

Financial Statements and Report of
Independent Certified Public
Accountants

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

June 30, 2020 and 2019

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Community College of Philadelphia (the "College") as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Community College of Philadelphia as of June 30, 2020 and 2019, 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 included on pages 6 through 14 and the required supplementary information on pages 58 through 60 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Other supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The other supplementary information on pages 61 through 73 is presented for purposes of additional analysis and is 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 28, 2020, 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 solely 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 the College's 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 28, 2020

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2020 and 2019

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 2020 are compared to those for the 2019 fiscal year. The MD&A should be read in conjunction with the financial statements and accompanying notes that follow this section.

Community College of Philadelphia (the College) has prepared its financial statements in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require the financial statements 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

- COVID-19 caused unprecedented disruptions to the College's operations. All on-campus credit coursework was suspended effective March 16, 2020 and resumed online beginning March 30, 2020. A laptop lending program was immediately implemented to provide students in need of the technology to complete their studies online. Free or discounted internet access was also made available to eligible students. A virtual student support center was established so students may access services including academic advising, tutoring, library services and financial aid online. The college campus and regional centers remained closed except for a very limited amount of coursework where students require practicum, including Dental Hygiene, Phlebotomy, Clinical Microbiology and others.
- New fully online workforce and professional development programs were created or converted for summer and fall 2020 terms. However, many vocational skills training programs, especially those requiring face to face instructions for effective learning or required by licensing bodies, were canceled or suspended in the spring due to COVID-19. Some of these programs have resumed on campus for the fall 2020 semester including ServSafe Food Protection, Electrical Wiring, Massage Therapy, and others.
- In April, the College was awarded \$16.1 million from the United States Department of Education (DOE) through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Of the \$16.1 million awarded, \$8.05 million was allocated to Emergency Financial Aid Grants to students and the remaining \$8.05 million was allocated to the College to cover any costs associated with significant changes to the delivery of instruction due to COVID-19. As of June 30, 2020, the College had drawn-down and disbursed \$5.4 million of the Emergency Financial Aid Grants to students and this amount is included as an increase in student aid expenses from \$6.2 million in 2019 to \$12.1 million in 2020. The College drew down and spent \$1.2 million of the institutional portion under the grant to purchase laptops for students, expand remote access and distance education software licensing, purchase personal protective equipment, and for converting on-campus courses to remote learning. The College was awarded an additional \$1.0 million from the CARES Minority Serving Institutions grant of which \$145,000 was applied to offset the cost of closing the parking garage.
- Tuition and fees have remained unchanged since the 2017-2018 academic year. However due to the pandemic, the general college fee which supports student activities was not assessed for summer 2020 and fall 2020. The online learning course fee of \$35 per course was waived for students and covered by the CARES Act funding noted above.
- Total enrollment declined 4.2% from 23,139 students in 2018-2019 to 22,160 students in 2019-2020.

**Community College of Philadelphia
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2020 and 2019

- Prior to the COVID-19 disruptions, the College continued to expand its degree and certificate program offerings in an effort to meet the City's workforce needs. A new AA degree program in Biological Sciences was established. Certificates include Data Science, Mobile Application Development, and Piano Technician.
- The College continued to invest in technology and other resources to further increase intervention and communication initiatives with the goal of improving retention and keeping students on track to degree completion.
- The College instituted a Diversity Fellowship Program that offers Fellows a two-semester Visiting Lecturer position to increase diversity in the faculty pool for full-time positions.
- A number of maintenance and repair projects suspended during the coronavirus lockdown have resumed. Structural repairs to the CBI garage are scheduled to be completed in September 2020, Mint freight elevator modernization is scheduled for completion in November 2020, and the Mint roof replacement was completed in July 2020. A new digital sign on 17th Street was installed in May 2020.
- The Library Learning Commons Project, which involves the reconfiguration of the library and learning labs areas within the Mint and Bonnell Buildings is scheduled for completion in December 2020. The \$16 million project will realign the spaces to create an ideal learning environment including library instructional spaces, technology tools and support for students to access materials and prepare presentations, study group areas, quiet rooms, tutoring services, multi-media and other technology rooms, offices, and bound volume storage and retrieval.
- On May 1, 2019, the College successfully closed on a \$9.2 million Series A 2019 bond to begin the financing of the Career and Advanced Technology Center. The \$33.5 million project consists of the construction of a new 3-story 75,000 square-foot building on the corner of 48th Street and Market Streets. Construction is scheduled to begin in Fall of 2020. Projected completion is late Spring 2022. Additional funding required for the project will be from the City of Philadelphia, Redevelopment Assistance Capital Program (RACP) grants, New Market Tax Credits, private gifts and loans or bonds.
- The College enhanced the Career Connections department to include a heavier emphasis on employer services and engagement with students hiring an Employer Partnerships Manager, expanding job fair and experiential learning experiences across all academic programs.
- The College continued its successful dual enrollment partnerships with the School District of Philadelphia, Mastery Charter Schools, MaST Community Charter School, and the John W. Hallahan Catholic High School for Girls. Students in the dual enrolled programs have the unique opportunity to earn their high school diplomas and associate's degrees simultaneously.
- The College continued to enhance its non-credit ESL program using technology and focusing on basic language acquisition skills for life, conversation and workplace. The College also offers a High School Equivalency (GED and HiSET) prep course.
- The College implemented a new Customer Relation Management (CRM), the Ellucian CRM Recruit module, which will enable improved processing and monitoring of the admissions process and have a positive impact on enrollment.
- Total operating revenues declined 7.0% from \$34.4 million in 2018-2019 to \$32.0 million in 2019-2020 driven by total enrollment declining by 4.2%. The loss of revenues from the 4.2% drop in enrollment was partially offset by total credit hours declining by a lesser percentage of 3.1%.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2020 and 2019

- Operating expenses decreased by \$12.7 million or 8.7% due to actuarial changes in computing the College's other post-employment benefits liability, a significant number of vacant positions being frozen during the year, fewer sections offered, and subsidies from the CARES Act.
- Non-operating revenues increased by 11.3% from \$110.1 million in 2018-2019 to \$122.5 million in 2019-2020. This included \$6.6 million in non-operating grant funding received from the CARES Act during the year (\$5.4 million disbursed to students and \$1.2 million spent on institutional expenses related to COVID-19). The College earned an additional \$0.1 million on its cash investments. The State increased its appropriations from \$31.8 million to \$32.4 million and the City's non-capital appropriation increased from \$25.5 million to \$29.8 million. State grants and contracts increased by \$0.6 million and non-governmental grants and contracts increased by \$0.4 million.

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 *Statement of Net Position* presents 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 *Statement of Revenues, Expenses and Changes in Net Position* presents 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 *Statement of Cash Flows* is reported using 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 about amounts reported in the financial statements.

Net Position

At June 30, 2020, the College's net position was a negative \$65.3 million, with liabilities of \$244.2 million and assets of \$248.4 million. Net position decreased by \$3.1 million in 2020 prior to recording the impact of the post-employment benefit liability. Unrestricted net position increased from a negative \$208.0 million to a negative \$175.4 million. Absent the cumulative impact of the post-employment benefit liability (GASB 75 and 68) reporting requirements, unrestricted net position would currently be at a level of negative \$31.8 million. The other factor contributing to the change in the unrestricted net position value was unfunded depreciation expense for 2020 in the amount of \$7.8 million.

The negative unrestricted net asset position of \$175.4 million reflects the cumulative impact of the post-employment benefit expense accruals in the amount of \$143.6 million.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2020 and 2019

Summary of Net Position
June 30,

	2020	2019	2018
		(In millions)	
Assets:			
Current assets	\$ 51.5	\$ 48.4	\$ 40.9
Noncurrent assets:			
Bond proceeds available for campus construction	20.0	26.5	16.1
Other long-term investments	18.4	17.2	16.4
Capital assets, net	158.6	159.1	164.4
Total assets	\$ 248.5	\$ 251.2	\$ 237.8
Deferred outflows of resources	\$ 5.9	\$ 6.6	\$ 7.3
Liabilities:			
Current liabilities	\$ 29.1	\$ 32.8	\$ 26.4
Noncurrent liabilities	215.1	260.3	261.0
Total liabilities	\$ 244.2	\$ 293.1	\$ 287.4
Deferred inflows of resources	\$ 75.5	\$ 63.5	\$ 67.1
Net position:			
Net investment in capital assets	\$ 104.7	\$ 103.9	\$ 102.0
Restricted:			
Expendable	5.4	5.3	5.1
Unrestricted	(175.4)	(208.0)	(216.5)
Total net position	\$ (65.3)	\$ (98.8)	\$ (109.4)

Assets

Current assets increased by \$3.0 million during 2020. Short-term investments, receivable from government agencies, and net accounts receivable increased, while cash and cash equivalents, accrued interest receivable and other assets decreased.

Noncurrent assets decreased by \$5.8 million. Bond proceeds available for campus construction decreased as construction of the Library and Learning Commons progresses towards completion and expenses started to accrue related to the Center for Advanced Technology as design and planning got underway. The College's capital assets as of June 30, 2020 net of accumulated depreciation were \$158.6 million, a decrease of \$0.5 million over the amount reported for 2019 of \$159.1 million. The decrease in the net value of capital assets is related to the decrease in the value of capital additions not exceeding the accumulated depreciation. Total current liabilities decreased by \$3.7 million in 2020. Payables to government agencies decreased by \$4.0 million primarily due to timing in processing PHEAA state grants student aid. Accounts payable and accrued liabilities increased by \$0.2 million primarily due to timing.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2020 and 2019

The College self-insures its employee medical plan. The College purchases stop loss insurance with a limit of \$250,000 to cap institutional financial exposure for individuals with extraordinarily large claims in a policy year.

The College's outstanding long-term debt was at \$62.5 million as of June 30, 2020, a decrease of \$7.6 million from June 2019. This decrease is due to the increasing principal amounts of each payment made on bonds issued in the past. The post-employment benefits liability amount for 2020 also includes \$4.1 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 2020, 2019 and 2018 was \$143.6 million, \$180.3 million and \$182.2 million, respectively. Absent this reporting requirement, the College's net assets as of June 30, 2020 would have been at a level of \$78.4 million.

Capital lease obligations include mainly technology associated with academic and administrative computing.

Statements of Revenues, Expenses and Changes in Net Position

The change in net position for 2020, 2019 and 2018 was a positive \$33.5 million, \$10.6 million, and negative \$7.1 million, respectively. The following table quantifies the changes:

Revenues, Expenses and Changes in Net Position			
Year ended June 30,			
	2020	2019	2018
	(In millions)		
Operating revenues:			
Net tuition and fees	\$ 30.5	\$ 32.8	\$ 33.2
Auxiliary enterprises and other sources	1.5	1.6	1.6
Total	32.0	34.4	34.8
Operating expenses	133.0	145.7	164.4
Operating loss	(101.0)	(111.3)	(129.6)
Net nonoperating revenues	122.5	110.1	110.0
Change in net assets before other revenues	21.5	(1.2)	(19.6)
Capital appropriations	12.0	11.8	12.5
Total change in net position	\$ 33.5	\$ 10.6	\$ (7.1)

**Community College of Philadelphia
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2020 and 2019

Operating Revenues

The largest sources of operating revenue for the College are student tuition and fees and auxiliary enterprises revenues. In both 2020 and 2019, the tuition charge was \$159 per credit. The Technology Fee, General College Fee, and Course Fee also remained unchanged from prior year. The College charges course fees for selected high-cost courses. Course fees range from \$85 to \$345. Average total tuition and fee revenue per credit for 2020 was \$ 224.

Tuition and fee revenue totaled \$69,907,462 in 2020 and \$71,822,381 in 2019, a decline of 2.7%. Total enrolled credit headcount declined 4.7% for the same period.

Scholarship allowance amounts for 2020 and 2019 totaled \$39,371,389 and \$39,069,284, respectively. The scholarship allowance represents tuition and fee payments made using public and private grants and scholarships. The small increase in scholarship allowance amounts between 2020 and 2019 is reflective of the net effect of Pell awards increasing from \$5,920 in 2018-2019 to \$6,195 in 2019-2020 and the decline in enrollment.

Gift revenue from the Community College of Philadelphia Foundation (the Foundation) in the amount of \$95,000 was received in 2020 and is reported in the statement of revenues, expenses and changes in net position. This gift 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

Commonwealth appropriations in 2020, excluding capital appropriations, totaled \$32,408,016, an increase of \$588,140 (1.8%) over the \$31,819,876 received in 2019.

Total 2020 City funding was \$36,059,207, a \$3.6 million increase (11.3%) over the amount received in 2019. Of the funding appropriation, \$29,846,548 was used for operating budget purposes in 2020. In 2019, \$25,549,440 of the total appropriation was used for operating purposes. Net investment income was \$1,691,135 in 2020 and \$1,577,079 in 2019. Included in net investment income for 2020 is an unrealized gain of \$572,890 and a realized gain of \$528,866 for all investment activity as of June 30, 2020.

As mentioned above, non-operating revenues increased by 11.3% from \$110.1 million in 2018-2019 to \$122.5 million in 2019-2020. This included the impact of \$6.6 million in additional grant funding received from the CARES Act during the year of which \$5.4 million was spent on student aid and \$1.2 million was spent on laptops, PPE, software services and converting on-campus courses to online format as a result of COVID-19.

**Community College of Philadelphia
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2020 and 2019

Capital Appropriations

The Commonwealth provided capital funding for debt service and capital purchases in the amounts of \$5,819,210 and \$4,937,072 for 2020 and 2019, respectively. The College used \$6,212,659 of the total City appropriation of \$36,059,207 in 2020 for debt service and capital purchases. In 2019, City appropriations used for debt service and capital purchases were \$6,859,767.

	Expenses by Function		
	Year ended June 30,		
	2020	2019	2018
Instruction	\$ 49,333,338	\$ 56,714,890	\$ 64,578,356
Public service	104,057	97,457	144,542
Academic support	13,749,022	16,404,900	19,181,833
Student services	16,672,597	20,529,207	24,212,003
Institutional support	19,176,012	22,639,568	25,111,421
Physical plant operations	13,444,993	14,423,723	15,092,643
Depreciation	7,782,553	7,939,447	8,132,985
Student aid	12,052,409	6,250,428	7,213,061
Auxiliary enterprises	658,373	684,534	733,460
Total operating expenses	\$ 132,973,354	\$ 145,684,154	\$ 164,400,304

Exclusive of student aid and depreciation expenses, the College's operating expenses totaled \$113,138,392 in 2020 and \$131,494,279 in 2019. The College's five-year Collective Bargaining Agreement with Faculty and Classified employee unions that was ratified in September 2013 expired August 2016. On April 3, 2019, the College and the members of Unions reached a tentative agreement and entered into certain Memorandum of Agreements to amend the terms and conditions of the respective Collective Bargaining Agreements. The Board of Trustees of the College and the membership of the Unions approved the Memorandum of Agreements on April 4, 2019 and April 11, 2019, respectively, which, among other things, extended the term of the Collective Bargaining Agreements to August 31, 2022.

In 2018, the College adopted GASB 75. Under GASB 75, the College reports the Net OPEB Liability (NOL) on the statement of net position. Changes to the NOL are recognized either in the OPEB Expense and/or as deferred inflows/outflows. The value of the expense for 2020, 2019 and 2018 was a negative \$24,859,895, \$5,802,354 and a positive \$11,924,333, respectively.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2020 and 2019

Expenses by Natural Classification

	Year ended June 30,		
	2020	2019	2018
	(In thousands)		
Expenses:			
Salaries	\$ 77,819	\$ 77,462	\$ 76,986
Benefits	34,790	34,979	36,258
Contracted services	9,276	8,045	7,859
Supplies	4,467	3,059	3,549
Depreciation	7,783	7,939	8,133
Student aid	12,052	6,250	7,213
Other post-employment benefits	(24,590)	(5,426)	12,309
Other	11,376	13,376	12,093
Total operating expenses	132,973	145,684	164,400
Interest on capital asset-related debt service	3,604	3,602	3,413
Total nonoperating expenses	3,604	3,602	3,413
Total expenses	\$ 136,577	\$ 149,286	\$ 167,813

College operating budget expenses were affected by the COVID-19 pandemic as the main campus and regional center sites were closed to students and most staff from mid-March through the end of the fiscal year (June 30, 2020) resulting in the College spending approximately \$10.2 million less than budget. The amount of expenses required for contracted security and cleaning services was reduced and utility costs were lower than budgeted. Additionally, the College incurred lower than budgeted expenses in the following categories: supplies, maintenance & repairs, travel and hospitality. Overall, the College spent almost \$3.3 million less than budget for non-personnel related expenses. A significant number of vacant positions coupled with offering a lower number of sections and the very limited use of part-time staff after mid-March resulted in total salaries being \$3.7 million less than budget. The College also spent \$2.9 million less for staff benefits than budget. Medical claims for the period April 2020 through June 2020 were only 50% of the claims experience for the preceding nine months.

Schedule of Fund Balances

The following chart shows fund balances in the four fund groups: Unrestricted, Restricted, Endowment and Plant. The 2020, 2019 and 2018 amounts reported for unrestricted operations funds were reduced by the impact of accrued expense liability for post-employment benefits. The impact of GASB 75 reporting in 2020 was a negative \$139,511,074, while the impact of GASB 68 reporting i was \$4,113,432. The negative unrestricted plant fund balance reflects the cumulative impact of unfunded depreciation expense.

**Community College of Philadelphia
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2020 and 2019

	2020	June 30, 2019	2018
	<u> </u>	<u> </u>	<u> </u>
Total unrestricted fund	\$ (166,121,744)	\$ (200,606,226)	\$ (209,777,781)
Endowment fund:			
Quasi endowment (unrestricted)	<u>1,090,992</u>	<u>1,308,208</u>	<u>1,332,152</u>
Total endowment	<u>1,090,992</u>	<u>1,308,208</u>	<u>1,332,152</u>
Plant fund:			
Net investment in capital assets	104,725,788	103,868,972	102,005,246
Restricted expendable - capital projects	5,438,941	5,285,060	5,101,208
Unrestricted	<u>(10,401,053)</u>	<u>(8,662,532)</u>	<u>(8,090,020)</u>
Total plant fund	<u>99,763,676</u>	<u>100,491,500</u>	<u>99,016,434</u>
Total net position	<u>\$ (65,267,076)</u>	<u>\$ (98,806,518)</u>	<u>\$ (109,429,195)</u>

Community College of Philadelphia Foundation

The Foundation was established in 1985. Total assets for 2020 and 2019 were \$15.2 million and \$14.4 million, respectively. Total unrestricted net position for both 2020 and 2019 for the Foundation was \$1.7 million and \$1.8 million, respectively. The remaining net position is restricted based upon donor intent.

Future Impacts

For 2021, City funding to the College was increased by \$8.1 million over the amount received for 2020 of which \$4.8 million is reserved for a new scholarship program. However, there was no increase in the Commonwealth appropriation received during the first quarter of 2021, and no increase is expected for the remaining quarters of the year. The Board voted not to increase student tuition and fees for 2020 and 2021. Credit hour enrollments for the Fall 2020 semester are trending 15.3% below enrollments of Fall 2019. The total credit hours generated by the late summer session, a 2021 term, were 7.3% higher than the previous year.

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	
	2020	2019	2020	2019
Current assets:				
Cash and cash equivalents (Note B)	\$ 19,589,705	\$ 22,125,355	\$ 1,622,503	\$ 1,427,612
Short-term investments (Note B)	22,557,016	17,776,324	858,020	855,989
Accounts receivable, net (Note C)	5,575,165	5,119,559	308,190	196,700
Receivable from government agencies (Note G)	2,712,287	1,791,386	-	-
Accrued interest receivable	-	72,235	-	-
Other assets	1,056,784	1,537,656	5,758	-
Total current assets	51,490,957	48,422,515	2,794,471	2,480,301
Noncurrent assets:				
Endowment investments (Note B)	-	-	12,369,001	11,880,209
Accounts receivable, net (Note C)	-	-	41,701	87,104
Bond proceeds available for campus construction	19,978,506	26,446,855	-	-
Other long-term investments (Note B)	18,399,026	17,211,715	-	-
Capital assets, net (Note D)	158,579,658	159,125,610	-	-
Total noncurrent assets	196,957,190	202,784,180	12,410,702	11,967,313
Total assets	248,448,147	251,206,695	15,205,173	14,447,614
Deferred outflows of resources:				
Deferred outflows	\$ 5,936,366	\$ 6,629,314	\$ -	\$ -

(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	
	2020	2019	2020	2019
Current liabilities:				
Accounts payable and accrued liabilities (Note E)	\$ 17,762,425	\$ 17,553,995	\$ 838,980	\$ 477,336
Payable to government agencies (Note G)	269,549	4,222,497	-	-
Deposits	238,612	349,167	4,156	1,931
Unearned revenue	2,080,764	2,218,964	280,063	573,677
Current portion of capital lease obligation (Note F)	468,149	473,448	-	-
Current portion of long-term debt (Note F)	7,557,284	7,240,817	-	-
Unamortized bond premium	728,918	728,918	-	-
Total current liabilities	29,105,701	32,787,806	1,123,199	1,052,944
Noncurrent liabilities:				
Accrued liabilities (Note E)	1,554,638	1,399,630	-	-
Annuity payable	-	-	12,516	8,000
Deposits	250,000	250,000	-	-
Capital lease obligation (Note F)	450,114	918,264	-	-
Long-term debt (Note F)	62,500,000	70,057,284	-	-
Unamortized bond premium	6,711,743	7,440,661	-	-
Other post-employment benefits liability (Note H)	143,624,506	180,264,083	-	-
Total noncurrent liabilities	215,091,001	260,329,922	12,516	8,000
Total liabilities	\$ 244,196,702	\$ 293,117,728	\$ 1,135,715	\$ 1,060,944
Deferred inflows of resources:				
Deferred inflows	\$ 75,454,887	\$ 63,524,799	\$ -	\$ -
Net position:				
Net investment in capital assets	104,725,788	103,868,972	-	-
Restricted:				
Nonexpendable:				
Scholarships, awards and faculty chair	-	-	10,137,142	9,510,728
Annuities	-	-	2,997	7,637
Expendable:				
Scholarships, awards and faculty chair	-	-	2,168,423	2,089,592
Capital projects	5,438,941	5,285,060	77,511	22,186
Unrestricted	(175,431,805)	(207,960,550)	1,683,385	1,756,527
Total net position	\$ (65,267,076)	\$ (98,806,518)	\$ 14,069,458	\$ 13,386,670

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	
	2020	2019	2020	2019
Operating revenues:				
Student tuition	\$ 52,897,863	\$ 54,867,461	\$ -	\$ -
Student fees	17,009,599	16,954,920	-	-
Less: scholarship allowance	<u>(39,371,389)</u>	<u>(39,069,284)</u>	-	-
Net student tuition and fees	30,536,073	32,753,097	-	-
Auxiliary enterprises	1,412,855	1,598,939	-	-
Gifts	-	-	1,465,461	1,569,588
Other sources	<u>37,591</u>	<u>41,888</u>	-	-
Total operating revenues	<u>31,986,519</u>	<u>34,393,924</u>	<u>1,465,461</u>	<u>1,569,588</u>
Operating expenses (Note J):				
Educational and general:				
Instruction	49,333,338	56,714,890	109,062	182,105
Public service	104,057	97,457	-	-
Academic support	13,749,022	16,404,900	1,159,053	1,135,611
Student services	16,672,597	20,529,207	184,634	165,107
Institutional support	19,176,012	22,639,568	642,882	789,263
Physical plant operations	13,444,993	14,423,723	-	-
Depreciation	7,782,553	7,939,447	-	-
Student aid	12,052,409	6,250,428	791,771	553,860
Auxiliary enterprises	<u>658,373</u>	<u>684,534</u>	-	-
Total operating expenses	<u>132,973,354</u>	<u>145,684,154</u>	<u>2,887,402</u>	<u>2,825,946</u>
Operating loss	<u>\$ (100,986,835)</u>	<u>\$ (111,290,230)</u>	<u>\$ (1,421,941)</u>	<u>\$ (1,256,358)</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	
	2020	2019	2020	2019
Nonoperating revenues (expenses):				
State appropriations (Note K)	\$ 32,408,016	\$ 31,819,876	\$ -	\$ -
City appropriations (Note K)	29,846,548	25,549,440	-	-
Federal grants and contracts	52,337,221	46,097,682	-	-
Gifts from the Community College of Philadelphia Foundation	95,000	160,000	(95,000)	(160,000)
State grants and contracts	6,620,870	5,988,998	-	-
Nongovernmental grants and contracts	2,521,738	2,114,989	1,713,173	1,871,117
Net investment income	1,691,135	1,577,079	486,556	675,536
Interest on capital asset-related debt service	(3,604,374)	(3,601,996)	-	-
Other nonoperating revenues	578,254	410,000	-	-
Net nonoperating revenues	<u>122,494,408</u>	<u>110,116,068</u>	<u>2,104,729</u>	<u>2,386,653</u>
Gain (loss) before other revenues, expenses, gains or losses	21,507,573	(1,174,162)	682,788	1,130,295
Capital appropriations	<u>12,031,869</u>	<u>11,796,839</u>	<u>-</u>	<u>-</u>
Increase in net position	<u>33,539,442</u>	<u>10,622,677</u>	<u>682,788</u>	<u>1,130,295</u>
Net position, beginning	<u>(98,806,518)</u>	<u>(109,429,195)</u>	<u>13,386,670</u>	<u>12,256,375</u>
Net position, ending	<u>\$ (65,267,076)</u>	<u>\$ (98,806,518)</u>	<u>\$ 14,069,458</u>	<u>\$ 13,386,670</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,

	2020	2019
Cash flows from operating activities:		
Tuition and fees	\$ 29,438,274	\$ 32,630,642
Payments to suppliers	(23,986,594)	(24,093,551)
Payments to employees	(77,609,032)	(77,082,623)
Payments for employee benefits	(35,601,697)	(34,063,051)
Payments for student aid	(12,052,409)	(6,250,428)
Auxiliary enterprises	1,432,674	1,597,284
Other cash receipts	(67,470)	41,887
Net cash used in operating activities	(118,446,254)	(107,219,840)
Cash flows from non-capital financing activities:		
State appropriations	32,453,515	31,786,853
City appropriations	29,846,548	25,549,440
Gifts and grants	57,576,382	57,887,846
Other non-operating	467,698	480,496
Net cash provided by non-capital financing activities	120,344,143	115,704,635
Cash flows from capital and related financing activities:		
State capital appropriations	5,819,210	4,937,072
City capital appropriations	6,212,659	6,859,767
Proceeds from long-term debt	-	9,155,000
Decrease (increase) in bond proceeds available for campus construction	6,468,349	(10,347,643)
Purchases of capital assets	(7,236,601)	(1,888,156)
Principal payments on long-term debt and amortization of capital leases	(7,714,266)	(7,642,307)
Interest payments on long-term debt and capital leases	(3,778,257)	(2,682,657)
Net cash used in capital and related financing activities	(228,906)	(1,608,924)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	58,567,715	42,376,198
Purchases of investments	(64,535,718)	(45,489,474)
Interest on investments	1,763,370	1,554,926
Net cash used in investing activities	(4,204,633)	(1,558,350)
(Decrease) increase in cash	(2,535,650)	5,317,521
Cash and cash equivalents, beginning	22,125,355	16,807,834
Cash and cash equivalents, ending	\$ 19,589,705	\$ 22,125,355

(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,

	2020	2019
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (100,986,835)	\$ (111,290,230)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	7,782,553	7,939,447
Changes in assets and liabilities:		
Accounts receivable	(1,448,323)	305,116
Prepaid and other assets	480,872	(240,324)
Loans to students and employees	71,814	27,457
Accounts payable and accrued liabilities	395,448	1,561,685
Deferred revenues	(152,135)	(96,900)
Other post-employment benefits	(24,589,648)	(5,426,091)
Net cash used in operating activities	\$ (118,446,254)	\$ (107,219,840)
Supplemental disclosure of non-cash capital financing activity:		
Capital assets acquired via capital lease	\$ -	\$ 805,329

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 statements 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, Commonwealth, and private grants; net investment income; gifts; interest expense; and disposals of capital assets.

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:

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Commonwealth of Pennsylvania

General Commonwealth 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 Commonwealth-wide community college appropriation. Under Act 46, the Commonwealth-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 Commonwealth 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 2020 and 2019, 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 Commonwealth-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.

Net Position

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Cash and Cash Equivalents

The College considers all 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.

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 (NAV) as provided by investment managers.

Dividends, interest and net gains or losses on investments of endowments and similar funds are reported in the statements 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 Commonwealth 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. The Foundation transitioned to Vanguard Institutional Advisory Services as its outsourced Chief Investment Officer in November 2019.

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, 2020 or 2019.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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:

Asset category	Years
Buildings and improvements	10 to 50
Equipment and furniture	3 to 10
Library books	10
Microforms	5
Software	3
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.

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.

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.

Student Fees

Included in student fees are general college fees of \$ 1,162,740 and \$1,302,496 for the years ended June 30, 2020 and 2019, respectively, which have been designated for use by the various student organizations and activities.

Tax Status

The College generally is exempt from federal and Commonwealth 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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). 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 IRC to serve as an organization responsible for College fundraising activities. The Foundation follows the accounting guidance for uncertainties in income tax positions which requires that a tax position be recognized or not recognized based on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. The Foundation has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to review other matters that may be considered tax positions. The tax years ended June 30, 2017, 2018, 2019, and 2020 are still open to audit for both federal and state purposes. As of June 30, 2020, management has determined that the Foundation has no material uncertain tax positions that would require recognition or disclosure in the accompanying financial statements.

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. Significant estimates include the allowance for doubtful accounts, useful lives of capital assets, assumptions related to self-insurance reserves, and assumptions related to pension and other post-employment benefit accruals. Actual results could differ from those estimates.

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 statements 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.

Self-Insurance

The College participates in a self-insurance medical plan through Independence Blue Cross, which became effective September 1, 2009. A reinsurance limit of \$250,000 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, 2020 and 2019 was \$1,510,300 and \$1,558,698, respectively, based upon an actuarial calculation based upon historical claim experience.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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), amounts recorded in connection with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75), as well as the advance refunding of the 2008 Series Community College Revenue Bonds in September 2015.

Additional deferred inflows of \$74.7 million and \$63.0 million in 2020 and 2019, respectively, were recorded under GASB 75.

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.

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement provides guidance for lease contracts for nonfinancial assets - including vehicles, heavy equipment and buildings – but excludes nonexchange transactions, including donated assets, and leases of intangible assets (such as patents and software licenses). The lease definition now focuses on a contract that conveys control of the right to use another entity's nonfinancial assets, which is referred to in the new Statement No. 87 as the underlying asset. Under Statement No. 87, a lessee government is required to recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. A lessor government is required to recognize (1) a lease receivable and (2) a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements. The requirements of Statement No. 87 are effective for reporting periods beginning after June 15, 2021, with early adoption permitted. The College is still assessing the impact of Statement No. 87 on its financial statements.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred and no longer be included in the historical cost of a capital asset reported in a business-type activity. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2020 and will be applied prospectively. The College is still assessing the impact of Statement No. 89 on its financial statements.

COVID-19 Disruptions

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. As a result, a COVID-19 Exposure Prevention, Preparedness, and Response Plan was implemented by the College. A COVID-19 Safety Team was established to monitor the developing public health situation and ensure the College is in compliance with public health guidance from agencies such as the U.S. Center for Disease Control and Prevention, the Pennsylvania Department of Health, the Department of Public Health for the City of Philadelphia, and the Pennsylvania Department of Education, in order to safeguard the health of its students, employees and community members.

As a result, all on-campus coursework and student activities were suspended effective March 16, 2020. All employees, except certain identified essential employees, were required to work from home. Almost all courses, except for those requiring in-person instruction for effective learning or required by licensing bodies, have been converted to online courses. Some courses already offered on-campus for the fall semester are in the areas of Dental Hygiene, Phlebotomy, Clinical Microbiology, Electrical Wiring, Nurse Aid Training, and ServSafe. Other courses may be added to the list depending on the COVID-19 situation. The College was awarded a total of \$17.1 million from the CARES Act to address the unprecedented COVID-19 challenges. As of June 30, 2020, the College had drawn-down and disbursed \$5.4 million of the Emergency Financial Aid Grants to students and this amount is included as an increase in student aid expenses from \$6.2 million in 2019 to \$12.1 million in 2020. The College drew down and spent \$1.2 million of the institutional portion under the grant to purchase laptops for students, expand remote access and distance education software licensing, purchase personal protective equipment, and for converting on-campus courses to remote learning. The remaining balance from the CARES Act will be drawn down and spent in 2021.

While the disruption is currently expected to be temporary, there is uncertainty around the duration. Therefore, while the College expects this matter to negatively impact its financial position for 2021, the related financial impact cannot be reasonably estimated at this time.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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, 2020 and 2019, cash on hand was \$4,000. At June 30, 2020 and 2019, the carrying amount of deposits was \$19,585,705 and \$22,121,355 and the bank balance was \$20,692,394 and \$23,112,544, respectively. The differences were caused primarily by items in transit. Deposits of \$500,000 were covered by federal depository insurance of \$250,000 for the College accounts and \$250,000 for the Foundation account under each ownership category at both June 30, 2020 and 2019.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE B - DEPOSITS AND INVESTMENTS - Continued

The following is the fair value of deposits and investments at June 30, 2020:

	College	Component unit Foundation
Deposits:		
Demand deposits	\$ 19,585,705	\$ 1,622,503
Investments:		
U.S. Treasury obligations	5,181,943	-
U.S. government agency obligations	5,332,734	-
Corporate and foreign bonds	1,776,056	-
Intermediate fixed income mutual fund	5,531,337	4,488,182
Equity mutual fund	-	7,825,563
Multi-strategy bond mutual fund	5,449,926	-
Money market mutual funds	17,684,046	858,020
Private real estate fund	-	55,256
	\$ 60,541,747	\$ 14,849,524

The following is the fair value of deposits and investments at June 30, 2019:

	College	Component unit Foundation
Deposits:		
Demand deposits	\$ 22,121,355	\$ 1,427,612
Investments:		
U.S. Treasury obligations	5,382,641	349,160
U.S. government agency obligations	207,733	-
Corporate and foreign bonds	5,655,517	-
Intermediate fixed income mutual fund	5,416,342	3,859,841
Equity mutual fund	-	7,625,415
Multi-strategy bond mutual fund	5,191,465	-
Money market mutual funds	13,134,341	855,989
Private real estate fund	-	45,793
	\$ 57,109,394	\$ 14,163,810

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

June 30, 2020 and 2019

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, 2020 and 2019, bond proceeds available for campus construction include the following:

	2020	2019
Construction funds	\$ 19,978,506	\$ 26,446,855

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, 2020 and 2019, the College's bank balance was exposed to custodial credit risk as follows:

	2020	2019
Uninsured and collateral held by pledging bank's trust department not in the College's name	\$ 19,585,705	\$ 22,121,355

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.

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

June 30, 2020 and 2019

NOTE B - DEPOSITS AND INVESTMENTS - Continued

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

	June 30, 2020	
	Multi-Strategy Bond	Intermediate Fixed Income
Government	11%	22%
Agency	24	25
AAA	11	22
AA	4	5
A	13	14
BBB	23	10
Below BBB	10	2
Non-rated/Other	4	
Total	<u>100%</u>	<u>100%</u>

	June 30, 2019	
	Multi-Strategy Bond	Intermediate Fixed Income
Government	15%	23%
Agency	28	23
AAA	7	23
AA	3	4
A	9	19
BBB	19	7
Below BBB	13	1
Non-rated/Other	6	-
Total	<u>100%</u>	<u>100%</u>

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 and foreign bonds, is as follows:

	June 30, 2020	June 30, 2019
	Fixed income investments	Fixed income investments
Aaa	54%	61%
Aa	6	4
A	32	25
Baa	8	10
Total	<u>100%</u>	<u>100%</u>

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

June 30, 2020 and 2019

NOTE B - DEPOSITS AND INVESTMENTS - Continued

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, 2020 and 2019 are as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
	Weighted average maturity (years)	Weighted average maturity (years)
U.S. Treasury obligations	4.27	3.60
U.S. government agency obligations	3.79	2.00
Corporate and foreign bonds	4.92	4.70

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.

The College has the following recurring fair value measurements as of June 30, 2020:

Demand deposits, U.S. Treasury obligations, U.S. government agency obligations, and money market mutual funds of \$47,784,428 are valued using quoted market prices (Level 1 inputs).

Corporate and foreign bonds of \$1,776,056 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 \$10,981,263 are valued at the 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, 2020:

Demand deposits, equity mutual fund, and money market mutual funds of \$10,306,086 are valued using quoted market prices (Level 1 inputs).

The intermediate fixed income mutual fund of \$4,488,182 is valued at the NAV per share (or its equivalent) of the investments (Level 2 inputs).

The private real estate fund of \$55,256 is valued at the NAV per share (or its equivalent) of the investments (Level 3 inputs).

The College has the following recurring fair value measurements as of June 30, 2019:

Demand deposits, U.S. Treasury obligations, U.S. government agency obligations, and money market mutual funds of \$40,846,070 are valued using quoted market prices (Level 1 inputs).

Corporate and foreign bonds of \$5,655,517 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 \$10,607,807 are valued at the NAV per share (or its equivalent) of the investments (Level 2 inputs).

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

June 30, 2020 and 2019

NOTE B - DEPOSITS AND INVESTMENTS - Continued

The Foundation has the following recurring fair value measurements as of June 30, 2019:

Demand deposits, U.S. Treasury obligations, equity mutual fund, and money market mutual funds of \$10,258,176 are valued using quoted market prices (Level 1 inputs).

The intermediate fixed income mutual fund of \$3,859,841 is valued at the NAV per share (or its equivalent) of the investments (Level 2 inputs).

The private real estate fund of \$45,793 is 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) are presented in the following tables.

June 30, 2020
Investments Measured at NAV
(\$ in millions)

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Intermediate fixed income mutual fund ⁽¹⁾	\$ 10.0	-	Monthly	30 days
Multi-strategy bond mutual fund ⁽²⁾	5.4	-	Weekly	7 days
Private real estate fund ⁽³⁾	<u>0.1</u>	-	N/A	N/A
Total investments measured at NAV	<u>\$ 15.5</u>			

June 30, 2019
Investments Measured at NAV
(\$ in millions)

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Intermediate fixed income mutual fund ⁽¹⁾	\$ 9.3	-	Monthly	30 days
Multi-strategy bond mutual fund ⁽²⁾	5.2	-	Weekly	7 days
Private real estate fund ⁽³⁾	<u>0.1</u>	-	N/A	N/A
Total investments measured at NAV	<u>\$ 14.6</u>			

(1) *Intermediate Fixed Income Mutual Fund.* 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

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

June 30, 2020 and 2019

NOTE B - DEPOSITS AND INVESTMENTS - Continued

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 Fund.* 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) *Private Real Estate Fund.* Equus Capital Partners' Fund X (Equus) 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.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable include the following at June 30, 2020 and 2019:

	2020		2019	
	College	Component unit Foundation	College	Component unit Foundation
Tuition and fee receivables	\$ 6,780,999	\$ -	\$ 7,153,747	\$ -
Grants receivable	-	248,768	-	136,131
Other receivables	1,253,479	-	1,568,328	-
Pledges receivable	-	109,942	-	160,595
Receivable from Foundation	701,664	-	423,344	-
	<u>8,736,142</u>	<u>358,710</u>	<u>9,145,419</u>	<u>296,726</u>
Less: allowance for doubtful accounts	<u>(3,160,977)</u>	<u>(8,819)</u>	<u>(4,025,860)</u>	<u>(12,922)</u>
Total	<u>\$ 5,575,165</u>	<u>\$ 349,891</u>	<u>\$ 5,119,559</u>	<u>\$ 283,804</u>

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

Community College of Philadelphia
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE D - CAPITAL ASSETS

Accounts receivable, tuition and fees and other are reported as 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 \$3,160,977 and \$4,025,860 at June 30, 2020 and 2019, respectively. All of the Foundation's pledges receivable are expected to be collected subsequent to June 30, 2020, generally on a five-year payment schedule.

Capital assets consist of the following at June 30, 2020:

	Balance July 1, 2019	Additions	Retirements and adjustments	Balance June 30, 2020
Capital assets not depreciated:				
Land and improvements	\$ 31,094,976	\$ -	\$ -	\$ 31,094,976
Construction in progress	1,013,521	6,295,754	(114,441)	7,194,834
Works of art	787,708	114,912	-	902,620
	<u>32,896,205</u>	<u>6,410,666</u>	<u>(114,441)</u>	<u>39,192,430</u>
Capital assets being depreciated:				
Buildings and improvements	243,056,366	325,013	-	243,381,379
Equipment and furniture	43,466,500	515,253	(15,765)	43,965,988
Library books	5,660,902	101,152	-	5,762,054
Microforms	1,669,832	-	-	1,669,832
Software	4,038,895	-	-	4,038,895
System software	6,911,878	-	-	6,911,878
Total before depreciation	<u>304,804,373</u>	<u>941,418</u>	<u>(15,765)</u>	<u>305,730,026</u>
	<u>\$ 337,700,578</u>	<u>\$ 7,352,084</u>	<u>\$ (130,206)</u>	<u>\$ 344,922,456</u>

Accumulated depreciation by asset categories is summarized as follows:

	Balance July 1, 2019	Depreciation	Retirements	Balance June 30, 2020
Buildings and improvements	\$ 124,274,650	\$ 5,890,191	\$ -	\$ 130,164,841
Equipment and furniture	36,897,941	1,732,805	(14,721)	38,616,025
Library books	4,885,042	128,838	-	5,013,880
Microforms	1,669,832	-	-	1,669,832
Software	4,038,895	-	-	4,038,895
System software	6,808,606	30,719	-	6,839,325
Total	<u>\$ 178,574,966</u>	<u>\$ 7,782,553</u>	<u>\$ (14,721)</u>	<u>186,342,798</u>
Net capital assets				<u>\$ 158,579,658</u>

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

June 30, 2020 and 2019

NOTE D - CAPITAL ASSETS - continued

Capital assets consist of the following at June 30, 2019:

	Balance July 1, 2018	Additions	Retirements and adjustments	Balance June 30, 2019
Capital assets not depreciated:				
Land and improvements	\$ 31,056,794	\$ 38,182	\$ -	\$ 31,094,976
Construction in progress	543,268	743,389	(273,136)	1,013,521
Works of art	787,708	-	-	787,708
	<u>32,387,770</u>	<u>781,571</u>	<u>(273,136)</u>	<u>32,896,205</u>
Capital assets being depreciated:				
Buildings and improvements	242,601,214	455,152	-	243,056,366
Equipment and furniture	41,966,616	1,595,319	(95,435)	43,466,500
Library books	5,525,888	135,014	-	5,660,902
Microforms	1,669,832	-	-	1,669,832
Software	4,038,895	-	-	4,038,895
System software	6,911,878	-	-	6,911,878
Total before depreciation	<u>302,714,323</u>	<u>2,185,485</u>	<u>(95,435)</u>	<u>304,804,373</u>
	<u>\$ 335,102,093</u>	<u>\$ 2,967,056</u>	<u>\$ (368,571)</u>	<u>\$ 337,700,578</u>

Accumulated depreciation by asset categories is summarized as follows:

	Balance July 1, 2018	Depreciation	Retirements	Balance June 30, 2019
Buildings and improvements	\$ 118,308,425	\$ 5,966,226	\$ -	\$ 124,274,651
Equipment and furniture	35,358,792	1,734,149	(95,000)	36,997,941
Library books	4,748,188	136,855	-	4,885,043
Microforms	1,669,832	-	-	1,669,832
Software	4,038,895	-	-	4,038,895
System software	6,706,389	102,217	-	6,808,606
Total	<u>\$ 170,830,521</u>	<u>\$ 7,939,447</u>	<u>\$ (95,000)</u>	<u>178,674,968</u>
Net capital assets				<u>\$ 159,125,610</u>

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE E - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2020:

	College	Component unit Foundation
Category:		
Vendors and others	\$ 8,234,349	\$ 803,216
Accrued salaries	3,784,561	35,764
Accrued benefits	2,053,313	-
Compensated absences	3,420,896	-
Retirement incentive payments	1,130,713	-
Payroll withholding taxes	514,427	-
Accrued interest	178,804	-
Total	\$ 19,317,063	\$ 838,980

Accounts payable and accrued liabilities consisted of the following at June 30, 2019:

	College	Component unit Foundation
Category:		
Vendors and others	\$ 7,232,761	\$ 458,748
Accrued salaries	3,712,096	18,588
Accrued benefits	2,302,592	-
Compensated absences	3,065,436	-
Retirement incentive payments	2,048,645	-
Payroll withholding taxes	395,217	-
Accrued interest	196,878	-
Total	\$ 18,953,625	\$ 477,336

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

June 30, 2020 and 2019

NOTE E - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES - continued

Long-term liability activity for the year ended June 30, 2020 was as follows:

	Beginning balance July 1, 2019	Additions	Deductions	Total ending balance June 30, 2020	Current portion
Long-term liabilities:					
Accounts payable and accrued liabilities	\$ 18,953,625	\$ 544,222	\$ (180,784)	\$ 19,317,063	\$ 17,762,425
Payable to government agencies	4,222,497	-	(3,952,948)	269,549	269,549
Capital lease obligation	1,391,712	-	(473,449)	918,263	468,149
Long-term debt	77,298,101	-	(7,240,817)	70,057,284	7,557,284
Unamortized bond premium	8,169,579	-	(728,918)	7,440,661	728,918
Other post-employment benefits	180,264,083	1,610,577	(38,250,154)	143,624,506	-
	<u>\$ 290,299,597</u>	<u>\$ 2,154,799</u>	<u>\$ (50,827,070)</u>	<u>\$ 241,627,326</u>	<u>\$ 26,786,325</u>

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Beginning balance July 1, 2018	Additions	Deductions	Total ending balance June 30, 2019	Current portion
Long-term liabilities:					
Accounts payable and accrued liabilities	\$ 17,403,319	\$ 2,383,313	\$ (833,007)	\$ 18,953,625	\$ 17,553,995
Payable to government agencies	729,343	3,493,154	-	4,222,497	4,222,497
Capital lease obligation	1,564,211	805,328	(977,827)	1,391,712	473,448
Long-term debt	74,807,581	9,155,000	(6,664,480)	77,298,101	7,240,817
Unamortized bond premium	7,822,756	346,823	-	8,169,579	728,918
Other post-employment benefits	182,233,779	-	(1,969,696)	180,264,083	-
	<u>\$ 284,560,989</u>	<u>\$ 16,183,618</u>	<u>\$ (10,445,010)</u>	<u>\$ 290,299,597</u>	<u>\$ 30,219,675</u>

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

June 30, 2020 and 2019

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, 2020:

	Balance July 1, 2019	Additions	Principal payments	Balance June 30, 2020	Current portion
2015 Series	\$ 45,535,000	\$ -	\$ (4,380,000)	\$ 41,155,000	\$ 4,595,000
2018 Series	21,970,000	-	(2,265,000)	19,705,000	2,345,000
2019 Series	9,155,000	-	(280,000)	8,875,000	295,000
SPSBA Loan	638,101	-	(315,817)	322,284	322,284
	<u>\$ 77,298,101</u>	<u>\$ -</u>	<u>\$ (7,240,817)</u>	<u>\$ 70,057,284</u>	<u>\$ 7,557,284</u>

Debt consisted of the following at June 30, 2019:

	Balance July 1, 2018	Additions	Principal payments	Balance June 30, 2019	Current portion
2015 Series	\$ 49,705,000	\$ -	\$ (4,170,000)	\$ 45,535,000	\$ 4,380,000
2018 Series	24,155,000	-	(2,185,000)	21,970,000	2,265,000
2019 Series	-	9,155,000	-	9,155,000	280,000
SPSBA Loan	947,581	-	(309,480)	638,101	315,817
	<u>\$ 74,807,581</u>	<u>\$ 9,155,000</u>	<u>\$ (6,664,480)</u>	<u>\$ 77,298,101</u>	<u>\$ 7,240,817</u>

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

June 30, 2020 and 2019

NOTE F - DEBT - continued

Future annual principal and interest payments at June 30, 2020 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
2021	\$ 7,557,284	\$ 3,385,398	\$ 10,942,682
2022	7,600,000	3,020,381	10,620,381
2023	7,975,000	2,640,381	10,615,381
2024	6,240,000	2,241,631	8,481,631
2025	6,550,000	1,929,631	8,479,631
2026	6,000,000	1,602,131	7,602,131
2027	6,305,000	1,302,131	7,607,131
2028	6,615,000	986,881	7,601,881
2029	1,165,000	656,131	1,821,131
2030	1,225,000	597,881	1,822,881
2031	1,285,000	536,631	1,821,631
2032	1,350,000	472,381	1,822,381
2033	1,420,000	404,881	1,824,881
2034	1,490,000	333,881	1,823,881
2035	1,565,000	259,381	1,824,381
2036	1,630,000	192,831	1,822,831
2037	1,685,000	137,494	1,822,494
2038	1,745,000	80,288	1,825,288
2039	655,000	19,650	674,650
	<u>\$ 70,057,284</u>	<u>\$ 20,799,995</u>	<u>\$ 90,857,279</u>

2015 Series

Under a loan agreement dated September 10, 2015 between the 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 2.00% to 5.00%, with an average debt service payment of \$4,166,000. The unrefunded Series of 2008 were payable over three years, with an average debt service payment of \$2,415,000.

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

June 30, 2020 and 2019

NOTE F - DEBT - continued

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

	Principal
2021	\$ 4,595,000
2022	4,830,000
2023	5,070,000
2024	5,325,000
2025	5,590,000
2026	4,995,000
2027-2029	10,750,000
	\$ 41,155,000

2018 Series

Under a loan agreement dated May 1, 2018 between the Authority and the College, the College borrowed \$24,155,000 of 2018 Series Community College Revenue Bonds to refund the outstanding Authority's Community College Revenue Bonds (Community College of Philadelphia Project), Series of 2017 and the additional 2018 Capital Projects. The 2018 Capital Projects consist of the renovation and improvements of the Library Learning Commons facility at the main campus. All of the foregoing components of the 2018 Capital Projects will be used in connection with the College's operation of its community college buildings in furtherance of its educational mission. The 2018 Series Bonds are payable over 20½ years at rates from 3.63% to 5.00%, with average debt service payments of \$3,291,851 through 2023 and \$1,148,381 from 2024 through 2038.

	Principal
2021	2,345,000
2022	2,460,000
2023	2,580,000
2024	575,000
2025	600,000
2026	630,000
2027-2038	10,515,000
	\$ 19,705,000

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

June 30, 2020 and 2019

NOTE F - DEBT - continued

2019 Series

Under a loan agreement dated May 2019 between the Authority and the College, the College borrowed \$9,155,000 College Revenue Bonds (Community College of Philadelphia Project), Series A of 2019. The 2019 Capital Projects consist of (a) the development, construction, improvement, furnishing, equipping and outfitting of a new, approximately 75,000 square foot, building on land owned by the College in West Philadelphia, with a facility that will be used to house the College's Career and Advanced Technology Center, (b) the demolition of an existing building on such site, and (c) other miscellaneous capital improvements at such site including parking, landscaping and related improvements. All of the foregoing components of the 2019 Capital Projects will be used in connection with the College's operation of its community college buildings in furtherance of its educational mission. The 2019 Series A Bonds are payable over 20 years at rates from 3.00% to 5.00%, with average debt service payments of \$675,589 from 2020 through 2039.

Principal payments required by the loan agreement are as follows:

	Principal
2021	\$ 295,000
2022	310,000
2023	325,000
2024	340,000
2025	360,000
2026	375,000
2027	395,000
2028-2039	6,475,000
	\$ 8,875,000

Revolving Loan Obligation

Under a loan agreement dated April 1, 2013 with the 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 2.03%.

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

	Principal
2021	\$ 322,284

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

June 30, 2020 and 2019

NOTE F - DEBT - Continued

Operating Leases

The College leases certain equipment and property under operating lease arrangements that expire through 2026. Rental expense for operating leases was \$513,212 and \$503,652 for the years ended June 30, 2020 and 2019, respectively.

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

2021	\$	562,669
2022		430,314
2023		310,274
2024		272,845
2025-2026		<u>301,997</u>
	\$	<u>1,878,099</u>

Capital Leases

The College leases certain equipment under capital lease arrangements that expire through 2023. These leases are recorded at the lower of cost or present value and amounted to \$918,263 and \$1,391,712 at June 30, 2020 and 2019, respectively. Amortization charges of capital leases were \$1,106,227 and \$1,190,253 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments under capital leases are as follows:

		<u>Principal</u>
2021	\$	468,149
2022		378,632
2023		<u>71,482</u>
	\$	<u>918,263</u>

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

June 30, 2020 and 2019

NOTE G - (PAYABLE TO) RECEIVABLE FROM GOVERNMENT AGENCIES

(Payable to) receivable from government agencies includes the following at June 30, 2020 and 2019:

	2020		2019	
	(Payable)	Receivable	(Payable)	Receivable
Commonwealth of Pennsylvania:				
Provision for potential audit findings and reimbursement calculation	\$ (47,999)	\$ -	\$ (2,500)	\$ -
Grants and special projects	-	1,148,570	-	1,086,492
PHEAA for grants	(221,550)	-	(4,219,997)	-
	<u>(269,549)</u>	<u>1,148,570</u>	<u>(4,222,497)</u>	<u>1,086,492</u>
City of Philadelphia grants receivable	-	497,511	-	314,571
Federal:				
Financial aid programs	-	2,644	-	12,605
Grants and special projects	-	1,063,562	-	377,718
	<u>-</u>	<u>1,563,717</u>	<u>-</u>	<u>704,894</u>
Total	<u>\$ (269,549)</u>	<u>\$ 2,712,287</u>	<u>\$ (4,222,497)</u>	<u>\$ 1,791,386</u>

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 SERS or the PSERS, it has grandfathered continued participation for those employees currently enrolled. The College has 10 employees participating in the SERS and 21 employees in the PSERS.

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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE H - EMPLOYEE BENEFITS - Continued

Benefits Provided

PSERS and SERS provide retirement, disability, and death benefits. For PSERS, retirement benefits are determined as 2.00% or 2.50% (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 2.00% to 2.50% (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 2.00% or 2.50% (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 Commonwealth 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 16.72% of all earnings as long as contributions are adequate to accumulate assets to pay retirement benefits when due. Employee contributions are 6.50% of all earnings for members prior to July 22, 1983 and 7.50% of all earnings for members after July 22, 1983.

For SERS, the contribution policy is set by Commonwealth 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 23.94% and 34.63% 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 and Inflows of Resources

At June 30, 2020, the College reported a liability of \$1,403,000 and \$2,710,432 for its proportional share of the net pension liability for PSERS and SERS, respectively. The net pension liability was measured as of June 30, 2019 for PSERS and December 31, 2019 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, 2020 and December 31, 2020, respectively, the College's proportion of PSERS and SERS was 0.0030% and 0.0149%.

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

June 30, 2020 and 2019

NOTE H - EMPLOYEE BENEFITS - Continued

For the year ended June 30, 2020, the College recognized proportional pension expense for PSERS and SERS of \$176,000 and \$441,641, respectively, as provided by the plans' actuarial schedules. At June 30, 2020, the College reported deferred outflows and inflows of resources related to pensions from the following sources:

<u>PSERS</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 8,000	\$ 46,500
Changes in assumptions	13,000	-
Net difference between projected and actual earnings on pension plan investments	-	4,000
Changes in proportion and differences between College contributions and proportionate share of contributions	<u>26,000</u>	<u>159,500</u>
Total	<u>\$ 47,000</u>	<u>\$ 210,000</u>
<u>SERS</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 33,795	\$ 18,359
Changes in assumptions	104,446	-
Net difference between projected and actual earnings on pension plan investments	-	193,303
Changes in proportion	236,770	128,584
Changes in proportion and differences between College contributions and proportionate share of contributions	<u>-</u>	<u>188,529</u>
Total	<u>\$ 375,011</u>	<u>\$ 528,775</u>

At June 30, 2019, the College reported a liability of \$1,632,000 and \$3,083,795 for its proportional share of the net pension liability for PSERS and SERS, respectively. The net pension liability was measured as of June 30, 2018 for PSERS and December 31, 2018 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, 2019 and December 31, 2019, respectively, the College's proportion of PSERS and SERS was 0.0003% and 0.0148%.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE H - EMPLOYEE BENEFITS - Continued

For the year ended June 30, 2019, the College recognized the proportional pension expense for PSERS and SERS of \$263,000 and \$540,387, respectively, as provided by the plans' actuarial schedules. At June 30, 2019, the College reported deferred outflows and inflows of resources related to pensions from the following sources:

<u>PSERS</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 13,500	\$ 25,500
Changes in assumptions	30,000	-
Net difference between projected and actual earnings on pension plan investments	8,000	-
Changes in proportion and differences between College contributions and proportionate share of contributions	<u>108,500</u>	<u>27,500</u>
Total	<u>\$ 160,000</u>	<u>\$ 53,000</u>
<u>SERS</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 46,278	\$ 33,416
Changes in assumptions	82,160	-
Net difference between projected and actual earnings on pension plan investments	300,034	-
Changes in proportion	416,998	194,069
Changes in proportion and differences between College contributions and proportionate share of contributions	<u>-</u>	<u>168,594</u>
Total	<u>\$ 845,470</u>	<u>\$ 396,079</u>

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

June 30, 2020 and 2019

NOTE H - EMPLOYEE BENEFITS - Continued

Actuarial Assumptions

The following methods and assumptions were used in the actuarial valuations for both years ended June 30, 2020 and 2019, unless otherwise stated. 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	7.25%, includes inflation at 2.75%
Salary increases	effective average of 5.00%, which reflects an allowance for inflation of 2.75%, real wage growth of 2.25% and merit of seniority increases of 2.25%
Mortality rates	Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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	7.125% and 7.25%, net of manager fees including inflation as of June 30, 2020 and 2019, respectively
Projected salary increases	average of 5.60% with range of 3.70% - 8.90% including inflation
Inflation	2.60%
Mortality rate	projected RP-2000 Mortality Tables adjusted for actual plan experience and future improvement
Cost of living adjustments	none (ad hoc)

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

June 30, 2020 and 2019

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>June 30, 2020 Long-term expected rate of return</u>	<u>June 30, 2019 Long-term expected rate of return</u>
Global Public Equity	20.00%	5.60%	5.20%
Fixed Income	36.00%	1.90%	2.20%
Commodities	8.00%	2.70%	3.20%
Absolute Return	10.00%	3.40%	3.50%
Risk Parity	10.00%	4.10%	3.90%
Infrastructure/MLPs	8.00%	5.50%	5.20%
Real Estate	10.00%	4.10%	4.20%
Alternative Investments	15.00%	7.40%	6.70%
Cash	3.00%	0.30%	0.40%
Financing (LIBOR)	-20.00%	0.70%	0.90%
Total	<u>100.00%</u>		

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

June 30, 2020 and 2019

NOTE H - EMPLOYEE BENEFITS - Continued

SERS

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

<u>Asset class</u>	Target	Target	Long-term	Long-term
	allocation	allocation	expected rate	expected rate
	June 30, 2020	June 30, 2019	of return	of return
			June 30, 2020	June 30, 2019
Private equity	16.00%	16.00%	7.25%	7.25%
Global Public equity	48.00%	48.00%	5.15%	5.15%
Real estate	12.00%	12.00%	5.26%	5.26%
Multi-Strategy	10.00%	10.00%	4.44%	4.44%
Fixed income	11.00%	11.00%	1.26%	1.26%
Cash	3.00%	3.00%	0.00%	0.00%
Total	<u>100.00%</u>	<u>100.00%</u>		

For PSERS and SERS, the discount rate used to measure total pension liability was 7.25% and 7.125%, respectively. 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 \$1,403,000 using a 7.25% discount rate. The College's net pension liability would have been \$1,748,000 assuming a 1% point decrease (6.25%) in the discount rate and would have been \$1,112,000 assuming a 1% point increase (8.25%) in the discount rate.

For SERS, the College's net pension liability is \$2,710,432 using a 7.125% discount rate. The College's net pension liability would have been \$3,444,047 assuming a 1% point decrease (6.125%) in the discount rate and would have been \$2,082,370 assuming a 1% point increase (8.125%) in the discount rate.

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

June 30, 2020 and 2019

NOTE H - EMPLOYEE BENEFITS - Continued

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 for value of accumulation are provided to the beneficiary of a participant who dies prior to retirement. Various payment options are available. The College has 1,113 employees participating in this program.

The payroll for employees covered by the three plans was \$61,929,131 and \$62,094,159, and the College's total payroll is \$78,816,030 and \$78,550,472 at June 30, 2020 and 2019, respectively. Contributions made by the College for the years ended June 30, 2020 and 2019 totaled \$5,965,352 and \$5,935,881, respectively, representing 9.63% and 9.56%, respectively, of covered payroll. College employees contributed \$4,833,935 and \$4,849,535, respectively, for the years ended June 30, 2020 and 2019.

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

Post-Employment Benefits (OPEB)

Program Description

The College provides post-employment benefits other than pensions (OPEB) to eligible retirees of the College and their spouses. Health benefits include medical, prescription drug and dental coverage. Retirees and spouses are eligible to continue coverage for life as long as the retiree premium rates are paid. Life insurance benefit continues until age 65. Spouses are not covered. Life insurance benefit is determined as follows: Administrators = 2.5 times last annual salary, rounded up to next \$1,000; Faculty, Classified, Confidential = 2 times last annual salary, rounded up to next \$1,000; Faculty on Pre-Retirement Half-Time Workload Option = 4 times last annual salary, rounded up to next \$1,000. These healthcare benefits are funded by a single employer plan.

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

June 30, 2020 and 2019

NOTE H - EMPLOYEE BENEFITS - Continued

Eligibility

Participants must be at least age 62 with 10 years of full-time service and have attained age plus service being greater than or equal to 77.

Funding Policy

Post-employment benefits other than pensions stems from the College's three collective bargaining agreements. For the years ended June 30, 2020 and 2019, the College paid \$0.8 million and \$0.9 million, respectively, on behalf of the retirees and spouses. The College pays 100% of the premium for coverage for retirees until the end of the contract year in which the retiree attains age 65. Thereafter, the retiree pays 50% of the total premium, less the Medicare Part B premium. Pre-65 and post-65 retirees pay 50% of active medical benefits for pre-65 spouses. Post-65 retirees pay 50% of the premium for the coverage of post-65 spouses, less their Medicare Part B premium. Pre-65 retirees pay 0% of the premium for the coverage of post-65 spouses (the College pays 100% of their premium). Surviving spouses must pay 100% of the premium for coverage without getting reimbursed for Medicare Part B premium if over 65. Retirees on Medicare disability are given the Medicare Part B reimbursement regardless of age. The College pays 100% of the premium for retired post-65 part-time teachers and their spouses.

<u>Employees/Retirees/Beneficiaries</u>	<u>Number of Participants as of July 1, 2019</u>	<u>Number of Participants as of July 1, 2018</u>
Actives	833	878
In-actives currently receiving benefit payments	594	515
Total	1,427	1,393

The following tables provide a summary of the changes in the College's total OPEB liability for fiscal years ended June 30, 2020 and 2019. The valuation dates were July 1, 2019 and 2018, and the measurement dates were June 30, 2020 and 2019.

<u>Change in Total OPEB Liability (TOL)</u>	<u>July 1, 2019</u>	<u>July 1, 2018</u>
TOL, beginning of Year	\$ 175,548,288	\$ 177,795,856
Service cost	5,862,664	6,425,503
Interest	6,925,232	5,696,499
Change in benefit terms	(11,026,241)	-
Difference between expected and actual experience	(33,487,521)	-
Benefits paid	(4,928,779)	(4,449,107)
Changes in assumptions	617,431	(9,920,463)
TOL, end of year	\$ 139,511,074	\$ 175,548,288

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

June 30, 2020 and 2019

NOTE H - EMPLOYEE BENEFITS - Continued

The following summarizes the development of benefit for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Service cost	\$ 5,862,664	\$ 6,425,503
Interest	6,925,232	5,696,499
Changes in assumptions	154,358	(2,480,116)
Amortization of:		
Total OPEB liability and assumption gain	<u>(32,873,370)</u>	<u>(10,995,133)</u>
 Total benefit	 <u>\$ (19,931,116)</u>	 <u>\$ (1,353,247)</u>
 Weighted average assumptions to determine expense:		
Actual benefit payments	\$ 4,928,779	\$ 4,449,107
Discount rate	3.50%	3.87%
Expected return on assets	N/A	N/A
Salary scale	3.00%	3.00%
Current rate	6.50%	5.50%
Ultimate rate / year reached	4.50%/2040	4.50%/2040

Deferred inflows of resources reported by the College at June 30, 2020 and 2019 are as follows:

<u>Date Amortization Base Set</u>	<u>Net Amount at June 30</u>	<u>Amortization Period Remaining at June 30</u>
2020	\$ 74,716,112	4.00
2019	63,075,720	4.00

Deferred outflows of resources reported by the College at June 30, 2020 are as follows:

<u>Date Amortization Base Set</u>	<u>Net Amount at June 30, 2020</u>	<u>Amortization Period Remaining at June 30, 2020</u>
June 30, 2020	\$ 463,073	4.00

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

June 30, 2020 and 2019

NOTE H - EMPLOYEE BENEFITS - Continued

Deferred Inflows Projection

Amounts reported as deferred inflows of resources will be recognized in expense as follows:

Year ended June 30:	
2021	\$21,692,771
2022	21,692,770
2023	19,212,657

Actuarial Assumptions - 2020

Mortality Table: the Pub-2010 Public Retirement Plans Teachers mortality table projected generationally with Scale MP-2019 for faculty participants and Pub-2010 Public Retirement Plans General mortality projected generationally with Scale MP-2019 for all other participants.

Discount Rate: 3.50% for determining June 30, 2020 disclosure and estimated 2021 expense; 3.87% for determining June 30, 2019 liability and 2020 expense.

Discount Rate Determination Method: Under GASB 75, the discount rate for unfunded plans must be based on a yield or index rate for a 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Rates were taken from the S&P municipal bond 20-year high grade rate index as of the measurement dates.

A one-percentage point change in the discount rate and assumed health care cost trend rates would have the following impact on the liability for post-employment benefits obligations at June 30, 2020:

Discount Rate Change	<u>1% Decrease</u>	<u>1% Increase</u>
Net OPEB Liability	\$163,386,229	\$120,394,965
Net OPEB Liability Healthcare Trend Rate	\$119,665,431	\$164,490,831

Actuarial Assumptions - 2019

Mortality Table: 88% of rates in the RP-2014 White Collar Healthy Mortality Table backed off to 2006 and projected generationally with Scale MP-2017 plus 12% of rates in the RP-2014 Blue Collar Healthy Mortality Table backed off to 2006 and projected generationally with Scale MP-2017.

Discount Rate: 3.87% for determining June 30, 2019 disclosure and estimated 2020 expense; 3.13% for determining June 30, 2018 liability and 2019 expense.

Discount Rate Determination Method: Under GASB 75, the discount rate for unfunded plans must be based on a yield or index rate for a 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Rates were taken from the S&P municipal bond 20 year high grade rate index as of the measurement dates.

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

June 30, 2020 and 2019

NOTE H - EMPLOYEE BENEFITS - Continued

A one-percentage point change in the discount rate and assumed health care cost trend rates would have the following impact on the liability for post-employment benefits obligations at June 30, 2019:

Discount Rate Change	<u>1% Decrease</u>	<u>1% Increase</u>
Net OPEB Liability	\$205,088,920	\$151,801,504
Net OPEB Liability Healthcare Trend Rate	\$149,244,835	\$208,729,211

Retirement Incentive Program

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. Forty employees will receive the incentive payment during fiscal years 2020-2021 and 2021-22. The present value of these payments is \$634,824.

NOTE I - COMMITMENTS AND CONTINGENCIES

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.

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

June 30, 2020 and 2019

NOTE J - OPERATING EXPENSES

The College's and component unit Foundation's operating expenses, on a natural classification basis, were comprised of the following for the years ended June 30, 2020 and 2019:

	2020		2019	
	College	Component unit Foundation	College	Component unit Foundation
Salaries	\$ 77,819,073	\$ 996,957	\$ 77,461,641	\$ 1,088,831
Benefits	34,789,946	406,056	34,979,486	457,331
Contracted services	9,276,013	91,285	8,045,022	82,787
Supplies	4,466,810	62,181	3,059,628	104,345
Depreciation	7,782,553	-	7,939,447	-
Student aid	12,052,409	796,069	6,250,428	559,084
Other post-retirement benefits	(24,589,650)	-	(5,426,091)	-
Other	11,376,200	534,856	13,374,593	533,568
Total	\$ 132,973,354	\$ 2,887,402	\$ 145,684,154	\$ 2,825,946

NOTE K - CITY AND COMMONWEALTH APPROPRIATIONS

Appropriations from the Commonwealth and the City for the year ended June 30, 2020 and 2019 are as follows:

	2020		2019	
	Operations	Capital	Operations	Capital
Commonwealth of Pennsylvania	\$ 32,408,016	\$ 5,819,210	\$ 31,819,876	\$ 4,937,072
City of Philadelphia	29,846,548	6,212,659	25,549,440	6,859,767
Total appropriations	\$ 62,254,564	\$ 12,031,869	\$ 57,369,316	\$ 11,796,839

NOTE L - PASS-THROUGH GRANTS

The College distributed \$21,245,772 in 2020 and \$24,578,079 in 2019 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 28, 2020, noting no items which would require disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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

SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS - LAST 10 YEARS* (UNAUDITED)

Years ended June 30,

(Amounts are in thousands)

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 5,863	\$ 6,425	\$ 10,624
Interest cost	6,925	5,696	6,234
Actual and expected experience difference	(33,487)	-	(47,379)
Changes in assumptions	617	-	(19,251)
Changes in benefit terms	(11,026)	(9,920)	-
Benefit payments	(4,929)	(4,449)	(4,934)
Net change in total OPEB liability	(36,037)	(2,248)	(54,706)
Total OPEB liability - beginning	175,548	177,796	232,502
Total OPEB liability - ending (a)	\$ 139,511	\$ 175,548	\$ 177,796
 Plan Fiduciary Net Position			
Contribution - employer	\$ 4,929	\$ 4,449	\$ 4,934
Benefit payments	(4,929)	(4,449)	(4,934)
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending (b)	\$ -	\$ -	\$ -
Total OPEB liability - ending (a)-(b)	\$ 139,511	\$ 175,548	\$ 177,796
Covered-employee payroll	53,434	51,546	54,241
Total OPEB liability as a percentage of covered-employee payroll	261%	341%	328%

**This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See accompanying report of independent certified public accountants.

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

SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - LAST 10 YEARS* (UNAUDITED)

Years ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PSERS						
College's proportion of the net pension liability	0.0030%	0.0034%	0.0034%	0.0035%	0.0032%	0.0026%
College's proportionate share of the net pension liability	\$ 1,403,000	\$ 1,632,000	\$ 1,679,000	\$ 1,734,000	\$ 1,386,000	\$ 1,030,000
College's covered employee payroll	\$ 407,745	\$ 456,911	\$ 455,779	\$ 454,763	\$ 413,104	\$ 335,800
Plan fiduciary net position as a percentage of the total pension liability	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%
SERS						
College's proportion of the net pension liability	0.0149%	0.0148%	0.0160%	0.0147%	0.0110%	0.0120%
College's proportionate share of the net pension liability	\$ 2,710,432	\$ 3,083,795	\$ 2,758,923	\$ 2,827,306	\$ 1,998,201	\$ 1,784,684
College's covered employee payroll	\$ 958,066	\$ 930,394	\$ 979,992	\$ 894,293	\$ 653,759	\$ 692,779
Plan fiduciary net position as a percentage of the total pension liability	63.10%	56.40%	63.00%	57.80%	58.90%	64.80%

**This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See accompanying report of independent certified public accountants.

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

SCHEDULES OF EMPLOYER CONTRIBUTIONS - LAST 10 YEARS* (UNAUDITED)

Years ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PSERS						
Contractually required contribution	\$ 134,000	\$ 144,000	\$ 130,000	\$ 111,000	\$ 83,000	\$ 52,000
Contributions in relation to the contractually required contribution	<u>134,000</u>	<u>144,000</u>	<u>130,000</u>	<u>111,000</u>	<u>83,000</u>	<u>52,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 407,745	\$ 456,911	\$ 455,779	\$ 454,763	\$ 413,104	\$ 335,800
Contributions as a % of covered employee payroll	32.8637%	31.5160%	28.5226%	24.4083%	20.0918%	15.4854%
SERS						
Contractually required contribution	\$ 334,491	\$ 323,944	\$ 325,667	\$ 301,735	\$ 202,576	\$ 98,248
Contribution in relation to the contractually required contribution	<u>334,491</u>	<u>323,944</u>	<u>325,667</u>	<u>301,735</u>	<u>202,576</u>	<u>98,248</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 958,066	\$ 930,394	\$ 979,992	\$ 894,293	\$ 653,759	\$ 692,779
Contributions as a % of covered employee payroll	34.9131%	34.8179%	33.2316%	33.7401%	30.9863%	14.1817%

**This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See accompanying report of independent certified public accountants.

OTHER SUPPLEMENTARY INFORMATION

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

STATISTICAL SECTION - SCHEDULE OF REVENUES BY SOURCE (UNAUDITED)

Year ended June 30,

(Amounts expressed in thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues:										
Student tuition and fees (net of scholarship allowances)	\$ 30,536,000	\$ 32,753,000	\$ 33,234	\$ 32,992	\$ 31,643	\$ 31,973	\$ 35,338	\$ 32,003	\$ 30,181	\$ 28,132
Auxiliary enterprises	1,413,000	1,599,000	1,523	1,737	1,740	1,786	1,671	1,776	1,827	1,734
Other sources	38,000	42,000	46	62	87	196	166	158	168	180
Total operating revenues	31,987,000	34,394,000	34,803	34,791	33,470	33,955	37,175	33,937	32,176	30,046
City appropriations	29,847,000	25,549,000	23,310	24,189	23,272	21,271	18,346	18,064	17,652	18,092
State appropriations	32,408,000	31,820,000	30,892	30,868	30,128	28,632	28,179	28,240	28,229	29,275
Federal grants and contracts	52,337,000	46,098,000	49,026	48,888	53,551	57,871	58,796	58,715	56,839	58,890
State grants and contracts	6,621,000	5,989,000	7,953	8,126	8,278	7,343	6,591	7,191	6,495	5,967
Gifts from the Community College of Philadelphia Foundation	95,000	160,000	242	835	225	141	100	2,809	-	-
Nongovernmental grants and contracts	2,522,000	2,115,000	1,582	1,528	1,456	1,521	1,704	1,119	1,014	1,419
Net investment income	1,691,000	1,577,000	36	75	815	365	695	333	1,098	718
Other nonoperating revenues	578,000	410,000	399	378	2,579	1,087	324	379	540	333
Total nonoperating revenues	126,099,000	113,718,000	113,440	114,887	120,304	118,231	114,735	116,850	111,867	114,694
Capital appropriations	12,032,000	11,797,000	12,450	11,050	12,354	10,859	13,969	13,730	14,084	13,648
Total revenues	\$ 170,118,000	\$ 159,909,000	\$ 160,693	\$ 160,728	\$ 166,128	\$ 163,045	\$ 165,879	\$ 164,517	\$ 158,127	\$ 158,388

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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues:										
Student tuition and fees (net of scholarship allowances)	17.95%	20.48%	20.68%	20.53%	19.05%	19.61%	21.30%	19.45%	19.09%	17.76%
Auxiliary enterprises	0.83	1.00	0.95	1.08	1.05	1.10	1.01	1.08	1.16	1.09
Other sources	0.02	0.03	0.03	0.04	0.05	0.12	0.10	0.10	0.11	0.11
Total operating revenues	<u>18.80</u>	<u>21.51</u>	<u>21.66</u>	<u>21.65</u>	<u>20.15</u>	<u>20.83</u>	<u>22.41</u>	<u>20.63</u>	<u>20.36</u>	<u>18.96</u>
City appropriations	17.54	15.98	14.51	15.04	14.01	13.05	11.06	10.98	11.16	11.42
State appropriations	19.05	19.90	19.22	19.21	18.14	17.56	16.99	17.17	17.85	18.48
Federal grants and contracts	30.77	28.83	30.51	30.42	32.23	35.49	35.45	35.69	35.95	37.18
State grants and contracts	3.89	3.75	4.95	5.06	4.98	4.50	3.97	4.37	4.11	3.77
Gifts from the Community College of Philadelphia Foundation	0.06	0.10	0.15	0.52	0.14	0.09	0.06	1.7	-	-
Nongovernmental grants and contracts	1.48	1.32	0.98	0.95	0.88	0.93	1.02	0.68	0.64	0.90
Net investment income	0.99	0.99	0.02	0.05	0.49	0.22	0.42	0.20	0.69	0.45
Other nonoperating revenues	0.34	0.25	0.25	0.24	1.55	0.67	0.20	0.23	0.33	0.22
Total nonoperating revenues	<u>74.12</u>	<u>71.12</u>	<u>70.59</u>	<u>71.49</u>	<u>72.42</u>	<u>72.51</u>	<u>69.17</u>	<u>71.02</u>	<u>70.73</u>	<u>72.42</u>
Capital appropriations	<u>7.08</u>	<u>7.37</u>	<u>7.75</u>	<u>6.86</u>	<u>7.43</u>	<u>6.66</u>	<u>8.42</u>	<u>8.35</u>	<u>8.91</u>	<u>8.62</u>
Total revenues	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>	<u><u>100.00%</u></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)

Year ended June 30,

(Amounts expressed in thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses:										
Salaries	\$ 77,819	\$ 77,462	\$ 76,986	\$ 78,629	\$ 77,931	\$ 77,161	\$ 75,438	\$ 76,015	\$ 76,796	\$ 78,168
Benefits	34,790	34,979	36,259	36,417	36,978	36,140	35,885	34,247	32,062	32,500
Contracted services	9,276	8,045	7,859	6,512	6,458	8,331	9,697	11,373	6,057	5,376
Supplies	4,467	3,060	3,549	3,376	3,857	3,073	3,232	3,636	2,760	3,253
Depreciation	7,783	7,939	8,133	8,204	8,861	9,698	10,490	10,423	9,764	7,660
Student aid	12,052	6,250	7,213	8,770	8,739	8,211	10,459	8,328	10,015	7,376
Other	11,376	13,375	12,092	12,959	13,167	12,815	12,314	11,468	11,895	12,948
Other post-retirement benefits	(24,590)	(5,426)	12,309	11,703	11,686	8,016	8,641	8,530	7,611	6,039
Total operating expenses	<u>132,973</u>	<u>145,684</u>	<u>164,400</u>	<u>166,570</u>	<u>167,677</u>	<u>163,445</u>	<u>166,156</u>	<u>164,020</u>	<u>156,960</u>	<u>153,320</u>
Interest on capital asset-related debt service	<u>3,604</u>	<u>3,602</u>	<u>3,413</u>	<u>3,263</u>	<u>3,315</u>	<u>4,225</u>	<u>4,258</u>	<u>4,689</u>	<u>3,927</u>	<u>3,542</u>
Total nonoperating expenses	<u>3,604</u>	<u>3,602</u>	<u>3,413</u>	<u>3,263</u>	<u>3,315</u>	<u>4,225</u>	<u>4,258</u>	<u>4,689</u>	<u>3,927</u>	<u>3,542</u>
Total expenses	<u>\$ 136,577</u>	<u>\$ 149,286</u>	<u>\$ 167,813</u>	<u>\$ 169,833</u>	<u>\$ 170,992</u>	<u>\$ 167,670</u>	<u>\$ 170,414</u>	<u>\$ 168,709</u>	<u>\$ 160,887</u>	<u>\$ 156,862</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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses:										
Salaries	56.98%	51.89%	45.88%	46.30%	45.57%	46.02%	44.27%	45.06%	47.73%	49.83%
Benefits	25.47	23.43	21.61	21.44	21.63	21.55	21.04	20.28	19.93	20.72
Contracted services	6.79	5.39	4.68	3.83	3.78	4.97	5.69	6.74	3.77	3.43
Supplies	3.27	2.05	2.11	1.99	2.26	1.83	1.90	2.16	1.72	2.07
Depreciation	5.70	5.32	4.85	4.83	5.18	5.78	6.16	6.18	6.07	4.88
Student aid	8.82	4.19	4.30	5.16	5.11	4.90	6.14	4.94	6.22	4.70
Other	8.33	8.96	7.21	7.63	7.70	7.64	7.23	6.80	7.39	8.26
Other post-retirement benefits	(18.00)	(3.63)	7.33	6.89	6.83	4.78	5.07	5.06	4.73	3.85
Total operating expenses	97.36	97.60	97.97	98.07	98.06	97.47	97.50	97.22	97.56	97.74
Interest on capital asset-related debt service	2.64	2.40	2.03	1.93	1.94	2.53	2.50	2.78	2.44	2.26
Total nonoperating expenses	2.64	2.40	2.03	1.93	1.94	2.53	2.50	2.78	2.44	2.26
Total expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

See accompanying report of independent certified public accountants.

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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses by function:										
Instruction	\$ 49,333,000	\$ 56,715,000	\$ 64,578	\$ 65,509	\$ 66,018	\$ 65,046	\$ 66,210	\$ 66,436	\$ 62,162	\$ 62,184
Public service	104,000	97,000	145	124	183	86	109	156	63	92
Academic support	13,749,000	16,405,000	19,182	18,880	18,824	18,372	17,492	17,247	17,723	19,251
Student services	16,673,000	20,529,000	24,212	24,405	25,142	23,494	22,811	21,913	21,075	21,744
Institutional support	19,176,000	22,640,000	25,111	24,854	24,429	24,371	25,229	26,216	23,281	22,003
Physical plant operations	13,445,000	14,424,000	15,093	15,013	14,913	13,336	12,586	12,742	12,244	12,392
Depreciation	7,783,000	7,939,000	8,133	8,204	8,861	9,698	10,490	10,423	9,764	7,660
Student aid	12,052,000	6,250,000	7,213	8,770	8,739	8,211	10,459	8,328	10,015	7,377
Auxiliary enterprises	658,000	685,000	733	811	567	831	770	559	633	617
Interest on capital debt	3,604,000	3,602,000	3,413	3,263	3,315	4,225	4,258	4,689	3,927	3,542
Total expenses by function	<u>\$ 136,577,000</u>	<u>\$ 149,286,000</u>	<u>\$ 167,813</u>	<u>\$ 169,833</u>	<u>\$ 170,991</u>	<u>\$ 167,670</u>	<u>\$ 170,414</u>	<u>\$ 168,709</u>	<u>\$ 160,887</u>	<u>\$ 156,862</u>

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses by function:										
Instruction	36.12%	37.99%	38.48%	38.57%	38.61%	38.79%	38.85%	39.38%	38.64%	39.64%
Public service	0.08	0.06	0.09	0.07	0.11	0.05	0.06	0.09	0.04	0.06
Academic support	10.07	10.99	11.43	11.12	11.01	10.96	10.26	10.22	11.02	12.28
Student services	12.21	13.75	14.43	14.37	14.70	14.01	13.39	12.99	13.10	13.86
Institutional support	14.04	15.17	14.96	14.63	14.29	14.54	14.80	15.54	14.47	14.03
Physical plant operations	9.84	9.66	8.99	8.84	8.72	7.95	7.39	7.55	7.61	7.90
Depreciation	5.70	5.32	4.85	4.83	5.18	5.78	6.16	6.18	6.07	4.88
Student aid	8.82	4.19	4.30	5.16	5.11	4.90	6.14	4.94	6.22	4.70
Auxiliary enterprises	0.48	0.46	0.44	0.48	0.33	0.50	0.45	0.33	0.39	0.39
Interest on capital debt	2.64	2.41	2.03	1.93	1.94	2.52	2.50	2.78	2.44	2.26
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)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total revenues (from schedule of revenues by source less capital appropriations)	\$ 158,085	\$ 148,112	\$ 148,423	\$ 149,678	\$ 153,776	\$ 152,186	\$ 151,910	\$ 150,786	\$ 144,042	\$ 144,740
Total operating expenses (from schedule of expenses by use)	<u>136,578</u>	<u>149,286</u>	<u>167,813</u>	<u>169,833</u>	<u>170,992</u>	<u>167,670</u>	<u>170,414</u>	<u>168,709</u>	<u>160,887</u>	<u>156,862</u>
Total changes in net position	21,507	(1,174)	(19,390)	(20,155)	(17,216)	(15,484)	(18,504)	(17,923)	(16,845)	(12,122)
Net position, beginning	<u>(98,806)</u>	<u>(109,429)</u>	<u>51,951</u>	<u>61,057</u>	<u>65,919</u>	<u>72,538</u>	<u>77,072</u>	<u>81,265</u>	<u>85,903</u>	<u>84,377</u>
Net position, ending	<u>\$ (77,299)</u>	<u>\$ (110,603)</u>	<u>\$ 32,561</u>	<u>\$ 40,902</u>	<u>\$ 48,703</u>	<u>\$ 57,054</u>	<u>\$ 58,568</u>	<u>\$ 63,342</u>	<u>\$ 69,058</u>	<u>\$ 72,255</u>
Net investment in capital assets	\$ 104,726	\$ 103,869	\$ 102,005	\$ 99,772	\$ 98,776	\$ 96,979	\$ 93,771	\$ 89,660	\$ 86,331	\$ 80,136
Restricted - expendable	5,439	5,285	5,101	4,939	4,912	4,742	4,742	2,740	1,364	731
Unrestricted	<u>(175,432)</u>	<u>(207,960)</u>	<u>(216,535)</u>	<u>(52,760)</u>	<u>(42,631)</u>	<u>(35,802)</u>	<u>(25,975)</u>	<u>(15,328)</u>	<u>(4,553)</u>	<u>5,036</u>
Total net position	<u>\$ (65,267)</u>	<u>\$ (98,806)</u>	<u>\$ (109,429)</u>	<u>\$ 51,951</u>	<u>\$ 61,057</u>	<u>\$ 65,919</u>	<u>\$ 72,538</u>	<u>\$ 77,072</u>	<u>\$ 83,142</u>	<u>\$ 85,903</u>

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,

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Enrollments and student demographics:										
Credit FTE	12,331	12,740	13,596	13,659	14,481	14,851	15,051	15,116	15,769	16,091
Unduplicated Credit Headcount	22,160	23,139	24,443	25,571	26,837	27,942	28,096	28,264	29,094	29,032
Percentage - Men	34.7%	36.3%	36.3%	37.1%	37.8%	37.7%	37.7%	36.9%	35.5%	35.5%
Percentage - Women	65.3%	63.7%	63.7	62.9	62.2	62.3	62.3	63.1	64.5	64.5
Percentage - Black	41.9	43.1	48.1	48.8	49.4	50.7	50.2	49.7	49.9	49.2
Percentage - White	22.9	23.2	23.5	24.0	23.8	23.9	24.3	25.1	24.6	24.4
Percentage - Asian	11.8	11.4	9.8	9.4	8.9	8.4	8.2	7.7	7.3	7.2
Percentage - Hispanic	15.9	14.9	14.0	13.0	12.8	11.8	11.4	10.6	4.9	6.5
Percentage - American Indian/other	3.9	4.0	0.3	0.3	0.3	0.4	0.4	0.4	0.5	0.5
Percentage - Unknown	3.6	3.4	4.3	4.5	4.8	4.8	5.6	6.5	12.9	12.2
Degrees awarded:										
Associate	1,761	1,770	1,731	1,794	1,880	1,916	1,857	1,712	1,828	1,702
Certificate	225	331	495	471	475	446	338	167	180	214

Source: Department of Institutional Research.

See accompanying report of independent certified public accountants.

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

STATISTICAL SECTION - FACULTY AND STAFF STATISTICS (UNAUDITED)

For Fall Term in Year

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Faculty:										
Part-time	452	567	543	548	676	635	643	734	757	771
Full-time	336	438	443	467	400	395	407	412	418	413
Percentage tenured	77.7%	67.1%	65.2%	61.8%	74.0%	81.7%	79.9%	80.6%	83.0%	84.0%
Administrative and support staff:										
Part-time	82	76	40	38	18	11	12	20	22	19
Full-time	506	474	470	466	445	453	441	447	472	460
Total employees:										
Part-time	534	643	583	586	694	646	655	754	779	790
Full-time	842	912	913	933	845	848	848	859	890	873
Students per full-time staff:										
Number credit students	15,996	16,672	17,296	18,126	18,099	19,119	19,066	18,692	19,751	19,503
Faculty	48	38	39	39	45	47	47	46	47	47
Administrative and support staff	32	35	37	39	41	42	43	42	42	42
Average annual faculty salary	\$ 65,300	\$ 75,020	\$ 67,883	\$ 69,196	\$ 63,789	\$ 65,212	\$ 64,059	\$ 66,137	\$ 66,236	\$ 67,266

Source: Institutional Human Resource Records.

GROSS SQUARE FEET OF COLLEGE BUILDINGS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Main Campus - Buildings	911,051	911,051	911,051	911,051	911,051	911,051	911,051	900,613	900,613	852,445
Main Campus - 17 Street Garage	230,360	230,360	230,360	230,360	230,360	230,360	230,360	230,360	230,660	230,660
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	88,500	88,500	88,500	-
Northeast Regional Center	109,075	109,075	109,075	109,075	109,075	109,075	109,075	109,075	109,075	109,075
West Regional Center	39,394	39,394	39,394	39,394	39,394	39,394	39,394	39,394	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>1,605,882</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>

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 (UNAUDITED)

City of Philadelphia Last Ten Calendar Years

	<u>Population as of June 30</u>	<u>Average annual unemployment rate</u>
Year:		
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
2016 – 17	1,567,872	5.9
2017 – 18	1,580,863	5.7
2018 – 19	1,584,138	5.1
2019 – 20	1,584,064	7.8

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 STATEMENT OF NET POSITION

June 30, 2020

(In thousands)

Assets:	
Cash on deposit and on hand	\$ 21,212
Investments	54,182
Accounts receivable	9,095
Allowance for doubtful accounts	(3,170)
Due from other governments	2,712
Restricted assets	12,275
Other assets	1,063
Property, plant and equipment	<u>158,580</u>
Total assets	<u><u>\$ 255,949</u></u>
Deferred outflows of resources:	
Deferred outflows	\$ 5,936
Liabilities:	
Vouchers and accounts payable	14,780
Salaries and wages payable	3,820
Accrued expenses	1,555
Funds held in escrow	243
Due to other governments	270
Deferred revenue	2,361
Current portion of long-term obligations	8,025
Noncurrent portion of long-term obligations	62,950
Other post-employment benefits (GASB 75)	<u>143,625</u>
Total liabilities	<u><u>\$ 237,629</u></u>
Deferred inflows of resources:	
Deferred inflows	75,455
Net position:	
Net investment in capital assets	\$ 104,726
Restricted for:	
Capital projects	5,516
Tuition stabilization and scholarships	12,309
Unrestricted deficit	<u>(173,748)</u>
Total net position	<u><u>\$ (51,197)</u></u>

See accompanying report of independent certified public accountants.

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

COMPONENT UNIT STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended June 30, 2020

(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	\$ 139,465	\$ 31,949	\$ 63,193	\$ -	\$ 44,323
			General revenues:		
			Grants and contributions*		74,286
			Interest and investment earnings		2,178
			Miscellaneous		2,082
			Total general revenues		78,546
			Change in net assets		34,223
			Net position - beginning		(85,420)
			Net position - ending		\$ (51,197)

* Includes Commonwealth appropriations of \$38,227 and City of Philadelphia appropriations of \$36,059.

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, 2020

	Beginning balance	Increases	Decreases	Ending balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 31,094,976	\$ -	\$ -	\$ 31,094,976
Fine arts	787,708	114,912	-	902,620
Construction in process	1,013,521	6,295,754	(114,441)	7,194,834
Total capital assets not being depreciated	32,896,205	6,410,666	(114,441)	39,192,430
Capital assets being depreciated:				
Buildings	242,857,135	325,013	-	243,182,148
Other improvements	18,281,507	101,152	-	18,382,659
Equipment	42,166,198	462,703	(15,765)	42,613,136
Furniture	1,300,302	52,550	-	1,352,852
Leasehold improvements	199,231	-	-	199,231
Total capital assets being depreciated	304,804,373	941,418	(15,765)	305,730,026
Less accumulated depreciation for:				
Buildings	124,093,260	5,887,886	-	129,981,146
Other improvements	17,402,375	159,556	-	17,561,931
Equipment	35,805,576	1,690,944	(14,721)	37,481,799
Furniture	1,092,365	41,861	-	1,134,226
Leasehold improvements	181,390	2,306	-	183,696
Total accumulated depreciation	178,574,966	7,782,553	(14,721)	186,342,798
Total capital assets being depreciated, net	126,229,407	(6,841,135)	(1,044)	119,387,228
Business-type activities capital assets, net	\$ 159,125,612	\$ (430,469)	\$ (115,485)	\$ 158,579,658

See accompanying report of independent certified public accountants.

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT
AUDITING STANDARDS***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Community College of Philadelphia (the "College") as of and for the years ended June 30, 2020 and 2019, 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 28, 2020.

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. Given these limitations, during our audit we did not identify any deficiencies in the College's 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.



Philadelphia, Pennsylvania
September 28, 2020