

Financial Statements and Report of  
Independent Certified Public Accountants

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

June 30, 2016 and 2015

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## Report of Independent Certified Public Accountants

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(A Component Unit of the City of Philadelphia)

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### 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 years ended June 30, 2016 and 2015, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other matters**

#### ***Required supplementary information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 15, the schedule of funding progress on page 60, the schedule of proportionate share of net pension liability on page 61 and the schedule of contributions on page 62, 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 72 to 74 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 63 through 71 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, 2016, 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, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2016 and 2015

### 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 2016 are compared to those for the 2015 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

- The College community has been involved in the development of a new strategic plan. The strategic plan is focused on: student success; workforce development and economic innovation; fiscal stability and sustainability; world-class facilities; and external and internal community relations.
- The College has begun the full-scale implementation of its Guided Pathways initiative that will provide students with a highly structured experience driven by providing students with clear academic program roadmaps, an intake process that clarifies students' goals and career direction, facilitates access into a program of study for students with developmental education needs and provides intentional advising coupled with progress tracking and individually-designed support, with the goal of improving student persistence and degree completion.
- Complementing the Guided Pathways efforts, the College is also implementing the Starfish Early Alert System. This system is a key technology-based solution that will increase intervention and communication initiatives that are essential to keeping students invested in their education and on track to degree completion.
- A new Academic Advising Department has been established. Currently there are seven (7) full-time advisors that will work within the guided pathways model, incorporating academic planning with students in their first semester, implementing proactive outreach to students, and tracking students to monitor academic progress.
- The College completed a collaborative reorganization intended to make the College 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 its longstanding commitment to affordable education and open success.
- As part of the reorganization, a Vice President for Workforce and Economic Innovation was added to lead the division. Working with other areas of the College, this division will significantly expand the form and function of the College's workforce development and continuing education programs.
- A comprehensive Facilities Master Plan is in the final stages of development led by the consulting firm of Wallace, Roberts & Todd (WRT).
- The College is embarking on a public private partnership with Radnor Property Group for a mixed-use facility at 15<sup>th</sup> and Hamilton Streets and has recently signed a letter of intent. It will include student housing, market rate housing and retail space. The College would receive annual ground lease payments from the developer. The ground lease and operating agreements are being negotiated.
- Credit enrollments for the Fall 2015 semester exceeded those of the prior year. However, the College experienced a 5% reduction in credit hours for the Spring 2016 semester. Overall, final credit hours were only 2% less than the prior year, which is better than state-wide and national trends.
- The planning has been completed for the renovations to the College's biology labs on the main campus, with construction to begin in October 2016. The biology prep room renovation in the Northeast Regional Center

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2016 and 2015

was completed. Beginning in the 2015-16 fiscal year, the College began receiving State payments for 50% of the debt service for these projects.

- The College received \$1.5 million of additional funds from the State, \$2.0 million of additional funds from the City, and an additional \$1.4 million specifically allocated for capital purchases.
- For the twelfth consecutive year, a balanced budget was achieved.
- Moody's adjusted the College's bond rating from A1 to A2, in part due to the uncertainties surrounding the State's budget.
- Net position decreased by \$4.8 million or 7.4% primarily due to the continued impact of GASB 45 and GASB 68. Positive impacts were from the savings from the partial refinance of the 2008 Series bonds and the additional borrowings for the biology lab renovation and the West Building escalator replacement project.
- Operating revenues decreased by \$0.5 million or 1.4%.
- Operating expenses increased by \$4.2 million or 2.6%.
- Nonoperating revenues increased by \$3.0 million or 2.6%.

### 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

June 30, 2016 and 2015

At June 30, 2016, the College's net position was \$61.1 million, with assets of \$225.0 million exceeding liabilities of \$171.8 million. As a result of financial circumstances which contributed to asset growth, net position increased by \$6.8 million in the 2016 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 \$4.8 million. Unrestricted net assets fell from a negative \$35.8 million to a negative \$42.6 million. Absent the cumulative impact of the post-employment benefit liability (GASB 45 and 68) reporting requirements, unrestricted net position would currently be at a level of \$27.8 million. The other factor significantly reducing the unrestricted net position value was unfunded depreciation expense for 2016 in the amount of \$8.9 million.

The negative unrestricted net asset position (\$42.6 million) reflects the cumulative impact of the post-employment benefit expense accruals in the amount of \$70.4 million.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

June 30, 2016 and 2015

Summary of Net Position

June 30,

	<u>2016</u>	<u>2015</u> (In millions)	<u>2014</u>
Assets:			
Current assets	\$ 34.2	\$ 31.5	\$ 32.7
Noncurrent assets:			
Capital assets net of depreciation	166.5	171.3	179.5
Bond proceeds available for campus construction	7.5	-	0.2
Other	<u>16.8</u>	<u>16.2</u>	<u>16.1</u>
Total assets	<u>\$ 225.0</u>	<u>\$ 219.0</u>	<u>\$ 228.5</u>
Deferred outflows of resources	<u>\$ 8.0</u>	<u>\$ 0.5</u>	<u>\$ -</u>
Liabilities:			
Current liabilities	\$ 25.9	\$ 27.2	\$ 29.6
Noncurrent liabilities	<u>145.9</u>	<u>126.3</u>	<u>126.4</u>
Total liabilities	<u>\$ 171.8</u>	<u>\$ 153.5</u>	<u>\$ 156.0</u>
Deferred inflows of resources	<u>\$ 0.2</u>	<u>\$ -</u>	<u>\$ -</u>
Net position:			
Net investment in capital assets	\$ 98.8	\$ 97.0	\$ 93.8
Unrestricted	(42.6)	(35.8)	(26.0)
Restricted:			
Expendable	<u>4.9</u>	<u>4.7</u>	<u>4.7</u>
Total net position	<u>\$ 61.1</u>	<u>\$ 65.9</u>	<u>\$ 72.5</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

June 30, 2016 and 2015

**Assets**

Current assets increased by \$2.7 million in fiscal year 2016. Net accounts receivable, cash and cash equivalents, and short-term investments increased.

Noncurrent assets increased by \$3.3 million. Bond proceeds available for campus construction increased 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, 2016 net of accumulated depreciation were \$166.5 million, a decrease of \$4.8 million over the amount reported for 2015 of \$171.3 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 \$1.3 million in fiscal year 2016. Accounts payable and accrued liabilities decreased by \$1.0 million primarily due to a decrease in the year-end accrual for employees electing the College's retirement incentive. The College self-insures its employee medical plan. A reinsurance limit of \$250,000 was in place for the 2016 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 \$0.4 million primarily due to Financial Aid processing more State PHEAA funds prior to June 30.

The College's outstanding long-term debt was at \$73.9 million as of June 2016, an increase of \$2.7 million from June 2015 reflecting principal payments made during the fiscal year as well as the retirement of the College's 2010 Bonds, refinance of the 2008 Bonds, and issuance of the 2015 Bonds. The present value of future post-retirement benefits other than pensions, projected to be paid to retired employees, were prepared as of July 1, 2015 for reporting as of June 30, 2016. The July 1, 2015 report included certain changes in actuarial assumptions; the amount of the liability increased by \$11.6 million in fiscal year 2016. 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 2016 also includes \$3.4 million related to GASB 68 which requires the College to record its 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 2016, 2015, and 2014 was \$70.4 million, \$58.2 million, and \$47.3 million, respectively. Absent this reporting requirement, the College's net assets as of June 30, 2016 would have been at a level of \$131.5 million.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

June 30, 2016 and 2015

Capital lease obligations include mainly technology associated with academic and administrative computing. The College paid off the remaining obligations of leases for a digital press, copier equipment and computer equipment.

**Statement of Revenues, Expenses and Changes in Net Position**

The change in net position for fiscal years 2016, 2015, and 2014 was a negative \$4.9 million, negative \$4.6 million, and negative \$4.5 million, respectively. The following table quantifies the changes:

Revenues, Expenses and Changes in Net Position			
	June 30,		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
		(In millions)	
Operating revenues:			
Net tuition and fees	\$ 31.6	\$ 32.0	\$ 35.3
Auxiliary enterprises and other sources	<u>1.9</u>	<u>2.0</u>	<u>1.8</u>
Total	<u>33.5</u>	<u>34.0</u>	<u>37.1</u>
Operating expenses	<u>167.7</u>	<u>163.4</u>	<u>166.1</u>
Operating loss	(134.2)	(129.4)	(129.0)
Net nonoperating revenues	<u>117.0</u>	<u>114.0</u>	<u>110.5</u>
Change in net assets before other revenues	(17.2)	(15.4)	(18.5)
Net capital revenue and changes to endowments	<u>12.3</u>	<u>10.8</u>	<u>14.0</u>
Total change in net position	<u><u>\$ (4.9)</u></u>	<u><u>\$ (4.6)</u></u>	<u><u>\$ (4.5)</u></u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

June 30, 2016 and 2015

**Operating Revenues**

The largest sources of operating revenue for the College are student tuition and fees and auxiliary enterprise revenues. In 2016, the tuition charge per credit was \$153; the same as the previous year. The Technology Fee was also 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 2016 was \$204. Auxiliary enterprise revenues are generated from bookstore, food service and parking operations.

Tuition and fee revenue totaled \$76,827,739 in fiscal year 2016, \$78,506,460 in 2015, and \$78,732,758 in 2014, which is offset by the scholarship allowance amounts for 2016, 2015 and 2014, respectively, of \$45,185,037, \$46,533,705, and \$43,395,057. The scholarship allowance represents tuition and fee payments made using public and private grants and scholarships. The relatively stable scholarship allowance amounts between fiscal 2016 and fiscal 2015 are reflective of the stable enrollments coupled with the small increase in the federal Pell financial aid award amounts for the 2016 fiscal year.

Gift revenue in the amount of \$225,000 was received in 2016 and is reported in the Statement of Revenues, Expenses and Changes in Net Assets. This value reflects payments from the Foundation's Capital Campaign, as well as 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 2016, excluding capital appropriations, totaled \$30,128,328, an increase of \$1,496,739 over the \$28,631,589 received in fiscal year 2015. In fiscal year 2014, the College received \$28,179,310.

Total 2016 City funding was \$30,309,207, a \$34.0 million increase (12.6%) over the amount received in fiscal year 2015. Of the funding appropriation, \$23,271,627 was used for operating budget purposes in 2016. In fiscal year 2015, \$21,277,040 of the total appropriation was used for operating purposes and \$18,346,138 in fiscal year 2014. Net investment income was \$815,452 in fiscal year 2016, \$364,680 in 2015, and \$695,167 in 2014. Included in net investment income for 2016 is an unrealized gain of \$368,205 and a realized gain of \$2,129 for all investment activity as of June 30, 2016.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

June 30, 2016 and 2015

**Capital Appropriations**

The State provided capital funding for debt service and capital purchases in the amounts of \$5,316,618 and \$5,017,352 for fiscal years 2016 and 2015, respectively. The amount received in fiscal year 2014 was \$6,109,663. The College used \$7,037,580 of the total City appropriation of \$30,309,207 in fiscal year 2016 for debt service and capital purchases. In fiscal years 2015 and 2014, City appropriations used for debt service and capital purchases were \$5,836,028 and \$7,859,208, respectively.

Expenses by Function

June 30,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Instruction	\$ 66,017,583	\$ 65,046,544	\$ 66,209,598
Public service	183,375	64,882	108,954
Research	-	20,921	-
Academic support	18,823,708	18,372,027	17,492,238
Student services	25,142,084	23,493,959	22,810,350
Institutional support	24,429,407	24,370,565	25,229,115
Physical plant operations	14,913,188	13,335,791	12,585,835
Depreciation	8,860,741	9,697,798	10,490,412
Student aid	8,739,358	8,210,976	10,459,176
Auxiliary enterprises	<u>567,452</u>	<u>831,206</u>	<u>770,012</u>
Total operating expenses	<u>\$ 167,676,896</u>	<u>\$ 163,444,669</u>	<u>\$ 166,155,690</u>

Exclusive of Student aid and Depreciation expenses, the College's operating expenses totaled \$150,076,797 in fiscal 2016, \$145,535,895 in fiscal 2015, \$145,206,102 in fiscal 2014. September 1, 2014 began year four of a five-year labor contract that was ratified by the union in September 2013.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

June 30, 2016 and 2015

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 public institutions' financial statements. The value of the expense for fiscal years 2016, 2015 and 2014 was \$11,631,237, \$8,016,318, and \$8,641,201, respectively.

Expenses by Natural Classifications

June 30,

	2016	2015	2014
		(In thousands)	
Expenses:			
Salaries	\$ 77,931	\$ 77,161	\$ 75,438
Benefits	36,978	35,767	35,885
Contracted services	6,458	8,330	9,697
Supplies	3,857	3,073	3,232
Depreciation	8,861	9,698	10,490
Student aid	8,739	8,211	10,459
Other	13,167	12,815	12,314
GASB 45 & 68 (Other post-employment benefits) accrual	<u>11,686</u>	<u>8,390</u>	<u>8,641</u>
Total operating expenses	<u>167,677</u>	<u>163,445</u>	<u>166,156</u>
Interest on capital asset-related debt service	<u>3,315</u>	<u>4,225</u>	<u>4,258</u>
Total nonoperating expenses	<u>3,315</u>	<u>4,225</u>	<u>4,258</u>
Total expenses	<u><u>\$ 170,992</u></u>	<u><u>\$ 167,670</u></u>	<u><u>\$ 170,414</u></u>

In fiscal year 2016, expenses associated with the College's operating budget increased by \$413,000 or 0.3%. Total operating expenditures ended the year \$4.0 million less than budgeted. A number of vacant positions during the year resulted in a much higher-than-budgeted lapse salary savings. Overall, salaries were \$1.9 million 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 \$600,000 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 \$1.6 million. This strategy provides flexibility in the College's operating budget for future years. Expenses associated with restricted grants decreased by \$2.5 million, or 1.3%, from the fiscal year 2015 expenses. This decrease was related to the TAACCCT grant which, in fiscal year 2016, had \$3.4 million less expenses than in fiscal year 2015.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

June 30, 2016 and 2015

***Schedule of Fund Balances***

The following chart shows fund balances in the four fund groups: Unrestricted, Restricted, Endowment and Plant. The 2016, 2015 and 2014 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 2016 was \$11,631,237, in 2015 was \$8,016,318, and in 2014 was \$8,641,201. The negative unrestricted plant fund balance reflects the cumulative impact of unfunded depreciation expense.

	June 30,		
	2016	2015	2014
Total unrestricted fund	\$ (34,795,760)	\$ (26,926,568)	\$ (16,669,094)
Endowment fund:			
Quasi endowment (unrestricted)	1,555,625	1,606,385	1,762,678
Total endowment	1,555,625	1,606,385	1,762,678
Plant fund:			
Net invested in capital assets	98,775,826	96,978,995	93,771,459
Restricted expendable - capital	4,912,257	4,742,166	4,742,069
Unrestricted	(9,391,008)	(10,482,019)	(11,069,072)
Total plant fund	94,297,075	91,239,142	87,444,456
Total net position	\$ 61,056,940	\$ 65,918,959	\$ 72,538,040

***Community College of Philadelphia Foundation***

The Foundation was established in 1985. Total assets for 2016, 2015 and 2014 were \$12.1 million, \$12.1 million, and \$11.8 million, respectively. Total unrestricted net position for 2016, 2015 and 2014 for the Foundation was \$1.7 million, \$1.7 million, and \$1.6 million, respectively. The remaining net position is restricted based upon donor intent.

**Future Impacts**

For fiscal year 2017, City funding to the College was increased by \$1.0 million, but the \$1.4 million allocation for capital received for fiscal year 2015-16 was not repeated. The additional \$1.0 million appropriation is somewhat restricted in that \$800,000 must be used for the establishment of small business training and development efforts. The State budget included an increase of \$768,000. Student tuition remains at \$153 per credit hour, and the technology fee was increased by \$2 per credit hour, from \$28 to \$30. Additionally, course fees were increased by 15%; this increase ranged from \$10 to \$45 for those high-cost courses with fees. Credit enrollments for the fall 2016 semester are trending 5% below enrollments of fall 2015.

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

**STATEMENTS OF NET POSITION**

June 30,

ASSETS	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
	2016	2015	2016	2015
Current assets:				
Cash and cash equivalents (Note B)	\$ 12,824,547	\$ 10,323,803	\$ 609,930	\$ 191,827
Short-term investments (Note B)	13,684,393	12,396,932	1,312,723	1,164,745
Accounts receivable, net (Note C)	4,931,453	4,830,003	910,861	1,246,209
Receivable from government agencies (Note G)	1,408,062	2,848,056	-	-
Accrued interest receivable	35,810	47,160	-	-
Other assets	1,355,173	1,066,648	-	-
Total current assets	34,239,438	31,512,602	2,833,514	2,602,781
Noncurrent assets:				
Endowment investments (Note B)	-	-	8,976,588	8,953,083
Accounts receivable, net (Note C)	-	-	362,632	609,173
Bond proceeds available for campus construction	7,480,146	5,060	-	-
Other long-term investments (Note B)	16,744,959	16,222,800	-	-
Capital assets, net (Note D)	166,542,601	171,293,451	-	-
Total noncurrent assets	190,767,706	187,521,311	9,339,220	9,562,256
Total assets	\$ 225,007,144	\$ 219,033,913	\$ 12,172,734	\$ 12,165,037
Deferred outflows of resources:				
Deferred outflows	\$ 8,020,057	\$ 543,675	\$ -	\$ -

(Continued)

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,

LIABILITIES AND NET POSITION	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
	2016	2015	2016	2015
Current liabilities:				
Accounts payable and accrued liabilities (Note E)	\$ 15,412,294	\$ 16,517,824	\$ 488,559	\$ 398,169
Payable to government agencies (Note G)	61,159	490,637	-	-
Deposits	545,527	561,301	-	-
Unearned revenue	2,057,075	2,360,265	939,549	852,272
Current portion of capital lease obligation (Note F)	358,836	1,128,414	-	-
Current portion of long-term debt (Note F)	6,910,051	6,170,886	-	-
Unamortized bond premium	573,109	51,170	-	-
Total current liabilities	<u>25,918,051</u>	<u>27,280,497</u>	<u>1,428,108</u>	<u>1,250,441</u>
Noncurrent liabilities:				
Accrued liabilities (Note E)	1,159,869	1,084,173	-	-
Annuity payable	-	-	4,804	4,153
Capital lease obligation (Note F)	666,010	1,580,569	-	-
Long-term debt (Note F)	66,943,214	65,021,752	-	-
Unamortized bond premium	6,670,928	366,724	-	-
Other post-employment benefits liability (Note H)	70,428,317	58,227,563	-	-
Total noncurrent liabilities	<u>145,868,338</u>	<u>126,280,781</u>	<u>4,804</u>	<u>4,153</u>
Total liabilities	<u>\$ 171,786,389</u>	<u>\$ 153,561,278</u>	<u>\$ 1,432,912</u>	<u>\$ 1,254,594</u>
Deferred inflows of resources:				
Deferred inflows	<u>\$ 183,872</u>	<u>\$ 97,351</u>	<u>\$ -</u>	<u>\$ -</u>
Net position:				
Net investment in capital assets	98,775,826	96,978,995	-	-
Restricted:				
Nonexpendable:				
Scholarships, awards and faculty chair	-	-	6,933,527	6,934,838
Annuities	-	-	1,206	2,571
Expendable:				
Scholarships, awards and faculty chair	-	-	1,611,597	1,653,576
Capital projects	4,912,257	4,742,166	468,856	580,500
Unrestricted	<u>(42,631,143)</u>	<u>(35,802,202)</u>	<u>1,724,636</u>	<u>1,738,958</u>
Total net position	<u>\$ 61,056,940</u>	<u>\$ 65,918,959</u>	<u>\$ 10,739,822</u>	<u>\$ 10,910,443</u>

See accompanying notes to financial statements.

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

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

Years ended June 30,

	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
	2016	2015	2016	2015
Operating revenues:				
Student tuition	\$ 59,627,838	\$ 61,189,199	\$ -	\$ -
Student fees	17,199,901	17,317,261	-	-
Less scholarship allowance	<u>(45,185,037)</u>	<u>(46,533,705)</u>	<u>-</u>	<u>-</u>
Net student tuition and fees	31,642,702	31,972,755	-	-
Auxiliary enterprises	1,740,088	1,785,603	-	-
Gifts	-	-	553,833	770,634
Other sources	<u>87,288</u>	<u>196,423</u>	<u>135,207</u>	<u>118,048</u>
Total operating revenues	<u>33,470,078</u>	<u>33,954,781</u>	<u>689,040</u>	<u>888,682</u>
Operating expenses (Note J):				
Educational and general:				
Instruction	66,017,583	65,046,544	52,044	40,426
Public service	183,375	85,803	-	-
Academic support	18,823,708	18,372,027	-	-
Student services	25,142,084	23,493,959	2,964	37,050
Institutional support	24,429,407	24,370,565	1,647,419	1,703,304
Physical plant operations	14,913,188	13,335,791	-	-
Depreciation	8,860,741	9,697,798	-	-
Student aid	8,739,358	8,210,976	495,904	308,944
Auxiliary enterprises	<u>567,452</u>	<u>831,206</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>167,676,896</u>	<u>163,444,669</u>	<u>2,198,331</u>	<u>2,089,724</u>
Operating loss	<u>\$ (134,206,818)</u>	<u>\$ (129,489,888)</u>	<u>\$ (1,509,291)</u>	<u>\$ (1,201,042)</u>

(Continued)

See accompanying notes to financial statements.

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

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

Years ended June 30,

	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
	2016	2015	2016	2015
Nonoperating revenues (expenses):				
State appropriations (Note K)	\$ 30,128,328	\$ 28,631,589	\$ -	\$ -
City appropriations (Note K)	23,271,627	21,271,006	-	-
Federal grants and contracts	53,551,135	57,870,842	-	-
Gifts from the Community College of Philadelphia Foundation	225,000	140,848	(225,000)	(140,848)
State grants and contracts	8,278,313	7,343,322	-	-
Nongovernmental grants and contracts	1,456,249	1,521,465	1,541,177	1,624,928
Net investment income	815,452	364,680	22,493	270,135
Interest on capital asset-related debt service	(3,314,912)	(4,224,570)	-	-
Other nonoperating revenues	<u>2,579,409</u>	<u>1,087,072</u>	<u>-</u>	<u>-</u>
Net nonoperating revenues	<u>116,990,601</u>	<u>114,006,254</u>	<u>1,338,670</u>	<u>1,754,215</u>
(Loss) gain before other revenues, expenses, gains or losses	(17,216,217)	(15,483,634)	(170,621)	553,173
Capital appropriations	<u>12,354,198</u>	<u>10,859,413</u>	<u>-</u>	<u>-</u>
(Decrease) increase in net position	(4,862,019)	(4,624,221)	(170,621)	553,173
Net position, beginning of the year	<u>65,918,959</u>	<u>70,543,180</u>	<u>10,910,443</u>	<u>10,357,270</u>
Net position, ending of the year	<u>\$ 61,056,940</u>	<u>\$ 65,918,959</u>	<u>\$ 10,739,822</u>	<u>\$ 10,910,443</u>

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,

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Tuition and fees	\$ 32,978,676	\$ 31,283,356
Payments to suppliers	(24,955,335)	(23,707,061)
Payments to employees	(77,393,012)	(76,943,418)
Payments for employee benefits	(37,613,988)	(35,067,726)
Payments for student aid	(8,739,358)	(8,210,976)
Auxiliary enterprises	1,726,271	1,778,519
Other cash receipts	<u>87,288</u>	<u>196,423</u>
Net cash used in operating activities	<u>(113,909,458)</u>	<u>(110,670,883)</u>
Cash flows from noncapital financing activities:		
State appropriations	30,096,838	28,641,818
City appropriations	23,271,627	21,277,040
Gifts and grants	63,112,709	64,331,404
Other nonoperating	<u>2,563,635</u>	<u>1,187,580</u>
Net cash provided by noncapital financing activities	<u>119,044,809</u>	<u>115,437,842</u>
Cash flows from capital and related financing activities:		
State capital appropriations	5,316,618	5,017,352
City capital appropriations	7,037,580	5,836,028
Proceeds from long-term debt	52,075,000	-
(Increase) decrease in bond proceeds available for campus construction	(7,475,086)	202,673
Purchases of capital assets	(3,164,837)	(1,217,392)
Principal payments on long-term debt and amortization of capital leases	(52,043,564)	(11,839,447)
Interest payments on long-term debt and capital leases	<u>(3,397,500)</u>	<u>(4,308,863)</u>
Net cash used in capital and related financing activities	<u>(1,651,789)</u>	<u>(6,309,649)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	31,438,901	53,179,375
Purchases of investments	(33,248,521)	(52,279,927)
Interest on investments	<u>826,802</u>	<u>365,582</u>
Net cash (used in) provided by investing activities	<u>(982,818)</u>	<u>1,265,030</u>
Increase (decrease) in cash	2,500,744	(277,660)
Cash and cash equivalents, beginning	<u>10,323,803</u>	<u>10,601,463</u>
Cash and cash equivalents, ending	<u>\$ 12,824,547</u>	<u>\$ 10,323,803</u>

(Continued)

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 - CONTINUED**

Years ended June 30,

	<u>2016</u>	<u>2015</u>
Reconciliation of net operating loss to net cash used in operating activities:		
Operating loss	\$ (134,206,818)	\$ (129,489,888)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation	8,860,741	9,697,798
Changes in assets and liabilities:		
Accounts receivable	1,353,883	(589,271)
Prepaid and other assets	(288,525)	493,218
Loans to students and employees	(15,339)	(27,550)
Accounts payable and accrued liabilities	(1,008,866)	1,102,852
Deferred revenues	(290,654)	(247,860)
Other post-employment benefits	<u>11,686,120</u>	<u>8,389,818</u>
Net cash used in operating activities	<u>\$ (113,909,458)</u>	<u>\$ (110,670,883)</u>
Supplemental disclosure of noncash capital financing activity:		
Capital assets acquired via capital lease	<u>\$ 945,054</u>	<u>\$ 280,909</u>

See accompanying notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and 2015

**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.

**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:

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*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 2016 and 2015 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.

**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.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*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 non-marketable securities are provided by external investment managers and are based upon net asset value as provided by investment managers.

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 PFM Asset Management as its outsourced chief investment officer. The Foundation also uses Bryn Mawr Trust as its custodian of endowment funds.

**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. There were no capitalized interest costs for the years ended June 30, 2016 or 2015.

(Continued)



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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

<u>Asset category</u>	<u>Years</u>
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 \$1,475,442 and \$1,515,884 for the years ended June 30, 2016 and 2015, 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.

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

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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, 2016 and 2015 was \$1,532,869 and \$1,233,369, 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 include 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 that time. In addition to liabilities, the Statements of Net Position include 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 GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), as well as the advance refunding of the 2008 Series Community College Revenue Bonds in September 2015.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

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

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. As a result of the adoption of GASB 72, the College has determined and disclosed all fair value measurements.

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 requirements 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.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76). The primary objective of this statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. GASB 76 reduces the GAAP hierarchy from four to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting for a transaction or other event is not specified within a source of authoritative GAAP. This statement replaces the requirements of Statement 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The adoption of this statement did not result in any significant changes to the College's financial statements.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units* (GASB 80). The primary objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The College has not completed the process of evaluating the impact of adopting this statement.

**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, 2016 and 2015, cash on hand was \$4,000. At June 30, 2016 and 2015, the carrying amount of deposits was \$12,820,547 and \$10,319,803, and the bank balance was \$14,392,582 and \$10,964,508, respectively. The differences were caused primarily by items in transit. Deposits of \$750,000 were covered by federal depository insurance of \$250,000 for each of four bank accounts at both June 30, 2016 and 2015.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

NOTE B - DEPOSITS AND INVESTMENTS - Continued

The following is the fair value of deposits and investments at June 30, 2016:

	<u>College</u>	<u>Foundation</u>
Deposits:		
Demand deposits	\$ 12,820,547	\$ 609,930
Investments:		
Insured money market deposit	1,054	-
U.S. Treasury obligations	4,305,938	387,939
U.S. government agency obligations	2,183,361	-
Corporate and foreign bonds	4,451,055	-
Intermediate fixed income mutual fund	5,501,105	2,905,649
Equity mutual fund	-	5,417,737
Multi-strategy bond mutual fund	5,274,992	-
Money market mutual funds	8,715,847	1,312,723
Private real estate	<u>-</u>	<u>265,263</u>
Total deposits and investments	<u>\$ 43,253,899</u>	<u>\$ 10,899,241</u>

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

	<u>College</u>	<u>Foundation</u>
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	<u>-</u>	<u>270,639</u>
Total deposits and investments	<u>\$ 38,939,535</u>	<u>\$ 10,309,655</u>

(Continued)

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

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, 2016 and 2015, bond proceeds available for campus construction include the following:

	<u>2016</u>	<u>2015</u>
Construction funds	\$ 7,480,146	\$ 5,060

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, 2016 and 2015, the College's bank balance was exposed to custodial credit risk as follows:

	<u>2016</u>	<u>2015</u>
Uninsured and collateral held by pledging bank's trust department not in the College's name	\$ 12,820,547	\$ 10,319,803

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)

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

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, 2016	
	Multi-Strategy	
	Bond	Intermediate
Government	18%	25%
Agency	24	22
AAA	9	22
AA	5	6
A	14	14
BBB	17	10
Below BBB	9	1
Non-rated/Other	4	-
Total	100%	100%
	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%

(Continued)

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

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:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
	Fixed income securities	Fixed income securities
Aaa	59%	64%
Aa	11	9
A	13	14
Baa	17	13
Total	<u>100%</u>	<u>100%</u>

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, 2016 and 2015 are as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
	Weighted average maturity (years)	Weighted average maturity (years)
U.S. Treasury obligations	3.93	4.27
U.S. government agency obligations	3.45	2.56
Corporate bonds	4.11	5.13

The College categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

(Continued)



## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

### NOTE B - DEPOSITS AND INVESTMENTS - Continued

The College has the following recurring fair value measurements as of June 30, 2016:

Demand deposits, insured money market deposits, U.S. Treasury obligations, U.S. government agency obligations, and money market mutual funds of \$28,026,747 are valued using quoted market prices (Level 1 inputs).

Corporate and foreign bonds of \$4,451,055 are valued using a matrix pricing model (Level 2 inputs) while the intermediate fixed income mutual fund and the multi-strategy bond mutual fund totaling \$10,776,097 are valued at the net asset value (NAV) per share (or its equivalent) of the investments (Level 2 inputs).

The Foundation has the following recurring fair value measurements as of June 30, 2016:

Demand deposits, U.S. Treasury obligations, equity mutual funds, and money market mutual funds of \$7,151,439 are valued using quoted market prices (Level 1 inputs).

The intermediate fixed income mutual fund of \$2,905,649 is valued at the NAV per share (or its equivalent) of the investments (Level 2 inputs).

Private real estate funds and equity mutual funds of \$842,153 are valued at the NAV per share (or its equivalent) of the investments (Level 3 inputs).

The valuation method for investments measured at the NAV per share (or its equivalent) is presented in the following table.

Investments Measured at NAV  
(\$ in millions)

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Intermediate fixed income mutual funds <sup>(1)</sup>	\$ 8.4	-	Monthly	30 days
Multi-strategy bond mutual funds <sup>(2)</sup>	5.3	-	Weekly	7 days
Equity mutual fund <sup>(3)</sup>	0.5	-	Quarterly	60 days
Private real estate fund <sup>(4)</sup>	0.3	-	N/A	N/A
Total investments measured at NAV	<u>\$ 14.5</u>			

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

**NOTE B - DEPOSITS AND INVESTMENTS - Continued**

- (1) *Intermediate Fixed Income Mutual Funds.* The investment objective of the Multi-Strategy Bond Fund is to offer an actively managed, multi-manager investment program that will provide broad exposure to global debt markets. The fund seeks to add value above the return of the broad U.S. bond market as measured by the Barclays Capital U.S. Aggregate Bond Index, net of fees, and to provide competitive returns relative to the Russell U.S. Core Plus Fixed Income Universe. The fund's risk characteristics will vary from those of the index due to its diversified exposures to sectors outside of the index, including below investment grade debt and international bond and currency markets. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments.
- (2) *Multi-Strategy Bond Mutual Funds.* The investment objective of the Intermediate Term Fund is to produce a total return in excess of its benchmark, the Bank of America Merrill Lynch 1-3 Year Treasury Index, but attaches greater emphasis to its goal of generating a higher current yield than short-term money market investments in a manner that mitigates the chances of a negative total return over any 12-month period. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments.
- (3) *Equity Mutual Fund.* The Titan International Fund is a multi-manager, multi-strategy hedge fund of funds. The fund has an absolute return objective and targets a lower beta and volatility compared to traditional asset classes (e.g., Equity and Fixed Income). The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments.
- (4) *Private Real Estate Fund.* Equus Capital Partners' Fund X seeks to acquire value-add properties across all major real estate segments throughout the U.S. It is a sole-acquirer that takes equity positions and does not partner with regional owner-operators through joint ventures that can be dilutive to equity upside profits. The fund aims to be fully diversified across all major property types and across all U.S. property markets. Equus runs a vertically integrated platform, from deal sourcing, through acquisition to portfolio management, property management, renovation, repositioning and exit. The fund includes moderate leverage on its acquisitions, with no debt recourse to the fund level. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable include the following at June 30:

	2016		2015	
	College	Component unit Foundation	College	Component unit Foundation
Tuition and fee receivables	\$ 7,384,351	\$ -	\$ 7,694,272	\$ -
Grants receivable	74,818	52,710	71,783	660,060
Other receivables	1,434,641	631,977	1,287,937	122,988
Pledges receivable	-	640,473	-	1,164,430
Receivable from Foundation	<u>429,804</u>	<u>-</u>	<u>316,686</u>	<u>-</u>
	9,323,614	1,325,160	9,370,678	1,947,478
Less allowance for doubtful accounts	<u>(4,392,161)</u>	<u>(51,667)</u>	<u>(4,540,675)</u>	<u>(92,096)</u>
Total	<u>\$ 4,931,453</u>	<u>\$ 1,273,493</u>	<u>\$ 4,830,003</u>	<u>\$ 1,855,382</u>

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 \$4,392,161 and \$4,540,675 for the years ended June 30, 2016 and 2015, respectively. \$362,632 of the Foundation's pledges receivable are expected to be collected subsequent to June 30, 2016, generally on a five-year payment schedule.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

**NOTE D - CAPITAL ASSETS**

Capital assets consist of the following at June 30, 2016:

	Balance July 1, 2015	Additions	Retirements and adjustments	Balance June 30, 2016
Capital assets not depreciated:				
Land and improvements	\$ 29,206,260	\$ 1,365,834	\$ -	\$ 30,572,094
Construction in progress	193,754	2,501,050	(2,193,270)	501,534
Works of art	705,208	82,500	-	787,708
	<u>30,105,222</u>	<u>3,949,384</u>	<u>(2,193,270)</u>	<u>31,861,336</u>
Capital assets being depreciated:				
Buildings and improvements	233,051,875	549,541	-	233,601,416
Equipment and furniture	35,988,926	1,576,731	(105,964)	37,459,693
Library books	5,133,921	143,670	-	5,277,591
Microforms	1,671,710	-	-	1,671,710
Software	4,039,594	-	-	4,039,594
System software	8,115,093	91,266	(751,417)	7,454,942
	<u>288,001,119</u>	<u>2,361,208</u>	<u>(857,381)</u>	<u>289,504,946</u>
Total before depreciation	<u>\$ 318,106,341</u>	<u>\$ 6,310,592</u>	<u>\$ (3,050,651)</u>	<u>\$ 321,366,282</u>

Accumulated depreciation by asset categories is summarized as follows:

	Balance July 1, 2015	Depreciation	Retirements	Balance June 30, 2016
Buildings and improvements	\$ 101,085,869	\$ 5,859,156	\$ -	\$ 106,945,025
Equipment and furniture	28,547,457	2,758,106	(98,533)	31,207,030
Library books	4,314,394	147,462	-	4,461,856
Microforms	1,668,715	2,455	-	1,671,170
Software	3,438,604	-	-	3,438,604
System software	7,757,851	93,562	(751,417)	7,099,996
	<u>\$ 146,812,890</u>	<u>\$ 8,860,741</u>	<u>\$ (849,950)</u>	<u>154,823,681</u>
Total	<u>\$ 146,812,890</u>	<u>\$ 8,860,741</u>	<u>\$ (849,950)</u>	<u>154,823,681</u>
Net capital assets				<u>\$ 166,542,601</u>

(Continued)

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

NOTE D - CAPITAL ASSETS - Continued

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
	<u>30,111,893</u>	<u>815,207</u>	<u>(821,878)</u>	<u>30,105,222</u>
Capital assets being depreciated:				
Buildings and improvements	232,527,699	524,176	-	233,051,875
Equipment and furniture	36,632,837	877,431	(1,521,343)	35,988,925
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
	<u>288,005,610</u>	<u>1,516,851</u>	<u>(1,521,343)</u>	<u>288,001,118</u>
Total before depreciation	<u>\$ 318,117,503</u>	<u>\$ 2,332,058</u>	<u>\$ (2,343,221)</u>	<u>\$ 318,106,340</u>

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	398,325	-	7,757,850
Total	<u>\$ 138,624,555</u>	<u>\$ 9,697,798</u>	<u>\$ (1,509,464)</u>	<u>146,812,889</u>
Net capital assets				<u>\$ 171,293,451</u>

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

**NOTE E - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	2016		2015	
	College	Component unit Foundation	College	Component unit Foundation
Category:				
Vendors and others	\$ 6,768,024	\$ 58,754	\$ 7,871,185	\$ 81,482
Accrued salaries	3,478,599	-	2,959,758	-
Accrued benefits	2,251,943	-	2,201,264	-
Compensated absences	3,021,805	-	2,928,054	-
Retirement incentive payments	339,756	-	1,120,033	-
Payroll withholding taxes	479,797	-	255,960	-
Accrued interest	232,239	-	265,743	-
Payable to College	-	429,805	-	316,687
Total	<u>\$ 16,572,163</u>	<u>\$ 488,559</u>	<u>\$ 17,601,997</u>	<u>\$ 398,169</u>

Long-term liability activity for the year ended June 30, 2016 was as follows:

2016	Beginning balance	Additions	Deductions	Total ending balance	Current portion
Long-term liabilities:					
Accrued liabilities	\$ 17,601,997	\$ 76,539	\$ (1,106,373)	\$ 16,572,163	\$ 15,412,294
Payable to government agencies	490,637	-	(429,478)	61,159	61,159
Capital lease obligation	2,708,983	-	(1,684,137)	1,024,846	358,836
Long-term debt	71,192,638	2,660,627	-	73,853,265	6,910,051
Unamortized bond premium	417,894	6,826,143	-	7,244,037	573,109
Other post-employment benefits	58,227,563	12,200,754	-	70,428,317	-
	<u>\$ 150,639,712</u>	<u>\$ 21,764,063</u>	<u>\$ (3,219,988)</u>	<u>\$ 169,183,787</u>	<u>\$ 23,315,449</u>

(Continued)

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

NOTE E - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES - Continued

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	-
	<u>\$ 152,930,546</u>	<u>\$ 12,224,066</u>	<u>\$ (14,514,900)</u>	<u>\$ 150,639,712</u>	<u>\$ 24,358,931</u>

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, 2016:

	Balance July 1, 2015	Additions	Principal payments	Balance June 30, 2016	Current portion
2006 Series	\$ 540,000	\$ -	\$ (355,000)	\$ 185,000	\$ 185,000
2007 Series	16,295,000	-	(2,160,000)	14,135,000	2,270,000
2008 Series	51,465,000	-	(45,425,000)	6,040,000	2,930,000
2015 Series	-	52,075,000	(655,000)	51,420,000	845,000
SPSBA Loan	226,596	-	(211,690)	14,906	14,903
SPSBA Loan	826,788	-	(316,463)	510,325	367,963
SPSBA Loan	1,839,254	-	(291,220)	1,548,034	297,185
	<u>\$ 71,192,638</u>	<u>\$ 52,075,000</u>	<u>\$ (49,414,373)</u>	<u>\$ 73,853,265</u>	<u>\$ 6,910,051</u>

(Continued)

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

NOTE F - DEBT - Continued

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
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
	<u>\$ 77,481,123</u>	<u>\$ -</u>	<u>\$ (6,288,485)</u>	<u>\$ 71,192,638</u>	<u>\$ 6,170,886</u>

Future annual principal and interest payments at June 30, 2016 are as follows:

	Principal	Interest	Total
June 30:			
2017	\$ 6,910,051	\$ 3,644,845	\$ 10,554,896
2018	6,810,633	3,255,876	10,066,509
2019	6,229,480	2,890,927	9,120,407
2020	6,515,817	2,606,090	9,121,907
2021	6,802,284	2,307,823	9,110,107
2022	6,800,000	1,997,050	8,797,050
2023	7,125,000	1,672,810	8,797,810
2024	5,325,000	1,333,000	6,658,000
2025	5,590,000	1,066,750	6,656,750
2026	4,995,000	787,250	5,782,250
2027	5,245,000	537,500	5,782,500
2028	5,505,000	275,250	5,780,250
	<u>\$ 73,853,265</u>	<u>\$ 22,375,171</u>	<u>\$ 96,228,436</u>

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

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:

	<u>Principal</u>
2017	\$ <u>185,000</u>

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 was considered to be defeased. 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:

	<u>Principal</u>
2017	\$ 2,270,000
2018	2,385,000
2019	1,750,000
2020	1,820,000
2021	1,885,000
2022-2025	<u>4,025,000</u>
	<u>\$ 14,135,000</u>

(Continued)

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

NOTE F - DEBT - Continued

3. 2008 Series and 2015 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. The 2008 Series Bonds were partially refinanced in September 2015 with the 2015 Series Bonds.

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 consist of the following: (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 foregoing components of the 2015 Capital Projects will be used in connection with the College's operation of its community college buildings in furtherance of its educational mission. The 2015 Series Bonds are payable over 12½ years at rates from 2% to 5%, with an average debt service payment of \$4,166,000. The unrefunded series of 2008 are payable over 3 years, with an average debt service payment of \$2,415,000.

Remaining principal payments for the 2015 Series Bonds and the unrefunded Series of 2008 Bonds required by the loan agreement are as follows:

	<u>Principal</u>
2017	\$ 3,775,000
2018	3,980,000
2019	4,170,000
2020	4,380,000
2021	4,595,000
2022	4,830,000
2023	5,070,000
2024	5,325,000
2024-2028	<u>21,335,000</u>
	<u><u>\$ 57,460,000</u></u>

(Continued)

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

NOTE F - DEBT - Continued

4. 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:

	<u>Principal</u>
2017	\$ <u>14,906</u>

5. 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:

	<u>Principal</u>
2017	\$ 367,963
2018	<u>142,362</u>
	<u>\$ 510,325</u>

6. 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.

(Continued)

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

NOTE F - DEBT - Continued

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

	<u>Principal</u>
2017	\$ 297,184
2018	303,269
2019	309,480
2020	315,817
2021	<u>322,284</u>
	<u><u>\$ 1,548,034</u></u>

7. Operating Leases

The College leases certain equipment and property under operating lease arrangements that expire through 2021. Rental expense for operating leases was \$730,485 and \$722,683 for the years ended June 30, 2016 and 2015, respectively.

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

2017	\$ 526,268
2018	414,605
2019	403,357
2020	412,062
2021	<u>171,543</u>
	<u><u>\$ 1,927,835</u></u>

8. Capital Leases

The College leases certain equipment under capital lease arrangements that expire through 2021. These leases are recorded at the lower of cost or present value and amounted to \$1,024,846 and \$2,708,983 at June 30, 2016 and 2015, respectively. Amortization charges of capital leases were \$1,919,844 and \$2,232,948 for the years ended June 30, 2016 and 2015, respectively.

(Continued)

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

NOTE F - DEBT - Continued

Future minimum lease payments under capital leases are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
2017	\$ 358,836	\$ 29,067	\$ 387,903
2018	272,897	19,651	292,548
2019	242,438	10,738	253,176
2020	127,917	3,168	131,085
2021	<u>22,758</u>	<u>453</u>	<u>23,211</u>
	<u>\$ 1,024,846</u>	<u>\$ 63,077</u>	<u>\$ 1,087,923</u>

NOTE G - (PAYABLE TO) RECEIVABLE FROM GOVERNMENT AGENCIES

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

	<u>2016</u>		<u>2015</u>	
	<u>(Payable)</u>	<u>Receivable</u>	<u>(Payable)</u>	<u>Receivable</u>
Commonwealth of Pennsylvania:				
Provision for potential audit findings and reimbursement calculation	\$ (17,226)	\$ -	\$ (48,716)	\$ -
Grants and special projects	-	968,015	-	335,095
PHEAA for grants	(29,190)	-	(441,921)	-
	<u>(46,416)</u>	<u>968,015</u>	<u>(490,637)</u>	<u>335,095</u>
City of Philadelphia grants receivable	-	15,602	-	183,214
Federal:				
Financial aid programs	(1,906)	10,243	-	167,839
Grants and special projects	(12,837)	414,202	-	2,161,908
	<u>(14,743)</u>	<u>440,047</u>	<u>-</u>	<u>2,512,961</u>
Total	<u>\$ (61,159)</u>	<u>\$ 1,408,062</u>	<u>\$ (490,637)</u>	<u>\$ 2,848,056</u>

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

**NOTE H - EMPLOYEE BENEFITS**

Retirement benefits are provided for substantially all employees through payments to one of the board-authorized retirement programs. 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 14 employees participating in the SERS and 28 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.

(Continued)

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

NOTE H - EMPLOYEE BENEFITS - Continued

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.

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

At June 30, 2016, the College reported a liability of \$1,386,000 and \$1,998,201 for its proportional share of the net pension liability for PSERS and SERS, respectively. The net pension liability was measured as of June 30, 2015 for PSERS and December 31, 2015 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, 2015 and December 31, 2015, respectively, the College's proportion of PSERS and SERS was 0.0032% and 0.0110%.

For the year ended June 30, 2016, the College recognized its proportional pension expense for PSERS and SERS of \$203,000 and \$297,780, respectively, as provided by the plans' actuarial schedules. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>PSERS</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 6,000
Net difference between projected and actual earnings on pension plan investments	-	3,000
Changes in proportion and differences between College contributions and proportionate share of contributions	<u>304,000</u>	<u>-</u>
Total	<u><u>\$ 304,000</u></u>	<u><u>\$ 9,000</u></u>

(Continued)

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

NOTE H - EMPLOYEE BENEFITS - Continued

<u>SERS</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	<hr/>
Difference between expected and actual experience	\$ 40,461	\$ -
Changes of assumption	59,367	-
Net difference between projected and actual earnings on pension plan investments	203,455	-
Changes in proportion and differences between College contributions and proportionate share of contributions	<hr/> 274,243	<hr/> 174,872
Total	<hr/> <u>\$ 577,526</u>	<hr/> <u>\$ 174,872</u>

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 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 inflows of resources related to pensions from the following sources:

<u>PSERS</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	<hr/>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 74,000
Changes in proportion and differences between College contributions and proportionate share of contributions	<hr/> 132,000	<hr/> -
Total	<hr/> <u>\$ 132,000</u>	<hr/> <u>\$ 74,000</u>

(Continued)



Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

NOTE H - EMPLOYEE BENEFITS - Continued

<u>SERS</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	<hr/>
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 between College contributions and proportionate share of contributions	<hr/> 350,422	<hr/> 23,351
Total	<hr/> <u>\$ 361,675</u>	<hr/> <u>\$ 23,351</u>

*Actuarial Assumptions*

The following methods and assumptions were used in the actuarial valuations for the year ended June 30, 2016. 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 5.50%, which reflects an allowance for inflation of 3%, real wage growth of 1% 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

(Continued)

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

### NOTE H - EMPLOYEE BENEFITS - Continued

Projected salary increases	average of 5.70% with range of 3.85% - 9.05% 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

The following methods and assumptions were used in the actuarial valuations for the year ended June 30, 2015. 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)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

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:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected rate of return</u>
Public Markets Global Equity	22.50%	4.80%
Private Markets Equity	15.00%	6.60%
Private Real Estate	12.00%	4.50%
Global Fixed Income	7.50%	2.40%
U.S. Long Term Treasuries	3.00%	1.40%
TIPS	12.00%	1.10%
High Yield bonds	6.00%	3.30%
Cash	3.00%	0.70%
Absolute Return	10.00%	4.90%
Risk Parity	10.00%	3.70%
MLPs/Infrastructure	5.00%	5.20%
Commodities	8.00%	3.10%
Financing (LIBOR)	-14.00%	1.10%
Total	<u>100.00%</u>	

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

NOTE H - EMPLOYEE BENEFITS - Continued

SERS

Some of the methods and assumptions mentioned above are based on the *17<sup>th</sup> 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
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	<u>100.00%</u>	

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 \$1,386,000 using a 7.5% discount rate. The College's net pension liability would have been \$1,708,489 assuming a 1% point decrease (6.5%) in the discount rate and would have been \$1,115,113 assuming a 1% point increase (8.5%) in the discount rate.

For SERS, the College's net pension liability is \$1,998,201 using a 7.5% discount rate. The College's net pension liability would have been \$2,482,142 assuming a 1% point decrease (6.5%) in the discount rate and would have been \$1,583,248 assuming a 1% point increase (8.5%) in the discount rate.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

**NOTE H - EMPLOYEE BENEFITS - Continued**

**2. Defined Contribution Plans**

The College also sponsors one defined contribution plan, 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 three plans was \$65,256,751 and \$65,534,082; and the College's total payroll is \$78,702,353 and \$77,987,146 at June 30, 2016 and 2015, respectively. Contributions made by the College during fiscal 2016 and 2015 totaled \$5,832,078 and \$5,691,129, respectively, representing 8.94% and 8.68%, respectively, of covered payroll. College employees contributed \$4,906,108 and \$4,794,327, respectively, during fiscal 2016 and 2015. A summary of retirement benefits follows:

<u>Type of employee</u>	
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)

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

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 \$2,765,425 and \$2,542,581 for the fiscal years ended June 30, 2016 and 2015, respectively. Total retiree contributions made by plan members were \$870,799 and \$745,135 for the fiscal years ended June 30, 2016 and 2015, 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 \$237,252 for the year ended June 30, 2016 and \$205,647 for the year ended June 30, 2015.

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 \$14,933 covering 34 retirees for the fiscal year ended June 30, 2016 and \$16,642 covering 41 retirees for the fiscal year ended June 30, 2015.

*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:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual required contribution	\$ 16,338,357	\$ 13,289,050	\$ 13,249,915
Annual OPEB cost (expense)	16,338,357	13,289,050	13,249,915
Contributions made	<u>(4,707,120)</u>	<u>(5,272,731)</u>	<u>(4,608,714)</u>
Increase in net OPEB obligation	11,631,237	8,016,319	8,641,201
Net OPEB obligation at July 1	<u>55,412,880</u>	<u>47,396,561</u>	<u>38,755,360</u>
Net OPEB obligation at June 30	<u>\$ 67,044,117</u>	<u>\$ 55,412,880</u>	<u>\$ 47,396,561</u>

(Continued)

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

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 <u>principal</u>	Percentage of annual OPEB cost <u>contributed</u>	Net OPEB <u>total</u>
Year ended:			
June 30, 2016	\$ 16,338,357	28.81%	\$ 67,044,117
June 30, 2015	13,289,050	39.67%	55,412,880
June 30, 2014	13,249,915	34.78%	47,396,561

*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	<u>July 1, 2015</u>
Actuarial value of assets	\$ -
Actuarial accrued liability	<u>172,815,908</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 172,815,908</u>
Funded ratio	0.00%
Annual covered payroll	\$ 54,031,275
UAAL as a percentage of covered payroll	319.84%

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)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

**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 effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following actuarial methods and significant assumptions were used for the July 1, 2015 valuation:

Actuarial cost method	Projected unit credit
Amortization method	Closed, level dollar amortization over 30 years
Remaining amortization period	22 years
Discount rate	4.00%
Medical/prescription drug trend rate	7.00%, gradually decreasing to 4.50% in 2036
Dental trend rate	1.00%
Mortality table	88% of rates in the RP-2014 White Collar Healthy Mortality Table backed off to 2006 and projected to 2020 with Scale MP-2015 plus 12% of rates in the RP-2014 Blue Collar Healthy Mortality Table backed off to 2006 and projected to 2020 with Scale MP-2015.

**4. Retirement Incentive Program**

A retirement incentive option was 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. During 2015, there were two people who accepted the early retirement and incentive options; the present value of future payments as of June 30, 2016 and 2015 of \$85,460 and \$157,319, respectively, has been accrued. Future payments in the next two fiscal years are each expected to be \$85,460.

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 had to 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 was \$712,729.



Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

**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:

	2016		2015	
	College	Component unit Foundation	College	Component unit Foundation
Salaries	\$ 77,930,971	\$ 771,382	\$ 77,160,811	\$ 826,335
Benefits	36,978,141	280,654	35,766,816	281,319
Contracted services	6,457,843	83,286	8,330,474	214,789
Supplies	3,857,149	59,440	3,072,876	93,657
Depreciation	8,860,741	-	9,697,798	-
Student aid	8,739,358	495,904	8,210,976	308,944
Other post-retirement benefits	13,166,573	-	8,389,818	-
Other	11,686,120	507,665	12,815,100	364,680
Total	<u>\$ 167,676,896</u>	<u>\$ 2,198,331</u>	<u>\$ 163,444,669</u>	<u>\$ 2,089,724</u>

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016 and 2015

**NOTE K - CITY AND STATE APPROPRIATIONS**

Appropriations from the Commonwealth and the City for the years ended June 30, 2016 and 2015, are as follows:

	2016		2015	
	<u>Operations</u>	<u>Capital</u>	<u>Operations</u>	<u>Capital</u>
Commonwealth of Pennsylvania	\$ 30,128,328	\$ 5,316,618	\$ 28,631,589	\$ 5,023,385
City of Philadelphia	<u>23,271,627</u>	<u>7,037,580</u>	<u>21,271,006</u>	<u>5,836,028</u>
Total appropriations	<u>\$ 53,399,955</u>	<u>\$ 12,354,198</u>	<u>\$ 49,902,595</u>	<u>\$ 10,859,413</u>

**NOTE L - PASS-THROUGH GRANTS**

The College distributed \$38,206,211 in 2016 and \$41,888,351 in 2015 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, 2016, noting no items which would require disclosure in the financial statements, except as follows:

The College's Collective Bargaining Agreement with Faculty and Classified employee unions ended on August 31, 2016. The Administration and the Union have been negotiating a new Collective Bargaining Agreement since January 2016, but no agreement has yet been reached.

## SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF FUNDING PROGRESS (UNAUDITED)**

June 30, 2016 and 2015

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
July 1, 2015	-	172,815,908	172,815,908	-	78,702,353	219.58

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	39.68
June 30, 2016	16,338,357	4,707,120	28.81

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	22 years

Actuarial assumptions:

Discount rate	4.00%
Medical cost trend rate	7.00% gradually decreasing to 4.50% in 2036
Prescription drug cost trend rate	7.00% gradually decreasing to 4.50% in 2036
Dental cost trend rate	1.00%
Mortality table	88% of rates in the RP-2014 White Collar Healthy Mortality Table backed off to 2006 and projected to 2020 with Scale MP-2015 plus 12% of rates in the RP-2014 Blue Collar Healthy Mortality Table backed off to 2006 and projected to 2020 with Scale MP-2015.

See accompanying report of independent certified public accountants.

Community College of Philadelphia  
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**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**

Years ended June 30,

	<u>2016</u>	<u>2015</u>
<b>PSERS</b>		
College's proportion of the net pension liability (asset)	0.0032%	0.0026%
College's proportionate share of the net pension liability (asset)	\$ 1,386,000	\$ 1,030,000
College's covered employee payroll	\$ 413,104	\$ 335,800
Plan fiduciary net position as a percentage of the total pension liability	54.36%	57.24%
<b>SERS</b>		
College's proportion of the net pension liability (asset)	0.0110%	0.0120%
College's proportionate share of the net pension liability (asset)	\$ 1,998,201	\$ 1,784,684
College's covered employee payroll	\$ 653,759	\$ 692,779
Plan fiduciary net position as a percentage of the total pension liability	58.90%	64.80%

See accompanying report of independent certified public accountants.

Community College of Philadelphia  
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**SCHEDULE OF CONTRIBUTIONS**

Years ended June 30,

	<u>2016</u>	<u>2015</u>
<b>PSERS</b>		
Contractually required contribution	\$ 83,000	\$ 52,000
Contribution in relation to the contractually required contribution	<u>83,000</u>	<u>52,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 413,104	\$ 335,800
Contributions as a % of covered employee payroll	20.0918%	15.4854%
 <b>SERS</b>		
Contractually required contribution	\$ 202,576	\$ 98,248
Contribution in relation to the contractually required contribution	<u>202,576</u>	<u>98,248</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 653,759	\$ 692,779
Contributions as a % of covered employee payroll	30.9863%	14.1817%

See accompanying report of independent certified public accountants.

Community College of Philadelphia  
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**STATISTICAL SECTION - SCHEDULE OF REVENUES BY SOURCE (UNAUDITED)**

Year ended June 30,

(Amounts expressed in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Student tuition and fees (net of scholarship allowances)	\$ 31,643	\$ 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	1,740	1,786	1,671	1,776	1,827	1,734	1,650	1,371	1,274	1,132
Other operating revenues	87	196	166	158	168	180	194	95	76	73
Total operating revenues	33,470	33,955	37,175	33,937	32,176	30,046	31,452	33,084	31,073	28,426
City appropriations	23,272	21,271	18,346	18,064	17,652	18,092	18,946	19,245	20,243	19,644
State appropriations	30,128	28,632	28,179	28,240	28,229	29,275	28,750	31,496	31,554	30,855
Federal grants and contracts	53,551	57,871	58,796	58,715	56,839	58,890	51,131	32,552	30,668	27,391
State grants and contracts	8,278	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	225	141	100	2,809	-	-	-	-	-	-
Nongovernmental grants and contracts	1,456	1,521	1,704	1,119	1,014	1,419	1,580	2,688	1,632	1,332
Net investment income	815	365	695	333	1,098	718	1,587	249	1,084	1,780
Other nonoperating revenue	2,579	1,087	324	379	540	333	353	354	1,237	321
Total nonoperating revenues	120,304	118,231	114,735	116,850	111,867	114,694	107,932	92,415	94,236	89,893
Capital appropriations	12,354	10,859	13,969	13,730	14,084	13,648	13,979	13,721	8,316	7,762
Total revenues	<u>\$ 166,128</u>	<u>\$ 163,045</u>	<u>\$ 165,879</u>	<u>\$ 164,517</u>	<u>\$ 158,127</u>	<u>\$ 158,388</u>	<u>\$ 153,363</u>	<u>\$ 139,220</u>	<u>\$ 133,625</u>	<u>\$ 126,081</u>

See accompanying report of independent certified public accountants.

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

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

Year ended June 30,

(Amounts expressed in percentages)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Student tuition and fees (net of scholarship allowances)	19.05%	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	1.05	1.10	1.01	1.08	1.16	1.09	1.08	0.98	0.95	0.90
Other operating revenues	<u>0.05</u>	<u>0.12</u>	<u>0.10</u>	<u>0.10</u>	<u>0.11</u>	<u>0.11</u>	<u>0.13</u>	<u>0.07</u>	<u>0.06</u>	<u>0.06</u>
Total operating revenues	<u>20.15</u>	<u>20.83</u>	<u>22.41</u>	<u>20.63</u>	<u>20.36</u>	<u>18.96</u>	<u>20.52</u>	<u>23.76</u>	<u>23.25</u>	<u>22.55</u>
City appropriations	14.01	13.05	11.06	10.98	11.16	11.42	12.35	13.82	15.15	15.58
State appropriations	18.14	17.56	16.99	17.17	17.85	18.48	18.75	22.62	23.61	24.47
Federal grants and contracts	32.23	35.49	35.45	35.69	35.95	37.18	33.34	23.38	22.95	21.72
State grants and contracts	4.98	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	0.14	0.09	0.06	1.70	-	-	-	-	-	-
Nongovernmental grants and contracts	0.88	0.93	1.02	0.68	0.64	0.90	1.03	1.93	1.22	1.06
Net investment income	0.49	0.22	0.42	0.20	0.69	0.45	1.03	0.18	0.81	1.41
Other nonoperating revenue	<u>1.55</u>	<u>0.67</u>	<u>0.20</u>	<u>0.23</u>	<u>0.33</u>	<u>0.22</u>	<u>0.23</u>	<u>0.26</u>	<u>0.94</u>	<u>0.25</u>
Total nonoperating revenues	<u>72.42</u>	<u>72.51</u>	<u>69.17</u>	<u>71.02</u>	<u>70.73</u>	<u>72.42</u>	<u>70.37</u>	<u>66.38</u>	<u>70.53</u>	<u>71.29</u>
Capital appropriations	<u>7.43</u>	<u>6.66</u>	<u>8.42</u>	<u>8.35</u>	<u>8.91</u>	<u>8.62</u>	<u>9.11</u>	<u>9.86</u>	<u>6.22</u>	<u>6.16</u>
Total revenues	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

See accompanying report of independent certified public accountants.



Community College of Philadelphia  
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**STATISTICAL SECTION - SCHEDULE OF EXPENSES BY USE (UNAUDITED)**

Year ended June 30,

(Amounts expressed in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses:										
Salaries	\$ 77,931	\$ 77,161	\$ 75,438	\$ 76,015	\$ 76,796	\$ 78,168	\$ 73,489	\$ 69,694	\$ 68,333	\$ 64,747
Benefits	36,978	36,140	35,885	34,247	32,062	32,500	30,231	27,121	25,210	25,309
Contracted services	6,458	8,331	9,697	11,373	6,057	5,376	4,881	5,214	4,869	4,089
Supplies	3,857	3,073	3,232	3,636	2,760	3,253	2,198	2,107	2,416	1,996
Depreciation	8,861	9,698	10,490	10,423	9,764	7,660	6,493	6,588	6,374	5,947
Student aid	8,739	8,211	10,459	8,328	10,015	7,376	7,935	4,409	4,326	4,342
Other	13,167	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	<u>11,686</u>	<u>8,016</u>	<u>8,641</u>	<u>8,530</u>	<u>7,611</u>	<u>6,039</u>	<u>6,199</u>	<u>5,181</u>	<u>5,195</u>	<u>-</u>
Total operating expenses	<u>167,677</u>	<u>163,445</u>	<u>166,156</u>	<u>164,020</u>	<u>156,960</u>	<u>153,320</u>	<u>143,156</u>	<u>132,583</u>	<u>128,415</u>	<u>117,539</u>
Interest on capital asset-related debt service	<u>3,315</u>	<u>4,225</u>	<u>4,258</u>	<u>4,689</u>	<u>3,927</u>	<u>3,542</u>	<u>1,841</u>	<u>1,889</u>	<u>2,273</u>	<u>1,993</u>
Total nonoperating expenses	<u>3,315</u>	<u>4,225</u>	<u>4,258</u>	<u>4,689</u>	<u>3,927</u>	<u>3,542</u>	<u>1,841</u>	<u>1,889</u>	<u>2,273</u>	<u>1,993</u>
Total expenses	<u>\$ 170,992</u>	<u>\$ 167,670</u>	<u>\$ 170,414</u>	<u>\$ 168,709</u>	<u>\$ 160,887</u>	<u>\$ 156,862</u>	<u>\$ 144,997</u>	<u>\$ 134,472</u>	<u>\$ 130,688</u>	<u>\$ 119,532</u>

See accompanying report of independent certified public accountants.

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

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

Year ended June 30,

(Amounts expressed in percentages)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses:										
Salaries	45.58%	46.02%	44.27%	45.06%	47.73%	49.83%	50.68%	51.83%	52.29%	54.17%
Benefits	21.63	21.55	21.04	20.28	19.93	20.72	20.85	20.17	19.29	21.17
Contracted services	3.78	4.97	5.69	6.74	3.77	3.43	3.37	3.88	3.72	3.42
Supplies	2.26	1.83	1.90	2.16	1.72	2.07	1.52	1.57	1.85	1.67
Depreciation	5.18	5.78	6.16	6.18	6.07	4.88	4.48	4.90	4.88	4.98
Student aid	5.11	4.90	6.14	4.94	6.22	4.70	5.47	3.28	3.31	3.63
Other	7.70	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	<u>6.83</u>	<u>4.78</u>	<u>5.07</u>	<u>5.06</u>	<u>4.73</u>	<u>3.85</u>	<u>4.27</u>	<u>3.85</u>	<u>3.97</u>	<u>-</u>
Total operating expenses	<u>98.07</u>	<u>97.47</u>	<u>97.50</u>	<u>97.22</u>	<u>97.56</u>	<u>97.74</u>	<u>98.73</u>	<u>98.60</u>	<u>98.26</u>	<u>98.33</u>
Interest on capital asset-related debt service	<u>1.94</u>	<u>2.53</u>	<u>2.50</u>	<u>2.78</u>	<u>2.44</u>	<u>2.26</u>	<u>1.27</u>	<u>1.40</u>	<u>1.74</u>	<u>1.67</u>
Total nonoperating expenses	<u>1.93</u>	<u>2.53</u>	<u>2.50</u>	<u>2.78</u>	<u>2.44</u>	<u>2.26</u>	<u>1.27</u>	<u>1.40</u>	<u>1.74</u>	<u>1.67</u>
Total expenses	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

See accompanying report of independent certified public accountants.

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

**STATISTICAL SECTION - SCHEDULE OF EXPENSES BY FUNCTION (UNAUDITED)**

Year ended June 30,

(Amounts expressed in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses by function:										
Instruction	\$ 66,018	\$ 65,046	\$ 66,210	\$ 66,436	\$ 62,162	\$ 62,184	\$ 57,714	\$ 53,368	\$ 51,996	\$ 48,457
Public service	183	86	109	156	63	92	46	123	93	30
Academic support	18,824	18,372	17,492	17,247	17,723	19,251	18,540	16,828	14,920	13,927
Student services	25,142	23,494	22,811	21,913	21,075	21,744	20,241	18,212	17,776	16,315
Institutional support	24,429	24,371	25,229	26,216	23,281	22,003	20,095	21,385	21,296	17,956
Operation and maintenance of plant	14,913	13,336	12,586	12,742	12,244	12,392	11,307	10,905	10,949	9,964
Depreciation	8,861	9,698	10,490	10,423	9,764	7,660	6,493	6,588	6,374	5,947
Student aid	8,739	8,211	10,459	8,328	10,015	7,377	7,935	4,409	4,326	4,342
Auxiliary enterprises	567	831	770	559	633	617	785	765	685	601
Interest on capital debt	3,315	4,225	4,258	4,689	3,927	3,542	1,841	1,889	2,273	1,993
Total expenses by function	<u>\$ 170,991</u>	<u>\$ 167,670</u>	<u>\$ 170,414</u>	<u>\$ 168,709</u>	<u>\$ 160,887</u>	<u>\$ 156,862</u>	<u>\$ 144,997</u>	<u>\$ 134,472</u>	<u>\$ 130,688</u>	<u>\$ 119,532</u>

(Amounts expressed in percentages)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses by function:										
Instruction	38.61%	38.79%	38.85%	39.38%	38.64%	39.64%	39.80%	39.69%	39.79%	40.54%
Public service	0.11	0.05	0.06	0.09	0.04	0.06	0.03	0.09	0.07	0.03
Academic support	11.01	10.96	10.26	10.22	11.02	12.28	12.79	12.51	11.42	11.65
Student services	14.70	14.01	13.39	12.99	13.10	13.86	13.96	13.54	13.60	13.65
Institutional support	14.29	14.54	14.80	15.54	14.47	14.03	13.86	15.90	16.30	15.02
Operation and maintenance of plant	8.72	7.95	7.39	7.55	7.61	7.90	7.80	8.12	8.37	8.33
Depreciation	5.18	5.78	6.16	6.18	6.07	4.88	4.48	4.90	4.88	4.98
Student aid	5.11	4.90	6.14	4.94	6.22	4.70	5.47	3.28	3.31	3.63
Auxiliary enterprises	0.33	0.50	0.45	0.33	0.39	0.39	0.54	0.57	0.52	0.50
Interest on capital debt	1.94	2.52	2.50	2.78	2.44	2.26	1.27	1.40	1.74	1.67
Total expenses by function	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

See accompanying report of independent certified public accountants.

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

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

Year ended June 30,

(Amounts expressed in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total revenues (from schedule of revenues by source less capital appropriations)	\$ 153,776	\$ 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)	<u>170,992</u>	<u>167,670</u>	<u>170,414</u>	<u>168,709</u>	<u>160,887</u>	<u>156,862</u>	<u>144,997</u>	<u>134,472</u>	<u>130,688</u>	<u>119,532</u>
Income before other revenues and expenses	(17,216)	(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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14)</u>	<u>(106)</u>
Total changes in net position	(17,216)	(15,484)	(18,504)	(17,923)	(16,845)	(12,122)	(5,613)	(8,973)	(5,393)	(1,285)
Net position, beginning	<u>65,919</u>	<u>72,538</u>	<u>77,072</u>	<u>81,265</u>	<u>85,903</u>	<u>84,377</u>	<u>76,011</u>	<u>71,263</u>	<u>68,340</u>	<u>61,863</u>
Net position, ending	<u>\$ 48,703</u>	<u>\$ 57,054</u>	<u>\$ 58,568</u>	<u>\$ 63,342</u>	<u>\$ 69,058</u>	<u>\$ 72,255</u>	<u>\$ 70,398</u>	<u>\$ 62,290</u>	<u>\$ 62,947</u>	<u>\$ 60,578</u>
Net investment in capital assets	\$ 98,776	\$ 96,979	\$ 93,771	\$ 89,660	\$ 86,331	\$ 80,136	\$ 69,278	\$ 60,947	\$ 54,231	\$ 49,504
Restricted - nonexpendable	-	-	-	-	-	-	-	-	-	13
Restricted - expendable	4,912	4,742	4,742	2,740	1,364	731	511	511	1,874	920
Unrestricted	<u>(42,631)</u>	<u>(35,802)</u>	<u>(25,975)</u>	<u>(15,328)</u>	<u>(4,553)</u>	<u>5,036</u>	<u>14,588</u>	<u>14,553</u>	<u>15,158</u>	<u>17,903</u>
Total net position	<u>\$ 61,057</u>	<u>\$ 65,919</u>	<u>\$ 72,538</u>	<u>\$ 77,072</u>	<u>\$ 83,142</u>	<u>\$ 85,903</u>	<u>\$ 84,377</u>	<u>\$ 76,011</u>	<u>\$ 71,263</u>	<u>\$ 68,340</u>

Source: Audited financial statements.

See accompanying report of independent certified public accountants.

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

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

Year ended June 30,

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Enrollments and student demographics:										
Credit FTE	14,481	14,851	15,051	15,116	15,769	16,091	15,808	14,208	13,942	13,570
Unduplicated Credit Headcount	26,837	27,942	28,096	28,264	29,094	29,032	28,783	26,868	26,212	26,157
Percentage - Men	37.8%	37.7%	37.7%	36.9%	35.5%	35.5%	34.5%	33.7%	33.2%	32.8%
Percentage - Women	62.2	62.3	62.3	63.1	64.5	64.5	65.5	66.3	66.8	67.2
Percentage - Black	49.4	50.7	50.2	49.7	49.9	49.2	48.9	48.6	48.0	48.3
Percentage - White	23.8	23.9	24.3	25.1	24.6	24.4	25.0	25.7	25.2	26.0
Percentage - Asian	8.9	8.4	8.2	7.7	7.3	7.2	7.1	7.4	7.7	7.6
Percentage - Hispanic	12.8	11.8	11.4	10.6	4.9	6.5	7.0	6.8	6.3	5.9
Percentage - American Indian/other	0.3	0.4	0.4	0.4	0.5	0.5	0.4	0.4	0.4	0.5
Percentage - Unknown	4.8	4.8	5.6	6.5	12.9	12.2	11.6	11.1	12.4	11.7
Degrees awarded:										
Associate	1,880	1,916	1,857	1,712	1,828	1,702	1,667	1,741	1,592	1,481
Certificate	475	446	338	167	180	214	216	259	319	232

Source: Department of Institutional Research.

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

**STATISTICAL SECTION - FACULTY AND STAFF STATISTICS (UNAUDITED)**

For Fall Term in Year

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Faculty:										
Part-time	676	635	643	734	757	771	737	684	641	623
Full-time	400	395	407	412	418	413	395	393	395	399
Percentage tenured	74.0%	81.7%	79.9%	80.6%	83.0%	84.0%	79.5%	79.6%	78.5%	76.1%
Administrative and support staff:										
Part-time	18	11	12	20	22	19	19	23	31	31
Full-time	445	453	441	447	472	460	462	457	426	429
Total employees:										
Part-time	694	646	655	754	779	790	756	707	672	654
Full-time	845	848	848	859	890	873	857	850	821	828
Students per full-time staff:										
Number credit students	18,099	19,119	19,066	18,692	19,751	19,503	19,047	17,327	17,352	16,871
Faculty	45	47	47	46	47	47	48	44	44	42
Administrative and support staff	41	42	43	42	42	42	44	38	41	39
Average annual faculty salary	\$ 63,789	\$ 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**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Main Campus - Buildings	911,051	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	230,360	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	62,600
Main Campus - CBI Garage	74,902	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	88,500	-	-	-	-
Northeast Regional Center	109,075	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	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	90,000
Total gross square feet	<u>1,605,882</u>	<u>1,605,882</u>	<u>1,605,882</u>	<u>1,605,882</u>	<u>1,595,444</u>	<u>1,588,440</u>	<u>1,451,772</u>	<u>1,402,273</u>	<u>1,402,273</u>	<u>1,402,273</u>

Source: Institutional Physical Plant Records.

See accompanying report of independent certified public accountants.

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

**DEMOGRAPHIC STATISTICS**

City of Philadelphia Last Eight Calendar Years

Year:	<b>Population as of June 30</b>	<b>Average annual unemployment rate</b>
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
2015 – 16	1,567,442	6.9

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, 2016

(In thousands)

Assets:

Cash on deposit and on hand	\$ 13,434
Investments	40,719
Accounts receivable	10,649
Allowance for doubtful accounts	(4,444)
Interest and dividends receivable	36
Due from other governments	1,408
Restricted assets	231
Other assets	1,355
Property, plant and equipment	<u>166,543</u>

Total assets	<u>\$ 229,931</u>
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Deferred outflows of resources:

Deferred outflows	8,020
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Liabilities:

Vouchers and accounts payable	\$ 12,422
Salaries and wages payable	3,478
Accrued expenses	1,160
Funds held in escrow	546
Due to other governments	61
Deferred revenue	2,997
Current portion of long-term obligations	7,269
Noncurrent portion of long-term obligations	67,609
Other post-employment benefits (GASB 45)	<u>70,428</u>

Total liabilities	<u>\$ 165,970</u>
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Deferred inflows of resources:

Deferred inflows	184
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Net position:

Net investment in capital assets	\$ 98,776
Restricted for:	
Capital projects	5,381
Tuition stabilization and scholarships	8,546
Rate stabilization	(40,906)
Unrestricted (deficit)	<u>-</u>

Total net position	<u><u>\$ 71,797</u></u>
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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, 2016

(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	\$ 173,190	\$ 33,383	\$ 64,827	\$ -	\$ 74,980
				General revenues:	
				Taxes	
				Grants and contributions*	65,754
				Interest and investment earnings	838
				Miscellaneous	<u>3,356</u>
				Total general revenues	<u>69,948</u>
				Change in net assets	(5,032)
				Net position - beginning	<u>76,829</u>
				Net position - ending	<u>\$ 71,797</u>

\* Includes Commonwealth appropriations of \$35,445 and City of Philadelphia appropriations of \$30,309.

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, 2016

	Beginning balance	Increases	Decreases	Ending balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 29,206,260	\$ 1,365,834	\$ -	\$ 30,572,094
Fine arts	705,208	82,500	-	787,708
Construction in process	<u>193,754</u>	<u>2,501,050</u>	<u>(2,193,270)</u>	<u>501,534</u>
Total capital assets not being depreciated	<u>30,105,222</u>	<u>3,949,384</u>	<u>(2,193,270)</u>	<u>31,861,336</u>
Capital assets being depreciated:				
Buildings	232,875,699	549,541	-	233,425,240
Other improvements	18,359,325	234,938	(751,417)	17,842,846
Equipment	35,446,554	1,576,730	(89,470)	36,933,814
Furniture	1,143,365	-	(16,494)	1,126,871
Leasehold improvements	<u>176,176</u>	<u>-</u>	<u>-</u>	<u>176,176</u>
Total capital assets being depreciated	<u>288,001,119</u>	<u>2,361,209</u>	<u>(857,381)</u>	<u>289,504,947</u>
Less accumulated depreciation for:				
Buildings	100,913,811	5,856,626	-	106,770,437
Other improvements	17,179,563	243,479	(751,417)	16,671,625
Equipment	27,556,701	2,732,854	(82,001)	30,207,554
Furniture	990,757	25,252	(16,532)	999,477
Leasehold improvements	<u>172,058</u>	<u>2,530</u>	<u>-</u>	<u>174,588</u>
Total accumulated depreciation	<u>146,812,890</u>	<u>8,860,741</u>	<u>(849,950)</u>	<u>154,823,681</u>
Total capital assets being depreciated, net	<u>141,188,229</u>	<u>(6,499,532)</u>	<u>(7,431)</u>	<u>134,681,266</u>
Business-type activities capital assets, net	<u>\$ 171,293,451</u>	<u>\$ (2,550,148)</u>	<u>\$ (2,200,701)</u>	<u>\$ 166,542,602</u>

See accompanying report of independent certified public accountants.

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)

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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, 2016, 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, 2016.

**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.

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

Philadelphia, Pennsylvania

September 30, 2016