Principal payments	Balance June 30, 2015	Current portion
2006 Series	$ 880,000	$ -	$ (340,000)	$ 540,000	$ 355,000
2007 Series	18,350,000	-	(2,055,000)	16,295,000	2,160,000
2008 Series	54,140,000	-	(2,675,000)	51,465,000	2,795,000
2013B Series	-	-	-	-	-
SPSBA Loan	245,332	-	(245,332)	-	-
SPSBA Loan	507,023	-	(280,427)	226,596	208,993
SPSBA Loan	1,234,137	-	(407,349)	826,788	360,673
SPSBA Loan	2,124,631	-	(285,377)	1,839,254	291,220
	$ 77,481,123	$ -	$ (6,288,485)	$ 71,192,638	$ 6,170,886

(Continued)

NOTE F - DEBT - Continued

Debt consisted of the following at June 30, 2014:

	Balance July 1, 2013	Additions	Principal payments	Balance June 30, 2014	Current portion
2006 Series	$ 1,205,000	$ -	$ (325,000)	$ 880,000	$ 340,000
2007 Series	20,315,000	-	(1,965,000)	18,350,000	2,055,000
2008 Series	57,915,000	-	(3,775,000)	54,140,000	2,675,000
2013B Series	1,336,553	-	(1,336,553)	-	-
SPSBA Loan	526,486	-	(281,154)	245,332	245,332
SPSBA Loan	706,474	-	(199,451)	507,023	202,861
SPSBA Loan	1,611,379	-	(377,242)	1,234,137	353,606
SPSBA Loan	2,400,000	-	(275,369)	2,124,631	285,377
	$ 86,015,892	$ -	$ (8,534,769)	$ 77,481,123	$ 6,157,176

Future annual principal and interest payments at June 30, 2015 are as follows:

	Principal	Interest	Total
June 30:			
2016	$ 6,170,886	$ 3,796,374	$ 9,967,260
2017	6,067,749	3,607,702	9,675,451
2018	5,896,422	3,290,991	9,187,413
2019	5,329,480	2,916,632	8,246,112
2020	5,580,817	2,664,532	8,245,349
2021	5,842,284	2,394,068	8,236,352
2022	5,815,000	2,105,850	7,920,850
2023	6,130,000	1,792,390	7,922,390
2024	4,320,000	1,461,600	5,781,600
2025	4,580,000	1,202,400	5,782,400
2026	4,855,000	927,600	5,782,600
2027	5,150,000	636,300	5,786,300
2028	5,455,000	327,300	5,782,300
	$ 71,192,638	$ 27,123,739	$ 98,316,377

(Continued)

NOTE F - DEBT - Continued

1. 2006 Series

Under a loan agreement dated September 15, 2006 with the State Public School Building Authority (the Authority), the College borrowed $3,000,000 of 2006 Series Community College Revenue Bonds. Of the total obligation, $3,000,000 went toward deferred maintenance including roof repairs (Bonnell, West, Gymnasium, Winnet Building and West Philadelphia Regional Center); exterior brick repairs (Winnet Building and Gymnasium); and 16th Street sidewalk replacement. The College also received $50,000 from the Authority that was applied to issuance cost. The Bonds are scheduled to be repaid over a 10-year period through June 20, 2017 at the interest rate of 4.5%, with an average annual debt service payment of $349,372.

Remaining principal payments required by the loan agreement are as follows:

	Principal
2016	$ 355,000
2017	185,000
2018	-
	$ 540,000

2. 2007 Series

Under a loan agreement dated February 21, 2007 with the State Public School Building Authority, the College borrowed $30,525,000 of 2007 Community College Refunding Revenue Bonds. Of the total obligation, $30,525,000 (including bond premium net of bond discount and issuance cost of $449,782) was used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1998 Series Bonds and 2001 Series Bonds. As a result, that portion of the 1998 Series Bonds and 2001 Series Bonds is considered to be defeased, and the related liability ($6,730,000 and $23,970,000, respectively) has been removed from the statement of net position. The 1998 and 2001 Series Bonds were called as of November 1, 2011, and the related escrow with the trustee of the defeased bonds is zero. The 2007 Series Bonds are payable over 16½ years at rates from 4.00% to 5.00%, with an average annual debt service payment of $2,602,675.

Principal payments required by the loan agreement are as follows:

	Principal
2016	$ 2,160,000
2017	2,270,000
2018	2,385,000
2019	1,750,000
2020	1,820,000
2021-2024	5,910,000
	$ 16,295,000

(Continued)

NOTE F - DEBT - Continued

3. 2008 Series

Under a loan agreement dated October 9, 2008 with the State Public School Building Authority, the College borrowed $74,770,000 of 2008 Series Community College Revenue Bonds. The bonds were issued for the benefit of the College to finance a project consisting of: (a) the construction, equipping and furnishing of an approximately 45,000 square foot building for instructional facilities and student meeting spaces on the main campus of the College, and other capital projects related thereto; (b) the renovation and expansion of administrative buildings for the provision of student services on the main campus of the College; (c) the expansion of the campus facilities comprising the Northeast Regional Center of the College in Northeast Philadelphia; and (d) the payment of costs and expenses incident to the issuance of the bonds. The College also received $50,000 from the State Public School Building Authority that was applied to issuance cost. The bonds are scheduled to be repaid over a 20-year period through June 15, 2028 at the interest rate of 3.00% to 6.25%, with an average annual debt service payment of $6,064,257.

Remaining principal payments required by the loan agreement are as follows:

	Principal
2016	$ 2,795,000
2017	2,930,000
2018	3,110,000
2019	3,270,000
2020	3,445,000
2021 - 2024	15,875,000
2025 - 2029	20,040,000
	$ 51,465,000

4. 2013B Series

Under a loan agreement dated March 29, 2013 with the State Public School Building Authority, the College borrowed $2,575,092 for the purpose of refinancing the remaining principal from the 1999 Series Bonds. The net present value savings of this transaction is $54,642 of the refunded principal. The bond is scheduled to be repaid over a two-year period through May 1, 2014 at a fixed annual interest rate of 1.198%, with an average annual debt service payment of $1,296,923. The 2013B Series have been fully repaid as of May 1, 2014.

(Continued)

NOTE F - DEBT - Continued

5. Revolving Loan Obligation

Under a loan agreement dated February 26, 2010 with the State Public School Building Authority, the College borrowed $1,350,000 for the purpose of completing three capital projects: Mint Building Masonry Renewal, West Building elevator renovations and the replacement of the Northwest Regional Center chiller plant. The loan is scheduled to be repaid over a five-year period through May 15, 2015 at a fixed annual interest rate of 2.50%, with an average annual debt service payment of $290,402. The revolving loan obligation has been fully repaid as of May 15, 2015.

6. Revolving Loan Obligation

Under a loan agreement dated July 15, 2011 with the State Public School Building Authority, the College borrowed $1,000,000 for the purpose of completing the build out of 7,291 square feet of space to be leased adjacent to the current West Regional Center. The loan is scheduled to be repaid over a five-year period through July 15, 2016 at a fixed annual interest rate of 3.00%, with an average annual debt service payment of $216,899.

Remaining principal payments required by the loan agreement are as follows:

	Principal
2016	$ 208,993
2017	17,603
2018	-
	$ 226,596

7. Revolving Loan Obligation

Under a loan agreement dated January 31, 2013 with the State Public School Building Authority, the College borrowed $1,800,000 for the purpose of completing the renewal and update of four chemistry labs, an instrumentation lab and the associated prep room in the West Building on the College's Main Campus. The loan is scheduled to be repaid over a five-year period through September 15, 2017 at a fixed annual interest rate of 2.00%, with an average annual debt service payment of $377,242.

Remaining principal payments required by the loan agreement are as follows:

	Principal
2016	$ 360,673
2017	367,963
2018	98,152
2019	-
	$ 826,788

(Continued)

NOTE F - DEBT - Continued

8. Revolving Loan Obligation

Under a loan agreement dated April 1, 2013 with the State Public School Building Authority, the College borrowed $2,400,000 for the purpose of renovations to several spaces in the West Building on the College's Main Campus to address critical programmatic needs. The loan is scheduled to be repaid over a five-year period through November 1, 2020 at a fixed annual interest rate of 2.027%, with an average annual debt service payment of $325,551.

Remaining principal payments required by the loan agreement are as follows:

	Principal
2016	$ 291,220
2017	297,184
2018	303,269
2019	309,480
2020	315,817
2021 - 2022	322,284
	$ 1,839,254

9. Operating Leases

The College leases certain equipment and property under operating lease arrangements that expire through 2022. Rental expense for operating leases was $722,683 and $825,362 for the years ended June 30, 2015 and 2014, respectively.

Future minimum lease payments required under operating leases are as follows:

	Principal
2016	$ 579,104
2017	506,087
2018	411,381
2019	401,745
2020	412,062
2021 - 2023	192,041
	$ 2,502,420

(Continued)

NOTE F - DEBT - Continued

10. Capital Leases

The College leases certain equipment under capital lease arrangements that expire in 2023. These leases are recorded at the lower of cost or present value and amounted to $2,708,983 and $7,979,036 at June 30, 2015 and 2014, respectively. Amortization charges of capital leases were $2,232,948 and $2,404,280 for the years ended June 30, 2015 and 2014, respectively.

Future minimum lease payments under capital leases are as follows:

	Principal	Interest	Total
June 30:			
2016	$ 1,128,414	$ 48,982	$ 1,177,396
2017	863,078	25,031	888,109
2018	551,892	9,323	561,215
2019	160,841	980	161,821
2020	4,758	76	4,834
	$ 2,708,983	$ 84,392	$ 2,793,375

NOTE G - (PAYABLE TO) RECEIVABLE FROM GOVERNMENT AGENCIES

(Payable to) receivable from government agencies includes the following at June 30:

	2015		2014	
	Payable	Receivable	Payable	Receivable
Commonwealth of Pennsylvania:				
Provision for potential audit findings and reimbursement calculation	$ 48,716	$ -	$ 38,487	$ -
Grants and special projects	-	335,095	-	388,981
PHEAA for grants	441,921	-	2,846,825	-
	490,637	335,095	2,885,312	388,981
City of Philadelphia grants receivable	-	183,214	-	-
Federal:				
Financial aid programs	-	167,839	-	259,926
Grants and special projects	-	2,161,908	140,165	2,001,574
	-	2,512,961	140,165	2,261,500
Total	$ 490,637	$ 2,848,056	$ 3,025,477	$ 2,650,481

NOTE H - EMPLOYEE BENEFITS

Retirement benefits are provided for substantially all employees through payments to one of the board-authorized retirement programs. The authorized pension plans at June 30, 2015 and 2014 are the Teachers' Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments. Although the College does not offer participation in the State Employees Retirement System (SERS) or the Pennsylvania Public School Employees Retirement System (PSERS), it has grandfathered continued participation for those employees currently enrolled. The College has 10 employees participating in the SERS and 23 employees in the PSERS.

1. Defined Benefit Plans

The PSERS and SERS are cost-sharing multiple employer defined benefit plans and are administered by the Commonwealth as established under legislative authority. The financial statements for PSERS and SERS can be obtained from the following: Commonwealth of Pennsylvania, Public School Employees' Retirement System, 5 North Fifth Street, P.O. Box 125, Harrisburg, PA 17108-0125; and Commonwealth of Pennsylvania, State Employees' Retirement System, 30 North Third Street, P.O. Box 1147, Harrisburg, PA 17108-1147.

Benefits Provided

PSERS and SERS provide retirement, disability, and death benefits. For PSERS, retirement benefits are determined as 2% or 2.5% (depending on membership class), of the individual's final average salary multiplied by the number of years of credited service. After completion of five years of service, an individual's right to defined benefits is vested, and early retirement may be elected. Individuals are eligible for disability retirement benefits after completion of five years of credited service. Such disability benefits are generally equal to 2% to 2.5% (depending on membership class) of the member's final average salary multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service. Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

For SERS, retirement benefits are determined at 2% or 2.5% (depending on membership date) of the highest three-year average salary times the number of years of service. The vesting period is either 5 or 10 years (depending on membership date) of credited service.

Contributions

For PSERS, the contribution policy is set by state statutes and requires contributions by active members, employers and the Commonwealth of Pennsylvania. Funding percentages are determined by the plan in accordance with actuarial calculations and are based on covered payroll. Currently, for full time faculty, administrators and other staff, the College contributes 10.7% of all earnings as long as contributions are adequate to accumulate assets to pay retirement benefits when due. Employee contributions are 6.5% of all earnings for members prior to July 22, 1983 and 7.5% of all earnings for members after July 22, 1983.

For SERS, the contribution policy is set by state statutes and requires contributions by active members, employers and the Commonwealth of Pennsylvania. Funding percentages are determined by the plan in accordance with actuarial calculations and are based on covered payroll. Currently, for full time faculty, administrators and other staff, the College contributes 19.92% of all earnings as long as contributions are adequate to accumulate assets to pay retirement benefits when due. Employee contributions are 6.25% of all earnings.

(Continued)

NOTE H - EMPLOYEE BENEFITS - Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2015, the College reported a liability of $1,030,000 and $1,784,684 for its proportional share of the net pension liability for PSERS and SERS, respectively. The net pension liability was measured as of June 30, 2014 for PSERS and December 31, 2014 for SERS, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability is based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating institutions, actuarially determined. At June 30, 2014 and December 31, 2014, respectively, the College's proportion for PSERS and SERS was 0.0026% and 0.0120%.

For the fiscal year ended June 30, 2015, the College recognized the proportional pension expense for PSERS and SERS of $90,000 and $283,500, respectively, as provided by the plans' actuarial schedules. At June 30, 2015, the College reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

PSERS	Deferred Outflow of Resources	Deferred Inflow of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 74,000.00
Changes in proportion and differences beween College contributions and proportionate share of contributions	132,000	-
Total	$ 132,000.00	$ 74,000.00

SERS	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 9,688	$ -
Net difference between projected and actual earnings on pension plan investments	1,565	-
Changes in proportion and differences beween College contributions and proportionate share of contributions	350,422	23,351
Total	$ 361,675	$ 23,351

(Continued)

NOTE H - EMPLOYEE BENEFITS - Continued

Actuarial Assumptions

The following methods and assumptions were used in the actuarial valuations. These methods and assumptions were applied to all periods included in the measurement:

PSERS

Actuarial cost method	entry age normal-level % of pay
Investment rate of return	7.50%, includes inflation at 3.00%
Salary increases	effective average of 5.5%, which reflects an allowance for inflation of 3.0%, real wage growth of 1.0%, and merit of seniority increases of 1.5%
Mortality rates	based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

SERS

Actuarial cost method	entry age
Amortization method	straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits
Investment rate of return	7.50% net of expenses including inflation
Projected salary increases	average of 6.10% with range of 4.30% - 11.05% including inflation
Inflation	2.75%
Mortality rate	projected RP-2000 Mortality Tables adjusted for actual plan experience and future improvement
Cost of living adjustments	ad hoc

(Continued)

NOTE H - EMPLOYEE BENEFITS - Continued

PSERS

The long term expected real rate of return on pension investments is determined using a building-block method in which best estimates of ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return are summarized in the following table:

Asset class	Target allocation	Long-term expected rate of return
Public Markets Global Equity	19.00%	5.00%
Private Markets Equity	21.00%	6.50%
Private Real Estate	13.00%	4.70%
Global Fixed Income	8.00%	2.00%
US Long Term Treasuries	3.00%	1.50%
TIPS	12.00%	1.20%
High Yield bonds	6.00%	1.70%
Cash	3.00%	90.00%
Absolute Return	10.00%	4.80%
Risk Parity	5.00%	3.90%
MLPs/Infrastructure	3.00%	5.30%
Commodities	6.00%	3.30%
Financing (LIBOR)	-9.00%	1.10%
Total	100.00%	

SERS

Some of the methods and assumptions mentioned above are based on the *17th Investigation of Actuarial Experience*, which was published in January 2011 and analyzed experience from 2006 through 2010. The long-term expected real rate of return on pension investments is determined using a building-block method in which best estimates of ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return are summarized in the following table:

(Continued)

NOTE H - EMPLOYEE BENEFITS - Continued

Asset Class	Target Allocation	Long Term Expected Rate of Return
Alternative Investments	15.00%	8.50%
Global Public Equity	40.00%	5.40%
Real Assets	17.00%	4.95%
Diversifying Assets	10.00%	5.00%
Fixed Income	15.00%	1.50%
Non-rated/Other	3.00%	0.00%
Total	100.00%	

For PSERS and SERS, the discount rate used to measure total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Position Liability

For PSERS, the College's net pension liability is $1,030,000 using a 7.5% discount rate. The College's net pension liability would have been $1,284,000 assuming a 1% point decrease (6.5%) in the discount rate and would have been $812,000 assuming a 1% point increase (8.5%) in the discount rate.

For SERS, the College's net pension liability is $1,784,684 using a 7.5% discount rate. The College's net pension liability would have been $2,282,000 assuming a 1% point decrease (6.5%) in the discount rate and would have been $1,353,000 assuming a 1% point increase (8.5%) in the discount rate.

(Continued)

NOTE H - EMPLOYEE BENEFITS - Continued

2. Defined Contribution Plans

The College also sponsors two defined contribution plans, and as such, benefits depend solely on amounts contributed to the plan plus investment earnings. Full-time faculty and administrative employees are eligible to participate from the date of employment, and clerical employees have a one-year waiting period. Participation is mandatory for full-time faculty and administrative employees upon reaching the age of 30 or after two years of employment, whichever is the later date. Participation is mandatory for full-time classified and confidential employees upon reaching the age of 30 or after four years of employment, whichever is the later date. Part-time faculty may participate after earning four seniority units, as defined in the collective bargaining agreement. College policy and collective bargaining agreements require that both the employee and the College contribute amounts, as set forth below, based on the employee's earnings.

The College's contributions for each employee (and interest allocated to the employee's accounts) are fully vested. Death benefits in the amount of the full present value of accumulation are provided to the beneficiary of a participant who dies prior to retirement. Various payment options are available. The College has 1,227 employees participating in this program.

The payroll for employees covered by the four plans was $65,534,082 and $65,026,016; and the College's total payroll is $77,987,146 and $76,380,018 at June 30, 2015 and 2014, respectively. Contributions made by the College during fiscal 2015 and 2014 totaled $5,691,129 and $5,718,375, respectively, representing 8.68% and 8.79%, respectively, of covered payroll. College employees contributed $4,794,327 and $4,901,936, respectively, during fiscal 2015 and 2014. A summary of retirement benefits follows:

Type of employee	
Full-time faculty	10% of base contract
Visiting lecturers	5% of base contract
Part-time faculty	5% of all earnings
Administrators and other staff	10% of base contract
Others	10% of annual salary
Employee contribution	5% of base salary

3. Other Post-employment Benefits Liability

The College's Retirement Benefits Plan is a single-employer plan, which offers board-authorized post-employment benefits, other than pension, to eligible retirees. The plan provides post-retirement medical, prescription drug, dental and life insurance benefits. The plan is unfunded, and no financial report is prepared. These benefits are accounted for in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions.*

(Continued)

NOTE H - EMPLOYEE BENEFITS - Continued

Funding

The contribution requirements of plan members and the College are established and may be amended by the College's Board of Trustees. The plan is funded on a pay-as-you-go basis (i.e., premiums are paid to fund the health care benefits provided to current retirees). The College paid premiums of $2,542,581 and $2,478,737 for the fiscal years ended June 30, 2015 and 2014, respectively. Total retiree contributions made by plan members were $745,135 and $625,488 for the fiscal years ended June 30, 2015 and 2014, respectively.

The Retiree Drug Subsidy (RDS) was created as part of the 2003 federal law that created the Medicare prescription drug program and was included to encourage employers to retain the prescription benefits offered to Medicare-eligible retirees. Under the law, employers that retain prescription drug coverage for retirees that is at least equivalent to Medicare Part D coverage receive a subsidy from the U.S. government equal to 28% of the employer's annual drug costs that fall within a certain range. The College received payments of $205,647 for the fiscal year ended June 30, 2015 and $232,609 for fiscal year ended June 30, 2014.

The College also provides life insurance for retirees until the end of the contract year in which the employee turns 65 years of age. Contract year is defined as fiscal year for Administrators/Confidential and academic year for Faculty/Classified. The College paid premiums of $16,642 covering 41 retirees for the fiscal year ended June 30, 2015 and $14,915 covering 38 retirees for the fiscal year ended June 30, 2014.

Annual OPEB Cost and Net OPEB Obligation

The College's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following shows the components of the College's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's net OPEB obligation:

	2015	2014	2013
Annual required contribution	$ 13,289,050	$ 13,249,915	$ 12,255,644
Annual OPEB cost (expense)	13,289,050	13,249,915	12,255,644
Contributions made	(5,272,731)	(4,608,714)	(3,725,611)
Increase in net OPEB obligation	8,016,319	8,641,201	8,530,033
Net OPEB obligation at July 1	47,396,561	38,755,360	30,225,327
Net OPEB obligation at June 30	$ 55,412,880	$ 47,396,561	$ 38,755,360

(Continued)

NOTE H - EMPLOYEE BENEFITS - Continued

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

	Annual OPEB principal	Percentage of annual OPEB cost contributed	Net OPEB total
Fiscal year ended:			
June 30, 2015	$ 13,289,050	39.67%	$ 55,412,880
June 30, 2014	13,249,915	34.78	47,396,561
June 30, 2013	12,255,644	30.39	38,755,360

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarial amounts determined regarding the funded status of the plan and the annual required contributions of the College are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The funded status of the plan as of the most recent valuation date is as follows:

Actuarial valuation date	July 1, 2013
Actuarial value of assets	$ -
Actuarial accrued liability	142,548,317
Unfunded actuarial accrued liability (UAAL)	$ 142,548,317
Funded ratio	0.00%
Annual covered payroll (Note J)	$ 77,160,811
UAAL as a percentage of covered payroll	184.74%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about the plan's funding.

(Continued)

NOTE H - EMPLOYEE BENEFITS - Continued

Actuarial Methods and Assumptions

The calculations are based on the types of benefits provided under the terms of the College's Retirement Benefits Plan at the time of the valuation. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the efforts 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 actuarial methods and significant assumptions were used for the July 1, 2013 valuation:

Actuarial cost method	Projected unit credit
Amortization method	Closed, level dollar amortization over 30 years
Remaining amortization period	23 years
Discount rate	4.00%
Medical trend rate	7.50%, gradually decreasing to 4.50% in 2027
Prescription drug trend rate	7.50%, gradually decreasing to 4.50% in 2021
Dental trend rate	3.00%
Mortality table	RP-2000 healthy mortality table projected to 2014 with scale AA

4. Retirement Incentive Program

A retirement incentive option has been offered to employees 62 years or older, who have completed at least 15 years of full-time service, and whose combined age and years of service equal at least 80. This option expired August 31, 2014. At June 30, 2015, there were two people who accepted the early retirement and incentive options; the present value of future payments of $157,319 and $145,266 has been accrued at June 30, 2015 and 2014, respectively. Future payments in the next two fiscal years are expected to be $157,319 and $-0-, respectively.

Effective September 1, 2014, the collective bargaining agreement provides for a retirement incentive for full-time employees at age 63, 64 or 65 with at least 20 years of service. The incentive payment is a percentage of final pay based on years of service.

In February 2015, the College offered a one-time retirement incentive program to employees 65 years or older and who had at least 15 years of full-time service. The incentive payment is 25% of an employee's final salary and an additional incentive which ranged from $5,000 (if retirement commitment was received by February 28, 2015) to $2,000 (for all commitments received by May 31, 2015). All retirements for non-faculty employees must be effective by August 31, 2015, while faculty members had an additional option of December 31, 2015. The total of all incentive payments for the program is $712,729.

NOTE I - COMMITMENTS AND CONTINGENCIES

Based upon the provisions of Act 46 enacted in 2005 and effective with the June 2007 fiscal year, the Commonwealth no longer audits the funding received. In lieu of the state audit, an enrollment verification and capital expenditure audit is completed by the College's independent auditor. The College has accrued for audit findings through 2006, the last year Commonwealth audits were performed.

The use of grant monies received is subject to compliance audits by the disbursing governmental agency. The College believes it is in compliance with all significant grant requirements.

The nature of the educational industry is such that, from time to time, the College is exposed to various risks of loss related to torts; alleged negligence; acts of discrimination; breach of contract; labor disputes; disagreements arising from the interpretation of laws or regulations; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services. The College addresses these risks by purchasing commercial insurance. The College's retention of risk is limited to the deductibles on its insurance policies, which range from $-0- to $150,000 per claim depending on the nature of the claim.

There have been no significant reductions in insurance coverage from the prior year. There have been no instances where a settlement amount exceeded the insurance coverage for each of the last three years. It is not expected that the resolution of any outstanding claims and litigation will have a material adverse effect on the accompanying financial statements.

NOTE J - OPERATING EXPENSES

The College's and component unit Foundation's operating expenses, on a natural classification basis, were comprised of the following:

	2015		2014	
	College	Component unit Foundation	College	Component unit Foundation
Salaries	$ 77,160,811	$ 826,335	$ 75,438,209	$ 941,809
Benefits	35,766,816	281,319	35,884,685	250,719
Contracted services	8,330,474	214,789	9,696,574	296,273
Supplies	3,072,876	93,657	3,231,590	122,298
Depreciation	9,697,798	-	10,490,412	-
Student aid	8,210,976	295,861	10,459,176	387,194
Other post-retirement benefits	8,389,818	-	8,641,201	-
Gifts from the Community College of Philadelphia Foundation	-	-	-	100,000
Other	12,815,100	377,763	12,313,843	435,174
Total	$ 163,444,669	$ 2,089,724	$ 166,155,690	$ 2,533,467

NOTE K - CITY AND STATE APPROPRIATIONS

Appropriations from the Commonwealth and the City for the years ended June 30, 2015 and 2014, are as follows:

	2015		2014	
	Operations	Capital	Operations	Capital
Commonwealth of Pennsylvania	$ 28,631,589	$ 5,017,352	$ 28,179,310	$ 6,109,663
City of Philadelphia	21,277,040	5,836,028	18,346,138	7,859,208
Total appropriations	$ 49,908,629	$ 10,853,380	$ 46,525,448	$ 13,968,871

NOTE L - PASS-THROUGH GRANTS

The College distributed $41,888,351 in 2015 and $41,548,421 in 2014 for student loans through the U.S. Department of Education Federal Direct Loan Program. These distributions and related funding sources are not included as expenses and revenues, nor as cash disbursements and cash receipts in the accompanying financial statements.

NOTE M - SUBSEQUENT EVENTS

The College has evaluated subsequent events through September 30, 2015, noting no items which would require disclosure in the financial statements, except as follows.

Under a Loan Agreement dated September 10, 2015, between the State Public School Building Authority and the College, the College borrowed $52,075,000 of 2015 Series Community College Revenue Bonds to advance refund a portion of the Authority's Community College Revenue Bonds (Community College of Philadelphia Project), Series of 2008 and additional 2015 Capital Projects. The 2015 Capital projects consists of the follow: (1) Renovating the College's biology labs; (2) Replacing certain escalators located in the College's West Building; and (3) Various other renovations, repairs and capital improvements. All of the forgoing components of the 2015 Capital Project will be used in connection with the College's operation of its community college buildings in furtherance of its educational mission.

SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

June 30, 2015 and 2014

Valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL (OAAL) percentage of covered payroll ((a-b)/c)
July 1, 2007	$ -	$ 72,351,392	$ 72,351,392	$ -	$ 64,747,493	111.74%
July 1, 2009	-	81,337,622	$ 81,337,622	-	73,489,322	110.68
July 1, 2011	-	103,846,976	$ 103,846,976	-	76,796,463	135.22
July 1, 2012	-	124,575,199	$ 124,575,199	-	76,015,530	163.88
July 1, 2013	-	142,548,317	$ 142,548,317	-	76,380,018	186.63

Schedule of contributions from the College

Fiscal year	Annual required contribution	Contribution	Percentage contributed
June 30, 2008	$ 7,257,715	$ 2,063,042	28.43%
June 30, 2009	7,463,367	2,281,821	30.57
June 30, 2010	8,590,625	2,391,154	27.83
June 30, 2011	8,872,232	2,833,597	31.94
June 30, 2012	10,982,860	3,371,858	30.70
June 30, 2013	12,255,644	3,725,611	30.40
June 30, 2014	13,249,915	4,608,714	34.78
June 30, 2015	13,289,050	5,272,732	39.67

The information presented above was determined as part of the actuarial valuation at the date indicated.

Actuarial cost method	Projected Unit Credit
Asset valuation method	N/A
Remaining amortization period	23 years

Actuarial assumptions:

Discount rate	4.00%
Medical cost trend rate	7.50% gradually decreasing to 4.50% in 2027
Prescription drug cost trend rate	7.50% gradually decreasing to 4.50% in 2021
Dental cost trend rate	3.00%
Mortality table	RP-2000 healthy mortality table projected to 2014 with scale AA

See accompanying report of independent certified public accountants.

Community College of Philadelphia
(A Component Unit of the City of Philadelphia)

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Year ended June 30, 2015

	2015
PSERS	
College's proportion of the net pension liability (asset)	0.0026%
College's proportionate share of the net pension liability (asset)	$ 1,030,000
College's covered employee payroll	$ 335,800
Plan fiduciary net position as a percentage of the total pension liability	57.2400%
SERS	
College's proportion of the net pension liability (asset)	0.0120%
College's proportionate share of the net pension liability (asset)	$ 1,784,684
College's covered employee payroll	$ 692,779
Plan fiduciary net position as a percentage of the total pension liability	64.8000%

See accompanying report of independent certified public accountants.

Community College of Philadelphia
(A Component Unit of the City of Philadelphia)

SCHEDULE OF CONTRIBUTIONS

Year ended June 30, 2015

	2015
PSERS	
Contractually required contribution	$ 52,000
Contribution in relation to the contractually required contribution	52,000
Contribution deficiency (excess)	$ -
Covered employee payroll	$ 335,800
Contributions as a % of covered employee payroll	15.4854%
SERS	
Contractually required contribution	$ 98,248
Contribution in relation to the contractually required contribution	98,248
Contribution deficiency (excess)	$ -
Covered employee payroll	$ 692,779
Contributions as a % of covered employee payroll	14.1817%

See report of independent certified public accountants.

STATISTICAL SECTION - SCHEDULE OF REVENUES BY SOURCE (UNAUDITED)

Year ended June 30,

(Amounts expressed in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:									
Student tuition and fees (net of scholarship allowances)	$ 31,973	$ 35,338	$ 32,003	$ 30,181	$ 28,132	$ 29,608	$ 31,618	$ 29,723	$ 27,146
Nongovernmental grants and contracts	-	-	-	-	-	-	-	-	75
Sales of auxiliary enterprises	1,786	1,671	1,776	1,827	1,734	1,650	1,371	1,274	1,132
Other operating revenues	196	166	158	168	180	194	95	76	73
Total operating revenues	33,955	37,175	33,937	32,176	30,046	31,452	33,084	31,073	28,426
City appropriations	21,271	18,346	18,064	17,652	18,092	18,946	19,245	20,243	19,644
State appropriations	28,632	28,179	28,240	28,229	29,275	28,750	31,496	31,554	30,855
Federal grants and contracts	57,871	58,796	58,715	56,839	58,890	51,131	32,552	30,668	27,391
State grants and contracts	7,343	6,591	7,191	6,495	5,967	5,585	5,831	7,818	8,570
Gifts from the Community College of Philadelphia Foundation	141	100	2,809	-	-	-	-	-	-
Nongovernmental grants and contracts	1,521	1,704	1,119	1,014	1,419	1,580	2,688	1,632	1,332
Net investment income	365	695	333	1,098	718	1,587	249	1,084	1,780
Other nonoperating revenue	1,087	324	379	540	333	353	354	1,237	321
Total nonoperating revenues	118,231	114,735	116,850	111,867	114,694	107,932	92,415	94,236	89,893
Capital appropriations	10,859	13,969	13,730	14,084	13,648	13,979	13,721	8,316	7,762
Total revenues	$ 163,045	$ 165,879	$ 164,517	$ 158,127	$ 158,388	$ 153,363	$ 139,220	$ 133,625	$ 126,081

See accompanying report of independent certified public accountants.

STATISTICAL SECTION - SCHEDULE OF REVENUES BY SOURCE (UNAUDITED) - CONTINUED

Year ended June 30,

(Amounts expressed in percentages)

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:									
Student tuition and fees (net of scholarship allowances)	19.61%	21.30%	19.45%	19.09%	17.76%	19.31%	22.71%	22.24%	21.53%
Nongovernmental grants and contracts	-	-	-	-	-	-	-	-	0.06
Sales of auxiliary enterprises	1.10	1.01	1.08	1.16	1.09	1.08	0.98	0.95	0.90
Other operating revenues	0.12	0.10	0.10	0.11	0.11	0.13	0.07	0.06	0.06
Total operating revenues	20.83	22.41	20.63	20.36	18.96	20.52	23.76	23.25	22.55
City appropriations	13.05	11.06	10.98	11.16	11.42	12.35	13.82	15.15	15.58
State appropriations	17.56	16.99	17.17	17.85	18.48	18.75	22.62	23.61	24.47
Federal grants and contracts	35.49	35.45	35.69	35.95	37.18	33.34	23.38	22.95	21.72
State grants and contracts	4.50	3.97	4.37	4.11	3.77	3.64	4.19	5.85	6.80
Gifts from the Community College of Philadelphia Foundation	0.09	0.06	1.70	-	-	-	-	-	-
Nongovernmental grants and contracts	0.93	1.02	0.68	0.64	0.90	1.03	1.93	1.22	1.06
Net investment income	0.22	0.42	0.20	0.69	0.45	1.03	0.18	0.81	1.41
Other nonoperating revenue	0.67	0.20	0.23	0.33	0.22	0.23	0.26	0.94	0.25
Total nonoperating revenues	72.51	69.17	71.02	70.73	72.42	70.37	66.38	70.53	71.29
Capital appropriations	6.66	8.42	8.35	8.91	8.62	9.11	9.86	6.22	6.16
Total revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

See accompanying report of independent certified public accountants.

STATISTICAL SECTION - SCHEDULE OF EXPENSES BY USE (UNAUDITED)

Year ended June 30,

(Amounts expressed in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses:									
Salaries	$ 77,161	$ 75,438	$ 76,015	$ 76,796	$ 78,168	$ 73,489	$ 69,694	$ 68,333	$ 64,747
Benefits	36,140	35,885	34,247	32,062	32,500	30,231	27,121	25,210	25,309
Contracted services	8,331	9,697	11,373	6,057	5,376	4,881	5,214	4,869	4,089
Supplies	3,073	3,232	3,636	2,760	3,253	2,198	2,107	2,416	1,996
Depreciation	9,698	10,490	10,423	9,764	7,660	6,493	6,588	6,374	5,947
Student aid	8,211	10,459	8,328	10,015	7,376	7,935	4,409	4,326	4,342
Other	12,815	12,314	11,468	11,895	12,948	11,730	12,269	11,692	11,109
GASB 45 (Other post-employment benefits) accrual	8,016	8,641	8,530	7,611	6,039	6,199	5,181	5,195	-
Total operating expenses	163,445	166,156	164,020	156,960	153,320	143,156	132,583	128,415	117,539
Interest on capital asset-related debt service	4,225	4,258	4,689	3,927	3,542	1,841	1,889	2,273	1,993
Total nonoperating expenses	4,225	4,258	4,689	3,927	3,542	1,841	1,889	2,273	1,993
Total expenses	$ 167,670	$ 170,414	$ 168,709	$ 160,887	$ 156,862	$ 144,997	$ 134,472	$ 130,688	$ 119,532

See accompanying report of independent certified public accountants.

STATISTICAL SECTION - SCHEDULE OF EXPENSES BY USE (UNAUDITED) - CONTINUED

Year ended June 30,

(Amounts expressed in percentages)

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses:									
Salaries	46.02%	44.27%	45.06%	47.73%	49.83%	50.68%	51.83%	52.29%	54.17%
Benefits	21.55	21.04	20.28	19.93	20.72	20.85	20.17	19.29	21.17
Contracted services	4.97	5.69	6.74	3.77	3.43	3.37	3.88	3.72	3.42
Supplies	1.83	1.90	2.16	1.72	2.07	1.52	1.57	1.85	1.67
Depreciation	5.78	6.16	6.18	6.07	4.88	4.48	4.90	4.88	4.98
Student aid	4.90	6.14	4.94	6.22	4.70	5.47	3.28	3.31	3.63
Other	7.64	7.23	6.80	7.39	8.26	8.09	9.12	8.95	9.29
GASB 45 (Other post-employment benefits) accrual	4.78	5.07	5.06	4.73	3.85	4.27	3.85	3.97	-
Total operating expenses	97.47	97.50	97.22	97.56	97.74	98.73	98.60	98.26	98.33
Interest on capital asset-related debt service	2.53	2.50	2.78	2.44	2.26	1.27	1.40	1.74	1.67
Total nonoperating expenses	2.53	2.50	2.78	2.44	2.26	1.27	1.40	1.74	1.67
Total expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

See accompanying report of independent certified public accountants.

STATISTICAL SECTION - SCHEDULE OF EXPENSES BY FUNCTION (UNAUDITED)

Year ended June 30,

(Amounts expressed in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses by function:									
Instruction	$ 65,046	$ 66,210	$ 66,436	$ 62,162	$ 62,184	$ 57,714	$ 53,368	$ 51,996	$ 48,457
Public service	86	109	156	63	92	46	123	93	30
Academic support	18,372	17,492	17,247	17,723	19,251	18,540	16,828	14,920	13,927
Student services	23,494	22,811	21,913	21,075	21,744	20,241	18,212	17,776	16,315
Institutional support	24,371	25,229	26,216	23,281	22,003	20,095	21,385	21,296	17,956
Operation and maintenance of plant	13,336	12,586	12,742	12,244	12,392	11,307	10,905	10,949	9,964
Depreciation	9,698	10,490	10,423	9,764	7,660	6,493	6,588	6,374	5,947
Student aid	8,211	10,459	8,328	10,015	7,377	7,935	4,409	4,326	4,342
Auxiliary enterprises	831	770	559	633	617	785	765	685	601
Interest on capital debt	4,225	4,258	4,689	3,927	3,542	1,841	1,889	2,273	1,993
Total expenses by function	$ 167,670	$ 170,414	$ 168,709	$ 160,887	$ 156,862	$ 144,997	$ 134,472	$ 130,688	$ 119,532

(Amounts expressed in percentages)

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses by function:									
Instruction	38.79%	38.85%	39.38%	38.64%	39.64%	39.80%	39.69%	39.79%	40.54%
Public service	0.05	0.06	0.09	0.04	0.06	0.03	0.09	0.07	0.03
Academic support	10.96	10.26	10.22	11.02	12.28	12.79	12.51	11.42	11.65
Student services	14.01	13.39	12.99	13.10	13.86	13.96	13.54	13.60	13.65
Institutional support	14.54	14.80	15.54	14.47	14.03	13.86	15.90	16.30	15.02
Operation and maintenance of plant	7.95	7.39	7.55	7.61	7.90	7.80	8.12	8.37	8.33
Depreciation	5.78	6.16	6.18	6.07	4.88	4.48	4.90	4.88	4.98
Student aid	4.90	6.14	4.94	6.22	4.70	5.47	3.28	3.31	3.63
Auxiliary enterprises	0.50	0.45	0.33	0.39	0.39	0.54	0.57	0.52	0.50
Interest on capital debt	2.52	2.50	2.78	2.44	2.26	1.27	1.40	1.74	1.67
Total expenses by function	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

See accompanying report of independent certified public accountants.

STATISTICAL SECTION - SCHEDULE OF NET POSITION AND CHANGES IN NET POSITION (UNAUDITED)

Year ended June 30,

(Amounts expressed in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total revenues (from schedule of revenues by source less capital appropriations)	$ 152,186	$ 151,910	$ 150,786	$ 144,042	$ 144,740	$ 139,384	$ 125,499	$ 125,309	$ 118,318
Total operating expenses (from schedule of expenses by use)	167,670	170,414	168,709	160,887	156,862	144,997	134,472	130,688	119,532
Income before other revenues and expenses	(15,484)	(18,504)	(17,923)	(16,845)	(12,122)	(5,613)	(8,973)	(5,379)	(1,214)
Capital grants and contracts	-	-	-	-	-	-	-	-	35
Deductions to permanent endowments	-	-	-	-	-	-	-	(14)	(106)
Total changes in net position	(15,484)	(18,504)	(17,923)	(16,845)	(12,122)	(5,613)	(8,973)	(5,393)	(1,285)
Net position, beginning	72,538	77,072	81,265	85,903	84,377	76,011	71,263	68,340	61,863
Net position, ending	$ 57,054	$ 58,568	$ 63,342	$ 69,058	$ 72,255	$ 70,398	$ 62,290	$ 62,947	$ 60,578
Net investment in capital assets	$ 96,979	$ 93,771	$ 89,660	$ 86,331	$ 80,136	$ 69,278	$ 60,947	$ 54,231	$ 49,504
Restricted - nonexpendable	-	-	-	-	-	-	-	-	13
Restricted - expendable	4,742	4,742	2,740	1,364	731	511	511	1,874	920
Unrestricted	(35,802)	(25,975)	(15,328)	(4,553)	5,036	14,588	14,553	15,158	17,903
Total net position	$ 65,919	$ 72,538	$ 77,072	$ 83,142	$ 85,903	$ 84,377	$ 76,011	$ 71,263	$ 68,340

Source: Audited financial statements.

See accompanying report of independent certified public accountants.

STATISTICAL SECTION - FISCAL YEAR ENROLLMENT AND DEGREE STATISTICS (UNAUDITED)

Year ended June 30,

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Enrollments and student demographics:									
Credit FTE	14,851	15,051	15,116	15,769	16,091	15,808	14,208	13,942	13,570
Unduplicated Credit Headcount	27,942	28,096	28,264	29,094	29,032	28,783	26,868	26,212	26,157
Percentage - Men	37.7%	37.7%	36.9%	35.5%	35.5%	34.5%	33.7%	33.2%	32.8%
Percentage - Women	62.3	62.3	63.1	64.5	64.5	65.5	66.3	66.8	67.2
Percentage - Black	50.7	50.2	49.7	49.9	49.2	48.9	48.6	48.0	48.3
Percentage - White	23.9	24.3	25.1	24.6	24.4	25.0	25.7	25.2	26.0
Percentage - Asian	8.4	8.2	7.7	7.3	7.2	7.1	7.4	7.7	7.6
Percentage - Hispanic	11.8	11.4	10.6	4.9	6.5	7.0	6.8	6.3	5.9
Percentage - American Indian/other	0.4	0.4	0.4	0.5	0.5	0.4	0.4	0.4	0.5
Percentage - Unknown	4.8	5.6	6.5	12.9	12.2	11.6	11.1	12.4	11.7
Degrees awarded:									
Associate	1,916	1,857	1,712	1,828	1,702	1,667	1,741	1,592	1,481
Certificate	446	338	167	180	214	216	259	319	232

Source: Department of Institutional Research.

See accompanying report of independent certified public accountants.

STATISTICAL SECTION - FACULTY AND STAFF STATISTICS (UNAUDITED)

For Fall Term in Year

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Faculty:									
Part-time	635	643	734	757	771	737	684	641	623
Full-time	395	407	412	418	413	395	393	395	399
Percentage tenured	81.7%	79.9%	80.6%	83.0%	84.0%	79.5%	79.6%	78.5%	76.1%
Administrative and support staff:									
Part-time	11	12	20	22	19	19	23	31	31
Full-time	453	441	447	472	460	462	457	426	429
Total employees:									
Part-time	646	655	754	779	790	756	707	672	654
Full-time	848	848	859	890	873	857	850	821	828
Students per full-time staff:									
Number credit students	19,119	19,066	18,692	19,751	19,503	19,047	17,327	17,352	16,871
Faculty	47	47	46	47	47	48	44	44	42
Administrative and support staff	42	43	42	42	42	44	38	41	39
Average annual faculty salary	$ 65,212	$ 64,059	$ 66,137	$ 66,236	$ 67,266	$ 65,381	$ 63,408	$ 60,799	$ 57,346

Source: Institutional Human Resource Records.

GROSS SQUARE FEET OF COLLEGE BUILDINGS

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Main Campus - Buildings	911,051	911,051	911,051	900,613	900,613	852,445	852,445	852,445	852,445
Main Campus - 17 Street Garage	230,360	230,360	230,360	230,360	230,660	230,660	230,360	230,360	230,360
Main Campus Recreation Deck	62,600	62,600	62,600	62,600	62,600	62,600	62,600	62,600	62,600
Main Campus - CBI Garage	74,902	74,902	74,902	74,902	74,902	74,902	74,902	74,902	74,902
Main Campus - 434 North 15th Street	88,500	88,500	88,500	88,500	88,500	-	-	-	-
Northeast Regional Center	109,075	109,075	109,075	109,075	109,075	109,075	59,876	59,876	59,876
West Regional Center	39,394	39,394	39,394	39,394	32,090	32,090	32,090	32,090	32,090
Northwest Regional Center	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Total gross square feet	1,605,882	1,605,882	1,605,882	1,595,444	1,588,440	1,451,772	1,402,273	1,402,273	1,402,273

Source: Institutional Physical Plant Records.

See accompanying report of independent certified public accountants.

DEMOGRAPHIC STATISTICS

City of Philadelphia Last Eight Calendar Years

	Population as of June 30	Average annual unemployment rate
Year:		
2006 – 07	1,448,394	6.2
2007 – 08	1,449,634	6.0
2008 – 09	1,540,351	7.1
2009 – 10	1,547,297	9.8
2010 – 11	1,526,006	10.9
2011 – 12	1,536,471	10.8
2012 – 13	1,547,607	10.5
2013 – 14	1,553,165	7.8
2014 – 15	1,560,297	7.4

Sources: United States Census Bureau and Bureau of Labor Statistics

See accompanying report of independent certified public accountants.

Community College of Philadelphia
(A Component Unit of the City of Philadelphia)

COMPONENT UNIT SCHEDULE OF NET POSITION

Year ended June 30, 2015
(In thousands)

Assets:		
Cash on deposit and on hand	$	10,515
Investments		38,737
Accounts receivable		12,064
Allowance for doubtful accounts		(4,633)
Interest and dividends receivable		47
Due from other governments		2,848
Restricted assets		(417)
Other assets		1,067
Property, plant and equipment		171,293
Total assets	$	231,521
Deferred outflows of resources:		
Deferred outflows		544
Liabilities:		
Vouchers and accounts payable	$	14,350
Salaries and wages payable		2,675
Accrued expenses		1,084
Funds held in escrow		561
Due to other governments		491
Deferred revenue		3,958
Current portion of long-term obligations		7,299
Noncurrent portion of long-term obligations		66,602
Other post-employment benefits (GASB 45)		58,228
Total liabilities	$	155,248
Deferred inflows of resources:		
Deferred inflows		97
Net position:		
Net investment in capital assets	$	96,979
Restricted for:		
Capital projects		5,213
Tuition stabilization and scholarships		(25,472)
Rate stabilization		
Unrestricted (deficit)	$	76,720
Total net position		

See accompanying report of independent certified public accountants.

Community College of Philadelphia
(A Component Unit of the City of Philadelphia)

COMPONENT UNIT SCHEDULE OF ACTIVITIES

Year ended June 30, 2015

(In thousands)

		Program revenues			Net expense and changes in net position
	Expenses	Charge for services	Operating grants and contributions	Capital grants and contributions	Education activities
Community college services	$ 169,850	$ 33,758	$ 68,451	$ -	$ 67,641
				General revenues:	
				Taxes	
				Grants and contributions*	60,762
				Interest and investment earnings	635
				Miscellaneous	2,064
				Special items-Prior Period Adj. GASB 68	(1,995)
				Total general revenues, special items and transfers	61,466
				Change in net assets	(6,175)
				Net position - beginning	82,895
				Net position - ending	$ 76,720

* Includes Commonwealth appropriations of $33,649 and City of Philadelphia appropriations of $27,113.

See accompanying report of independent certified public accountants.

Community College of Philadelphia
(A Component Unit of the City of Philadelphia)

COMPONENT UNIT CAPITAL ASSET FORMAT

Year ended June 30, 2015

	Beginning balance	Increases	Decreases	Ending balance
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 29,054,933	$ 151,327	$ -	$ 29,206,260
Fine arts	705,208	-	-	705,208
Construction in process	351,752	663,880	(821,878)	193,754
Total capital assets not being depreciated	30,111,893	815,207	(821,878)	30,105,222
Capital assets being depreciated:				
Buildings	232,351,523	524,176	-	232,875,699
Other improvements	18,244,081	115,244	-	18,359,325
Equipment	36,085,339	840,550	(1,479,335)	35,446,554
Furniture	1,148,491	36,881	(42,007)	1,143,365
Leasehold improvements	176,176	-	-	176,176
Total capital assets being depreciated	288,005,610	1,516,851	(1,521,342)	288,001,119
Less accumulated depreciation for:				
Buildings	95,015,847	5,897,964	-	100,913,811
Other improvements	16,617,938	561,625	-	17,179,563
Equipment	25,818,049	3,213,760	(1,475,108)	27,556,701
Furniture	1,003,193	21,919	(34,355)	990,757
Leasehold improvements	169,528	2,530	-	172,058
Total accumulated depreciation	138,624,555	9,697,798	(1,509,463)	146,812,890
Total capital assets being depreciated, net	149,381,055	(8,180,947)	(11,879)	141,188,229
Business-type activities capital assets, net	$ 179,492,948	$ (7,365,740)	$ (833,757)	$ 171,293,451

See accompanying report of independent certified public accountants.

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Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Board of Directors
Community College of Philadelphia
(A Component Unit of the City of Philadelphia)

We have audited, 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, the financial statements of the business-type activities and the discretely presented component unit of the Community College of Philadelphia (the College) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 30, 2015.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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 College'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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 the College'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*.

Intended purpose

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 College'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 College's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Philadelphia, Pennsylvania

September 30, 2015