MEETING OF AUDIT COMMITTEE
Community College of Philadelphia
Monday, September 29, 2014 – 10:45 a.m.

Present: Mr. Anthony J. Simonetta, Mr. Jeremiah White (*via* telephone), Donald Generals, Ed.D., Mr. Todd E. Murphy, Mr. James P. Spiewak, Jill Garfinkle Weitz, Esq., Mr. Robert Lucas; and representing Grant Thornton: Mr. Brian Page, Ms. Elizabeth Ireland and Mr. Anthony B. Scott (*via* telephone)

Not Present: Mr. Matthew Bergheiser

AGENDA – PUBLIC SESSION

(1) 2013-14 Final Budget Results (Information Item):

Mr. Spiewak provided a brief overview of the College's budget status and reminded Committee members that much of the discussion regarding the budget took place at the Business Affairs Committee meeting held on September 17, 2014. He pointed out the College ended the year with a surplus of $2.2 million. Tuition and fee revenues were $1.85 million higher than budgeted due to an increase in credit enrollments. Final expenses of $122.8 million were $1.1 million or .9% lower than original budget. Attachment A (2013-2014 Final Budget Results) provides reasons for variances in revenue and expense categories.

(2) 2013-14 Fiscal Year Audit Report (Action Item):

Attachment B contains the formal presentation and audit results for the 2013-2014 fiscal year made by Mr. Brian Page, Engagement Partner, and Ms. Elizabeth Ireland, Senior Manager, from Grant Thornton. Mr. Page began the discussion by reviewing the roles and responsibilities for the financial statements including the auditors, the Board (and Audit Committee) and management reviewed the types of reports the auditors will issue under generally accepted auditing standards (GAAS), and government auditing standards since the College receives so much in financial aid funds. Mr. Page pointed out that they do not give an opinion on the statistical section of the financial statements and supplementary information. Mr. Simonetta asked if the auditors are reviewing the information to ensure its consistency with the audited financial statements. Mr. Page affirmed.

Mr. Page then discussed the scope of Grant Thornton's audit and provided the communications required by GAAS. Specifically, during the course of Grant Thornton's audit, the auditors would identify fraud risks, matters of internal control or material non-compliance. The audit process was a substantive audit, which consists of those activities performed by the auditor to detect material misstatement or fraud. The auditors do test and walkthrough the College's internal controls over areas related to governance, financial reporting, information technology and other key areas such as revenues, employee compensation and payables. Mr. Simonetta asked, given that this is Grant Thornton's first year auditing the College, if there were any added procedures. Mr. Page indicated that they had carefully reviewed the work papers of KPMG, the

College's previous auditor. The auditors reviewed tests that were performed, the scope of the prior year field work, lease documents, and debt agreements to get an understanding of prior year balances and the financial reporting structure. The auditors also reviewed any new changes in internal controls.

Mr. White asked if Grant Thornton reviewed anything as it relates to conflict of interest. Mr. Page indicated that the auditors do understand the College's conflict of interest policy; however, it is not part of Grant Thornton's scope to actually test that area. The auditors do review related party transactions to ensure proper disclosures in the College's footnotes to the financial statements with what other Board members may be a part.

Ms. Ireland discussed some of the key areas of focus during the audit. Specifically, she mentioned reasonableness tests regarding tuition, deferrals, receivables and management's doubtful account allowance calculation as compared to the enrollment population, as well as State and City appropriations and investment earnings.

Mr. Page then discussed the summary of audit adjustments. The most significant adjustment was related to capital leases. When the audit team reviewed the College's capital lease schedule as compared to the general ledger, the auditors noticed that the amount was lower than their expectations. After further review by management and the audit team, it was determined that an adjustment was needed because of how capital leases were being recorded. Mr. Murphy pointed out that since the inception of capital leases over 10 years ago, the College followed the guidance and accounting treatment consistently over this time period, which was never questioned by previous auditors. The proposed and accepted adjustment was necessary due to a cumulative effect over the ten year period related to how interest expense was being recorded. In each of the previous years, the difference in amounts of interest was small comparing interest on the straight line method versus the effective interest method. The overall effect on the Statement of Net Position was that both the asset and liability was understated, but they essentially netted out. However, there was also a small adjustment that affected the Statement of Revenues, Expenses and Changes in Net Position, which is outlined in the presentation. All new capital leases will reflect the updated accounting treatment going forward. Mr. Simonetta noted that he had discussed the adjustments with Mr. Spiewak, Mr. Murphy, and Mr. Page on Friday, September 26, 2014 and was comfortable with them.

Mr. Page then stated that there had been no disagreements with management in the preparation of the financial statements, and there had been no difficulties encountered in performing the audit. The audit team was in fact very pleased with how quickly management responded to their questions and points of inquiry.

Mr. White asked how the auditors perform their review of the medical and prescription drug program since the College is self-insured. Mr. Page indicated that the audit team reviewed the programs offered, looked at the liability recorded and tested the data that goes into the actuary's report to ensure there is a fair and reasonable estimate. The audit team also reviewed the actuary's credentials to ensure they meet the required standards. As a result of their review, the audit team feels comfortable with the methodology used to determine the amount recorded in the financial statements. Mr. Simonetta mentioned that he suggested that the College expand the employee benefits footnote disclosure and add some additional information related to the self-insurance program.

Mr. Page then discussed the implementation of a new accounting pronouncement – GASB 65. This pronouncement requires that some items previously reported as assets and liabilities now be treated as expenses or revenues. Specifically, this affected the College's deferred financing fees as it relates to bonds issued in the past. This year the College was required to remove from its assets and to record an expense of $1.8 million in deferred financing fees as outlined in Note A to the financial statements. This amount is reflected as a prior year adjustment for fiscal year 2013 and will be mentioned in this year's audit opinion.

Several technical updates, projects, regulatory issues and upcoming accounting pronouncements were discussed with the Committee, which are outlined in the presentation. Mr. White suggested that Grant Thornton provide a specific update on emerging issues and the state of higher education in general to the full Board of Trustees at its meeting scheduled for October 2, 2014.

Mr. Murphy provided Attachment C which contains the key variances in general ledger accounts. This document explains the major factors that contributed to the general ledger account values between fiscal years 2013 and 2014.

Action: Mr. White made a motion to accept the 2013-2014 financial statement audit. Mr. Simonetta seconded. The motion passed unanimously.

Please note that the 2013-2014 Financial Statements are appended separately to the minutes.

(3) Internal Audit Plan 2014-2016 Year Update (Information Item):

Mr. Lucas, Internal Auditor, presented a brief status report of the 2014-2016 audit plan. He stated that there are currently several audits in progress and two carry-over audits from the previous fiscal year - payroll and the TAACCCT grant. Regarding the payroll audit, Mr. Lucas reported that the audit is nearly complete, no internal control issues have been noted in testing to date, and he expects to issue his report shortly. The TAACCCT grant is still on-going, as are audits of the 10,000 Small Businesses Grant and financial aid.

Mr. Lucas pointed out that he is working with management on some follow-up items which include updates of various purchasing and expense related policies. Mr. Lucas noted that there are several outstanding questions including the applicability of those policies to the Foundation. Mr. White asked about the Foundation's internal controls and if the College had a management agreement with the Foundation which is a separate legal entity. Staff reported that the College does not have a separate agreement. Mr. White indicated that this is something that should be memorialized. Regarding College employees who provide services to the Foundation, they must adhere to College policies and procedures.

Mr. Lucas concluded his remarks and stated he will provide another update at the next Audit Committee meeting.

(4) February 2015 Meeting Date (Information Item):

Mr. Murphy reminded the Committee that its next meeting will be to discuss the results of the College's A-133 audit. Typically this meeting is scheduled for the month of February, since the deadline to submit the results to the Department of Education is March 31st of each year. Mr. Page felt that the audit team will complete the process in December 2014 and that the Audit Committee could expect to meet shortly thereafter.

EXECUTIVE SESSION

During any Audit Committee meeting, management, the independent auditors or the internal auditor may request an Executive Session to meet privately with the Audit Committee. No executive session was considered necessary.

TEM/lh
Attachments

cc: Dr. Donald Generals, Jr.
Mr. James P. Spiewak
Jill Garfinkle Weitz, Esq.
Mr. Robert Lucas
Representing Grant Thornton: Mr. Brian Page and Ms. Elizabeth Ireland

ATTACHMENT A

2013-2014 FINAL BUDGET RESULTS

Community College of Philadelphia
Enrollment Information (FTEs) for Fiscal Year 2013-2014

	Actual FY 12-13	Budgeted FY 13-14	Actual / Projected FY 13-14	Actual FY 14 vs Budgeted FY 14	% Variance
CREDIT					
Summer 2	1,837	1,829	1,865	36	1.99%
Fall	12,825	12,309	12,950	641	5.21%
Spring	12,878	12,455	12,739	284	2.28%
Summer 1	2,691	2,750	2,547	(203)	-7.38%
Credit Year-to-date Totals - Annual FTEs	**15,115**	**14,672**	**15,051**	379	2.58%
NONCREDIT					
Summer 2	93	94	58	(36)	-38.30%
Fall	598	686	525	(161)	-23.47%
Spring	561	603	382	(221)	-36.65%
Summer 1	186	268	133	(135)	-50.37%
Noncredit Year-to-date Totals - Annual FTEs	**719**	**826**	**549**	(277)	-33.49%

Community College of Philadelphia
Operating Budget Projections
Fiscal Year 2013-2014

	Original Budget	Final Results at June 30, 2014
REVENUES		
Student Tuition and Fees	$73,549,267	$76,686,006
Commonwealth of Pennsylvania	28,226,906	28,179,310
City of Philadelphia	18,843,343	18,457,126
Other Income	1,687,400	1,754,677
TOTAL REVENUES	**$122,306,916**	**$125,077,119**
EXPENSES		
Salaries, Net of Lapsed Funds	$72,164,281	$71,063,906
Fringe Benefits	31,177,700	32,333,957
Other Expenses	20,407,960	19,259,994
Student Financial Aid	175,000	181,307
TOTAL EXPENSES	**$123,924,941**	**$122,839,164**
Projected (Deficit) Surplus *	**($1,618,025)**	**$2,237,955**
Transfer of funds to Plant Fund for Campus Expansion Projects		**$2,000,000**
Increase to Unrestricted Fund Balance		**$237,955**

* Prior to impact of GASB45 accrual

Community College of Philadelphia
Operating Budget Projection
Fiscal Year 2013-2014

	Original Budget	Final Results at June 30, 2014	
OPERATING REVENUES			
State Funding	$28,036,906	$28,036,906	
State Lease funding	190,000	142,404	
Total State Revenues	**28,226,906**	**28,179,310**	
Tuition - Credit Students	60,559,252	64,089,836	Reflects higher than budgeted credit enrollments and a change in the billing policy related to student withdraws prior to the census date.
Technology Fee	10,196,700	10,753,470	Reflects higher than budgeted credit enrollments and a change in the billing policy related to student withdraws prior to the census date.
Net Contribution from: Contracted Noncredit Instruction; Other Noncredit Instruction; Adult Community Noncredit Instruction	551,500	438,626	Reflects actual contributions from noncredit and other special programs.
Course Fees	3,291,615	3,491,609	Reflects higher than budgeted credit enrollments and a change in the billing policy related to student withdraws prior to the census date.
Student Regulatory Fees	957,200	1,195,462	Reflects impact on new late fee associated with the student payment plan option.
Tuition Adjustments - Student Receivable Write-offs, Collection Costs, Credit Card Costs & Senior Citizen Discount	(2,007,000)	(3,282,997)	Reflects higher than budgeted write-offs, associated with the change in the billing policy, and higher than budgeted discounted tuition.
Total Student Tuition & Fees	**73,549,267**	**76,686,006**	
City Operating Funds	**18,843,343**	**18,457,126**	Reflects the use of City appropriations for the completion of West Building projects.
Investment Income	660,000	693,740	Interest earnings were lower than budgeted but total investment income was aided by unrealized gains on longer-term investments.
Vocational Education Funding	200,000	163,503	
Indirect Costs, Administrative Allowances	300,000	306,099	
Parking Proceeds & Miscellaneous Income	527,400	591,335	
Total Other Income	**1,687,400**	**1,754,677**	
TOTAL OPERATING REVENUES	**$122,306,916**	**$125,077,119**	

Community College of Philadelphia
Operating Budget Projection
Fiscal Year 2013-2014

	Original Budget	Final Results at June 30, 2014	
OPERATING EXPENSES			
Salaries			
Full-Time Administrative Salaries	15,342,969		
Less: Projected Lapsed Salaries	(600,000)		
Net Full-Time Administrative Salaries	14,742,969	14,191,006	Reflects savings due to multiple administrative vacancies during the year.
Full-Time Faculty Salaries	28,274,336		
Less: Projected Lapsed Salaries	(150,000)		
Net Full-Time Faculty Salaries	28,124,336	28,716,253	Higher number of VLs utilized than budgeted.
Full-Time Classified Salaries	10,749,777		
Less: Projected Lapsed Salaries	(600,000)		
Net Full-Time Classified Salaries	10,149,777	9,780,086	Reflects savings due to higher than anticipated classified and confidential vacancies.
Subtotal - Full-Time Salaries	**53,017,082**	**52,687,345**	
Part-Time & Overload Credit Salaries	9,814,525	10,196,803	Reflects higher than budgeted number of sections offered for the Fall and Spring semesters.
Summer Credit Instruction	4,322,276	3,818,500	Reflects lower than budgeted number of sections offered during the summer terms.
Part-Time & Overload Non-Credit Salaries	316,956	403,226	
All Other Salaries	4,243,442	3,719,696	Reflects savings in the following budget lines: Part-time Administrative, Extended Time Payments, Advising, Part-time Classified and Student wages.
Early Retirement Incentive Payments	450,000	238,336	Reflects lower than budgeted staff requesting the Retirement Incentive Option.
Subtotal - Other than Full-Time Salaries	**19,147,199**	**18,376,561**	
Total Salaries	**72,164,281**	**71,063,906**	
Fringe Benefits			
Medical Program	20,264,000	21,893,925	Reflects higher than budgeted claims, including seven claims that exceeded the stop loss limit.
Retirement	5,542,800	5,596,493	
FICA	3,066,400	2,951,308	
Tuition Remission	700,000	605,539	
Group Life	370,800	416,467	Reflects increased premium rates effective January 1, 2014 after a 3-year fixed rate contract expired.
Unemployment Compensation	366,400	161,515	
Workers' Compensation	271,700	334,298	Reflects premium cost higher than budgeted.
Unused Vacation	228,400	(43,007)	Reflects employees using their accrued vacation time at a higher than typical rate.
Disability Premium	272,200	283,508	
Forgivable Education Loan	95,000	133,911	
Total Fringe Benefits	**31,177,700**	**32,333,957**	

Community College of Philadelphia
Operating Budget Projection
Fiscal Year 2013-2014

	Original Budget	Final Results at June 30, 2014	
Facility Expenses			
Utilities	2,398,610	1,778,733	Reflects savings from electricity procurement and energy saving strategies and lower than budgeted costs for natural gas.
Contracted Security	1,360,880	1,409,604	Reflects increased cost based upon contractual requirements of unionized security guards, effective January 1, 2014
Contracted Cleaning	1,100,000	1,046,932	
All Other Facility Expenses	2,001,872	2,186,857	Reflects cost associated with internal building renewal in anticipation of Middle States visit.
Total Facility Expenses	**6,861,362**	**6,422,126**	
All Other Expenses			
Leased Equipment & Software	4,554,646	4,461,498	
Catalogs and Advertising	1,251,471	1,173,988	
Supplies-Pool	1,469,430	1,083,748	Reflects savings across multiple departments.
Contracted Services	1,377,304	1,584,424	Reflects use of temporary services in place of vacant positions.
Consultant	783,450	732,412	Includes cost of Presidential Search consultants.
Maintenance & Repairs	524,609	520,464	
Postage	428,600	342,847	Reflects savings from continued improvements in communicating with students by means other than mailings.
Insurance	635,000	609,950	
Legal Fees	200,000	781,020	Reflects cost associated with the Burt Hill litigation.
Other Expenses	2,322,088	1,547,517	Reflects savings in other budget lines including contingency accounts.
Total All Other Expenses	**13,546,598**	**12,837,868**	
King Scholarship	**175,000**	**181,307**	
TOTAL OPERATING EXPENSES	**$123,924,941**	**$122,839,164**	
Projected (Deficit) Surplus *	**($1,618,025)**	**$2,237,955**	
Transfer of funds to Plant Fund for Campus Expansion Projects		**$2,000,000**	
Increase to Unrestricted Fund Balance		**$237,955**	

* Prior to impact of GASB45 accrual

ATTACHMENT B

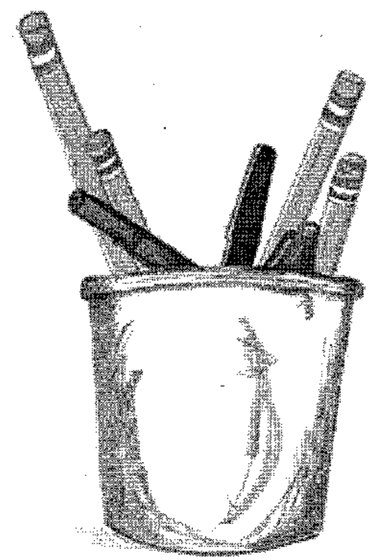
2013-14 FISCAL YEAR

GRANT THORNTON PRESENTATION

Grant Thornton

Discussion with the Audit Committee of Community College of Philadelphia

September 29, 2014

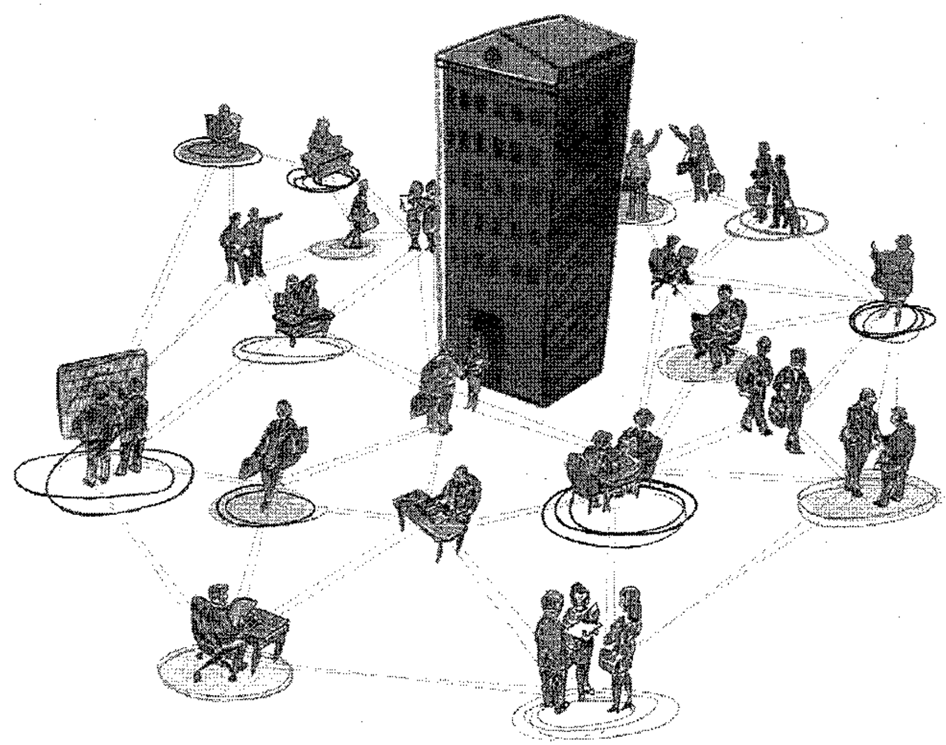


Our values are CLEARR

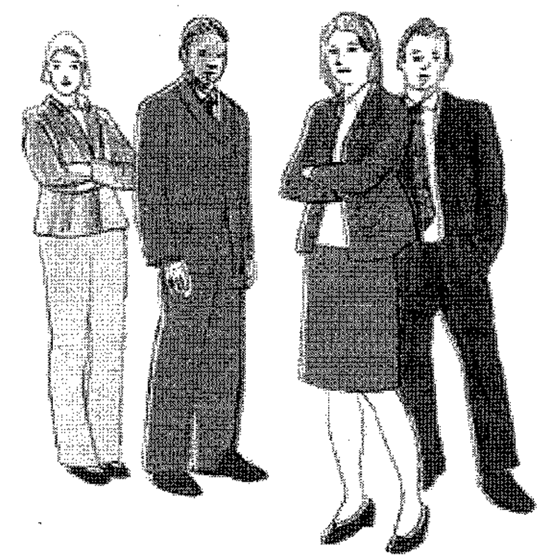
To achieve our global vision, we capitalize on our strengths by embracing the following values:

- Unite through global **Collaboration**
- Demonstrate **Leadership** in all we do
- Promote a consistent culture of **Excellence**
- Act with **Agility**
- Ensure deep **Respect** for people
- Take **Responsibility** for our actions

Our values serve as the foundation of each step we take toward achieving our vision. They guide our decision-making and provide a framework for our people to make correct and appropriate choices.



Responsibilities



Our responsibilities

We are responsible for:

- Performing an audit of the College's financial statements as prepared by management, with your oversight, conducted under US GAAS and *Government Auditing Standards*
- Forming and expressing an opinion about whether the financial statements are presented fairly, in all material respects in accordance with US GAAP
- Forming and expressing an opinion about whether certain supplementary information, including the Schedule of Expenditures of Federal Awards, is fairly stated in relation to the financial statements as a whole
- Reading other information and considering whether it is materially inconsistent with the financial statements
- Communicating fraud involving management and abuse with regard to federal programs
- Communicating specific matters to you on a timely basis; we do not design our audit for this purpose
- Reporting material noncompliance related to laws, regulations, contracts and grant agreements, as well as significant deficiencies and/or material weaknesses in internal control related to financial reporting
- Reporting material noncompliance with federal awards requirements applicable to major program(s) audited under OMB Circular A-133, as well as, significant deficiencies and/or material weaknesses in internal control over compliance.

An audit provides reasonable, not absolute, assurance that the financial statements do not contain material misstatements due to fraud or error. It does not relieve you or management of your responsibilities. Our respective responsibilities are described further in our engagement letter.

Those charged with governance and management responsibilities

Those Charged with Governance

Those charged with governance are responsible for:

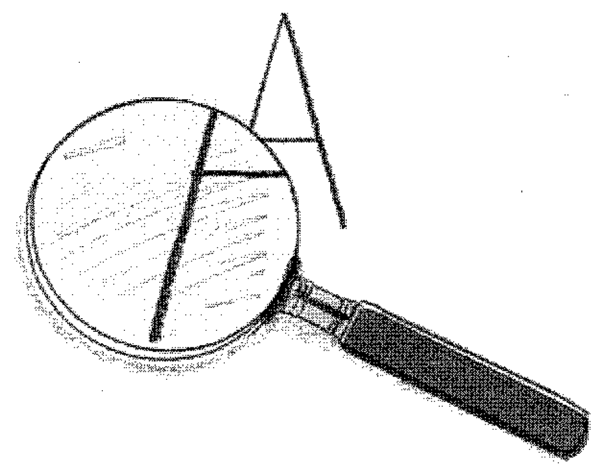
- Overseeing the financial reporting process
- Setting a positive tone at the top and challenging the Organization's activities in the financial arena
- Discussing significant accounting and internal control matters with management
- Informing us about fraud or suspected fraud and abuse, including your views about fraud risks
- Informing us about other matters that are relevant to our audit, such as:
  - Objectives and strategies and related business risks that may result in material misstatement
  - Matters warranting particular audit attention
  - Significant communications received from regulators
  - Matters related to the effectiveness of internal control and your related oversight responsibilities
  - Your views regarding our communications and your actions regarding previous communications

Management

Management is responsible for:

- Preparing and fairly presenting the financial statements in accordance with US GAAP
- Designing, implementing, evaluating, and maintaining effective internal control over financial reporting and over compliance with federal grant requirements
- Communicating significant accounting and internal control matters to those charged with governance
- Providing us with unrestricted access to all persons and all information relevant to our audit
- Informing us about fraud, abuse, illegal acts, significant deficiencies, and material weaknesses
- Adjusting the financial statements, including disclosures, to correct material misstatements
- Informing us of subsequent events
- Providing us with certain written representations

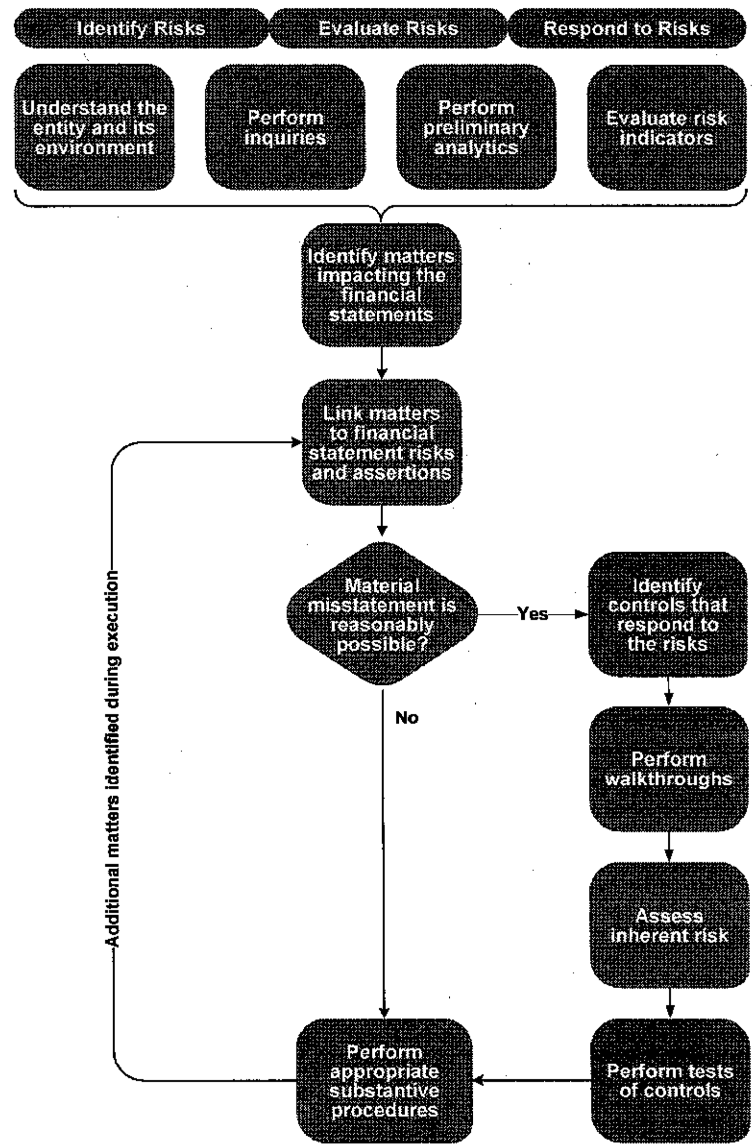
Audit scope



Horizon audit methodology

We approach our audits by:

- Understanding the institution's business processes, including the environment it operates in, and significant or unusual transactions/activities
- Using that knowledge and understanding to analyze the institution's financial statements
- Determining materiality
- Identifying areas more likely to be materially misstated
- Focusing audit attention and effort on those areas



Audit timeline

May/June 2014	Client acceptance	• Client acceptance • Engagement letter • Conducted internal client service planning meeting
June 2014	Planning	• Met with management to confirm expectations and discuss business risks • Discussed scope of work and timetable • Identified current-year audit issues and discuss recently issued accounting pronouncements • Conducted initial audit committee communications
June 2014	Preliminary risk assessment procedures	• Developed audit plan that addresses risk areas • Updated understanding of internal control environment • Coordinated planning with management and develop work calendar
June/July 2014	Interim procedures	• Performed walk-throughs of business processes and controls • Performed majority of A-133 compliance testing • Performed selective substantive testing on interim balances
August/September 2014	Final fieldwork and deliverables	• Performed final phase of audit and year-end fieldwork procedures • Met with management to discuss results • Presented results to the Audit Committee

Areas of focus

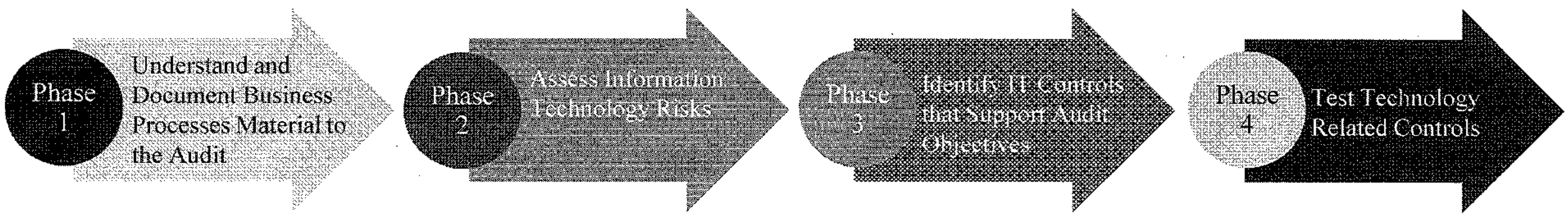
The following provides an overview of the areas of significant audit focus based on our risk assessments.

Areas of focus	Results
Tuition revenue, auxiliary enterprises and related receivables/deferred revenue	• Performed reasonableness test on tuition, student aid and auxiliary income amounts. • Performed deferred revenue testing to determine proper cut-off. • Performed tests of existence of student receivables • Reviewed management's analysis of allowances for doubtful accounts for consistency with methodology and accuracy of inputs
State and city appropriations	- Obtained detail of state appropriations received for fiscal year. - Tested appropriation amounts to supporting documentation - Reviewed receivable, determining calculation is correct based on cash received and amounts outstanding based on confirmation.

Areas of focus, continued

Areas of focus	Planned approach
Investments and related earnings	- Confirmed investments with custodian and, if applicable, fund manager. - Tested valuation of publicly traded investments using an independent pricing source. - Tested the recognition of investment earnings by recalculating and/or testing sales activities.
State and federal grants and contracts	- Reviewed contract documents for understanding of the terms - Compared revenues and recorded expenses to determine that amounts are being recorded appropriately based upon the terms of the contracts - Reviewed any deferred amounts for reasonableness - Agreed any subsequent collections to year-end receivable balances - Reviewed financial statement presentation and disclosure

Technology support As part of the audit process



Processing transactions and producing the information needed to manage day-to-day activities is an important aspect of an institution's internal control structure. A critical component of our audit approach is to understand how information technology is used in supporting business operations and producing financial reports. Our technology specialists place particular emphasis on the risks relating to the use of technology and its associated controls, processes and practices.

Our general controls review evaluates the design of controls that mitigate risk in areas such as organization and operations, protection of physical assets, application systems development and maintenance, access controls and computer operations.

Summary of adjustments ($000s)

AJE No.	Account Description	Debits	Credits
1	Accounts payable and accrued liabilities	261,176.37	-
1	Cash and cash equivalents	-	261,176.37
	To reduce accounts payable and cash for "net-pay" accrual		
2	Current portion of capital lease obligation	24,296.00	-
2	Depreciation	469,077.79	-
2	Capital assets, net	2,907,477.47	-
2	Capital lease obligation	-	3,400,851.26
	Adjustment to correct capital lease obligation and related expenses		

Summary of passed adjustments

		(Decrease)/Increase				
PAJE No.	**Account Description**	**Assets**	**Liabilities**	**Net Assets**	**Revenue**	**Expenses**
1	Long-term debt	-	(206,000)	-	-	-
1	Accounts receivable, net	(206,000)	-	-	-	-
	To reduce debt and accounts receivable to reflect amounts drawndown on agreement					
2	Net investment in capital assets	-	-	(447,076)	-	-
2	Debt service interest expense	-	-	-	-	(447,076)
	To record prior year effect of lease adjustment for prior year's interest error.					
	Totals	(206,000)	(206,000)	(447,076)	-	(447,076)
	Totals per Financial Statement Classification	228,490,487	155,952,447	72,538,040	166,155,690	161,621,146

Internal control matters

Our responsibility

- Obtain reasonable assurance about whether the financial statements are free of material misstatement
- Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control
- We express no opinion on the effectiveness of internal control
- Control deficiencies that are of a lesser magnitude than a significant deficiency will be (or were) communicated to management.

Definitions

- A deficiency in internal control ("control deficiency") 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 or noncompliance with a type of compliance requirement of a federal program 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 or material noncompliance with a type of compliance requirement of a federal program of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Internal control matters

We identified an internal control matter over financial reporting which merits attention of the audit committee as follows:

GAAP requires leases that meet certain criteria to be capitalized. The asset should be depreciated over the lesser of the useful life or lease term. The interest expense on the liability should be recorded based on the effective interest method.

The College was recording the expense and reduction of principals/asset balance based on total principal and interest payments made resulting in understating the total lease liability and capital asset balance. It also resulted in an annual income statement difference based on the difference between recording interest on the effective interest method vs the straight line method.

We recommend that management change current policies for recording of capital leases and related recurring journal entries to reflect GAAP methodology as outlined above.

We identified an internal control recommendation related to information technology.

Best practices in information technology suggest that inactivity logouts be employed for applications to prevent unauthorized access due to an unlocked computer.

The college does not have inactivity log outs in certain applications.

We recommend that the College institute these lockouts for all applications.

Other required communications

Disagreements with management

None noted

Management's consultations with other accountants

N/A

Significant issues discussed with management

None noted.

Other required communications (continued)

Significant difficulties encountered during the audit

None noted

Related parties and related party transactions

None noted

Other required communications (continued)

Other findings or issues

None noted

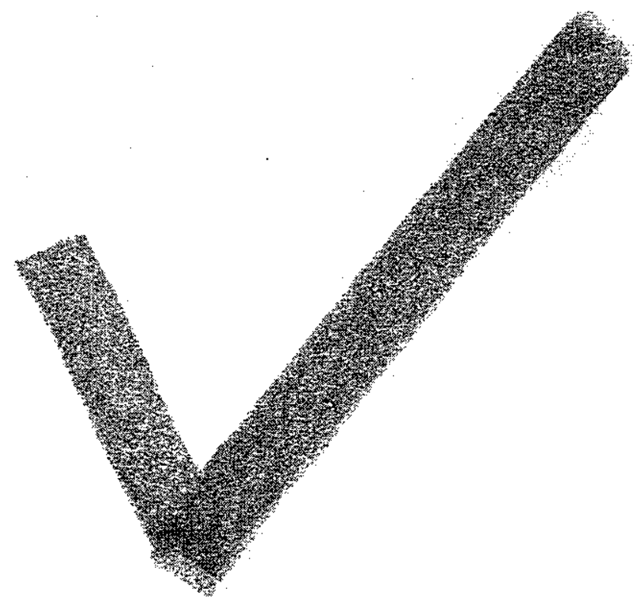
Modifications to the auditor's report

- Adoption of GASB 65
- Predecessor auditor reference
- Supplemental information

Other information in documents containing audited financial statements

None noted

Other matters



Value provided

Deliverables
Report on the financial statements of the Community College of Philadelphia (the "College") as of and for the year ended June 30, 2014.
Report on Compliance and Internal Control as required by OMB Circular A-133 for the year ended June 30, 2014.
Prepare the University's IRS Forms 990, 990T and related filings for the year ended June 30, 2014.
Report on Agreed Upon Procedures in accordance with City of Philadelphia guidelines for the year ended June 30, 2014.
Inform management and the audit committee in connection with relevant audit, accounting, financial reporting, internal control, and tax-related matters.
Communicate identified control deficiencies and/or other relevant areas for improvement.
Provide thought leadership materials addressing industry and technical developments, such as: State of Higher Education, OnCourse, Webinar series, local roundtable seminars, and CFO Roundtable.

Commitment to promote ethical and professional excellence

We are committed to promoting ethical and professional excellence. To advance this commitment, we have put in place a phone and Internet-based hotline system.

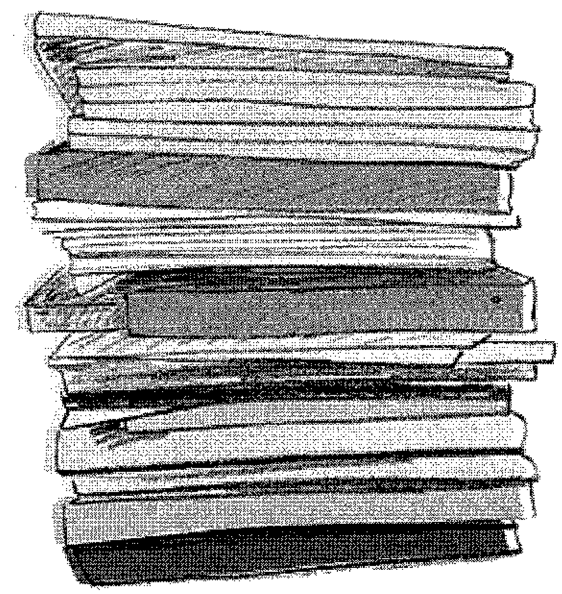
The Ethics Hotline (1.866.739.4134) provides individuals a means to call and report ethical concerns.

The EthicsPoint URL link

- Can be found on our internal website
- Can be accessed from our external website (https://secure.ethicspoint.com/domain/en/report_custom.asp?clientid=15191)

Disclaimer: EthicsPoint is not meant to act as a substitute for a Organization's "whistleblower" obligations.

Technical updates



NACUBO project – Blank slate project

Summary	Potential Impact
• Objective – Higher Education organizations are currently divided into two reporting categories – FASB and GASB. This does not allow their financial statements to be easily compared. This would develop one reporting model. • Current items being considered: ✓ New financial statements: ✓ Balance sheet – would not be classified, pledges would be an asset with offsetting deferred inflow of a resource (deferred revenue), net assets would be replaced with resource categories of undesignated, designated (by the board), investment in plant and endowment (both true and quasi) ✓ Income statement – revenues would be displayed in two categories: fees for services (exchange) and current support (nonexchange), expenses would be reported by natural classification, with functional expenses disclosed in the footnotes ✓ Statement of changes in resources – explains how resources are assigned (use for operations, conserve for the future, etc.) ✓ Statement of cash flows – unclear if this statement would remain, however if it does remain, it will be prepared using the direct method ✓ Footnote disclosures – would include additional disclosures on the liquidity of cash and investments, endowment components and a reconciliation of net tuition revenue and the sources of the funds (e.g., family payments, grants, federal loans, institutional loans, etc.) that paid for the net tuition revenue • NACUBO is still developing its model, seeking feedback, and holding meetings with both FASB and GASB.	Colleges and Universities should monitor and provide timely input/feedback to NACUBO regarding developments of the Blank Slate Project and consider how such changes could impact their reporting, debt covenants, dashboards, etc

GASB 65, *Items previously reported as assets and liabilities*

Summary	Potential Impact

• Reclassifies certain items currently reported as assets and liabilities to be reported as deferred outflows of resources and deferred inflows of resources.
• Applies only to those items specifically identified in the guidance
• Examples include
    • Loss/gain on refunding of debt
    • Deferred revenues
    • Deferred gain from sale leaseback transaction
• Certain items previously treated as assets or liabilities will be expensed or recognized into income. Examples include
    • Bond issuance costs
    • Initial direct costs of leases
• Effective for periods beginning after December 15, 2012, early adoption encouraged.
	Certain balances such as deferred financing costs, will be charged to expense at the time of the bond issuance instead of being amortized over the life of the bond. Additionally, certain items will be reclassified as a deferred inflow or outflow impacting presentation on the statement of net position. Depending on the type of entity and transactions involved, this is likely to have a material impact upon adoption related to the transactions and accounts specifically identified such as write off of bond amortization costs.

GASB Statement 68, *Accounting and financial reporting for pensions- an amendment of GASB Statement No. 27*

Summary	Potential Impact
• Scope is limited to pensions provided through trusts that meet certain criteria • Excludes all OPEB • Applies to employers and non-employer contributing entities that have a legal obligation to make contributions directly to a pension plan • Revised recognition, measurement, and disclosure requirements for all employers ➢ Liability is measured net of pension plan's fiduciary net position and is fully recognized in accrual-basis financial statements ➢ Changes in the obligation ○ recognized as expense in the period of the change OR ○ recognized as deferred outflows/inflows of resources with expense recognized over defined future periods • Defines net pension liability - overall pension obligation minus assets • Each participating employer must record allocated share of plan unfunded liability (i.e., a government participating in a cost-sharing defined pension plan will report a liability in its own financial statements that is equivalent to its long-term proportionate share of the collective net pension liability- basis for allocation will be based on the employers expected contribution effort relative to that of all contributors) • Effective for periods beginning after June 14, 2014.	Pronouncement could have a significant impact on the statement of net position as certain cost sharing employers will be recording an estimated/apportioned pension liability for the first time.

GASB Statement 69, *Government combinations and disposals of government operations*

Summary	Potential Impact
• Applies to combinations with private NFP organizations and other governments • Differentiates between a merger, acquisition or transfer of operations • Merger – at carrying value at the beginning of the reporting period • Acquisition – acquisition value/date • Transfer of operations – carrying value • Scope includes: ➢ Combinations in which no consideration is provided ➢ Government mergers ➢ Transfers of operations ➢ Combinations in which consideration is provided ➢ Government acquisitions ➢ Disposal of government operations • Effective for periods beginning after December 15, 2013, applied prospectively.	Provides specific guidance on mergers and acquisitions resulting in clarity of treatment which could result in certain acquisitions being recorded at fair value. Additionally, requires acquisition costs to be expensed as incurred.

GASB major projects

Major Project	Timing
Conceptual Framework:	
- Measurement	Final to be issued in 1Q14
- Recognition	An invitation to comment was issued in 2011, with no current date for an exposure draft to be issued.
Fair value Measurement and Application	Exposure draft to be issued in 2Q14
Leases	Exposure draft to be issued in 4Q14
Postemployment Benefit Accounting and Financial Reporting:	
- Other Postemployment Benefit Accounting and Financial Reporting- Employer	Exposure draft to be issued in 2Q14
- Other Postemployment Benefit Accounting and Financial Reporting- Plan	Exposure draft to be issued in 2Q14
- Pensions Not Within Statement 68 Scope	Exposure draft to be issued in 2Q14

GASB major project – Conceptual framework, measurement and recognition

Summary	Potential Impact
• Two primary objectives for this project, as follows: 1) develop recognition criteria for *whether* information should be reported in state and local governmental financial statements and *when* that information should be reported. 2) consider the measurement concepts, both the measurement approach or approaches that conceptually should be used in governmental financial statements and measurement attributes (the feature of the assets or liabilities that is measured). • The Board is currently evaluating feedback from the exposure draft issued in June 2013, with a final Concepts statement on Measurement to be issued in March 2014. The Recognition element of this project is currently on hold.	This project is intended to revisit the entire measurement and recognition guidance at a conceptual level, which could have a major impact on the future of these important concepts with wide-spread impact to any entity reporting under GASB.

GASB major project – Fair value measurement and application

Summary	Potential Impact
• The objective of this project is to review and consider alternatives for the further development of the definition of fair value, the methods used to measure fair value, the applicability of fair value guidance to investments and other items currently reported at fair value, and potential disclosures about fair value measurements. • The following questions will be considered: 1. What is the objective of fair value measurements in financial reporting? 2. What guidance should be provided for appropriate methods and inputs for the development of fair values? 3. For the development of fair value estimates, should there be a hierarchy of inputs, such as between market-observed prices and model-based information? 4. Should all investments reported by governments be measured at their fair values? 5. Should additional guidance be provided that further defines an investment? 6. Which fair value disclosures are appropriate? • An exposure draft will be issued in May of 2014.	Following the steps taken by the FASB to update fair value measurements with the intention of alignment with International Accounting Standards, GASB will provide updates to existing measurement guidance. This could impact all governmental entities, but the process is in the very preliminary stages.

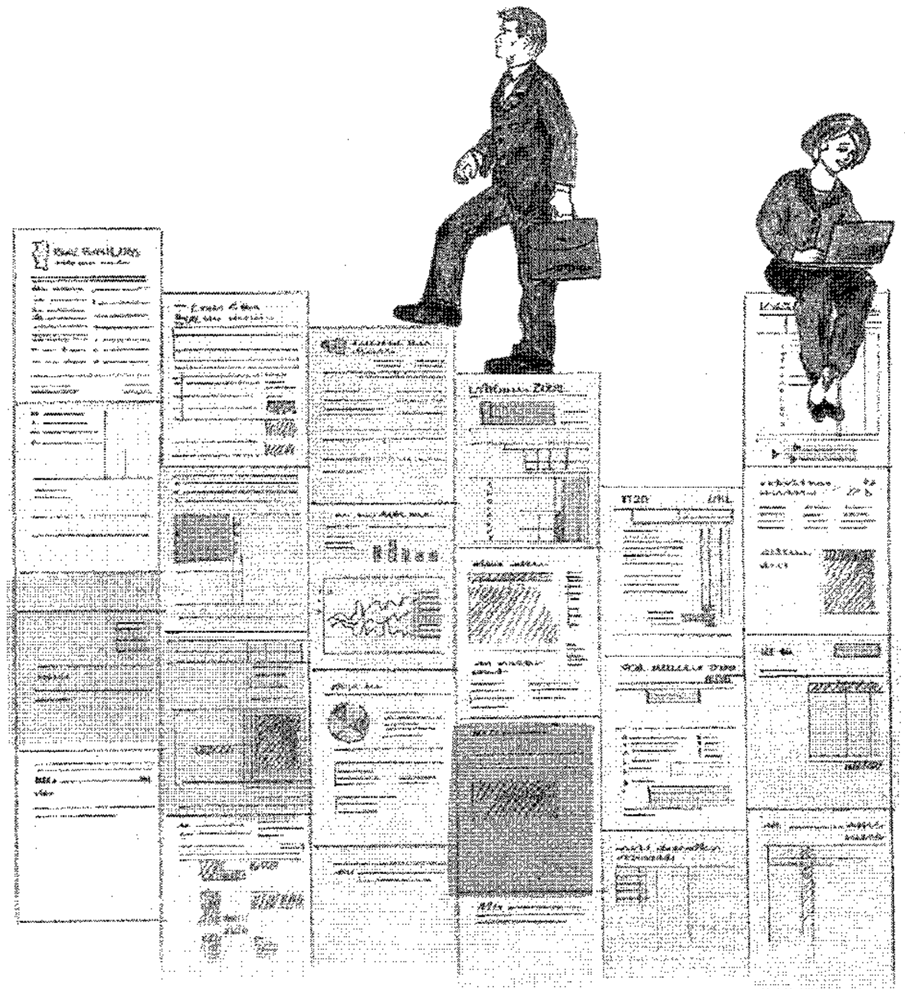
GASB major project – Leases

Summary	Potential Impact
• The objective of this project is to reexamine issues associated with lease accounting, considering improvements to existing guidance. This project will provide a basis for the Board to consider whether current operating leases meet the definitions of assets or liabilities. • The project is considering the following issues: 1. What types of leases are entered into by state and local governments? 2. What specific user needs exist regarding governmental leases and what decision-useful or accountability information is needed to meet those needs? 3. Are current accounting and financial reporting standards appropriate to meet essential user needs? 4. Should there be a distinction between types of leases, such as operating and capital? 5. If current standards are not considered adequate, what additional potential requirements should be considered? • The board is currently deliberating various topics within the scope of this project such as lessee disclosures, lessor recognition and measurement and lessor disclosures. The Board plans to issue an exposure draft in November 2014.	Similar to the GASB Major Project addressing fair value measurements, this project reflects an effort by the GASB to align its accounting for leases with the accounting guidance proposed by the FASB and IASB as a joint project. The most significant change would be the elimination of operating leases, which would have an impact on all entities with lease arrangements.

GASB major project – Postemployment benefit accounting and financial reporting, employer & plan

Summary	Potential Impact
• One objective of this project is to improve accountability and the transparency of financial reporting in regard to the financial effects of employers' commitments and actions related to OPEB. Another objective of this project is to improve the usefulness of information for decisions or judgments of the various users of the general-purpose external financial reports of governmental employers and OPEB plans. • The board is currently deliberating various topics within the scope of this project and plans to issue an exposure draft in April 2014.	Once issued, this standard could have a significant impact on accounting and reporting of other postemployment benefits by state and local governmental employers and by the trustees, administrators or sponsors of OPEBs.

Regulatory updates



The White House – Support for Higher Education

Summary	Potential Impact
Helping Middle Class Families Afford College ○ Maximum Pell Grant award raised to $5,635 for the 2013-14 award year. ○ "Pay as You Earn" plan expands income based repayment, caps repayment of student loans to 10 percent of monthly income. ○ Keeping student loan interest rates low Keeping Costs Down ○ Shift aid away from colleges that fail to keep net tuition down. ○ Reward states that systematically change their higher education policies and procedures. ○ Proposed investment of $55M in a new First in the World competition strategy that will boost higher education attainment and student outcome, while leading to reduced costs. Strengthening Community Colleges ○ $1B investment in community colleges and industry partnerships ○ $8B investment for community colleges to partner with businesses to train workers. Improving Transparency and Accountability ○ Department of Education and the Consumer Financial Protection Bureau will create a model financial aid disclosure form – the "Financial Aid Shopping Sheet." ○ Launch a College Scorecard ○ Establishing principles for educational institutions serving service members, veterans, spouses and other family members	All employers are encouraged to review the impact of the law on their business operations as well as understand the potential financial implications. From a practical perspective, all employers should review their existing data warehouse initiatives to understand the information needed for additional external facing reports and information made available to regulators, students, donors, alumni, faculty, etc.

Congressman Camp tax proposal

Summary	Potential Impact
<u>Unrelated Business Income</u> • Subject royalty income from licensing of name and logo rights to unrelated business income (UBI) • Segregate unrelated business activities so that the gain or loss from one activity cannot offset the gain or loss of another activity. (Ex. Losses from rental activities could not offset gains from limited partnership activities). Losses from a particular activity could be carried back to the prior two tax years or carried forward to the subsequent 20 tax years, but only to offset UBI from that same activity. Built up net operating losses prior to the effective date would still be allowed. • Research income for institutions operated primarily for purposes of carrying out fundamental research would only be excluded from UBI if the results of such research are freely available to the general public. • The specific deduction to offset UBI would be increased from $1,000 to $10,000 • The definition of "qualified sponsorship payments" (QSP) would exclude from the permitted substantial return benefit the use or acknowledgment of the sponsor's products. Would also exclude from the definition of QSP an event sponsor that receives acknowledgment substantially greater than other donors in respect to such event. (Ex. –Corporate Sponsorship of a Bowl Game would likely constitute advertising).	<u>Penalties</u> • Doubling of penalties on failure to timely file returns or failure to allow public inspection • Institute a 5% tax on organizational managers for any substantial understatement of tax attributable to UBI. • If more than one manager was involved, the penalty is shared jointly and severally and is capped at $20,000 per instance. Penalty is doubled if the UBI is attributable to activities considered "reportable transactions" by the IRS.

Congressman Camp tax proposal

Summary	Potential Impact
<u>Intermediate Sanctions</u> • Institute an organizational level tax equal to 10% of any transaction found to be an excess benefit • Eliminate the "rebuttable presumption of reasonableness." Procedures that presently provide that presumption of reasonableness will be the *minimum* due diligence standards and create no presumption, except that the procedures eliminate the organizational level tax above. • Treat investment advisors (person/organization primarily responsible for investments) and athletic coaches as "disqualified persons"	The Burden of Proof can no longer be shifted to the IRS.

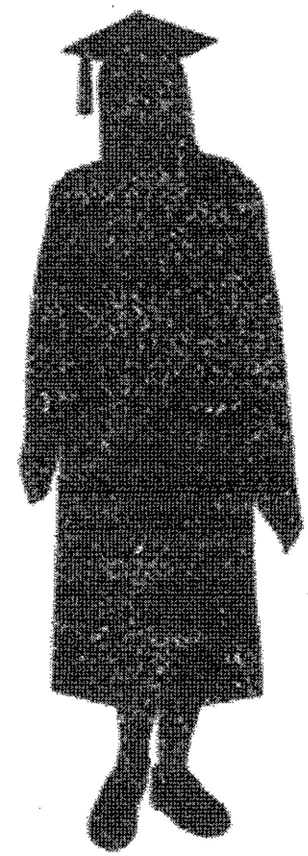
Still hot Higher Education tax and regulatory topics

Summary	Potential impact
Executive Compensation Intermediate Sanction studies we perform oftentimes still result in a failure for a tax exempt organization to meet the intermediate sanctions rebuttable presumption of reasonableness. Compensation over and above the compensation stated in employment contracts is paid out, deferred compensation and severance provisions are not taken into account, complete and accurate senior management expense reviews are not performed, and taxable benefits received are not added to Forms W-2's. Proper reviews of intermediate sanction data points and reconciliations to Form 990 and W-2 filings are necessary.	Full compliance with intermediate sanctions safe harbor requirements, payroll and income tax withholding and filing requirements, and charitable donation solicitation and substantiation has always been recommended due to federal and state civil and criminal penalties.
State Income, Payroll and other Tax and Regulatory Colleges and universities are experiencing federal debt offsets. Colleges and universities must remain diligent when it comes to state tax payments. If an employee resides and works in another state, proper state withholding should happen. If an investment is made through a partnership, and because of that investment the institution has a state income tax filing obligation, the institution should file an income tax return. **Regulatory Audits** We continue to see IRS employment tax, Form 1098-T and 1099 reviews of tax-exempt organizations. The Massachusetts Attorney General recently concluded its executive compensation review that will result in a new form to filed with the annual filing reporting compensation in greater detail and earlier. Many colleges and universities are undergoing mail audits with the Canadian government on tax exempt status issues and proper charitable contribution substantiation.	Many institutions still assume the risk and decide to pass on intermediate sanction reviews and yearly documentation, decide not to file a tax return or withhold tax properly. The consequences for failure to monitor these issues now are bigger and may involve groups or constituencies within an institution that demand immediate attention, such as the Provost's Office, the Audit, Risk and Governance Committees, The President's Office, etc. CFOs, controllers, tax directors and payroll managers should not assume these risks.

OMB Circular update

Summary	Potential impact
In late December 2013, the OMB issued Final Grant Reform Rules in a document titled *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* • Affects over **$600 billion** in annual federal grants provided • It is intended to increase efficiency & effectiveness by streamlining eight Federal regulations (including OMB Circulars A-21, A-110, A-122 and A-133) into a single comprehensive policy guide • One change in particular is to raise the threshold for audit requirement from $500,000 to $750,000 as well as raising the known and questions costs threshold from $10,000 to $25,000. • Effective date: ➢ Administrative requirements and cost principles for all new awards and additional funding to existing awards (funding increments) made after December 26, 2014 ➢ Audit requirements - **12/31/15** year ends	This revised policy will impact every entity receiving federal funds in several ways. Some organizations will no longer require an audit depending on the level of funding received. Uncertainty surrounds much of the new guidance, OMB will not revise the policy but will issue FAQs as needed to provide clarification to the policies.

Industry Updates

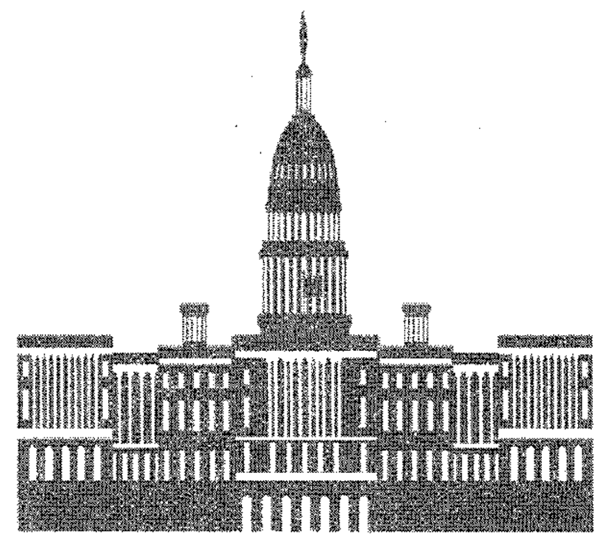


Governance

- Moving toward future-thinking board committees (ie. strategic planning, future programs, master planning, active learning spaces)
- Revamping conflicts of interest policies and procedures to more effectively manage conflicts
- Aligning shared governance (administration, board, faculty processes with sound financial stewardship
- Monitoring strategic plans and strategic risks requires better communication tools and analytics
- Increasing focus on academic and career outcome measurements

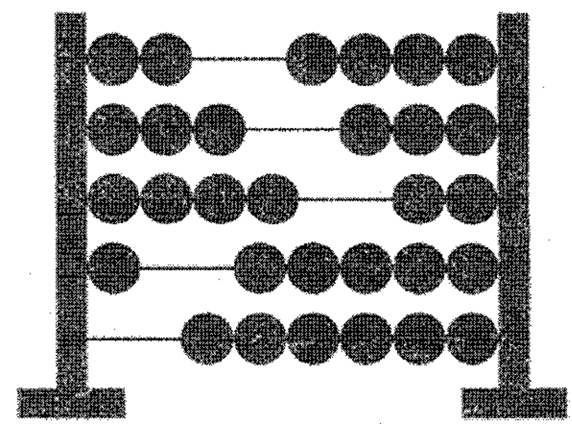
Government funding

- thirty-five states moving forward with some version of performance-based funding for public universities rather than enrollment based funding; increased focus on community colleges as job and career training centers to meet regional employment needs
- increase in maximum Pell Grant award to $5,730 for 2014-15; other student financial aid programs held level; Dept. of Ed fiscal responsibility test negatively impacting a growing number of schools
- White House pushes to create more manufacturing innovation institutes on college campuses and increase funding for jobs training programs at community colleges



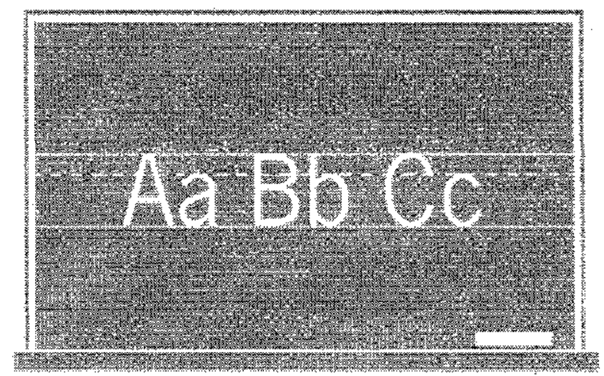
Increasing student outcomes

- Developing learning assessment tools
- Establishing structured pathways from meta majors to specific majors/minors
- On-time graduation with15 credits as full time, costing the same as 12 credits
- Creating real-time tracking of milestones for student success and interventions to keep student on track
- Transforming remediation programs with just in time instructional support, mathematics courses aligned to programs of study and matching curriculum to real-world career needs
- Realigning student advising, career counseling, internships, externships and faculty development to improve post graduation opportunities
- Developing freshmen and sophomore survey tools to identify students at risk for not-completing on time
- Developing data base to track non-returning students



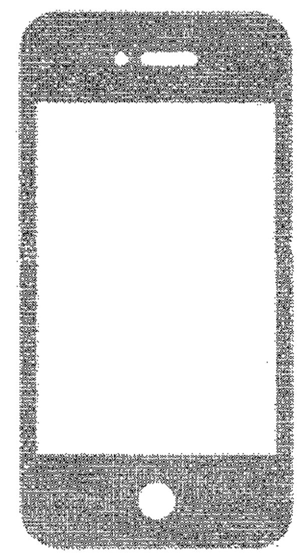
Addressing enrollment and demographic changes

- New veterans are succeeding in college with completion rates within 7.5% of traditional undergraduate students; 45% to 67% (depending on military branch) of veterans used GI Bill benefits from 2002 to 2013; colleges are developing programs to accommodate veterans' needs
- Employment outcomes factoring into enrollment decisions as the first seven states use College Measures to tie workforce and student record information together; some colleges are generating their own hard data to demonstrate student success; the white house proposes a 'college rating system' to guide families in selecting suitable colleges
- College age students are declining in all but 18 states, except for the South; increasing number of colleges opening satellite locations for programs or recruitment
- States have set goals to increase the % of high school students going to college
- Increasing racial/ethnic diversity of high school graduates will impact college recruitment and admissions
- Affordability being addressed by accelerated undergraduate programs, 5-year undergraduate/ graduate degrees, dual degree programs



Emerging technology strategies

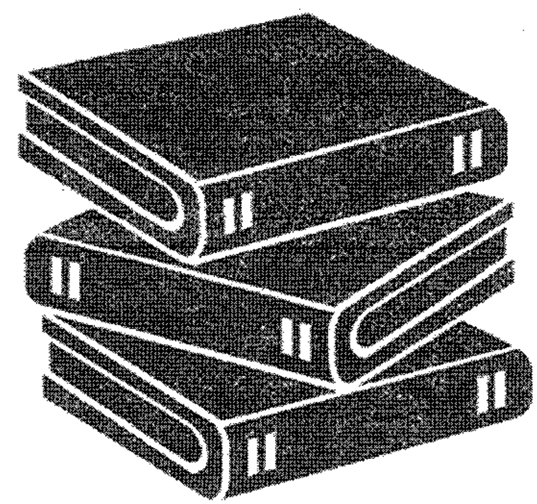
- Technology-enabled, competency based degrees
- Data analytics important for campus operations, student achievement metrics, on-line activities
- Connected learning pathways and on-line activities impact learning, student-success strategies, flipped classrooms, student engagement, blended teaching models, degree planning and advising systems, personalized course design
- Open software and content and communities of interest build collaboration and build customized solutions to administrative and academic challenges and opportunities
- Multitenant cloud applications
- On-line education partners
- Data analytics and procurement cyber sourcing
- Interfacing 'touch' devices



Addressing rating agencies concerns over revenues and financial resource allocation

Tuition increases have slowed and for many colleges enrollments have declined or are flat, the result is tuition revenue is not keeping pace with inflation for 42% of private colleges and 44% of public colleges rated by Moody's. For a majority of the colleges, their endowment will not provide adequate financial immunity. New strategies are needed:

1. Mergers with nearby schools
2. Expanded adult education and career training
3. Other non-traditional programs with corporate partners
4. Teaching consortia to share costs
5. Dual-degree programs with other schools
6. New technology based programs and graduate programs
7. Financial reserve analysis to align endowment growth and spending
8. Outsourcing noncore activities and monetizing noncore assets

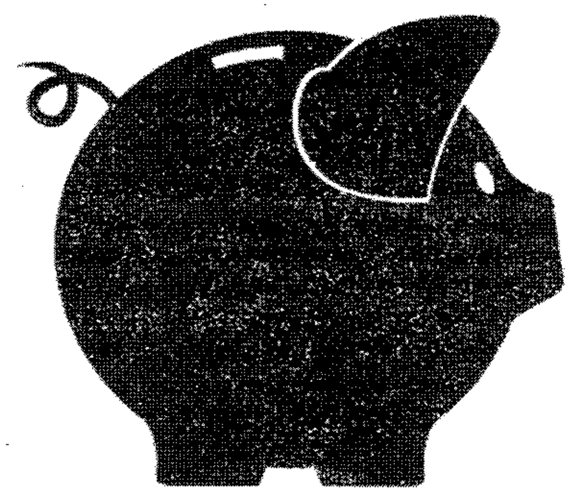


Reputational and strategic risk management

- Establishing or reassessing risk management programs is increasing due to strong governance, accountability and transparency
- Strategic plans are being implemented with specific and quantifiable measurements, data dashboards and scorecards being essential
- Continued IRS scrutiny, Congressional and White House proposals place annual reporting in the spotlight requiring robust processes to vet all data reported externally
- Doing business abroad continues to challenge business and internal control systems due to changing world politics and economic policies

Fundraising

- Big ideas garner big gifts with the number of billion dollar campaigns increasing
- Academic medical centers and research based universities capturing nine-figure gifts
- Foundation support of higher education was up 9% fueled by a stronger stock market
- Millennial donors participating at the same giving levels as earlier generations but with a focus on outcomes and specific achievements
- On-line giving continues to increase as a % of total giving



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- What's important to you?
- How would you rate the team's overall service delivery?
- Would you refer Grant Thornton to a friend or colleague?

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ATTACHMENT C

2013-2014 KEY VARIANCES IN GENERAL LEDGER ACCOUNTS

Community College of Philadelphia
Statement of Net Assets for the Year Ended June 30, 2014
Key Variances in General Ledger Accounts

	6/30/2014	6/30/2013	Variance	
ASSETS:				
Cash and cash Equivalents	10,601,463	11,967,374	(1,365,911)	
Short Term Investments	13,384,688	10,325,397	3,059,291	
Sub-Total	**23,986,151**	**22,292,771**	**1,693,380**	**Excess cash was moved to short term investments due to timing of payments received.**
Long Term Investments	16,134,491	15,750,134	384,357	**Unit value increase from TIAA-CREF & Bond Fund Investments.**
Capital Assets	179,492,948	182,960,237	(3,467,289)	**The decrease in the net value of assets is related to the increase in accumulated depreciation which exceeded the value of capital additions.**
Accounts Receivable				
Tuition and Fee Receivable	6,191,729	5,049,777	1,141,952	**Change in refund policy for Financial Aid Students who withdraw courses prior to census date.**
Grants Receivable	60,384	30,478	29,906	**Increase due to New Grants for the Fiscal Year Single Stop Site Grant**
Other Receivable	1,468,680	1,969,407	(500,727)	**Reduction in Vendor Receivables from Capital Campaign.**
Receivable from Foundation	167,852	963,091	(795,239)	**Receivable Due from Foundation settled prior to year end.**
Sub-Total	**7,888,645**	**8,012,753**	**(124,108)**	
Allowance for Doubtful Accounts	(3,477,890)	(2,598,105)	(879,785)	**Increased due to write off of Financial Aid Students who withdraw courses prior to census date.**
Total	**4,410,755**	**5,414,648**	**(1,003,893)**	
Receivable from Government Agencies				
State Grants and Special Projects	388,981	439,175	(50,194)	**Decrease in FICA and Keys Grants due to timing.**
PHEAA Grants	-	2,923	(2,923)	
City of Philadelphia - School Dist.	-	17,069	(17,069)	
Federal Financial Aid	259,926	346,172	(86,246)	**Decrease in Pell**
Federal Grants and Special Projects	2,001,574	1,947,353	54,221	**Increase due to new Federal grants for the Fiscal Year - -Raising Interest in Stem Education -Reentry Support Project**
Total	**2,650,481**	**2,752,692**	**(102,211)**	

Community College of Philadelphia
Statement of Net Assets for the Year Ended June 30, 2014
Key Variances in General Ledger Accounts

	6/30/2014	6/30/2013	Variance	
LIABILITIES:				
Accounts payable & Accrued Liabilities				
Vendors and Others	7,849,176	6,335,591	1,513,585	**Accounts Payable accruals increased. More vendor accruals at June 30th.**
Accrued Salaries	2,674,853	4,085,888	(1,411,035)	**Higher payroll expensed was accrued in year 2013 for best and final offer of the Collective Bargaining Agreement.**
Accrued Benefits	2,063,472	2,016,985	46,487	**Increase in Medical and Retirement costs as of June 30.**
Compensated Absences	3,098,015	3,141,021	(43,006)	**Leave time usage decreased. Increase in vacation time used for Faculty & Staff.**
Retirement Incentive Payments	388,775	826,619	(437,844)	**Decrease in college retirees eligible for incentive.**
Payroll Withholding Taxes	206,129	148,925	57,204	**Increase in payroll withholding taxes accrued on June 30th.**
Accrued Interest Expense	298,867	341,956	(43,089)	**Debt service interest expense decreased.**
Total	**16,579,287**	**16,896,985**	**(317,698)**	
Payable to Government Agencies				
Commonwealth of Pennsylvania (Due to the State)	38,487	49,084	(10,597)	**Decrease in amount reimbursment for lease payments from the State.**
State Grants and Special Projects			-	
PHEAA Grants	2,846,825	1,858,420	988,405	**Increase in PHEAA dollars that are to be awarded.**
Perkins Loans	-	-	-	
Federal Perkins Loans	-	-	-	
Federal Financial Aid				
Grants and special projects	140,165	-	140,165	**Federal Grants & Aid to be returned to the source of funds.**
Total	**3,025,477**	**1,907,504**	**1,117,973**	
Capital Lease Obligation	7,979,036	9,214,685	(1,235,649)	
Long Term Debt	77,481,123	86,015,892	(8,534,769)	**Reduction of Long Term Debt. 2013B Loan has been fully repaid.**
Other Post-Employment Benefits GASB 45	47,396,561	38,755,360	8,641,201	**Increase in actuarially computed value for post retirement health care benefits.**

Community College of Philadelphia
Statement of Net Assets for the Year Ended June 30, 2014
Key Variances in General Ledger Accounts

	6/30/2014	6/30/2013	Variance	
Fund Balances				
Unrestricted Operating Fund	(16,717,133)	(8,297,655)	(8,419,478)	Decrease due to GASB 45 expense and $2,000,000 excess surplus moved to the plant fund for future capital projects.
Quasi Endowment	1,762,678	1,859,894	(97,216)	Student Activity Expense exceeded budget. The difference was trasferred out of the quasi endowment.
Plant Fund:				
Net Invested in Capital Assets	93,771,457	89,660,198	4,111,259	Increase due to Bonnell, West & Pavillion Construction & implementation of GASB 65 which reduced bond issuance costs.
Restricted Net Assets	4,742,069	2,740,642	2,001,427	Increase represents the transfer of $2 million from CURF to Plant for Capital projects.
				Note: Restricted Net Assets includes Remaining Proceeds of 1809 Spring Garden Street. Remaining Proceeds from the 2007 Refinancing of the 98 & 01 Bonds. Accumulated Interest earned on Bond proceeds.
Unrestricted Plant Fund	(11,021,031)	(8,890,495)	(2,130,536)	Unfunded depreciation expense.
Sub-Total	87,492,495	83,510,345	3,982,150	
Total Net Assets	**72,538,040**	**77,072,584**	**(4,534,544)**	Net change for the Fiscal Year which includes GASB 45.