ATTACHMENT B

Grant Thornton

2016-2017 A-133 Audit Draft

Financial Statements and Report of
Independent Certified Public Accountants in
Accordance with OMB Uniform Guidance

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

June 30, 2017 and 2016

Contents

Report of Independent Certified Public Accountants

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

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Community College of Philadelphia (the College) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the Community College of Philadelphia as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 15, the schedule of funding progress on page 61, the schedule of proportionate share of net pension liability on page 62 and the schedule of contributions on page 63, 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

The statistical section and demographic statistics on pages 64 through 72 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 29, 2017, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Philadelphia, Pennsylvania

September 29, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2017 and 2016

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 2017 are compared to those for the 2016 fiscal year. The MD&A should be read in conjunction with the financial statements and accompanying notes which follow this section.

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

Financial and Institutional Highlights

- The 2017-2025 Community College Strategic Plan affirms the College's long-standing commitment to quality, access, affordability and upward mobility. The plan firmly plants student success at the center of all efforts, establishing the means for each student to achieve their goals. This focus extends beyond the classroom, encompassing connections with the community, the educational pathways of students before and after their time with us, the regional economy and workforce, and the overall environment and stability of the College.
- The College has begun the full-scale implementation of its Guided Pathways initiative that will provide students with a highly structured experience driven by providing students with clear academic program roadmaps, an intake process that clarifies students' goals and career direction, facilitates access into a program of study for students with developmental education needs and provides intentional advising coupled with progress tracking and individually-designed support, with the goal of improving student persistence and degree completion.
- Complementing the Guided Pathways efforts, the College is also implementing the expanded Starfish System with expanded tools of degree planner, predictive analytics, intervention inventories, risk scores, case management, communications, calendars, referrals and reporting. This system is a key technology-based solution that will increase intervention and communication initiatives that are essential to keeping students invested in their education and on track to degree completion.
- A new Academic Advising Department has been established. Currently there are nine (9) full-time advisors, with one additional hire planned for the Northeast Regional Center, who will work within the Guided Pathways model, incorporating academic planning with students in their first semester, implementing proactive outreach to students, and tracking students to monitor academic progress.
- The College completed a collaborative reorganization intended to make the College a national leader in student success and completion. This student-focused reorganization is designed to build capacity while supporting the College's strategic goals and continuing its longstanding commitment to affordable education and open success.
- A draft of a new comprehensive Facilities Master Plan developed from a collaborative effort by the College community with technical input from the consulting firm of Wallace, Roberts & Todd (WRT) was presented to the Board of Trustees in September 2017. This plan reviews the evolving facility needs of the College and supports its mission to provide students the knowledge and workforce skills necessary for the 21st century. It is closely aligned with the College's Strategic Plan and is designed to meet the expectations of a rapidly changing and competitive educational environment. This includes renovating and developing new facilities to accommodate state of the art 21st century programs and advanced technologies involving manufacturing, robotics, transportation and integrated health sciences, among others.

- The College has entered into a public private partnership with Radnor Property Group for a mixed-use facility at 15th and Hamilton Streets that will include student housing, market rate housing and retail space. The College will receive annual ground lease payments from the developer. The 75-year ground lease agreement and the operating agreement were signed on May 12, 2017. Demolition and construction activities have commenced, with the expectation that initial rental units will be available at the end of December 2018.
- The College's total credit hour enrollments decreased by 5.8% for the fiscal year, which mirrors Pennsylvania and national trends.
- Renovations to the College's biology labs on the Main Campus began in the summer of 2016. Five labs, the prep room, one classroom, student collaborative space and faculty offices have been completed. The final two labs will be completed by the end of December 2017.
- The College received $0.7 million of additional operating funds from the Commonwealth of Pennsylvania (the Commonwealth). An additional $0.9 million of funds was received from the City of Philadelphia (the City), of which $0.8 million was targeted for programming to assist neighborhood businesses; however, the $1.4 million allocation for capital purchases received in fiscal year 2015-16 was not continued.
- For the thirteenth consecutive year, a balanced budget was achieved.
- Net position decreased by $9.1 million or 14.9% primarily due to the one time settlement of $2.2 million received in 2016 and a $4.6 million or 8.7% decline in federal grants and contracts revenue.
- Operating revenues increased by $1.2 million or 3.9% due primarily to a decline in scholarship allowance of $4.3 million or 9.5%.
- Operating expenses decreased by $1.1 million or 0.7% due to lower benefit claims and supplies cost.
- Nonoperating revenues decreased by $5.4 million or 4.6% due to lower federal grants and contracts in 2017 and a one-time settlement received for a construction contract in 2016.

Overview of Financial Statements

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

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

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

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

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

Net Position

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

At June 30, 2017, the College's net position was $52.0 million, with assets of $222.9 million exceeding liabilities of $178.9 million. As a result of financial circumstances which contributed to asset growth, net position increased by $2.1 million in the 2017 fiscal year prior to recording the impact of the post-employment benefit liability. The change in net position after recording the post-employment benefit accrual was a negative $9.1 million. Unrestricted net position fell from a negative $42.6 million to a negative $52.7 million. Absent the cumulative impact of the post-employment benefit liability (GASB 45 and 68) reporting requirements, unrestricted net position would currently be at a level of $30.1 million. The other factor significantly reducing the unrestricted net position value was unfunded depreciation expense for 2017 in the amount of $8.2 million.

The negative unrestricted net asset position ($52.7 million) reflects the cumulative impact of the post-employment benefit expense accruals in the amount of $82.8 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2017 and 2016

Summary of Net Position

June 30,

	2017	2016	2015
		(In millions)	
Assets:			
Current assets	$ 38.2	$ 34.2	$ 31.5
Noncurrent assets:			
Capital assets net of depreciation	165.9	166.5	171.3
Bond proceeds available for campus construction	2.2	7.5	-
Other	16.6	16.8	16.2
Total assets	$ 222.9	$ 225.0	$ 219.0
Deferred outflows of resources	$ 8.2	$ 8.0	$ 0.5
Liabilities:			
Current liabilities	$ 27.3	$ 25.9	$ 27.2
Noncurrent liabilities	151.6	145.9	126.3
Total liabilities	$ 178.9	$ 171.8	$ 153.5
Deferred inflows of resources	$ 0.3	$ 0.2	$ -
Net position:			
Net investment in capital assets	$ 99.8	$ 98.8	$ 97.0
Unrestricted	(52.7)	(42.6)	(35.8)
Restricted:			
Expendable	4.9	4.9	4.7
Total net position	$ 52.0	$ 61.1	$ 65.9

Assets

Current assets increased by $4.0 million in fiscal year 2017. Net accounts receivable, accrued interest receivable and cash and cash equivalents increased, while short-term investments and other assets decreased.

Noncurrent assets decreased by $6.1 million. Bond proceeds available for campus construction decreased as the College completed renovation projects on the Main Campus in the West Building. These completed projects included the removal of the escalators and the installation of a new staircase in the West Building. The Biology labs renovations are still in progress. The College's capital assets as of June 30, 2017 net of accumulated depreciation were $165.9 million, a decrease of $0.6 million over the amount reported for 2016 of $166.5 million. The decrease in the net value of assets is related to the increase in accumulated depreciation, which exceeded the value of capital additions.

Liabilities

Total current liabilities increased by $1.4 million in fiscal year 2017. Accounts payable and accrued liabilities increased by $0.6 million primarily due to an increase in the year-end accrual for contingent liabilities. The College self-insures its employee medical plan. A reinsurance limit of $250,000 was in place for the 2017 fiscal year to cap institutional financial exposure for individuals with extraordinarily large claims in a policy year.

The current portion of long-term debt decreased by $0.5 million for the year. Payables to government agencies decreased by $0.9 million primarily due to Financial Aid processing more Commonwealth PHEAA funds prior to June 30.

The College's outstanding long-term debt was at $60.6 million as of June 2017, a decrease of $6.4 million from June 2016 reflecting principal payments made during the fiscal year. The present value of future post-retirement benefits other than pensions, projected to be paid to retired employees, were prepared as of July 1, 2015 for reporting as of June 30, 2017. The July 1, 2015 report included certain changes in actuarial assumptions; the amount of the liability increased by $11.2 million in fiscal year 2017. The College has elected to phase in the reporting of the post-employment benefit liability over a 30-year period and to continue to fund the costs of the post-retirement benefit out of the College's annual budgeted revenues. A separate trust has not been established to fund any portion of this liability. The post-employment benefits liability amount for fiscal year 2017 also includes $4.6 million related to GASB 68, which requires the College to record its relative proportion of the net funded status of certain state cost sharing pension plans. The cumulative estimated value for the accrued post-employment benefit liability in fiscal years 2017, 2016 and 2015 was $82.8 million, $70.4 million and $58.2 million, respectively. Absent this reporting requirement, the College's net assets as of June 30, 2017 would have been at a level of $134.8 million.

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

Statements of Revenues, Expenses and Changes in Net Position

The change in net position for fiscal years 2017, 2016 and 2015 was a negative $9.1 million, negative $4.9 million and negative $4.6 million, respectively. The following table quantifies the changes:

Revenues, Expenses and Changes in Net Position

June 30,

	2017	2016	2015
		(In millions)	
Operating revenues:			
Net tuition and fees	$ 33.0	$ 31.6	$ 32.0
Auxiliary enterprises and other sources	1.8	1.9	2.0
Total	34.8	33.5	34.0
Operating expenses	166.6	167.7	163.4
Operating loss	(131.8)	(134.2)	(129.4)
Net nonoperating revenues	111.6	117.0	114.0
Change in net assets before other revenues	(20.2)	(17.2)	(15.4)
Net capital revenue and changes to endowments (capital appropriations)	11.1	12.3	10.8
Total change in net position	$ (9.1)	$ (4.9)	$ (4.6)

Operating Revenues

The largest sources of operating revenue for the College are student tuition and fees and auxiliary enterprise revenues. In 2017, the tuition charge per credit was $153; the same as the two previous years. The Technology Fee was increased by $2 to $30 per credit. The General College Fee, which supports student life programs and athletics, remained unchanged at $4 per credit. The College charges course fees for selected high-cost courses. Course fees were increased by an average of 15%, and the fees range from $85 to $345. Average total tuition and fee revenue per credit for 2017 was $197. Auxiliary enterprise revenues are generated from bookstore, food service and parking operations.

Tuition and fee revenue totaled $73,870,409 in fiscal year 2017, $76,827,739 in fiscal year 2016 and $78,506,460 in 2015, which is offset by the scholarship allowance amounts for 2017, 2016 and 2015, respectively, of $40,878,907, $45,185,037 and $46,533,705. The scholarship allowance represents tuition and fee payments made using public and private grants and scholarships. The relatively stable scholarship allowance amounts between fiscal 2017 and fiscal 2016 are reflective of the stable enrollments coupled with the small increase in the federal Pell financial aid award amounts for the 2017 fiscal year.

Gift revenue from the Community College of Philadelphia Foundation (the Foundation) in the amount of $834,700 was received in 2017 and is reported in the Statement of Revenues, Expenses and Changes in Net Position. This value consists of $484,700 for the purchase of land in West Philadelphia, $225,000 for general College expansion and the balance of $125,000 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 fiscal year 2017, excluding capital appropriations, totaled $30,868,302, an increase of $739,974 (2.46%) over the $30,128,328 received in fiscal year 2016.

Total 2017 City funding was $29,909,207, a $0.4 million decrease (1.3%) over the amount received in fiscal year 2016. Of the funding appropriation, $24,188,416 was used for operating budget purposes in 2017, including $434,540 for the new Power Up Your Business program. In fiscal year 2016, $23,271,627 of the total appropriation was used for operating purposes and $21,277,040 in fiscal year 2015. Net investment income was $74,971 in fiscal year 2017, $815,452 in 2016 and $364,680 in 2015. Included in net investment income for 2017 is an unrealized loss of $441,226 and a realized gain of $38,912 for all investment activity as of June 30, 2017.

Capital Appropriations

The Commonwealth provided capital funding for debt service and capital purchases in the amounts of $5,329,004 and $5,316,618 for fiscal years 2017 and 2016, respectively. The amount received in fiscal year 2015 was $5,017,352. The College used $5,471,430 of the total City appropriation of $29,659,846 in fiscal year 2017 for debt service and capital purchases. In fiscal years 2016 and 2015, City appropriations used for debt service and capital purchases were $7,037,580 and $5,836,028, respectively.

Expenses by Function

June 30,

	2017	2016	2015
Instruction	$ 65,509,173	$ 66,017,583	$ 65,046,544
Public service	124,136	183,375	64,882
Research	-	-	20,921
Academic support	18,880,265	18,823,708	18,372,027
Student services	24,404,673	25,142,084	23,493,959
Institutional support	24,853,707	24,429,407	24,370,565
Physical plant operations	15,012,576	14,913,188	13,335,791
Depreciation	8,204,104	8,860,741	9,697,798
Student aid	8,770,096	8,739,358	8,210,976
Auxiliary enterprises	811,482	567,452	831,206
Total operating expenses	$ 166,570,212	$ 167,676,896	$ 163,444,669

Exclusive of student aid and depreciation expenses, the College's operating expenses totaled $149,596,013 in fiscal 2017, $150,076,797 in fiscal 2016 and $145,535,895 in fiscal 2015. The College's five-year Collective Bargaining Agreement with Faculty and Classified employee unions that was ratified in September 2013 expired August 2016. The College and the unions have been negotiating a new Collective Bargaining Agreement since January 2016, but no agreement has yet been reached.

In fiscal 2008, the College implemented the GASB 45 accounting standard. This standard requires that the present value of future post-retirement benefits other than pensions, projected to be paid to retired employees, be recorded as an expense in pubic institutions' financial statements. The value of the expense for fiscal years 2017, 2016 and 2015 was $11,195,998, $11,631,237 and $8,016,318, respectively.

Expenses by Natural Classifications

June 30,

	2017	2016	2015
		(In thousands)	
Expenses:			
Salaries	$ 78,629	$ 77,931	$ 77,161
Benefits	36,417	36,978	35,767
Contracted services	6,512	6,458	8,330
Supplies	3,376	3,857	3,073
Depreciation	8,204	8,861	9,698
Student aid	8,770	8,739	8,211
Other	12,959	13,167	12,815
GASB 45 & 68 (Other post-employment benefits) accrual	11,703	11,686	8,390
Total operating expenses	166,570	167,677	163,445
Interest on capital asset-related debt service	3,263	3,315	4,225
Total nonoperating expenses	3,263	3,315	4,225
Total expenses	$ 169,833	$ 170,992	$ 167,670

In fiscal year 2017, expenses associated with the College's operating budget decreased by $2.1 million or 1.7%. Total operating expenditures ended the year $7.5 million less than budgeted. A number of vacant positions during the year resulted in a much higher-than-budgeted lapse salary savings. Overall operating budget salaries were $2.3 million lower than budgeted. The fringe benefit budget was positively affected by a favorable year for the medical self-funded program. Final medical program costs were almost $2.9 million below budget and $0.8 million less than fiscal year 2016. Expenses associated with restricted grants were stable compared to fiscal year 2016.

Schedule of Fund Balances

The following chart shows fund balances in the four fund groups: Unrestricted, Restricted, Endowment and Plant. The 2017, 2016 and 2015 amounts reported for unrestricted operations funds were reduced by the impact of GASB 45 and 68 reporting of an accrued expense liability for post-employment benefits. The impact of GASB 45 reporting in 2017 was $11,195,998, in 2016 was $11,631,237 and in 2015 was $8,016,318. The negative unrestricted plant fund balance reflects the cumulative impact of unfunded depreciation expense.

	June 30,		
	2017	2016	2015
Total unrestricted fund	$ (46,270,672)	$ (34,795,760)	$ (26,926,568)
Endowment fund:			
Quasi endowment (unrestricted)	1,555,625	1,555,625	1,606,385
Total endowment	1,555,625	1,555,625	1,606,385
Plant fund:			
Net invested in capital assets	99,771,887	98,775,826	96,978,995
Restricted expendable - capital	4,939,214	4,912,257	4,742,166
Unrestricted	(8,044,956)	(9,391,008)	(10,482,019)
Total plant fund	96,666,145	94,297,075	91,239,142
Total net position	$ 51,951,098	$ 61,056,940	$ 65,918,959

Community College of Philadelphia Foundation

The Foundation was established in 1985. Total assets for 2017, 2016 and 2015 were $12.5 million, $12.2 million and $12.1 million, respectively. Total unrestricted net position for 2017, 2016 and 2015 for the Foundation was $1.6 million, $1.7 million and $1.7 million, respectively. The remaining net position is restricted based upon donor intent.

Future Impacts

For fiscal year 2018, City funding to the College was increased by $0.5 million over the amount received for fiscal year 2017. The Commonwealth appropriation is at the same level as fiscal year 2017. Student tuition was increased by $6 per credit hour to $159. There were no increases to fees. Credit hour enrollments for the fall 2017 semester are trending 3.5% below enrollments of fall 2016. The total credit hours generated by the late summer session, a fiscal year 2018 term, were 3.7% higher than the previous year.

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

STATEMENTS OF NET POSITION

June 30,

	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
ASSETS	2017	2016	2017	2016
Current assets:				
Cash and cash equivalents (Note B)	$ 15,742,871	$ 12,824,547	$ 310,208	$ 609,930
Short-term investments (Note B)	13,537,444	13,684,393	1,431,623	1,312,723
Accounts receivable, net (Note C)	5,316,010	4,931,453	564,770	910,861
Receivable from government agencies (Note G)	2,336,819	1,408,062	-	-
Accrued interest receivable	47,273	35,810	-	-
Other assets	1,266,180	1,355,173	2,500	-
Total current assets	38,246,597	34,239,438	2,309,101	2,833,514
Noncurrent assets:				
Endowment investments (Note B)	-	-	9,976,007	8,976,588
Accounts receivable, net (Note C)	-	-	227,312	362,632
Bond proceeds available for campus construction	2,175,955	7,480,146	-	-
Other long-term investments (Note B)	16,591,988	16,744,959	-	-
Capital assets, net (Note D)	165,881,969	166,542,601	-	-
Total noncurrent assets	184,649,912	190,767,706	10,203,319	9,339,220
Total assets	$ 222,896,509	$ 225,007,144	$ 12,512,420	$ 12,172,734
Deferred outflows of resources:				
Deferred outflows	$ 8,207,631	$ 8,020,057	$ -	$ -

(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: The Community College of Philadelphia 2017	Business-type activities: The Community College of Philadelphia 2016	Component unit: The Community College of Philadelphia Foundation 2017	Component unit: The Community College of Philadelphia Foundation 2016
Current liabilities:				
Accounts payable and accrued liabilities (Note E)	$ 15,962,989	$ 15,412,294	$ 482,558	$ 488,559
Payable to government agencies (Note G)	52,006	61,159	-	-
Deposits	630,650	545,527	2,556	-
Unearned revenue	3,165,952	2,057,075	863,938	939,549
Current portion of capital lease obligation (Note F)	463,331	358,836	-	-
Current portion of long-term debt (Note F)	6,407,040	6,910,051	-	-
Unamortized bond premium	573,109	573,109	-	-
Total current liabilities	27,255,077	25,918,051	1,349,052	1,428,108
Noncurrent liabilities:				
Accrued liabilities (Note E)	1,677,543	1,159,869	-	-
Annuity payable	-	-	8,835	4,804
Capital lease obligation (Note F)	820,998	666,010	-	-
Long-term debt (Note F)	60,592,582	66,943,214	-	-
Unamortized bond premium	5,731,094	6,670,928	-	-
Other post-employment benefits liability (Note H)	82,801,420	70,428,317	-	-
Total noncurrent liabilities	151,623,637	145,868,338	8,835	4,804
Total liabilities	$ 178,878,714	$ 171,786,389	$ 1,357,887	$ 1,432,912
Deferred inflows of resources:				
Deferred inflows	$ 274,328	$ 183,872	$ -	$ -
Net position:				
Net investment in capital assets	99,771,887	98,775,826	-	-
Restricted:				
Nonexpendable:				
Scholarships, awards and faculty chair	-	-	7,762,080	6,933,527
Annuities	-	-	6,102	1,206
Expendable:				
Scholarships, awards and faculty chair	-	-	1,517,834	1,611,597
Capital projects	4,939,214	4,912,257	254,123	468,856
Unrestricted	(52,760,003)	(42,631,143)	1,614,394	1,724,636
Total net position	$ 51,951,098	$ 61,056,940	$ 11,154,533	$ 10,739,822

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	
	2017	2016	2017	2016
Operating revenues:				
Student tuition	$ 56,351,236	$ 59,627,838	$ -	$ -
Student fees	17,519,173	17,199,901	-	-
Less scholarship allowance	(40,878,907)	(45,185,037)	-	-
Net student tuition and fees	32,991,502	31,642,702	-	-
Auxiliary enterprises	1,737,187	1,740,088	-	-
Gifts	-	-	1,123,140	553,833
Other sources	61,962	87,288	111,965	135,207
Total operating revenues	34,790,651	33,470,078	1,235,105	689,040
Operating expenses (Note J):				
Educational and general:				
Instruction	65,509,173	66,017,583	98,265	52,044
Public service	124,136	183,375	1,000	-
Academic support	18,880,265	18,823,708	-	-
Student services	24,404,673	25,142,084	3,731	2,964
Institutional support	24,853,707	24,429,407	1,613,129	1,647,419
Physical plant operations	15,012,576	14,913,188	-	-
Depreciation	8,204,104	8,860,741	-	-
Student aid	8,770,096	8,739,358	562,825	495,904
Auxiliary enterprises	811,482	567,452	-	-
Total operating expenses	166,570,212	167,676,896	2,278,950	2,198,331
Operating loss	$ (131,779,561)	$ (134,206,818)	$ (1,043,845)	$ (1,509,291)

(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	
	2017	2016	2017	2016
Nonoperating revenues (expenses):				
State appropriations (Note K)	$ 30,868,302	$ 30,128,328	$ -	$ -
City appropriations (Note K)	24,188,416	23,271,627	-	-
Federal grants and contracts	48,887,879	53,551,135	-	-
Gifts from the Community College of Philadelphia Foundation	834,700	225,000	(834,700)	(225,000)
State grants and contracts	8,126,317	8,278,313	-	-
Nongovernmental grants and contracts	1,528,328	1,456,249	1,286,886	1,541,177
Net investment income	74,971	815,452	1,006,370	22,493
Interest on capital asset-related debt service	(3,263,189)	(3,314,912)	-	-
Other nonoperating revenues	378,200	2,579,409	-	-
Net nonoperating revenues	111,623,924	116,990,601	1,458,556	1,338,670
(Loss) gain before other revenues, expenses, gains or losses	(20,155,637)	(17,216,217)	414,711	(170,621)
Capital appropriations	11,049,795	12,354,198	-	-
(Decrease) increase in net position	(9,105,842)	(4,862,019)	414,711	(170,621)
Net position, beginning of the year	61,056,940	65,918,959	10,739,822	10,910,443
Net position, ending of the year	$ 51,951,098	$ 61,056,940	$ 11,154,533	$ 10,739,822

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,

	2017	2016
Cash flows from operating activities:		
Tuition and fees	$ 33,140,792	$ 32,978,676
Payments to suppliers	(23,125,966)	(24,955,335)
Payments to employees	(78,542,261)	(77,393,012)
Payments for employee benefits	(35,373,477)	(37,613,988)
Payments for student aid	(8,770,096)	(8,739,358)
Auxiliary enterprises	1,756,431	1,726,271
Other cash receipts	61,962	87,288
Net cash used in operating activities	(110,852,615)	(113,909,458)
Cash flows from noncapital financing activities:		
State appropriations	30,886,544	30,096,838
City appropriations	24,188,416	23,271,627
Gifts and grants	59,349,830	63,112,709
Other nonoperating	463,323	2,563,635
Net cash provided by noncapital financing activities	114,888,113	119,044,809
Cash flows from capital and related financing activities:		
State capital appropriations	5,329,004	5,316,618
City capital appropriations	5,720,791	7,037,580
Proceeds from long-term debt	11,922,300	52,075,000
Decrease (increase) in bond proceeds available for campus construction	5,304,191	(7,475,086)
Purchases of capital assets	(6,729,241)	(3,164,837)
Principal payments on long-term debt and amortization of capital leases	(19,330,691)	(52,043,564)
Interest payments on long-term debt and capital leases	(3,696,957)	(3,397,500)
Net cash used in capital and related financing activities	(1,480,603)	(1,651,789)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	48,586,158	31,438,901
Purchases of investments	(48,286,237)	(33,248,521)
Interest on investments	63,508	826,802
Net cash provided by (used in) investing activities	363,429	(982,818)
Increase in cash	2,918,324	2,500,744
Cash and cash equivalents, beginning	12,824,547	10,323,803
Cash and cash equivalents, ending	$ 15,742,871	$ 12,824,547

(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,

	2017	2016
Reconciliation of net operating loss to net cash used in operating activities:		
Operating loss	$ (131,779,561)	$ (134,206,818)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation	8,204,104	8,860,741
Changes in assets and liabilities:		
Accounts receivable	(1,314,496)	1,353,883
Prepaid and other assets	88,994	(288,525)
Loans to students and employees	1,181	(15,339)
Accounts payable and accrued liabilities	1,900,606	(1,008,866)
Deferred revenues	343,681	(290,654)
Other post-employment benefits	11,702,876	11,686,120
Net cash used in operating activities	$ (110,852,615)	$ (113,909,458)
Supplemental disclosure of noncash capital financing activity:		
Capital assets acquired via capital lease	$ 814,232	$ 945,054

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

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

Component Unit

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

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

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

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

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

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

3. Government Appropriations

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

(Continued)

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 the 2017 and 2016 fiscal years, the provisions of Act 46 were not followed in allocating operational funds to Pennsylvania community colleges.

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

4. Net Position

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

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

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

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

5. Cash and Cash Equivalents

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

6. Investments

Investments in marketable securities are stated at fair value. Valuations for non-marketable securities are provided by external investment managers and are based upon net asset value as provided by investment managers.

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

(i) as increases in restricted - nonexpendable net position if the terms of the gift require that they be added to the principal of a permanent endowment fund;
(ii) as increases in restricted - expendable net position if the terms of the gift or the College's interpretation of relevant 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.

7. Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. Interest costs on debt related to capital assets are capitalized during the construction period. There were no capitalized interest costs for the years ended June 30, 2017 or 2016.

(Continued)

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

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

8. Compensated Absences

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

9. Students' Deposits and Unearned Revenue

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

10. Student Fees

Included in student fees are general college fees of $1,389,628 and $1,475,442 for the years ended June 30, 2017 and 2016, respectively, which have been designated for use by the various student organizations and activities.

11. Tax Status

The College generally is exempt from federal and 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.

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

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

12. Use of Estimates

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

13. Scholarship Discounts and Allowances

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

14. Self-Insurance

The Community College of Philadelphia Board of Trustees approved the College's participation in a self-insurance medical plan through Independence Blue Cross, which became effective September 1, 2009. A reinsurance limit of $225,000 is in place to limit institutional financial exposure for individuals with extraordinarily large claims in a policy year. The College has established a self-insurance accrued liability account for incurred claims, as well as an estimate of claims incurred but not reported. The College's self-insurance liability at June 30, 2017 and 2016 was $1,532,274 and $1,532,869, respectively, based upon an actuarial calculation based upon historical claim experience.

15. Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until that time. In addition to liabilities, the Statements of Net Position include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of a net position that applies to future periods and will not be recognized as an inflow of resources until that time. The College's deferred outflow/inflow relates to amounts recorded in connection with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), as well as the advance refunding of the 2008 Series Community College Revenue Bonds in September 2015.

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

16. Pensions

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

17. Recent Accounting Pronouncements

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

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units* (GASB 80). The primary objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. Following review of the Foundation bylaws, it was determined that the Foundation does not meet the criterion for blending.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81). The primary objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. The requirements of this statement are effective for financial statements for periods beginning after December 16, 2016. The College has not completed the process of evaluating the impact of adopting this statement.

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In March 2016, GASB issued Statement No. 82, *Pension Issues—an Amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB 82). The primary objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The College has not completed the process of evaluating the impact of adopting this statement.

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, 2017 and 2016, cash on hand was $4,000. At June 30, 2017 and 2016, the carrying amount of deposits was $15,738,871 and $12,820,547 and the bank balance was $17,098,759 and $14,392,582, respectively. The differences were caused primarily by items in transit. Deposits of $500,000 were covered by federal depository insurance of $250,000 for each of three bank accounts at both June 30, 2017 and 2016.

(Continued)

NOTE B - DEPOSITS AND INVESTMENTS - Continued

The following is the fair value of deposits and investments at June 30, 2017:

	College	Foundation
Deposits:		
Demand deposits	$ 15,738,871	$ 310,208
Investments:		
Insured money market deposit	1,060	-
U.S. Treasury obligations	5,450,093	224,704
U.S. government agency obligations	1,276,485	-
Corporate and foreign bonds	3,946,200	-
Intermediate fixed income mutual fund	5,422,152	2,938,774
Equity mutual fund	-	6,604,945
Multi-strategy bond mutual fund	5,194,774	-
Money market mutual funds	8,842,668	1,431,623
Private real estate fund	-	207,584
Total deposits and investments	$ 45,872,303	$ 11,717,838

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

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

(Continued)

NOTE B - DEPOSITS AND INVESTMENTS - Continued

In addition to the deposits and investments listed above, the College also has bond proceeds available for campus construction held by Sovereign Bank, the State Public School Building Authority, and the Bank of New York (the trustees), under the terms of various bond indentures. Bond proceeds available for campus construction are carried in the financial statements at fair value and consist of short-term investments and government securities. As of June 30, 2017 and 2016, bond proceeds available for campus construction include the following:

	2017	2016
Construction funds	$ 2,175,955	$ 7,480,146

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, 2017 and 2016, the College's bank balance was exposed to custodial credit risk as follows:

	2017	2016
Uninsured and collateral held by pledging bank's trust department not in the College's name	$ 15,738,871	$ 12,820,547

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

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

(Continued)

NOTE B - DEPOSITS AND INVESTMENTS - Continued

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

	June 30, 2017	
	Multi-Strategy Bond	Intermediate
Government	16%	30%
Agency	26	19
AAA	15	17
AA	3	4
A	11	17
BBB	17	12
Below BBB	7	1
Non-rated/Other	5	-
Total	100%	100%

	June 30, 2016	
	Multi-Strategy Bond	Intermediate
Government	18%	25%
Agency	24	22
AAA	9	22
AA	5	6
A	14	14
BBB	17	10
Below BBB	9	1
Non-rated/Other	4	-
Total	100%	100%

(Continued)

NOTE B - DEPOSITS AND INVESTMENTS - Continued

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

	June 30, 2017	June 30, 2016
	Fixed income securities	Fixed income securities
Aaa	67%	59%
Aa	2	11
A	20	13
Baa	11	17
Total	100%	100%

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income investments. The College's investment policy does not specifically address limitations in the maturities of investments. The weighted average maturities of the College's fixed income investments at June 30, 2017 and 2016 are as follows:

	Weighted average maturity (years)	Weighted average maturity (years)
U.S. Treasury obligations	4.06	3.93
U.S. government agency obligations	2.64	3.45
Corporate bonds	4.50	4.11

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

(Continued)

NOTE B - DEPOSITS AND INVESTMENTS - Continued

The College has the following recurring fair value measurements as of June 30, 2017:

Demand deposits, insured money market deposit, U.S. Treasury obligations, U.S. government agency obligations, and money market mutual funds of $31,309,177 are valued using quoted market prices (Level 1 inputs).

Corporate and foreign bonds of $3,946,200 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 $10,616,926 are valued at the net asset value (NAV) per share (or its equivalent) of the investments (Level 2 inputs).

The Foundation has the following recurring fair value measurements as of June 30, 2017:

Demand deposits, U.S. Treasury obligations, equity mutual fund, and money market mutual funds of $8,571,480 are valued using quoted market prices (Level 1 inputs).

The intermediate fixed income mutual fund of $2,938,774 is valued at the NAV per share (or its equivalent) of the investments (Level 2 inputs).

The private real estate fund of $207,584 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) is presented in the following table.

Investments Measured at NAV
($ in millions)

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Intermediate fixed income mutual fund (1)	$ 8.4	-	Monthly	30 days
Multi-strategy bond mutual fund (2)	5.2	-	Weekly	7 days
Private real estate fund (3)	0.2	-	N/A	N/A
Total investments measured at NAV	$ 13.8			

(Continued)

NOTE B - DEPOSITS AND INVESTMENTS - Continued

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

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

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

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

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

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

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

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

Investments Measured at NAV
($ in millions)

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

NOTE B - DEPOSITS AND INVESTMENTS - Continued

(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 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 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.

(4) *Equity Mutual Fund.* The Titan International Fund is a multi-manager, multi-strategy hedge fund of funds. The fund has an absolute return objective and targets a lower beta and volatility compared to traditional asset classes (e.g., Equity and Fixed Income). The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable include the following at June 30:

	2017		2016	
	College	Component unit Foundation	College	Component unit Foundation
Tuition and fee receivables	$ 6,808,619	$ -	$ 7,384,351	$ -
Grants receivable	106,859	26,467	74,818	52,710
Other receivables	1,866,610	313,831	1,434,641	631,977
Pledges receivable	-	491,303	-	640,473
Receivable from Foundation	367,580	-	429,804	-
	9,149,668	831,601	9,323,614	1,325,160
Less allowance for doubtful accounts	(3,833,658)	(39,519)	(4,392,161)	(51,667)
Total	$ 5,316,010	$ 792,082	$ 4,931,453	$ 1,273,493

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

Accounts receivable, tuition and fees and other are reported 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 $3,833,658 and $4,392,161 for the years ended June 30, 2017 and 2016, respectively. $451,784 of the Foundation's pledges receivable is expected to be collected subsequent to June 30, 2017, generally on a five-year payment schedule.

NOTE D - CAPITAL ASSETS

Capital assets consist of the following at June 30, 2017:

	Balance July 1, 2016	Additions	Retirements and adjustments	Balance June 30, 2017
Capital assets not depreciated:				
Land and improvements	$ 30,572,094	$ 484,700	$ -	$ 31,056,794
Construction in progress	501,534	5,563,950	(1,985,340)	4,080,144
Works of art	787,708	-	-	787,708
	31,861,336	6,048,650	(1,985,340)	35,924,646
Capital assets being depreciated:				
Buildings and improvements	233,601,416	1,949,913	(271,533)	235,279,796
Equipment and furniture	37,459,693	1,415,324	(52,338)	38,822,679
Library books	5,277,591	114,925	-	5,392,516
Microforms	1,671,710	-	-	1,671,710
Software	4,039,594	-	-	4,039,594
System software	7,454,942	-	-	7,454,942
Total before depreciation	289,504,946	3,480,162	(323,871)	292,661,237
	$ 321,366,282	$ 9,528,812	$ (2,309,211)	$ 328,585,883

Accumulated depreciation by asset categories is summarized as follows:

	Balance July 1, 2016	Depreciation	Retirements	Balance June 30, 2017
Buildings and improvements	$ 106,945,025	$ 5,820,124	$ (271,533)	$ 112,493,616
Equipment and furniture	31,207,030	2,134,727	(52,338)	33,289,419
Library books	4,461,856	144,803	-	4,606,659
Microforms	1,671,170	540	-	1,671,710
Software	3,438,604	-	-	3,438,604
System software	7,099,996	103,910	-	7,203,906
Total	$ 154,823,681	$ 8,204,104	$ (323,871)	162,703,914
Net capital assets				$ 165,881,969

(Continued)

NOTE D - CAPITAL ASSETS - Continued

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

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

Accumulated depreciation by asset categories is summarized as follows:

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

NOTE E - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2017		2016	
	College	Component unit Foundation	College	Component unit Foundation
Category:				
Vendors and others	$ 6,644,305	$ 114,978	$ 6,768,024	$ 58,754
Accrued salaries	3,608,047	-	3,478,599	-
Accrued benefits	2,520,766	-	2,251,943	-
Compensated absences	3,044,365	-	3,021,805	-
Retirement incentive payments	1,092,047	-	339,756	-
Payroll withholding taxes	565,806	-	479,797	-
Accrued interest	165,196	-	232,239	-
Payable to College	-	367,580	-	429,805
Total	$ 17,640,532	$ 482,558	$ 16,572,163	$ 488,559

Long-term liability activity for the year ended June 30, 2017 was as follows:

2017	Beginning balance	Additions	Deductions	Total ending balance	Current portion
Long-term liabilities:					
Accounts payable and accrued liabilities	$ 16,572,163	$ 1,493,412	$ (425,043)	$ 17,640,532	$ 15,962,989
Payable to government agencies	61,159	-	(9,153)	52,006	52,006
Capital lease obligation	1,024,846	259,483	-	1,284,329	463,331
Long-term debt	73,853,265	-	(6,853,643)	66,999,622	6,407,040
Unamortized bond premium	7,244,037	-	(939,834)	6,304,203	573,109
Other post-employment benefits	70,428,317	12,373,103	-	82,801,420	-
	$ 169,183,787	$ 14,125,998	$ (8,227,673)	$ 175,082,112	$ 23,458,475

(Continued)

NOTE E - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES - Continued

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

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

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, 2017:

	Balance July 1, 2016	Additions	Principal payments	Balance June 30, 2017	Current portion
2006 Series	$ 185,000	$ -	$ (185,000)	$ -	$ -
2007 Series	14,135,000	(11,865,000)	(2,270,000)	-	-
2008 Series	6,040,000	-	(2,930,000)	3,110,000	3,110,000
2015 Series	51,420,000	-	(845,000)	50,575,000	870,000
2017 Series	-	11,922,300	-	11,922,300	1,982,300
SPSBA Loan	14,906	-	(14,906)	-	-
SPSBA Loan	510,325	-	(368,854)	141,471	141,471
SPSBA Loan	1,548,034	-	(297,183)	1,250,851	303,269
	$ 73,853,265	$ 57,300	$ (6,910,943)	$ 66,999,622	$ 6,407,040

(Continued)

NOTE F - DEBT - Continued

Debt consisted of the following at June 30, 2016:

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

Future annual principal and interest payments at June 30, 2017 are as follows:

	Principal	Interest	Total
June 30:			
2018	$ 6,407,040	$ 3,029,338	$ 9,436,378
2019	6,374,481	2,735,805	9,110,286
2020	6,635,817	2,476,265	9,112,082
2021	6,897,284	2,205,033	9,102,317
2022	6,865,000	1,925,309	8,790,309
2023	7,160,000	1,635,803	8,795,803
2024	5,325,000	1,333,000	6,658,000
2025	5,590,000	1,066,750	6,656,750
2026	4,995,000	787,250	5,782,250
2027	5,245,000	537,500	5,782,500
2028	5,505,000	275,250	5,780,250
	$ 66,999,622	$ 18,007,303	$ 85,006,925

(Continued)

NOTE F - DEBT - Continued

1. 2006 Series

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

2. 2007 Series and 2017 Series

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

Under a loan agreement dated May 1, 2017 between the Authority and the College, the College borrowed $11,922,300 of 2017 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 2007. The 2017 Capital Projects consist of the U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1998 Series Bonds and 2001 Series Bonds. All of the foregoing components of the 2017 Capital Projects will be used in connection with the College's operation of its community college buildings in furtherance of its educational mission. The 2017 Series Bonds are payable over 6 years at rates from 2.359%, with an average debt service payment of $2,153,074.

(Continued)

NOTE F - DEBT - Continued

Principal payments required by the loan agreement are as follows:

	Principal
2018	$ 1,982,300
2019	1,895,000
2020	1,940,000
2021	1,980,000
2022	2,035,000
2023	2,090,000
	$ 11,922,300

3. 2008 Series and 2015 Series

Under a loan agreement dated October 9, 2008 with the Authority, the College borrowed $74,770,000 of 2008 Series Community College Revenue Bonds. The bonds were issued for the benefit of the College to finance a project consisting of: (a) the construction, equipping and furnishing of an approximately 45,000 square foot building for instructional facilities and student meeting spaces on the main campus of the College, and other capital projects related thereto; (b) the renovation and expansion of administrative buildings for the provision of student services on the main campus of the College; (c) the expansion of the campus facilities comprising the Northeast Regional Center of the College in Northeast Philadelphia; and (d) the payment of costs and expenses incident to the issuance of the bonds. The College also received $50,000 from the Authority that was applied to issuance cost. The bonds are scheduled to be repaid over a 20-year period through June 15, 2028 at the interest rate of 3.00% to 6.25%, with an average annual debt service payment of $6,064,257. The 2008 Series Bonds were partially refunded in September 2015 with the 2015 Series Bonds.

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% to 5%, with an average debt service payment of $4,166,000. The unrefunded series of 2008 are payable over 3 years, with an average debt service payment of $2,415,000.

(Continued)

NOTE F - DEBT - Continued

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

	Principal
2018	$ 3,980,000
2019	4,170,000
2020	4,380,000
2021	4,595,000
2022	4,830,000
2023	5,070,000
2024	5,325,000
2025	5,590,000
2026-2029	15,745,000
	$ 53,685,000

4. Revolving Loan Obligation

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

5. Revolving Loan Obligation

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

(Continued)

NOTE F - DEBT - Continued

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

	Principal
2018	$ 141,471
	$ 141,471

6. 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 2.027%, with an average annual debt service payment of $325,551.

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

	Principal
2018	$ 303,269
2019	309,481
2020	315,817
2021	322,284
	$ 1,250,851

7. Operating Leases

The College leases certain equipment and property under operating lease arrangements that expire through 2021. Rental expense for operating leases was $607,692 and $730,485 for the years ended June 30, 2017 and 2016, respectively.

(Continued)

NOTE F - DEBT - Continued

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

2018	$ 425,832
2019	409,518
2020	412,062
2021	171,543
	$ 1,418,955

8. Capital Leases

The College leases certain equipment under capital lease arrangements that expire through 2021. These leases are recorded at the lower of cost or present value and amounted to $1,284,329 and $1,024,846 at June 30, 2017 and 2016, respectively. Amortization charges of capital leases were $1,618,526 and $1,919,844 for the years ended June 30, 2017 and 2016, respectively.

Future minimum lease payments under capital leases are as follows:

	Principal	Interest	Total
June 30:			
2018	$ 463,331	$ 34,321	$ 497,652
2019	426,296	20,864	447,160
2020	285,592	8,582	294,174
2021	109,110	1,380	110,490
	$ 1,284,329	$ 65,147	$ 1,349,476

NOTE G - (PAYABLE TO) RECEIVABLE FROM GOVERNMENT AGENCIES

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

	2017		2016	
	(Payable)	Receivable	(Payable)	Receivable
Commonwealth of Pennsylvania:				
Provision for potential audit findings and reimbursement calculation	$ (35,468)	$ -	$ (17,226)	$ -
Grants and special projects	-	879,287	-	968,015
PHEAA for grants	(16,538)	-	(29,190)	-
	(52,006)	879,287	(46,416)	968,015
City of Philadelphia grants receivable	-	781,105	-	15,602
Federal:				
Financial aid programs	-	12,586	(1,906)	10,243
Grants and special projects	-	663,841	(12,837)	414,202
	-	1,457,532	(14,743)	440,047
Total	$ (52,006)	$ 2,336,819	$ (61,159)	$ 1,408,062

NOTE H - EMPLOYEE BENEFITS

Retirement benefits are provided for substantially all employees through payments to one of the board-authorized retirement programs. Although the College does not offer participation in the State Employees Retirement System (SERS) or the Pennsylvania Public School Employees Retirement System (PSERS), it has grandfathered continued participation for those employees currently enrolled. The College has 14 employees participating in the SERS and 24 employees in the PSERS.

1. Defined Benefit Plans

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

(Continued)

NOTE H - EMPLOYEE BENEFITS - Continued

Benefits Provided

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

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

Contributions

For PSERS, the contribution policy is set by 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 10.7% of all earnings as long as contributions are adequate to accumulate assets to pay retirement benefits when due. Employee contributions are 6.5% of all earnings for members prior to July 22, 1983 and 7.5% of all earnings for members after July 22, 1983.

For SERS, the contribution policy is set by 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 19.92% of all earnings as long as contributions are adequate to accumulate assets to pay retirement benefits when due. Employee contributions are 6.25% of all earnings.

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

At June 30, 2017, the College reported a liability of $1,734,000 and $2,827,306 for its proportional share of the net pension liability for PSERS and SERS, respectively. The net pension liability was measured as of June 30, 2016 for PSERS and December 31, 2016 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, 2016 and December 31, 2016, respectively, the College's proportion of PSERS and SERS was 0.0035% and 0.01468%.

(Continued)

NOTE H - EMPLOYEE BENEFITS - Continued

For the year ended June 30, 2017, the College recognized the proportional pension expense for PSERS and SERS of $285,000 and $537,104, respectively, as provided by the plans' actuarial schedules. At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 14,000
Changes in assumptions	62,000	-
Net difference between projected and actual earnings on pension plan investments	97,000	-
Changes in proportion and differences beween College contributions and proportionate share of contributions	326,000	-
Total	$ 485,000	$ 14,000

SERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 40,811	$ 63,256
Changes of assumption	172,696	-
Net difference between projected and actual earnings on pension plan investments	237,606	-
Changes in proportion	-	90,340
Changes in proportion and differences beween College contributions and proportionate share of contributions	657,824	106,732
Total	$ 1,108,937	$ 260,328

At June 30, 2016, the College reported a liability of $1,386,000 and $1,998,201 for its proportional share of the net pension liability for PSERS and SERS, respectively. The net pension liability was measured as of June 30, 2015 for PSERS and December 31, 2015 for SERS, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability is based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating institutions, actuarially determined. At June 30, 2015 and December 31, 2015, respectively, the College's proportion of PSERS and SERS was 0.0032% and 0.0110%.

(Continued)

NOTE H - EMPLOYEE BENEFITS - Continued

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

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

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

Actuarial Assumptions

The following methods and assumptions were used in the actuarial valuations for the year ended June 30, 2017. 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%

(Continued)

NOTE H - EMPLOYEE BENEFITS - Continued

Salary increases	effective average of 5%, 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	based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

SERS

Actuarial cost method	entry age
Amortization method	straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits
Investment rate of return	7.25% net of expenses including inflation
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	ad hoc

The following methods and assumptions were used in the actuarial valuations for the year ended June 30, 2016. These methods and assumptions were applied to all periods included in the measurement:

PSERS

Actuarial cost method	entry age normal-level % of pay
Investment rate of return	7.50%, includes inflation at 3.00%
Salary increases	effective average of 5.50%, which reflects an allowance for inflation of 3%, real wage growth of 1% and merit of seniority increases of 1.5%
Mortality rates	based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

(Continued)

NOTE H - EMPLOYEE BENEFITS - Continued

SERS

Actuarial cost method	entry age
Amortization method	straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits
Investment rate of return	7.50% net of expenses including inflation
Projected salary increases	average of 5.70% with range of 3.85% - 9.05% including inflation
Inflation	2.75%
Mortality rate	projected RP-2000 Mortality Tables adjusted for actual plan experience and future improvement
Cost of living adjustments	ad hoc

PSERS

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

Asset class	Target allocation	Long-term expected rate of return
Global Public Equity	22.50%	5.30%
Fixed Income	28.50%	2.10%
Commodities	8.00%	2.50%
Absolute Return	10.00%	3.30%
Risk Parity	10.00%	3.90%
Infrastructure/MLPs	5.00%	4.80%
Real Estate	12.00%	4.00%
Alternative Investments	15.00%	6.60%
Cash	3.00%	0.20%
Financing (LIBOR)	-14.00%	0.50%
Total	100.00%	

(Continued)

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:

Asset class	Target allocation	Long-term expected rate of return
Private Equity	16.00%	8.00%
Global Public Equity	43.00%	5.30%
Real Estate	12.00%	5.44%
Hedge Funds	12.00%	4.75%
Fixed Income	14.00%	1.63%
Cash	3.00%	-0.25%
Total	100.00%	

For PSERS and SERS, the discount rate used to measure total pension liability was 7.25%. 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 $1,734,000 using a 7.25% discount rate. The College's net pension liability would have been $2,122,000 assuming a 1% point decrease (6.25%) in the discount rate and would have been $1,409,000 assuming a 1% point increase (8.25%) in the discount rate.

For SERS, the College's net pension liability is $2,827,306 using a 7.25% discount rate. The College's net pension liability would have been $3,498,923 assuming a 1% point decrease (6.25%) in the discount rate and would have been $2,252,163 assuming a 1% point increase (8.25%) in the discount rate.

(Continued)

NOTE H - EMPLOYEE BENEFITS - Continued

2. Defined Contribution Plans

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

The College's contributions for each employee (and interest allocated to the employee's accounts) are fully vested. Death benefits in the amount of the full present value of accumulation are provided to the beneficiary of a participant who dies prior to retirement. Various payment options are available. The College has 1,226 employees participating in this program.

The payroll for employees covered by the three plans was $66,904,082 and $65,256,751; and the College's total payroll is $79,552,794 and $78,702,353 at June 30, 2017 and 2016, respectively. Contributions made by the College during fiscal 2017 and 2016 totaled $5,916,232 and $5,832,078, respectively, representing 8.84% and 8.94%, respectively, of covered payroll. College employees contributed $4,835,278 and $4,906,108, respectively, during fiscal 2017 and 2016. A summary of retirement benefits follows:

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

3. Other Post-employment Benefits Liability

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

(Continued)

NOTE H - EMPLOYEE BENEFITS - Continued

Funding

The contribution requirements of plan members and the College are established and may be amended by the College's Board of Trustees. The plan is funded on a pay-as-you-go basis (i.e., premiums are paid to fund the health care benefits provided to current retirees). The College paid premiums of $2,563,770 and $2,765,425 for the fiscal years ended June 30, 2017 and 2016, respectively. Total retiree contributions made by plan members were $929,027 and $870,799 for the fiscal years ended June 30, 2017 and 2016, respectively.

The Retiree Drug Subsidy (RDS) was created as part of the 2003 federal law that created the Medicare prescription drug program and was included to encourage employers to retain the prescription benefits offered to Medicare-eligible retirees. Under the law, employers that retain prescription drug coverage for retirees that is at least equivalent to Medicare Part D coverage receive a subsidy from the U.S. government equal to 28% of the employer's annual drug costs that fall within a certain range. The College received payments of $245,793 for the year ended June 30, 2017 and $237,252 for the year ended June 30, 2016.

The College also provides life insurance for retirees until the end of the contract year in which the employee turns 65 years of age. Contract year is defined as fiscal year for Administrators/Confidential and academic year for Faculty/Classified. The College paid premiums of $16,915 covering 29 retirees for the fiscal year ended June 30, 2017 and $14,933 covering 34 retirees for the fiscal year ended June 30, 2016.

Annual OPEB Cost and Net OPEB Obligation

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

	2017	2016	2015
Annual required contribution	$ 16,454,957	$ 16,338,357	$ 13,289,050
Annual OPEB cost (expense)	16,454,957	16,338,357	13,289,050
Contributions made	(5,258,960)	(4,707,120)	(5,272,731)
Increase in net OPEB obligation	11,195,997	11,631,237	8,016,319
Net OPEB obligation at July 1	67,044,117	55,412,880	47,396,561
Net OPEB obligation at June 30	$ 78,240,114	$ 67,044,117	$ 55,412,880

(Continued)

NOTE H - EMPLOYEE BENEFITS - Continued

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

	Annual OPEB principal	Percentage of annual OPEB cost contributed	Net OPEB total
Year ended:			
June 30, 2017	$ 16,454,958	31.96%	$ 78,240,114
June 30, 2016	16,338,357	28.81%	67,044,117
June 30, 2015	13,289,050	39.67%	55,412,880

Funded Status and Funding Progress

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

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

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

(Continued)

NOTE H - EMPLOYEE BENEFITS - Continued

Actuarial Methods and Assumptions

The calculations are based on the types of benefits provided under the terms of the College's Retirement Benefits Plan at the time of the valuation. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the efforts of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following actuarial methods and significant assumptions were used for the July 1, 2015 valuation:

Actuarial cost method	Projected unit credit
Amortization method	Closed, level dollar amortization over 30 years
Remaining amortization period	22 years
Discount rate	4.00%
Medical/prescription drug trend rate	6.85%, gradually decreasing to 4% in 2036
Dental trend rate	1.00%
Mortality table	88% of rates in the RP-2014 White Collar Healthy Mortality Table backed off to 2006 and projected to 2020 with Scale MP-2015 plus 12% of rates in the RP-2014 Blue Collar Healthy Mortality Table backed off to 2006 and projected to 2020 with Scale MP-2015.

4. <u>Retirement Incentive Program</u>

A retirement incentive option was offered to employees 62 years or older, who have completed at least 15 years of full-time service, and whose combined age and years of service equal at least 80. This option expired August 31, 2014. During 2015, there were two people who accepted the early retirement and incentive options; the present value of future payments as of June 30, 2017 and 2016 of $831,620 and $85,460, respectively, has been accrued. Future payments in the next two fiscal years are each expected to be $470,093.

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. Twenty-one employees received or will receive the incentive payment during fiscal years 2016-17, 2017-18 and 2018-19.

NOTE I - COMMITMENTS AND CONTINGENCIES

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

The 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.

(Continued)

NOTE I - COMMITMENTS AND CONTINGENCIES - Continued

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 determines whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. The College assesses potential liability by analyzing litigation matters using available information including consultation with outside and in-house counsel handling the defense in these matters, which involves an analysis of potential results, assuming a combination of litigation and settlement strategies. The College has accrued $741,389 for legal contingencies. Additionally, the College addresses these risks by purchasing commercial insurance. The College's retention of risk is limited to the deductibles on its insurance policies, which range from $-0- to $150,000 per claim depending on the nature of the claim.

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

NOTE J - OPERATING EXPENSES

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

	2017		2016	
	College	Component unit Foundation	College	Component unit Foundation
Salaries	$ 78,628,656	$ 924,138	$ 77,930,971	$ 771,382
Benefits	36,417,151	258,873	36,978,141	280,654
Contracted services	6,512,361	34,749	6,457,843	83,286
Supplies	3,376,437	59,733	3,857,149	59,440
Depreciation	8,204,104	-	8,860,741	-
Student aid	8,770,096	562,825	8,739,358	495,904
Other post-retirement benefits	11,702,876	-	11,686,120	-
Other	12,958,531	438,632	13,166,573	507,665
Total	$ 166,570,212	$ 2,278,950	$ 167,676,896	$ 2,198,331

NOTE K - CITY AND COMMONWEALTH APPROPRIATIONS

Appropriations from the Commonwealth and the City for the years ended June 30, 2017 and 2016 are as follows:

	2017		2016	
	Operations	Capital	Operations	Capital
Commonwealth of Pennsylvania	$ 30,868,302	$ 5,329,004	$ 30,128,328	$ 5,316,618
City of Philadelphia	24,188,416	5,720,791	23,271,627	7,037,580
Total appropriations	$ 55,056,718	$ 11,049,795	$ 53,399,955	$ 12,354,198

NOTE L - PASS-THROUGH GRANTS

The College distributed $34,048,302 in 2017 and $38,206,211 in 2016 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 29, 2017, noting no items which would require disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS (UNAUDITED)

June 30, 2017 and 2016

Valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL (OAAL) percentage of covered payroll ((b-a)/c)
July 1, 2007	$ -	$ 72,351,392	$ 72,351,392	$ -	$ 64,747,493	111.74%
July 1, 2009	-	81,337,622	81,337,622	-	73,489,322	110.68
July 1, 2011	-	103,846,976	103,846,976	-	76,796,463	135.22
July 1, 2012	-	124,575,199	124,575,199	-	76,015,530	163.88
July 1, 2013	-	142,548,317	142,548,317	-	76,380,018	186.63
July 1, 2015	-	172,815,908	172,815,908	-	78,702,353	219.58

Schedule of contributions from the College

Fiscal year	Annual required contribution	Contribution	Percentage contributed
June 30, 2008	$ 7,257,715	$ 2,063,042	28.43%
June 30, 2009	7,463,367	2,281,821	30.57
June 30, 2010	8,590,625	2,391,154	27.83
June 30, 2011	8,872,232	2,833,597	31.94
June 30, 2012	10,982,860	3,371,858	30.70
June 30, 2013	12,255,644	3,725,611	30.40
June 30, 2014	13,249,915	4,608,714	34.78
June 30, 2015	13,289,050	5,272,732	39.68
June 30, 2016	16,338,357	4,707,120	28.81
June 30, 2017	16,454,958	5,258,960	31.96

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

Actuarial cost method	Projected Unit Credit
Asset valuation method	N/A
Remaining amortization period	22 years
Actuarial assumptions:	
Discount rate	4.00%
Medical cost trend rate	7.00% gradually decreasing to 4.50% in 2036
Prescription drug cost trend rate	7.00% gradually decreasing to 4.50% in 2036
Dental cost trend rate	1.00%
Mortality table	88% of rates in the RP-2014 White Collar Healthy Mortality Table backed off to 2006 and projected to 2020 with Scale MP-2015 plus 12% of rates in the RP-2014 Blue Collar Healthy Mortality Table backed off to 2006 and projected to 2020 with Scale MP-2015.

See accompanying report of independent certified public accountants.

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

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Years ended June 30,

	2017	2016	2015
PSERS			
College's proportion of the net pension liability (asset)	0.0035%	0.0032%	0.0026%
College's proportionate share of the net pension liability (asset)	$ 1,734,000	$ 1,386,000	$ 1,030,000
College's covered employee payroll	$ 454,763	$ 413,104	$ 335,800
Plan fiduciary net position as a percentage of the total pension liability	50.14%	54.36%	57.24%
SERS			
College's proportion of the net pension liability (asset)	0.0147%	0.0110%	0.0120%
College's proportionate share of the net pension liability (asset)	$ 2,827,306	$ 1,998,201	$ 1,784,684
College's covered employee payroll	$ 894,293	$ 653,759	$ 692,779
Plan fiduciary net position as a percentage of the total pension liability	57.80%	58.90%	64.80%

See accompanying report of independent certified public accountants.

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

SCHEDULE OF CONTRIBUTIONS

Years ended June 30,

	2017	2016	2015
PSERS			
Contractually required contribution	$ 111,000	$ 83,000	$ 52,000
Contribution in relation to the contractually required contribution	111,000	83,000	52,000
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employee payroll	$ 454,763	$ 413,104	$ 335,800
Contributions as a % of covered employee payroll	24.4083%	20.0918%	15.4854%
SERS			
Contractually required contribution	$ 301,735	$ 202,576	$ 98,248
Contribution in relation to the contractually required contribution	301,735	202,576	98,248
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employee payroll	$ 894,293	$ 653,759	$ 692,779
Contributions as a % of covered employee payroll	33.7401%	30.9863%	14.1817%

See accompanying report of independent certified public accountants.

STATISTICAL SECTION - SCHEDULE OF REVENUES BY SOURCE (UNAUDITED)

Year ended June 30,

(Amounts expressed in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Student tuition and fees (net of scholarship allowances)	$ 32,992	$ 31,643	$ 31,973	$ 35,338	$ 32,003	$ 30,181	$ 28,132	$ 29,608	$ 31,618	$ 29,723
Nongovernmental grants and contracts	-	-	-	-	-	-	-	-	-	-
Sales of auxiliary enterprises	1,737	1,740	1,786	1,671	1,776	1,827	1,734	1,650	1,371	1,274
Other operating revenues	62	87	196	166	158	168	180	194	95	76
Total operating revenues	34,791	33,470	33,955	37,175	33,937	32,176	30,046	31,452	33,084	31,073
City appropriations	24,189	23,272	21,271	18,346	18,064	17,652	18,092	18,946	19,245	20,243
State appropriations	30,868	30,128	28,632	28,179	28,240	28,229	29,275	28,750	31,496	31,554
Federal grants and contracts	48,888	53,551	57,871	58,796	58,715	56,839	58,890	51,131	32,552	30,668
State grants and contracts	8,126	8,278	7,343	6,591	7,191	6,495	5,967	5,585	5,831	7,818
Gifts from the Community College of Philadelphia Foundation	835	225	141	100	2,809	-	-	-	-	-
Nongovernmental grants and contracts	1,528	1,456	1,521	1,704	1,119	1,014	1,419	1,580	2,688	1,632
Net investment income	75	815	365	695	333	1,098	718	1,587	249	1,084
Other nonoperating revenue	378	2,579	1,087	324	379	540	333	353	354	1,237
Total nonoperating revenues	114,887	120,304	118,231	114,735	116,850	111,867	114,694	107,932	92,415	94,236
Capital appropriations	11,050	12,354	10,859	13,969	13,730	14,084	13,648	13,979	13,721	8,316
Total revenues	$ 160,728	$ 166,128	$ 163,045	$ 165,879	$ 164,517	$ 158,127	$ 158,388	$ 153,363	$ 139,220	$ 133,625

See accompanying report of independent certified public accountants.

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

Year ended June 30,

(Amounts expressed in percentages)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Student tuition and fees (net of scholarship allowances)	20.53%	19.05%	19.61%	21.30%	19.45%	19.09%	17.76%	19.31%	22.71%	22.24%
Nongovernmental grants and contracts	-	-	-	-	-	-	-	-	-	-
Sales of auxiliary enterprises	1.08	1.05	1.10	1.01	1.08	1.16	1.09	1.08	0.98	0.95
Other operating revenues	0.04	0.05	0.12	0.10	0.10	0.11	0.11	0.13	0.07	0.06
Total operating revenues	21.65	20.15	20.83	22.41	20.63	20.36	18.96	20.52	23.76	23.25
City appropriations	15.04	14.01	13.05	11.06	10.98	11.16	11.42	12.35	13.82	15.15
State appropriations	19.21	18.14	17.56	16.99	17.17	17.85	18.48	18.75	22.62	23.61
Federal grants and contracts	30.42	32.23	35.49	35.45	35.69	35.95	37.18	33.34	23.38	22.95
State grants and contracts	5.06	4.98	4.50	3.97	4.37	4.11	3.77	3.64	4.19	5.85
Gifts from the Community College of Philadelphia Foundation	0.52	0.14	0.09	0.06	1.7	-	-	-	-	-
Nongovernmental grants and contracts	0.95	0.88	0.93	1.02	0.68	0.64	0.90	1.03	1.93	1.22
Net investment income	0.05	0.49	0.22	0.42	0.20	0.69	0.45	1.03	0.18	0.81
Other nonoperating revenue	0.24	1.55	0.67	0.20	0.23	0.33	0.22	0.23	0.26	0.94
Total nonoperating revenues	71.49	72.42	72.51	69.17	71.02	70.73	72.42	70.37	66.38	70.53
Capital appropriations	6.86	7.43	6.66	8.42	8.35	8.91	8.62	9.11	9.86	6.22
Total revenues	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.

STATISTICAL SECTION - SCHEDULE OF EXPENSES BY USE (UNAUDITED)

Year ended June 30,

(Amounts expressed in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses:										
Salaries	$ 78,629	$ 77,931	$ 77,161	$ 75,438	$ 76,015	$ 76,796	$ 78,168	$ 73,489	$ 69,694	$ 68,333
Benefits	36,417	36,978	36,140	35,885	34,247	32,062	32,500	30,231	27,121	25,210
Contracted services	6,512	6,458	8,331	9,697	11,373	6,057	5,376	4,881	5,214	4,869
Supplies	3,376	3,857	3,073	3,232	3,636	2,760	3,253	2,198	2,107	2,416
Depreciation	8,204	8,861	9,698	10,490	10,423	9,764	7,660	6,493	6,588	6,374
Student aid	8,770	8,739	8,211	10,459	8,328	10,015	7,376	7,935	4,409	4,326
Other	12,959	13,167	12,815	12,314	11,468	11,895	12,948	11,730	12,269	11,692
GASB 45 (Other post-employment benefits) accrual	11,703	11,686	8,016	8,641	8,530	7,611	6,039	6,199	5,181	5,195
Total operating expenses	166,570	167,677	163,445	166,156	164,020	156,960	153,320	143,156	132,583	128,415
Interest on capital asset-related debt service	3,263	3,315	4,225	4,258	4,689	3,927	3,542	1,841	1,889	2,273
Total nonoperating expenses	3,263	3,315	4,225	4,258	4,689	3,927	3,542	1,841	1,889	2,273
Total expenses	$ 169,833	$ 170,992	$ 167,670	$ 170,414	$ 168,709	$ 160,887	$ 156,862	$ 144,997	$ 134,472	$ 130,688

See accompanying report of independent certified public accountants.

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

Year ended June 30,

(Amounts expressed in percentages)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses:										
Salaries	46.30%	45.57%	46.02%	44.27%	45.06%	47.73%	49.83%	50.68%	51.83%	52.29%
Benefits	21.44	21.63	21.55	21.04	20.28	19.93	20.72	20.85	20.17	19.29
Contracted services	3.83	3.78	4.97	5.69	6.74	3.77	3.43	3.37	3.88	3.72
Supplies	1.99	2.26	1.83	1.90	2.16	1.72	2.07	1.52	1.57	1.85
Depreciation	4.83	5.18	5.78	6.16	6.18	6.07	4.88	4.48	4.90	4.88
Student aid	5.16	5.11	4.90	6.14	4.94	6.22	4.70	5.47	3.28	3.31
Other	7.63	7.70	7.64	7.23	6.80	7.39	8.26	8.09	9.12	8.95
GASB 45 (Other post-employment benefits) accrual	6.89	6.83	4.78	5.07	5.06	4.73	3.85	4.27	3.85	3.97
Total operating expenses	98.07	98.06	97.47	97.50	97.22	97.56	97.74	98.73	98.60	98.26
Interest on capital asset-related debt service	1.93	1.94	2.53	2.50	2.78	2.44	2.26	1.27	1.40	1.74
Total nonoperating expenses	1.93	1.94	2.53	2.50	2.78	2.44	2.26	1.27	1.40	1.74
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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses by function:										
Instruction	$ 65,509	$ 66,018	$ 65,046	$ 66,210	$ 66,436	$ 62,162	$ 62,184	$ 57,714	$ 53,368	$ 51,996
Public service	124	183	86	109	156	63	92	46	123	93
Academic support	18,880	18,824	18,372	17,492	17,247	17,723	19,251	18,540	16,828	14,920
Student services	24,405	25,142	23,494	22,811	21,913	21,075	21,744	20,241	18,212	17,776
Institutional support	24,854	24,429	24,371	25,229	26,216	23,281	22,003	20,095	21,385	21,296
Operation and maintenance of plant	15,013	14,913	13,336	12,586	12,742	12,244	12,392	11,307	10,905	10,949
Depreciation	8,204	8,861	9,698	10,490	10,423	9,764	7,660	6,493	6,588	6,374
Student aid	8,770	8,739	8,211	10,459	8,328	10,015	7,377	7,935	4,409	4,326
Auxiliary enterprises	811	567	831	770	559	633	617	785	765	685
Interest on capital debt	3,263	3,315	4,225	4,258	4,689	3,927	3,542	1,841	1,889	2,273
Total expenses by function	$ 169,833	$ 170,991	$ 167,670	$ 170,414	$ 168,709	$ 160,887	$ 156,862	$ 144,997	$ 134,472	$ 130,688

(Amounts expressed in percentages)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses by function:										
Instruction	38.57%	38.61%	38.79%	38.85%	39.38%	38.64%	39.64%	39.80%	39.69%	39.79%
Public service	0.07	0.11	0.05	0.06	0.09	0.04	0.06	0.03	0.09	0.07
Academic support	11.12	11.01	10.96	10.26	10.22	11.02	12.28	12.79	12.51	11.42
Student services	14.37	14.70	14.01	13.39	12.99	13.10	13.86	13.96	13.54	13.60
Institutional support	14.63	14.29	14.54	14.80	15.54	14.47	14.03	13.86	15.90	16.30
Operation and maintenance of plant	8.84	8.72	7.95	7.39	7.55	7.61	7.90	7.80	8.12	8.37
Depreciation	4.83	5.18	5.78	6.16	6.18	6.07	4.88	4.48	4.90	4.88
Student aid	5.16	5.11	4.90	6.14	4.94	6.22	4.70	5.47	3.28	3.31
Auxiliary enterprises	0.48	0.33	0.50	0.45	0.33	0.39	0.39	0.54	0.57	0.52
Interest on capital debt	1.93	1.94	2.52	2.50	2.78	2.44	2.26	1.27	1.40	1.74
Total expenses by function	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.

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

Year ended June 30,

(Amounts expressed in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total revenues (from schedule of revenues by source less capital appropriations)	$ 149,678	$ 153,776	$ 152,186	$ 151,910	$ 150,786	$ 144,042	$ 144,740	$ 139,384	$ 125,499	$ 125,309
Total operating expenses (from schedule of expenses by use)	169,833	170,992	167,670	170,414	168,709	160,887	156,862	144,997	134,472	130,688
Income before other revenues and expenses	(20,155)	(17,216)	(15,484)	(18,504)	(17,923)	(16,845)	(12,122)	(5,613)	(8,973)	(5,379)
Capital grants and contracts	-	-	-	-	-	-	-	-	-	-
Deductions to permanent endowments	-	-	-	-	-	-	-	-	-	(14)
Total changes in net position	(20,155)	(17,216)	(15,484)	(18,504)	(17,923)	(16,845)	(12,122)	(5,613)	(8,973)	(5,393)
Net position, beginning	61,057	65,919	72,538	77,072	81,265	85,903	84,377	76,011	71,263	68,340
Net position, ending	$ 40,902	$ 48,703	$ 57,054	$ 58,568	$ 63,342	$ 69,058	$ 72,255	$ 70,398	$ 62,290	$ 62,947
Net investment in capital assets	$ 99,772	$ 98,776	$ 96,979	$ 93,771	$ 89,660	$ 86,331	$ 80,136	$ 69,278	$ 60,947	$ 54,231
Restricted - nonexpendable	-	-	-	-	-	-	-	-	-	-
Restricted - expendable	4,939	4,912	4,742	4,742	2,740	1,364	731	511	511	1,874
Unrestricted	(52,760)	(42,631)	(35,802)	(25,975)	(15,328)	(4,553)	5,036	14,588	14,553	15,158
Total net position	$ 51,951	$ 61,057	$ 65,919	$ 72,538	$ 77,072	$ 83,142	$ 85,903	$ 84,377	$ 76,011	$ 71,263

Source: Audited financial statements.

See accompanying report of independent certified public accountants.

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

Year ended June 30,

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Enrollments and student demographics:										
Credit FTE	13,659	14,481	14,851	15,051	15,116	15,769	16,091	15,808	14,208	13,942
Unduplicated Credit Headcount	25,571	26,837	27,942	28,096	28,264	29,094	29,032	28,783	26,868	26,212
Percentage - Men	37.1%	37.8%	37.7%	37.7%	36.9%	35.5%	35.5%	34.5%	33.7%	33.2%
Percentage - Women	62.9	62.2	62.3	62.3	63.1	64.5	64.5	65.5	66.3	66.8
Percentage - Black	48.8	49.4	50.7	50.2	49.7	49.9	49.2	48.9	48.6	48.0
Percentage - White	24.0	23.8	23.9	24.3	25.1	24.6	24.4	25.0	25.7	25.2
Percentage - Asian	9.4	8.9	8.4	8.2	7.7	7.3	7.2	7.1	7.4	7.7
Percentage - Hispanic	13.0	12.8	11.8	11.4	10.6	4.9	6.5	7.0	6.8	6.3
Percentage - American Indian/other	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.4	0.4	0.4
Percentage - Unknown	4.5	4.8	4.8	5.6	6.5	12.9	12.2	11.6	11.1	12.4
Degrees awarded:										
Associate	1,794	1,880	1,916	1,857	1,712	1,828	1,702	1,667	1,741	1,592
Certificate	471	475	446	338	167	180	214	216	259	319

Source: Department of Institutional Research.

See accompanying report of independent certified public accountants.

STATISTICAL SECTION - FACULTY AND STAFF STATISTICS (UNAUDITED)

For Fall Term in Year

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Faculty:										
Part-time	548	676	635	643	734	757	771	737	684	641
Full-time	467	400	395	407	412	418	413	395	393	395
Percentage tenured	61.8%	74.0%	81.7%	79.9%	80.6%	83.0%	84.0%	79.5%	79.6%	78.5%
Administrative and support staff:										
Part-time	38	18	11	12	20	22	19	19	23	31
Full-time	466	445	453	441	447	472	460	462	457	426
Total employees:										
Part-time	586	694	646	655	754	779	790	756	707	672
Full-time	933	845	848	848	859	890	873	857	850	821
Students per full-time staff:										
Number credit students	18,126	18,099	19,119	19,066	18,692	19,751	19,503	19,047	17,327	17,352
Faculty	39	45	47	47	46	47	47	48	44	44
Administrative and support staff	39	41	42	43	42	42	42	44	38	41
Average annual faculty salary	$ 69,196	$ 63,789	$ 65,212	$ 64,059	$ 66,137	$ 66,236	$ 67,266	$ 65,381	$ 63,408	$ 60,799

Source: Institutional Human Resource Records.

GROSS SQUARE FEET OF COLLEGE BUILDINGS

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Main Campus - Buildings	911,051	911,051	911,051	911,051	900,613	900,613	852,445	852,445	852,445	852,445
Main Campus - 17 Street Garage	230,360	230,360	230,360	230,360	230,360	230,660	230,660	230,360	230,360	230,360
Main Campus Recreation Deck	62,600	62,600	62,600	62,600	62,600	62,600	62,600	62,600	62,600	62,600
Main Campus - CBI Garage	74,902	74,902	74,902	74,902	74,902	74,902	74,902	74,902	74,902	74,902
Main Campus - 434 North 15th Street	88,500	88,500	88,500	88,500	88,500	88,500	-	-	-	-
Northeast Regional Center	109,075	109,075	109,075	109,075	109,075	109,075	109,075	59,876	59,876	59,876
West Regional Center	39,394	39,394	39,394	39,394	39,394	32,090	32,090	32,090	32,090	32,090
Northwest Regional Center	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Total gross square feet	1,605,882	1,605,882	1,605,882	1,605,882	1,595,444	1,588,440	1,451,772	1,402,273	1,402,273	1,402,273

Source: Institutional Physical Plant Records.

DEMOGRAPHIC STATISTICS

City of Philadelphia Last Ten Calendar Years

	Population as of June 30	Average annual unemployment rate
Year:		
2007 – 08	1,449,634	6.0
2008 – 09	1,540,351	7.1
2009 – 10	1,547,297	9.8
2010 – 11	1,526,006	10.9
2011 – 12	1,536,471	10.8
2012 – 13	1,547,607	10.5
2013 – 14	1,553,165	7.8
2014 – 15	1,560,297	7.4
2015 – 16	1,567,442	6.9
2016 – 17	1,567,872	5.9

Sources: United States Census Bureau and Bureau of Labor Statistics

See accompanying report of independent certified public accountants.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2017

Federal Agency Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		$ 974,989
Federal Work-Study Program (FWS)	84.033		726,315
Federal Pell Grant Program (PELL)	84.063		42,628,291
Federal Direct Student Loans (Direct Loan)	84.268		34,048,302
Total Student Financial Assistance Cluster			78,377,897
TRIO Cluster			
TRIO - Student Support Services	84.042A		264,349
TRIO - Upward Bound	84.047A		306,264
Total TRIO Cluster			570,613
Strengthening Minority-Serving Institutions (Center for Male Engagement)	84.382		569,525
Higher Education Institutional Aid (Predominantly Black Institutions Formula Grant)	84.031		232,205
Passed-through Pennsylvania Department of Education			
Career and Technical Education - Basic Grants to States	84.048	381-17-0015	1,513,843
Undergraduate International Studies and Foreign Language Programs	84.016	PO17A140008	11,161
Passed-through University of Pennsylvania			
National Resource Centers and Fellowships Program for Language and Area	84.015A		5,700
Minority Science and Engineering Improvement (Raising Interest in STEM (RISE))	84.120A		193,319
Total U.S. Department of Education			81,474,263
U.S. Department of Health and Human Services			
Passed-through the Philadelphia Hospital and Health Care District 1199C			
National Workforce Diversity Pipeline Program	93.137	CPIMP151091-01-00	17,719
Nursing Workforce Diversity	93.178		298,026
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243		147,044
Passed-through the Commonwealth of Pennsylvania, Department of Human Services			
Temporary Assistance for Needy Families (TANF) State Programs	93.558	4100064205	366,304
Total U.S. Department of Health and Human Services			829,093
U.S. Department of Labor			
Passed-through the Commonwealth of PA, Dept. of Labor and Industry			
Microcredentials (Workforce Innovation Fund)	17.283		100,379
Job Corps H-1B Job Training Grants	17.268		19,246
Total U.S. Department of Labor			119,625
U.S. Department of Transportation			
Passed-through Highway Administration			
Highway Training and Education (Eisenhower Community College Fellowship - Research and Development)	20.215	DTS-TP-20	13,117
National Science Foundation			
Passed-through Drexel University			
Education and Human Resources (Alliance for Minority Partnership - Research and Development)	47.076	HRD-1408052	21,905
ATE Biomedical/Cultures Project (Research and Development)	NSF 11-692	DUE-1400433	83,394
Passed-through the Trustees of the University of Pennsylvania			
Education and Human Resources (NNCI: Mid-Atlantic Nanotechnology Hub (MANTH))	47.041	ECCS-1542153	20,220
Total National Science Foundation			125,519

(Continued)

See notes to Schedule of Expenditures of Federal Awards.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended June 30, 2017

Federal Agency Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
National Endowment for the Humanities			
Promotion of the Humanities_Teaching and Learning Resources and Curriculum Development	45.162	ME-50046-14	$ 28,972
U.S. Department of Agriculture			
Passed-through Bureau of Program Support, State Administrative Matching Grants			
Supplemental Nutrition and Assistance Program (SNAP)	10.561	4100064205	58,620
U.S. Department of Justice			
Passed-through Pennsylvania Commission on Crime and Delinquency			
Edward Byrne Memorial Justice Assistance Grant Program (Reentry Support Project)	16.738	2014-MU-BX-1052	29,318
Total expenditures of federal awards			$ 82,678,527

See notes to Schedule of Expenditures of Federal Awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2017

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the schedule) summarizes the expenditures of the Community College of Philadelphia (the College) under programs of the federal government for the year ended June 30, 2017. The Schedule of Expenditures of Federal awards presents only a selected portion of the operations of the College; it is not intended to, and does not, present the financial position, changes in net position, and cash flows of the College.

For the purposes of the Schedule of Expenditures of Federal Awards, federal awards include all grants, contracts and similar agreements entered into directly between the College and agencies and departments of the federal government and all sub-awards to the College by non-federal organizations pursuant to federal grants, contracts and similar agreements. Federal awards are included in contracts and other exchange transactions on the accompanying statement of net position.

NOTE B - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. The information in the schedule is presented in accordance with *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The College has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C - FEDERAL STUDENT LOAN PROGRAM

Federally guaranteed loans issued to students of the College during the year ended June 30, 2017 totaled $34,048,302. This amount has been included in the schedule. The College is responsible only for the performance of certain administrative duties with respect to federally guaranteed student loan programs, and accordingly, these loans are not included in its financial statements.

The College has terminated its participation in the Federal Perkins Loan Program. There are no outstanding loans remaining under this program.

NOTE D - ADMINISTRATIVE COSTS

The College's expenditures include administrative expenses of $68,910 for Federal Pell Grants, $37,795 in Federal Work Study, and $46,750 for Federal Supplemental Educational Opportunity Grants.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Community College of Philadelphia (the College) as of and for the year ended June 30, 2017, 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 29, 2017.

Internal control over financial reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Intended purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Philadelphia, Pennsylvania

September 29, 2017

Report of Independent Certified Public Accountants on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Uniform Guidance

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

Report on compliance for each major federal program
We have audited the compliance of the Community College of Philadelphia (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended June 30, 2017. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the College's federal programs.

Auditor's responsibility
Our responsibility is to express an opinion on compliance for the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The above-mentioned standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on each major federal program
In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2017.

Report on internal control over compliance
Management of the College is responsible for designing, implementing, and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance 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 over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Intended purpose
The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Philadelphia, Pennsylvania

March 28, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
• Material weakness(es) identified?	____	yes	X	no
• Significant deficiency(s) identified that are not considered to be material weakness(es)?	____	yes	X	none reported
• Noncompliance material to financial statements noted?	____	yes	X	no

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?	____	yes	X	no
• Significant deficiency(s) identified that are not considered to be material weakness(es)?	____	yes	X	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____	yes	X	no

Identification of major programs:

CFDA Number	*Name of Federal Program or Cluster*
	Student Financial Assistance Cluster:
84.033	Federal Work-Study Program
84.007	Federal Supplemental Educational Opportunity Grants
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans

Dollar threshold used to distinguish between type A and type B programs:	$750,000			
Auditee qualified as low-risk auditee?	X	yes	____	no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2017

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

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

SCHEDULE OF PRIOR YEAR FINDINGS

Year ended June 30, 2017

No matters to report.