

Financial Statements and Report of  
Independent Certified Public Accountants

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

June 30, 2018

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## **Report of Independent Certified Public Accountants**

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

**Grant Thornton LLP**  
Two Commerce Square  
2001 Market St., Suite 700  
Philadelphia, PA 19103  
T 215.561.4200  
F 215.561.1066  
[GrantThornton.com](http://GrantThornton.com)  
[linked.in/GrantThorntonUS](https://www.linkedin.com/company/GrantThorntonUS)  
[twitter.com/GrantThorntonUS](https://twitter.com/GrantThorntonUS)

### **Report on the financial statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Community College of Philadelphia (the College) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### **Management's responsibility for the financial statements**

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

### **Auditor's responsibility**

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

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

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

### **Opinion**

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of matter**

As discussed in Note A to the financial statements, the College adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, during the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

### **Other matters**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 17, the schedule of changes in the net OPEB liability and related ratios on page 57, the schedule of proportionate share of net pension liability on page 58 and the schedule of contributions on page 59, 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 an opinion on the financial statements that collectively comprise the College's basic financial statements. The supplementary schedules on pages 69 to 71 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### ***Other information***

The statistical section and demographic statistics on pages 60 through 68 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 28, 2018, 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.

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

Philadelphia, Pennsylvania

September 28, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

June 30, 2018

### **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 2018 are compared to those for the 2017 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 College continued its long-standing commitment to quality, access, affordability and upward mobility. This includes the recent Guided Pathways reform initiative which focuses on providing students with a highly structured experience driven by providing students with clear academic program roadmaps through a robust website, an intake process that clarifies students' goals and career direction including an on-line orientation, an update to the intake and onboarding process 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.
- Through full-scale implementation of redesigned programs, developmental education and support services, the College has set a new trajectory for greater student success guided by the continued and collective efforts of faculty, staff and students. With this transformation, the College is experiencing an increase in student persistence and degree/certificate completion rates.
- Complementing the Guided Pathways efforts, the College has implemented the Starfish Early Alert System (Starfish). The advantage of this system is the ability to increase intervention and communication initiatives that are key to keeping students invested in their education and on track to degree completion. In order to improve student persistence, it is critical for the College to implement technology-based solutions to assist students in innovative and impactful ways by identifying at-risk students as early as possible and connecting them with identified support resources. The Starfish system has been expanded to include the development of individualized student educational plans and predictive analytics. Once fully ingrained into the infrastructure of the College, this tool will serve as a technology platform to identify key drivers of student success at the College. The system enables the College to identify and focus on key institutional metrics related to course success, persistence, and graduation by reviewing historical results and predictors for future performance. These results and predictors provide the College with information needed for effective student interventions, as well as allow tracking of those interventions to evaluate their effectiveness with various student populations, and inform College policy and programs.
- The College continues to expand its degree and certificate program offerings in an effort to meet the City's workforce needs. New degree programs include Business - Accelerated, Cybersecurity, Communication Studies, and Network Technology Management and Administration. New certificates include Web Development, Fire Science and Public Safety, Accounting - Post-Baccalaureate, Music Production, Recovery Leadership, Early Childhood Education, Culinary Arts II, Automotive Service II, Architectural Visualization, and Cybersecurity I and II.

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

June 30, 2018

- The new Academic Advising Department with full-time faculty academic advisors assists students with identifying and clarifying their academic, transfer, and career goals. Students are assigned to an advisor depending on their major. These advisors 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 advisors engage in best practices of academic advising and align with Guided Pathways. There are now ten full-time advisors in place, including one advisor at the Northeast Regional Center. Plans include hiring two additional advisors for 2018-2019. Through this new advising model, students are persisting and graduating at an increased rate.
- The College is increasing its efforts to accelerate degree completion for students who are in need of developmental or English as a Second Language (ESL) courses with the launch of an Intensive English Language Program in Fall 2017. Students can now take two levels of ESL courses in one semester for their reading/writing and listening/speaking classes. In addition, a Multilingual Hub was established and launched in collaboration with the Learning Lab where students engage in enrichment activities in addition to regular tutoring. Likewise, the College has implemented efforts to restructure Developmental English. With the Accelerated Learning Program (ALP), students take a Developmental English course concurrently with college-level English Composition. As a result, students can take college-level courses earlier in their studies. The English Department piloted ALP in Fall 2017; the College is moving forward with full implementation in Fall 2018. Students who place into Level 4 Developmental English will also take English Composition I and will be considered college-ready.
- The College continues to expand services to students in an effort to help them overcome economic barriers so they can continue to persist with their education and move toward economic mobility and success. Since opening in October 2013, Single Stop and its partners have served over 7,700 students and their families, connecting them to over \$17,274,514 in tax refunds, public benefits and supportive services. Over 7,700 government benefit screenings have been accomplished including healthcare, food and housing resources, utility assistance programs, cash grants, childcare subsidies, transportation and scholarships, among others; 3,205 tax returns have been filed with \$5,083,135 in estimated tax refunds; 1,683 students received financial counseling; and 601 legal consultations have been performed to address immigration, housing, utilities, employment, record expungement, consumer and government benefits issues. In 2017, Single Stop expanded services to the Regional Centers and now has an office in the Northwest Regional Center. Beginning in Fall 2018, Single Stop will be on site at the Northeast Regional Center once a week to offer services and resources to students at this location. Based on the findings of the in-depth evaluation/assessment performed by METIS & Associates, students who utilize Single Stop services continue to have higher semester-to-semester persistence, GPA, and degree-bearing credit pass-rates, compared to those who do not use these services.
- The College continues to offer many targeted enrollment events throughout the year at both the Main Campus and Regional Centers, with the number of events increasing significantly this year. Events held include Open Houses, Express Enrollment Days, Ask Admission Days, Lunch & Learn session for high school counselors, Breakfast & Learn session for community organization leaders, Dual Enrollment Pathways events, ESL Information Nights, High School Law Day, Scholarship Night, Hospitality Education Day, Start Your Career Engine at West Regional Center, and a Big Bang STEM event. In addition, on Ask Admission Days, live chat sessions are conducted with recruiters to provide immediate answers to questions and assist students with enrollment. Recruitment efforts were expanded this year with the acquisition of a recruitment van which is used when traveling to high schools and community events and festivals around the City to further attract attention and market the College.
- The MarcDavid LGBTQ Center opened during Summer 2018. Located within the Student Life Center, the MarcDavid LGBTQ Center offers support services, programming activities, and educational opportunities to members of the LGBTQ community and to the entire College Community. Student outreach and support efforts consist of working with LGBTQ and ally student groups, working with other student groups on inclusion and support initiatives, and connecting students with City and College resources.

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

June 30, 2018

- The College was a strategic partner and lead organization in the development of Fueling Philadelphia's Talent Engine, the City's new workforce strategy designed to align workforce education and training to the needs of employers.
- The College entered into new contracts for vocational skills training with Philadelphia Works, a local workforce development board supported by federal, state, city and privately-raised employment and training funds.
- The College is establishing a West Philadelphia Workforce Innovation Campus, which includes a new CNC lab, and includes the ability to run a licensed Certified Nurse Assistant program, and a gas distribution pipeline mechanic program.
- The College continued to receive funding from the City for the Power Up Your Business program designed to support small businesses in Philadelphia's commercial corridors and neighborhoods. Over 250 businesses have participated in workshops or peer learning during the year.
- The College received a \$1.4M grant for the continuation of the nationally prominent Goldman Sachs 10,000 Small Businesses Program. The program serves 90 businesses annually, and has 427 alumni.
- In line with workforce development, the College expanded the direction and services of the Career Connections department to include a heavier emphasis on employer services and engagement with students.
- The College in partnership with School District of Philadelphia opened Parkway Center City Middle College, the first school of its kind in Pennsylvania where every enrolled student will have the opportunity to earn his/her high school diploma and associate's degree simultaneously. First cohort of 121 9th grade students successfully completed their freshman year, 100% passing all college classes and earning 6 college credits. Second cohort started summer of 2018 and consists of 148 entering 9th grade students.
- The College entered into year 2 of the 5-year fee-for-service contract with the School District of Philadelphia to operate the Gateway to College program, a small accelerated high school program that enrolls 130 opportunity youth ages 16 to 21 who have disengaged from traditional high schools to complete their high school diploma by taking college courses. The per pupil funding increased by \$500 in year 2 to better support students' retention and success rates.
- The College is in planning and implementation talks with the School District of Philadelphia, the City of Philadelphia, City of Pittsburgh and the State Department of Education to bring P-TECH high schools (focused on a 6-year high school and associate's degree model with workplace internships and corporate connections to real career opportunities) to the Commonwealth (one in Philadelphia and one in Pittsburgh to start). IBM will be the primary corporate partner for the Philadelphia school.
- The College successfully implemented the state-funded Early Scholars scholarship for dual enrolled high school students in Philadelphia. Under this initiative, the College enrolled 824 unique students who took 1,563 courses and earned 4,689 credit hours with an 85% course completion rate and an 88% pass rate.
- The College experienced record enrollment numbers in summer ACE (Advanced College Experience) for high school students. ACE 2017 enrolled 335 high school students, and ACE 2018 enrolled 365 high school students, the highest enrollment to date since the program's inception in 1989.
- In Fall 2018, the College will pilot its first dual enrollment distance course to a group of high school students in India. International student course rates are triple the College's current in-county rate.
- After reviewing data pertaining to persistence rates of students as well as promising practices in non-credit ESL programs regionally, the College now offers non-credit ESL courses at 75 hours per semester, a 15-hour per course decrease from the former 90-hour course offering, resulting in cost savings to the College and a more fine-tuned, promising practice-supported program.

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

June 30, 2018

- The College conducted a complete internal review of all student text materials in the Adult and Community Education department to consolidate the use of texts across courses and eliminate any duplicative materials in order to enhance teaching and learning and streamline costs to the College.
- The Facilities Master Plan was approved by the Board of Trustees in October 2017. The Plan lays out a vision to meet the expectations of a rapidly changing and competitive educational environment for the next decade and beyond and is closely aligned with the 2017-2025 Strategic Plan. 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.
- On May 1, 2018, the College successfully closed on a \$24.1 million Series 2018 bond to refund the 2017 Series bond and to finance the renovations of the Library/Learning Commons.
- Funding for the \$16 million Library/Learning Commons renovation is in place. Part of the debt service will be supported by the Pennsylvania Department of Education (PDE) and the City of Philadelphia. The architect and team has completed the programming phase, and construction is expected to begin in early in 2019.
- PDE has also approved the expansion of the West Regional Center as a capital project for 2018-2019. The balance of the funding not covered by PDE will come from grants, gifts and issuance of a bond. The Automotive Technology Center will serve as the anchor program for this site.
- The College implemented GASB 75 requiring the recording in full of the actuarially determined other post-employment benefits (OPEB). GASB 75, which replaced GASB 45, established new actuarial methods and discount rate standards for the measurement and recognition of OPEB. Adopting GASB 75 required restating the Opening Net Position from \$51.9 million to negative \$102.3 million. GASB 75 eliminated the Net OPEB Obligation and required the full liability to be recognized immediately on the Statement of Net Position. Under GASB 45, the College recorded \$78.2 million in OPEB liability in fiscal 2017. Under GASB 75, the College was required to recognize \$177.8 million in OPEB liability in fiscal 2018.
- Total operating revenues remained stable at \$34.8 million even with total enrollment declining by 4.4%. The loss of revenues from the 4.4% drop in enrollment was partially offset by total credit hours declining by only 1.9% and by a tuition increase of \$6 per credit for academic year 2017-2018. This increase was the first tuition increase in four years.
- Operating expenses decreased by \$2.2 million or 1.3% due to fewer classes running and lower student aid expenses. Nonoperating revenues decreased by \$1.6 million or -1.4% due to lower state grants and contracts and smaller gifts received from the Foundation. The College received \$0.5 million more in appropriations from the City.

**Overview of Financial Statements**

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

- The *Statement of Net Position* presents information on the College's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets serve as one indicator of how the financial position of the College is changing.
- The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the College's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

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

June 30, 2018

- The *Statement of Cash Flows* is 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**

At June 30, 2018, the College's net position was a negative \$109.4 million, with liabilities of \$287.4 million exceeding assets of \$237.8 million. As a result of financial circumstances which contributed to asset growth, net position increased by \$5.2 million in the 2018 fiscal year prior to recording the impact of the post-employment benefit liability. Unrestricted net position fell from a negative \$52.7 million to a negative \$216.5 million. Absent the cumulative impact of the post-employment benefit liability (GASB 75 and 68) reporting requirements, unrestricted net position would currently be at a level of negative \$34.3 million. The other factor significantly reducing the unrestricted net position value was unfunded depreciation expense for 2018 in the amount of \$8.1 million.

The negative unrestricted net asset position \$216.5 million reflects the cumulative impact of the post-employment benefit expense accruals in the amount of \$182.2 million.

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

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

June 30, 2018

Summary of Net Position

June 30,

|                                                 | 2018              | 2017            |
|-------------------------------------------------|-------------------|-----------------|
|                                                 | (In millions)     |                 |
| Assets:                                         |                   |                 |
| Current assets                                  | \$ 40.9           | \$ 38.2         |
| Noncurrent assets:                              |                   |                 |
| Capital assets net of depreciation              | 164.4             | 165.9           |
| Bond proceeds available for campus construction | 16.1              | 2.2             |
| Other                                           | <u>16.4</u>       | <u>16.6</u>     |
| Total assets                                    | <u>\$ 237.8</u>   | <u>\$ 222.9</u> |
| Deferred outflows of resources                  | <u>\$ 7.3</u>     | <u>\$ 8.2</u>   |
| Liabilities:                                    |                   |                 |
| Current liabilities                             | \$ 26.4           | \$ 27.3         |
| Noncurrent liabilities                          | <u>261.0</u>      | <u>151.6</u>    |
| Total liabilities                               | <u>\$ 287.4</u>   | <u>\$ 178.9</u> |
| Deferred inflows of resources                   | <u>\$ 67.1</u>    | <u>\$ 0.3</u>   |
| Net position:                                   |                   |                 |
| Net investment in capital assets                | \$ 102.0          | \$ 99.8         |
| Unrestricted                                    | (216.5)           | (52.7)          |
| Restricted:                                     |                   |                 |
| Expendable                                      | <u>5.1</u>        | <u>4.9</u>      |
| Total net position                              | <u>\$ (109.4)</u> | <u>\$ 52.0</u>  |

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

June 30, 2018

**Assets**

Current assets increased by \$2.7 million in fiscal year 2018. Net accounts receivable, accrued interest receivable, short-term investments, cash and cash equivalents, and other assets increased, while receivable from government agencies decreased.

Noncurrent assets increased by \$12.3 million. Bond proceeds available for campus construction increased as the College started to fund the new renovation project on the Main Campus in the Library/Learning Commons. The Biology labs renovation has been completed. The College's capital assets as of June 30, 2018 net of accumulated depreciation were \$164.4 million, a decrease of \$1.5 million over the amount reported for 2017 of \$165.9 million. The decrease in the net value of assets is related to the increase in accumulated depreciation, which exceeded the value of capital additions.

**Liabilities**

Total current liabilities decreased by \$0.9 million in fiscal year 2018. Accounts payable and accrued liabilities decreased by \$0.7 million primarily due to a decrease in liabilities. The College self-insures its employee medical plan. A reinsurance limit of \$250,000 was in place for the 2018 fiscal year to cap institutional financial exposure for individuals with extraordinarily large claims in a policy year.

The current portion of long-term debt increased by \$0.3 million for the year. Payables to government agencies increased by \$0.7 million primarily due to an increase in advanced funding from PHEAA for a state grant.

The College's outstanding long-term debt was at \$68.1 million as of June 30, 2018, an increase of \$7.6 million from June 2017 reflecting the loan agreement dated May 1, 2018 between the State Public School Building Authority and the College. A separate trust has not been established to fund any portion of this liability. The post-employment benefits liability amount for fiscal year 2018 also includes \$4.4 million related to GASB 68, which requires the College to record its relative proportion of the net funded status of certain state cost sharing pension plans. The cumulative estimated value for the accrued post-employment benefit liability in fiscal years 2018 and 2017 was \$182.2 million and \$82.8 million, respectively. Absent this reporting requirement, the College's net assets as of June 30, 2018 would have been at a level of \$72.8 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.

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

June 30, 2018

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

The change in net position for fiscal years 2018 and 2017 was a negative \$7.1 million and negative \$9.1 million, respectively. The following table quantifies the changes:

| Revenues, Expenses and Changes in Net Position                            |                        |                        |
|---------------------------------------------------------------------------|------------------------|------------------------|
| Year ended June 30,                                                       |                        |                        |
|                                                                           | <u>2018</u>            | <u>2017</u>            |
|                                                                           | (In millions)          |                        |
| Operating revenues:                                                       |                        |                        |
| Net tuition and fees                                                      | \$ 33.2                | \$ 33.0                |
| Auxiliary enterprises and other sources                                   | <u>1.6</u>             | <u>1.8</u>             |
| Total                                                                     | <u>34.8</u>            | <u>34.8</u>            |
| Operating expenses                                                        | <u>164.4</u>           | <u>166.6</u>           |
| Operating loss                                                            | (129.6)                | (131.8)                |
| Net nonoperating revenues                                                 | <u>110.0</u>           | <u>111.6</u>           |
| Change in net assets before other revenues                                | (19.6)                 | (20.2)                 |
| Net capital revenue and changes to endowments<br>(capital appropriations) | <u>12.5</u>            | <u>11.1</u>            |
| Total change in net position                                              | <u><u>\$ (7.1)</u></u> | <u><u>\$ (9.1)</u></u> |

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

June 30, 2018

**Operating Revenues**

The largest sources of operating revenue for the College are student tuition and fees and auxiliary enterprise revenues. In 2018, the tuition charge per credit was increased by \$6 per credit from \$153 per credit to \$159 per credit; this increase was the first tuition increase in four years. The Technology Fee, General College Fee, and Course Fees remained unchanged. The College charges course fees for selected high-cost courses. Course fees range from \$85 to \$345. Average total tuition and fee revenue per credit for 2018 was \$203. Auxiliary enterprise revenues are generated from bookstore, food service and parking operations.

Tuition and fee revenue totaled \$75,075,802 in fiscal year 2018 and \$73,870,409 in fiscal year 2017, which is offset by the scholarship allowance amounts for 2018 and 2017, respectively, of \$41,842,116 and \$40,878,907. The scholarship allowance represents tuition and fee payments made using public and private grants and scholarships. The relatively stable scholarship allowance amounts between fiscal 2018 and fiscal 2017 are reflective of the reintroduction of year round Pell beginning Summer 2018 and the small increase in the federal Pell financial aid award amounts for the 2018 fiscal year.

Gift revenue from the Community College of Philadelphia Foundation (the Foundation) in the amount of \$242,470 was received in 2018 and is reported in the Statement of Revenues, Expenses and Changes in Net Position. This value consists of \$125,000 for general College expansion and the balance of \$117,470 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 2018, excluding capital appropriations, totaled \$30,891,611, an increase of \$23,309 (0.1%) over the \$30,868,302 received in fiscal year 2017.

Total 2018 City funding was \$30,409,207, a \$0.5 million increase (2%) over the amount received in fiscal year 2017. Of the funding appropriation, \$23,310,452 was used for operating budget purposes in 2018, including \$800,000 for the new Power Up Your Business program. In fiscal year 2017, \$24,188,416 of the total appropriation was used for operating purposes. Net investment income was \$36,359 in fiscal year 2018 and \$74,971 in 2017. Included in net investment income for 2018 is an unrealized loss of \$399,474 and a realized loss of \$116,347 for all investment activity as of June 30, 2018.

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

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

June 30, 2018

**Capital Appropriations**

The Commonwealth provided capital funding for debt service and capital purchases in the amounts of \$5,352,051 and \$5,329,004 for fiscal years 2018 and 2017, respectively. The College used \$7,098,755 of the total City appropriation of \$30,409,207 in fiscal year 2018 for debt service and capital purchases. In fiscal year 2017, City appropriations used for debt service and capital purchases were \$5,720,791.

Expenses by Function  
Year ended June 30,

|                           | <u>2018</u>           | <u>2017</u>           |
|---------------------------|-----------------------|-----------------------|
| Instruction               | \$ 64,578,356         | \$ 65,509,173         |
| Public service            | 144,542               | 124,136               |
| Academic support          | 19,181,833            | 18,880,265            |
| Student services          | 24,212,003            | 24,404,673            |
| Institutional support     | 25,111,421            | 24,853,707            |
| Physical plant operations | 15,092,643            | 15,012,576            |
| Depreciation              | 8,132,985             | 8,204,104             |
| Student aid               | 7,213,061             | 8,770,096             |
| Auxiliary enterprises     | <u>733,460</u>        | <u>811,482</u>        |
| Total operating expenses  | <u>\$ 164,400,304</u> | <u>\$ 166,570,212</u> |

Exclusive of student aid and depreciation expenses, the College's operating expenses totaled \$149,054,258 in fiscal 2018 and \$149,596,013 in fiscal 2017. 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.

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

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

June 30, 2018

In fiscal 2018, the College replaced GASB 45, which was first implemented in fiscal 2008, with GASB 75. Under GASB 75, the Unfunded Actuarial Accrued Liability (UAAL), reported under GASB 45, is replaced by Net OPEB Liability (NOL) on the Statement of Net Position. Changes to the NOL are recognized either in the OPEB Expense and/or deferred inflows/outflows. The value of the expense for fiscal years 2018 and 2017 was \$11,924,333 and \$11,195,998, respectively.

Expenses by Natural Classifications

Year ended June 30,

|                                                    | 2018                         | 2017                         |
|----------------------------------------------------|------------------------------|------------------------------|
|                                                    | (In thousands)               |                              |
| Expenses:                                          |                              |                              |
| Salaries                                           | \$ 76,986                    | \$ 78,629                    |
| Benefits                                           | 36,258                       | 36,417                       |
| Contracted services                                | 7,859                        | 6,512                        |
| Supplies                                           | 3,549                        | 3,376                        |
| Depreciation                                       | 8,133                        | 8,204                        |
| Student aid                                        | 7,213                        | 8,770                        |
| Other                                              | 12,092                       | 12,959                       |
| Other post-employment benefits accrual             | <u>12,309</u>                | <u>11,703</u>                |
| <br>Total operating expenses                       | <br><u>164,399</u>           | <br><u>166,570</u>           |
| <br>Interest on capital asset-related debt service | <br><u>3,413</u>             | <br><u>3,263</u>             |
| <br>Total nonoperating expenses                    | <br><u>3,413</u>             | <br><u>3,263</u>             |
| <br>Total expenses                                 | <br><u><u>\$ 167,812</u></u> | <br><u><u>\$ 169,833</u></u> |

In fiscal year 2018, expenses associated with the College's operating budget decreased by \$1.4 million or 1.1%. Total operating expenditures ended the year \$6.5 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 \$2.1 million lower than budgeted. The staff benefit budget was positively affected by a favorable year for the medical self-funded program. Final healthcare program costs were almost \$2.1 million below budget and \$25,000 less than fiscal year 2017. Expenses associated with restricted grants were stable compared to fiscal year 2017.

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

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

June 30, 2018

**Schedule of Fund Balances**

The following chart shows fund balances in the four fund groups: Unrestricted, Restricted, Endowment and Plant. The 2018 and 2017 amounts reported for unrestricted operations funds were reduced by the impact accrued expense liability for post-employment benefits. For fiscal 2018, the College replaced GASB 45, which was first implemented in fiscal 2008, with GASB 75. The impact of GASB 75 reporting in 2018 was \$11,924,333, while the impact of GASB 45 and 68 reporting in 2017 was \$11,195,998. The negative unrestricted plant fund balance reflects the cumulative impact of unfunded depreciation expense.

June 30,

|                                 | <u>2018</u>             | <u>2017</u>          |
|---------------------------------|-------------------------|----------------------|
| Total unrestricted fund         | \$ (209,777,781)        | \$ (46,270,672)      |
| Endowment fund:                 |                         |                      |
| Quasi endowment (unrestricted)  | <u>1,332,152</u>        | <u>1,555,625</u>     |
| Total endowment                 | <u>1,332,152</u>        | <u>1,555,625</u>     |
| Plant fund:                     |                         |                      |
| Net invested in capital assets  | 102,005,246             | 99,771,887           |
| Restricted expendable - capital | 5,101,208               | 4,939,214            |
| Unrestricted                    | <u>(8,090,020)</u>      | <u>(8,044,956)</u>   |
| Total plant fund                | <u>99,016,434</u>       | <u>96,666,145</u>    |
| Total net position              | <u>\$ (109,429,195)</u> | <u>\$ 51,951,098</u> |

**Community College of Philadelphia Foundation**

The Foundation was established in 1985. Total assets for 2018 and 2017 were \$13.9 million and \$12.5 million, respectively. Total unrestricted net position for 2018 and 2017 for the Foundation was \$1.8 million and \$1.6 million, respectively. The remaining net position is restricted based upon donor intent.

**Future Impacts**

For fiscal year 2019, City funding to the College was increased by \$2 million over the amount received for fiscal year 2018. The Commonwealth appropriation was increased by \$921,000. The Board voted not to increase student tuition and fees for fiscal year 2019. Credit hour enrollments for the Fall 2018 semester are trending 3.1% below enrollments of Fall 2017. The total credit hours generated by the late summer session, a fiscal year 2019 term, were 2.1% higher than the previous year.

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

**STATEMENT OF NET POSITION**

June 30, 2018

|                                                 | <u>Business-type activities</u><br>The Community College<br>of Philadelphia | <u>Component unit</u><br>The Community College<br>of Philadelphia Foundation |
|-------------------------------------------------|-----------------------------------------------------------------------------|------------------------------------------------------------------------------|
| <b>ASSETS</b>                                   |                                                                             |                                                                              |
| Current assets:                                 |                                                                             |                                                                              |
| Cash and cash equivalents (Note B)              | \$ 16,807,834                                                               | \$ 908,126                                                                   |
| Short-term investments (Note B)                 | 15,510,384                                                                  | 1,439,953                                                                    |
| Accounts receivable, net (Note C)               | 5,509,823                                                                   | 193,336                                                                      |
| Receivable from government agencies (Note G)    | 1,733,694                                                                   | -                                                                            |
| Accrued interest receivable                     | 50,082                                                                      | -                                                                            |
| Other assets                                    | <u>1,297,333</u>                                                            | <u>-</u>                                                                     |
| Total current assets                            | <u>40,909,150</u>                                                           | <u>2,541,415</u>                                                             |
| Noncurrent assets:                              |                                                                             |                                                                              |
| Endowment investments (Note B)                  | -                                                                           | 11,210,672                                                                   |
| Accounts receivable, net (Note C)               | -                                                                           | 132,211                                                                      |
| Bond proceeds available for campus construction | 16,099,212                                                                  | -                                                                            |
| Other long-term investments (Note B)            | 16,364,379                                                                  | -                                                                            |
| Capital assets, net (Note D)                    | <u>164,371,572</u>                                                          | <u>-</u>                                                                     |
| Total noncurrent assets                         | <u>196,835,163</u>                                                          | <u>11,342,883</u>                                                            |
| Total assets                                    | <u>\$ 237,744,313</u>                                                       | <u>\$ 13,884,298</u>                                                         |
| Deferred outflows of resources:                 |                                                                             |                                                                              |
| Deferred outflows                               | <u>\$ 7,277,932</u>                                                         | <u>\$ -</u>                                                                  |

(Continued)

See accompanying notes to financial statements.

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

**STATEMENT OF NET POSITION - CONTINUED**

June 30, 2018

|                                                      | <u>Business-type activities</u><br>The Community College<br>of Philadelphia | <u>Component unit</u><br>The Community College<br>of Philadelphia Foundation |
|------------------------------------------------------|-----------------------------------------------------------------------------|------------------------------------------------------------------------------|
| <b>LIABILITIES AND NET POSITION</b>                  |                                                                             |                                                                              |
| Current liabilities:                                 |                                                                             |                                                                              |
| Accounts payable and accrued liabilities (Note E)    | \$ 15,304,882                                                               | \$ 1,046,229                                                                 |
| Payable to government agencies (Note G)              | 729,343                                                                     | -                                                                            |
| Deposits                                             | 278,671                                                                     | 3,199                                                                        |
| Unearned revenue                                     | 2,305,077                                                                   | 570,525                                                                      |
| Current portion of capital lease obligation (Note F) | 451,189                                                                     | -                                                                            |
| Current portion of long-term debt (Note F)           | 6,664,480                                                                   | -                                                                            |
| Unamortized bond premium                             | <u>677,692</u>                                                              | <u>-</u>                                                                     |
| Total current liabilities                            | <u>26,411,334</u>                                                           | <u>1,619,953</u>                                                             |
| Noncurrent liabilities:                              |                                                                             |                                                                              |
| Accrued liabilities (Note E)                         | 2,098,437                                                                   | -                                                                            |
| Annuity payable                                      | -                                                                           | 7,970                                                                        |
| Deposits                                             | 250,000                                                                     | -                                                                            |
| Capital lease obligation (Note F)                    | 1,113,022                                                                   | -                                                                            |
| Long-term debt (Note F)                              | 68,143,101                                                                  | -                                                                            |
| Unamortized bond premium                             | 7,145,064                                                                   | -                                                                            |
| Other post-employment benefits liability (Note H)    | <u>182,233,779</u>                                                          | <u>-</u>                                                                     |
| Total noncurrent liabilities                         | <u>260,983,403</u>                                                          | <u>7,970</u>                                                                 |
| Total liabilities                                    | <u>\$ 287,394,737</u>                                                       | <u>\$ 1,627,923</u>                                                          |
| Deferred inflows of resources:                       |                                                                             |                                                                              |
| Deferred inflows                                     | <u>\$ 67,056,703</u>                                                        | <u>\$ -</u>                                                                  |
| Net position:                                        |                                                                             |                                                                              |
| Net investment in capital assets                     | 102,005,246                                                                 | -                                                                            |
| Restricted:                                          |                                                                             |                                                                              |
| Nonexpendable:                                       |                                                                             |                                                                              |
| Scholarships, awards and faculty chair               | -                                                                           | 8,706,698                                                                    |
| Annuities                                            | -                                                                           | 7,507                                                                        |
| Expendable:                                          |                                                                             |                                                                              |
| Scholarships, awards and faculty chair               | -                                                                           | 1,594,227                                                                    |
| Capital projects                                     | 5,101,208                                                                   | 113,452                                                                      |
| Unrestricted                                         | <u>(216,535,649)</u>                                                        | <u>1,834,491</u>                                                             |
| Total net position                                   | <u>\$ (109,429,195)</u>                                                     | <u>\$ 12,256,375</u>                                                         |

See accompanying notes to financial statements.

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

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

Year ended June 30, 2018

|                              | <u>Business-type activities</u><br>The Community College<br>of Philadelphia | <u>Component unit</u><br>The Community College<br>of Philadelphia Foundation |
|------------------------------|-----------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Operating revenues:          |                                                                             |                                                                              |
| Student tuition              | \$ 57,648,265                                                               | \$ -                                                                         |
| Student fees                 | 17,427,537                                                                  | -                                                                            |
| Less scholarship allowance   | <u>(41,842,116)</u>                                                         | <u>-</u>                                                                     |
| Net student tuition and fees | 33,233,686                                                                  | -                                                                            |
| Auxiliary enterprises        | 1,523,215                                                                   | -                                                                            |
| Gifts                        | -                                                                           | 1,415,531                                                                    |
| Other sources                | <u>45,908</u>                                                               | <u>-</u>                                                                     |
| Total operating revenues     | <u>34,802,809</u>                                                           | <u>1,415,531</u>                                                             |
| Operating expenses (Note J): |                                                                             |                                                                              |
| Educational and general:     |                                                                             |                                                                              |
| Instruction                  | 64,578,356                                                                  | 63,883                                                                       |
| Public service               | 144,542                                                                     | -                                                                            |
| Academic support             | 19,181,833                                                                  | 819,086                                                                      |
| Student services             | 24,212,003                                                                  | 59,493                                                                       |
| Institutional support        | 25,111,421                                                                  | 1,027,450                                                                    |
| Physical plant operations    | 15,092,643                                                                  | -                                                                            |
| Depreciation                 | 8,132,985                                                                   | -                                                                            |
| Student aid                  | 7,213,061                                                                   | 521,687                                                                      |
| Auxiliary enterprises        | <u>733,460</u>                                                              | <u>-</u>                                                                     |
| Total operating expenses     | <u>164,400,304</u>                                                          | <u>2,491,599</u>                                                             |
| Operating loss               | <u>\$ (129,597,495)</u>                                                     | <u>\$ (1,076,068)</u>                                                        |

(Continued)

See accompanying notes to financial statements.

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

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

Year ended June 30,

|                                                                  | <u>Business-type activities</u>                  | <u>Component unit</u>                                       |
|------------------------------------------------------------------|--------------------------------------------------|-------------------------------------------------------------|
|                                                                  | <u>The Community College<br/>of Philadelphia</u> | <u>The Community College<br/>of Philadelphia Foundation</u> |
| Nonoperating revenues (expenses):                                |                                                  |                                                             |
| State appropriations (Note K)                                    | \$ 30,891,611                                    | \$ -                                                        |
| City appropriations (Note K)                                     | 23,310,452                                       | -                                                           |
| Federal grants and contracts                                     | 49,026,433                                       | -                                                           |
| Gifts from the Community College of<br>Philadelphia Foundation   | 242,470                                          | (242,470)                                                   |
| State grants and contracts                                       | 7,952,834                                        | -                                                           |
| Nongovernmental grants and contracts                             | 1,582,042                                        | 1,577,385                                                   |
| Net investment income                                            | 36,359                                           | 842,995                                                     |
| Interest on capital asset-related debt service                   | (3,413,080)                                      | -                                                           |
| Other nonoperating revenues                                      | <u>399,190</u>                                   | <u>-</u>                                                    |
| Net nonoperating revenues                                        | <u>110,028,311</u>                               | <u>2,177,910</u>                                            |
| (Loss) gain before other revenues, expenses,<br>gains or losses  | (19,569,184)                                     | 1,101,842                                                   |
| Capital appropriations                                           | <u>12,450,806</u>                                | <u>-</u>                                                    |
| (Decrease) increase in net position                              | (7,118,378)                                      | 1,101,842                                                   |
| Net position, beginning, as previously reported                  | 51,951,098                                       | 11,154,533                                                  |
| Change in accounting principle - GASB 75<br>adjustments (Note A) | <u>(154,261,915)</u>                             | <u>-</u>                                                    |
| Net position, beginning of the year, restated                    | <u>(102,310,817)</u>                             | <u>11,154,533</u>                                           |
| Net position, ending of the year                                 | <u><u>\$ (109,429,195)</u></u>                   | <u><u>\$ 12,256,375</u></u>                                 |

See accompanying notes to financial statements.

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

(Business-Type Activities - College only)

**STATEMENT OF CASH FLOWS**

Year ended June 30, 2018

|                                                                         |                      |
|-------------------------------------------------------------------------|----------------------|
| Cash flows from operating activities:                                   |                      |
| Tuition and fees                                                        | \$ 32,906,384        |
| Payments to suppliers                                                   | (23,750,112)         |
| Payments to employees                                                   | (76,991,905)         |
| Payments for employee benefits                                          | (36,415,512)         |
| Payments for student aid                                                | (7,213,061)          |
| Auxiliary enterprises                                                   | 1,511,048            |
| Other cash receipts                                                     | <u>45,908</u>        |
| Net cash used in operating activities                                   | <u>(109,907,250)</u> |
| Cash flows from noncapital financing activities:                        |                      |
| State appropriations                                                    | 30,891,611           |
| City appropriations                                                     | 23,310,452           |
| Gifts and grants                                                        | 59,481,061           |
| Other nonoperating                                                      | <u>297,211</u>       |
| Net cash provided by noncapital financing activities                    | <u>113,980,335</u>   |
| Cash flows from capital and related financing activities:               |                      |
| State capital appropriations                                            | 5,352,051            |
| City capital appropriations                                             | 7,098,755            |
| Proceeds from long-term debt                                            | 24,155,000           |
| Increase in bond proceeds available for campus construction             | (13,923,257)         |
| Purchases of capital assets                                             | (4,968,876)          |
| Principal payments on long-term debt and amortization of capital leases | (17,720,871)         |
| Interest payments on long-term debt and capital leases                  | <u>(1,289,143)</u>   |
| Net cash used in capital and related financing activities               | <u>(1,296,341)</u>   |
| Cash flows from investing activities:                                   |                      |
| Proceeds from sales and maturities of investments                       | 50,584,645           |
| Purchases of investments                                                | (52,329,976)         |
| Interest on investments                                                 | <u>33,550</u>        |
| Net cash used in investing activities                                   | <u>(1,711,781)</u>   |
| Increase in cash                                                        | 1,064,963            |
| Cash and cash equivalents, beginning                                    | <u>15,742,871</u>    |
| Cash and cash equivalents, ending                                       | <u>\$ 16,807,834</u> |

(Continued)

See accompanying notes to financial statements.

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

(Business-Type Activities - College only)

**STATEMENT OF CASH FLOWS - CONTINUED**

Year ended June 30, 2018

Reconciliation of operating loss to net cash used in operating activities:

|                                                                                   |                         |
|-----------------------------------------------------------------------------------|-------------------------|
| Operating loss                                                                    | \$ (129,597,495)        |
| Adjustments to reconcile operating loss to net cash used in operating activities: |                         |
| Depreciation                                                                      | 8,132,985               |
| Changes in assets and liabilities:                                                |                         |
| Accounts receivable                                                               | 395,186                 |
| Prepaid and other assets                                                          | (31,154)                |
| Loans to students and employees                                                   | 14,182                  |
| Accounts payable and accrued liabilities                                          | (1,015,762)             |
| Deferred revenues                                                                 | (114,601)               |
| Other post-employment benefits                                                    | <u>12,309,409</u>       |
| Net cash used in operating activities                                             | <u>\$ (109,907,250)</u> |

Supplemental disclosure of noncash capital financing activity:

|                                           |                     |
|-------------------------------------------|---------------------|
| Capital assets acquired via capital lease | <u>\$ 1,653,712</u> |
|-------------------------------------------|---------------------|

See accompanying notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

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)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2018

**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 2018 fiscal year, 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)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2018

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.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2018

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

**7. Capital Assets**

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. Interest costs on debt related to capital assets are capitalized during the construction period. There were no capitalized interest costs for the year ended June 30, 2018.

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

| <u>Asset category</u>     | <u>Years</u> |
|---------------------------|--------------|
| Buildings                 | 10 to 50     |
| Furniture and equipment   | 3 to 10      |
| Library books             | 10           |
| Audiovisual media         | 5            |
| Computer desktop software | 3            |
| Computer system software  | 10           |

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

**8. Compensated Absences**

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

**9. Students' Deposits and Unearned Revenue**

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

**10. Student Fees**

Included in student fees are general college fees of \$1,361,876 for the year ended June 30, 2018, which have been designated for use by the various student organizations and activities.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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 \$250,000 is in place to limit institutional financial exposure for individuals with extraordinarily large claims in a policy year. The College has established a self-insurance accrued liability account for incurred claims, as well as an estimate of claims incurred but not reported. The College's self-insurance liability at June 30, 2018 was \$1,422,852, based upon an actuarial calculation based upon historical claim experience.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

15. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until that time. In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of a net position that applies to future periods and will not be recognized as an inflow of resources until that time. The College's deferred outflow/inflow relates to amounts recorded in connection with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), amounts recorded in connection with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75), as well as the advance refunding of the 2008 Series Community College Revenue Bonds in September 2015.

During 2018, the College adopted GASB 75, which established new actuarial methods and discount rate standards for the measurement and recognition of the cost of post-employment benefits. The outcome of adopting GASB 75 on deferred inflow/outflow was the recording of an additional deferred inflow of \$66.6 million.

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. Recently Adopted Accounting Pronouncements

In June 2015, the GASB issued 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 fully implemented GASB 75. The adoption of GASB 75 has been reflected as of the beginning of the earliest period presented in the financial statements, resulting in an increase in obligation for post-employment benefits and a decrease in unrestricted net position of \$154,261,915 at July 1, 2017.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2018

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

In January 2016, the 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, the 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 completed the process of evaluating the impact of adopting this statement and determined that the impact of adopting is immaterial.

**18. Recently Issued Accounting Pronouncements**

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in Statement No. 83. The requirements of Statement No. 83 are effective for reporting periods beginning after June 15, 2018. The College is evaluating the effect of Statement No. 83 on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement provides guidance for lease contracts for nonfinancial assets – including vehicles, heavy equipment and buildings – but excludes nonexchange transactions, including donated assets, and leases of intangible assets (such as patents and software licenses). The lease definition now focuses on a contract that conveys control of the right to use another entity's nonfinancial assets, which is referred to in the new Statement No. 87 as the underlying asset. Under Statement No. 87, a lessee government is required to recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. A lessor government is required to recognize (1) a lease receivable and (2) a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements. The requirements of Statement No. 87 are effective for reporting periods beginning after December 15, 2019, with early adoption permitted. The College is still assessing the impact of Statement No. 87 on its financial statements.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2018

**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 June 30, 2018, cash on hand was \$4,000. At June 30, 2018, the carrying amount of deposits was \$16,803,834 and the bank balance was \$17,709,244. 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 June 30, 2018.

(Continued)

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

June 30, 2018

NOTE B - DEPOSITS AND INVESTMENTS - Continued

The following is the fair value of deposits and investments at June 30, 2018:

|                                       | <u>College</u>       | <u>Component<br/>unit<br/>Foundation</u> |
|---------------------------------------|----------------------|------------------------------------------|
| Deposits:                             |                      |                                          |
| Demand deposits                       | \$ 16,803,834        | \$ 908,126                               |
| Investments:                          |                      |                                          |
| U.S. Treasury obligations             | 4,659,099            | 453,196                                  |
| U.S. government agency obligations    | 946,634              | -                                        |
| Corporate and foreign bonds           | 4,778,064            | -                                        |
| Intermediate fixed income mutual fund | 5,333,287            | 3,323,630                                |
| Equity mutual fund                    | -                    | 7,248,583                                |
| Multi-strategy bond mutual fund       | 5,051,678            | -                                        |
| Money market mutual funds             | 11,110,001           | 1,439,953                                |
| Private real estate fund              | -                    | 185,262                                  |
|                                       | <u>          </u>    | <u>          </u>                        |
| Total deposits and investments        | <u>\$ 48,682,597</u> | <u>\$ 13,558,750</u>                     |

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, 2018, bond proceeds available for campus construction include the following:

|                    |               |
|--------------------|---------------|
| Construction funds | \$ 16,099,212 |
|--------------------|---------------|

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.

(Continued)

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

June 30, 2018

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

At June 30, 2018, the College's bank balance was exposed to custodial credit risk as follows:

|                                                                                                |               |
|------------------------------------------------------------------------------------------------|---------------|
| Uninsured and collateral held by pledging bank's trust<br>department not in the College's name | \$ 16,803,834 |
|------------------------------------------------------------------------------------------------|---------------|

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.

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:

|                 | Multi-Strategy<br>Bond | Intermediate |
|-----------------|------------------------|--------------|
| Government      | 12%                    | 29%          |
| Agency          | 29                     | 19           |
| AAA             | 9                      | 18           |
| AA              | 4                      | 4            |
| A               | 10                     | 22           |
| BBB             | 17                     | 7            |
| Below BBB       | 13                     | 1            |
| Non-rated/Other | 6                      | -            |
|                 | <hr/>                  | <hr/>        |
| Total           | 100%                   | 100%         |
|                 | <hr/>                  | <hr/>        |

(Continued)

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

June 30, 2018

NOTE B - DEPOSITS AND INVESTMENTS - Continued

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

|       | <u>Fixed<br/>income<br/>securities</u> |
|-------|----------------------------------------|
| Aaa   | 60%                                    |
| Aa    | 11                                     |
| A     | 15                                     |
| Baa   | <u>14</u>                              |
| Total | <u><u>100%</u></u>                     |

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income investments. The College's investment policy does not specifically address limitations in the maturities of investments. The weighted average maturities of the College's fixed income investments at June 30, 2018 are as follows:

|                                    | <u>Weighted<br/>average<br/>maturity<br/>(years)</u> |
|------------------------------------|------------------------------------------------------|
| U.S. Treasury obligations          | 4.50                                                 |
| U.S. government agency obligations | 2.70                                                 |
| Corporate bonds                    | 4.50                                                 |

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

(Continued)

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018

### NOTE B - DEPOSITS AND INVESTMENTS - Continued

The College has the following recurring fair value measurements as of June 30, 2018:

Demand deposits, U.S. Treasury obligations, U.S. government agency obligations, and money market mutual funds of \$33,519,568 are valued using quoted market prices (Level 1 inputs).

Corporate and foreign bonds of \$4,778,064 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 \$10,384,965 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, 2018:

Demand deposits, U.S. Treasury obligations, equity mutual fund, and money market mutual funds of \$10,049,858 are valued using quoted market prices (Level 1 inputs).

The intermediate fixed income mutual fund of \$3,323,630 is valued at the NAV per share (or its equivalent) of the investments (Level 2 inputs).

The private real estate fund of \$185,262 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<br>Value  | Unfunded<br>Commitments | Redemption<br>Frequency (if<br>currently eligible) | Redemption<br>Notice<br>Period |
|------------------------------------------------------|----------------|-------------------------|----------------------------------------------------|--------------------------------|
| Intermediate fixed income mutual fund <sup>(1)</sup> | \$ 8.7         | -                       | Monthly                                            | 30 days                        |
| Multi-strategy bond mutual fund <sup>(2)</sup>       | 5.1            | -                       | Weekly                                             | 7 days                         |
| Private real estate fund <sup>(3)</sup>              | 0.2            | -                       | N/A                                                | N/A                            |
| Total investments measured at NAV                    | <u>\$ 14.0</u> |                         |                                                    |                                |

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2018

**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.

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

June 30, 2018

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable include the following at June 30, 2018:

|                                         | College             | Component<br>unit<br>Foundation |
|-----------------------------------------|---------------------|---------------------------------|
|                                         | <u>College</u>      | <u>Foundation</u>               |
| Tuition and fee receivables             | \$ 6,800,824        | \$ -                            |
| Grants receivable                       | -                   | 39,799                          |
| Other receivables                       | 1,393,516           | -                               |
| Pledges receivable                      | -                   | 310,752                         |
| Receivable from Foundation              | 964,715             | -                               |
|                                         | <u>9,159,055</u>    | <u>350,551</u>                  |
| Less allowance for doubtful<br>accounts | <u>(3,649,232)</u>  | <u>(25,003)</u>                 |
| Total                                   | <u>\$ 5,509,823</u> | <u>\$ 325,548</u>               |

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

Accounts receivable, tuition and fees and other are reported 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 \$3,649,232 for the year ended June 30, 2018. \$285,749 of the Foundation's pledges receivable is expected to be collected subsequent to June 30, 2018, generally on a five-year payment schedule.

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

June 30, 2018

NOTE D - CAPITAL ASSETS

Capital assets consist of the following at June 30, 2018:

|                                   | Balance<br>July 1,<br>2017 | Additions            | Retirements<br>and<br>adjustments | Balance<br>June 30,<br>2018 |
|-----------------------------------|----------------------------|----------------------|-----------------------------------|-----------------------------|
| Capital assets not depreciated:   |                            |                      |                                   |                             |
| Land and improvements             | \$ 31,056,794              | \$ -                 | \$ -                              | \$ 31,056,794               |
| Construction in progress          | 4,080,144                  | 3,053,979            | (6,590,855)                       | 543,268                     |
| Works of art                      | 787,708                    | -                    | -                                 | 787,708                     |
|                                   | <u>35,924,646</u>          | <u>3,053,979</u>     | <u>(6,590,855)</u>                | <u>32,387,770</u>           |
| Capital assets being depreciated: |                            |                      |                                   |                             |
| Buildings and improvements        | 235,279,796                | 6,947,995            | -                                 | 242,227,791                 |
| Equipment and furniture           | 38,822,679                 | 3,020,870            | (104,502)                         | 41,739,047                  |
| Library books                     | 5,392,516                  | 133,372              | -                                 | 5,525,888                   |
| Microforms                        | 1,671,710                  | -                    | (1,878)                           | 1,669,832                   |
| Software                          | 4,039,594                  | -                    | -                                 | 4,039,594                   |
| System software                   | 7,454,942                  | 57,228               | -                                 | 7,512,170                   |
|                                   | <u>292,661,237</u>         | <u>10,159,465</u>    | <u>(106,380)</u>                  | <u>302,714,322</u>          |
| Total before depreciation         | <u>\$ 328,585,883</u>      | <u>\$ 13,213,444</u> | <u>\$ (6,697,235)</u>             | <u>\$ 335,102,092</u>       |

Accumulated depreciation by asset categories is summarized as follows:

|                            | Balance<br>July 1,<br>2017 | Depreciation        | Retirements         | Balance<br>June 30,<br>2018 |
|----------------------------|----------------------------|---------------------|---------------------|-----------------------------|
| Buildings and improvements | \$ 112,493,616             | \$ 5,814,807        | \$ -                | \$ 118,308,423              |
| Equipment and furniture    | 33,289,419                 | 2,073,872           | (104,501)           | 35,258,790                  |
| Library books              | 4,606,659                  | 141,529             | -                   | 4,748,188                   |
| Microforms                 | 1,671,710                  | -                   | (1,878)             | 1,669,832                   |
| Software                   | 3,438,604                  | -                   | -                   | 3,438,604                   |
| System software            | 7,203,906                  | 102,777             | -                   | 7,306,683                   |
|                            | <u>\$ 162,703,914</u>      | <u>\$ 8,132,985</u> | <u>\$ (106,379)</u> | <u>170,730,520</u>          |
| Total                      | <u>\$ 162,703,914</u>      | <u>\$ 8,132,985</u> | <u>\$ (106,379)</u> | <u>170,730,520</u>          |
| Net capital assets         |                            |                     |                     | <u>\$ 164,371,572</u>       |

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

June 30, 2018

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

Accounts payable and accrued liabilities consisted of the following at June 30, 2018:

|                               | College              | Component<br>unit<br>Foundation |
|-------------------------------|----------------------|---------------------------------|
| Category:                     |                      |                                 |
| Vendors and others            | \$ 6,683,928         | \$ 1,046,229                    |
| Accrued salaries              | 3,497,869            | -                               |
| Accrued benefits              | 2,273,188            | -                               |
| Compensated absences          | 2,974,719            | -                               |
| Retirement incentive payments | 1,252,331            | -                               |
| Payroll withholding taxes     | 523,813              | -                               |
| Accrued interest              | 197,471              | -                               |
| Total                         | <u>\$ 17,403,319</u> | <u>\$ 1,046,229</u>             |

Long-term liability activity for the year ended June 30, 2018 was as follows:

|                                          | Beginning<br>balance  | Additions             | Deductions            | Total<br>ending<br>balance | Current<br>portion   |
|------------------------------------------|-----------------------|-----------------------|-----------------------|----------------------------|----------------------|
| Long-term liabilities:                   |                       |                       |                       |                            |                      |
| Accounts payable and accrued liabilities | \$ 17,640,532         | \$ 119,974            | \$ (357,187)          | \$ 17,403,319              | \$ 15,304,882        |
| Payable to government agencies           | 52,006                | 677,337               | -                     | 729,343                    | 729,343              |
| Capital lease obligation                 | 1,284,329             | 279,882               | -                     | 1,564,211                  | 451,189              |
| Long-term debt                           | 66,999,622            | 11,362,700            | (3,554,741)           | 74,807,581                 | 6,664,480            |
| Unamortized bond premium                 | 6,304,203             | 1,518,553             | -                     | 7,822,756                  | 677,692              |
| Other post-employment benefits           | 82,801,420            | 99,555,742            | (123,383)             | 182,233,779                | -                    |
|                                          | <u>\$ 175,082,112</u> | <u>\$ 113,514,188</u> | <u>\$ (4,035,311)</u> | <u>\$ 284,560,989</u>      | <u>\$ 23,827,586</u> |

**NOTE F - DEBT**

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

(Continued)

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

June 30, 2018

NOTE F - DEBT - Continued

Debt consisted of the following at June 30, 2018:

|             | Balance<br>July 1, 2017 | Additions            | Principal<br>payments  | Balance<br>June 30, 2018 | Current<br>portion  |
|-------------|-------------------------|----------------------|------------------------|--------------------------|---------------------|
| 2008 Series | \$ 3,110,000            | \$ -                 | \$ (3,110,000)         | \$ -                     | \$ -                |
| 2015 Series | 50,575,000              | -                    | (870,000)              | 49,705,000               | 4,170,000           |
| 2017 Series | 11,922,300              | -                    | (11,922,300)           | -                        | -                   |
| 2018 Series | -                       | 24,155,000           | -                      | 24,155,000               | 2,185,000           |
| SPSBA Loan  | 141,471                 | -                    | (141,471)              | -                        | -                   |
| SPSBA Loan  | 1,250,851               | -                    | (303,270)              | 947,581                  | 309,480             |
|             | <u>\$ 66,999,622</u>    | <u>\$ 24,155,000</u> | <u>\$ (16,347,041)</u> | <u>\$ 74,807,581</u>     | <u>\$ 6,664,480</u> |

Future annual principal and interest payments at June 30, 2018 are as follows:

| June 30: | Principal            | Interest             | Total                |
|----------|----------------------|----------------------|----------------------|
| 2019     | \$ 6,664,480         | \$ 3,621,952         | \$ 10,286,432        |
| 2020     | 6,960,817            | 3,319,715            | 10,280,532           |
| 2021     | 7,262,284            | 3,003,648            | 10,265,932           |
| 2022     | 7,290,000            | 2,653,381            | 9,943,381            |
| 2023     | 7,650,000            | 2,288,881            | 9,938,881            |
| 2024     | 5,900,000            | 1,906,381            | 7,806,381            |
| 2025     | 6,190,000            | 1,611,381            | 7,801,381            |
| 2026     | 5,625,000            | 1,301,881            | 6,926,881            |
| 2027     | 5,910,000            | 1,020,631            | 6,930,631            |
| 2028     | 6,200,000            | 725,131              | 6,925,131            |
| 2029     | 730,000              | 415,131              | 1,145,131            |
| 2030     | 770,000              | 378,631              | 1,148,631            |
| 2031     | 805,000              | 340,131              | 1,145,131            |
| 2032     | 845,000              | 299,881              | 1,144,881            |
| 2033     | 890,000              | 257,631              | 1,147,631            |
| 2034     | 935,000              | 213,131              | 1,148,131            |
| 2035     | 980,000              | 166,381              | 1,146,381            |
| 2036     | 1,030,000            | 117,381              | 1,147,381            |
| 2037     | 1,065,000            | 80,044               | 1,145,044            |
| 2038     | 1,105,000            | 41,438               | 1,146,438            |
|          | <u>\$ 74,807,581</u> | <u>\$ 23,762,762</u> | <u>\$ 98,570,343</u> |

(Continued)

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

June 30, 2018

NOTE F - DEBT - Continued

1. 2017 Series and 2018 Series

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.

Under a loan agreement dated May 1, 2018 between the Authority and the College, the College borrowed \$24,155,000 of 2018 Series Community College Revenue Bonds to currently refund the outstanding Authority's Community College Revenue Bonds (Community College of Philadelphia Project), Series of 2017 and the additional 2018 Capital Projects. The 2018 Capital Projects consist of the renovation and improvements of the Library Learning Commons facility at the main campus. All of the foregoing components of the 2018 Capital Projects will be used in connection with the College's operation of its community college buildings in furtherance of its educational mission. The 2018 Series Bonds are payable over 20½ years at rates from 3.625% to 5.000%, with average debt service payments of \$3,291,851 through fiscal year 2023 and \$1,148,381 from fiscal year 2024 through 2038.

Principal payments required by the loan agreement are as follows:

|           | <u>Principal</u>            |
|-----------|-----------------------------|
| 2019      | \$ 2,185,000                |
| 2020      | 2,265,000                   |
| 2021      | 2,345,000                   |
| 2022      | 2,460,000                   |
| 2023      | 2,580,000                   |
| 2024      | 575,000                     |
| 2025      | 600,000                     |
| 2026      | 630,000                     |
| 2027-2038 | <u>10,515,000</u>           |
|           | <u><u>\$ 24,155,000</u></u> |

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2018

NOTE F - DEBT - Continued

2. 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.

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

|           | <u>Principal</u>            |
|-----------|-----------------------------|
| 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      | 4,995,000                   |
| 2027-2030 | <u>10,750,000</u>           |
|           | <u><u>\$ 49,705,000</u></u> |

(Continued)

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

June 30, 2018

NOTE F - DEBT - Continued

3. 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 was 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. This loan was paid in full in 2018 at its due date.

4. 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:

|      | <u>Principal</u>         |
|------|--------------------------|
| 2019 | \$ 309,480               |
| 2020 | 315,817                  |
| 2021 | <u>322,284</u>           |
|      | <u><u>\$ 947,581</u></u> |

5. Operating Leases

The College leases certain equipment and property under operating lease arrangements that expire through 2022. Rental expense for operating leases was \$462,347 for the year ended June 30, 2018.

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

|      |                            |
|------|----------------------------|
| 2019 | \$ 402,242                 |
| 2020 | 410,900                    |
| 2021 | 169,878                    |
| 2022 | <u>57,181</u>              |
|      | <u><u>\$ 1,040,201</u></u> |

(Continued)

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

June 30, 2018

NOTE F - DEBT - Continued

6. Capital Leases

The College leases certain equipment under capital lease arrangements that expire through 2022. These leases are recorded at the lower of cost or present value and amounted to \$1,564,211 at June 30, 2018. Amortization charges of capital leases were \$1,626,441 for the year ended June 30, 2018.

Future minimum lease payments under capital leases are as follows:

|          | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|----------|---------------------|-------------------|---------------------|
| June 30: |                     |                   |                     |
| 2019     | \$ 451,189          | \$ 70,553         | \$ 521,742          |
| 2020     | 467,220             | 46,993            | 514,213             |
| 2021     | 460,327             | 22,992            | 483,319             |
| 2022     | <u>185,475</u>      | <u>3,791</u>      | <u>189,266</u>      |
|          | <u>\$ 1,564,211</u> | <u>\$ 144,329</u> | <u>\$ 1,708,540</u> |

NOTE G - (PAYABLE TO) RECEIVABLE FROM GOVERNMENT AGENCIES

(Payable to) receivable from government agencies includes the following at June 30, 2018:

|                                                                      | <u>(Payable)</u>    | <u>Receivable</u>   |
|----------------------------------------------------------------------|---------------------|---------------------|
| Commonwealth of Pennsylvania:                                        |                     |                     |
| Provision for potential audit findings and reimbursement calculation | \$ (35,523)         | \$ -                |
| Grants and special projects                                          | -                   | 1,025,331           |
| PHEAA for grants                                                     | <u>(693,820)</u>    | <u>-</u>            |
|                                                                      | <u>(729,343)</u>    | <u>1,025,331</u>    |
| City of Philadelphia grants receivable                               | -                   | 7,395               |
| Federal:                                                             |                     |                     |
| Financial aid programs                                               | -                   | 12,974              |
| Grants and special projects                                          | <u>-</u>            | <u>687,994</u>      |
|                                                                      | <u>-</u>            | <u>708,363</u>      |
| Total                                                                | <u>\$ (729,343)</u> | <u>\$ 1,733,694</u> |

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2018

**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 15 employees participating in the SERS and 26 employees in the PSERS.

**1. Defined Benefit Plans**

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

*Benefits Provided*

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

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

*Contributions*

For PSERS, the contribution policy is set by 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 29.2% of all earnings as long as contributions are adequate to accumulate assets to pay retirement benefits when due. Employee contributions are 6.5% of all earnings for members prior to July 22, 1983 and 7.5% of all earnings for members after July 22, 1983.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2018

NOTE H - EMPLOYEE BENEFITS - Continued

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, 2018, the College reported a liability of \$1,679,000 and \$2,758,923 for its proportional share of the net pension liability for PSERS and SERS, respectively. The net pension liability was measured as of June 30, 2017 for PSERS and December 31, 2017 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, 2017 and December 31, 2017, respectively, the College's proportion of PSERS and SERS was 0.0034% and 0.01595518%.

For the year ended June 30, 2018, the College recognized the proportional pension expense for PSERS and SERS of \$273,000 and \$531,928, respectively, as provided by the plans' actuarial schedules. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>PSERS</u>                                                                                                    | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|-----------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience                                                               | \$ 17,500                            | \$ 10,000                           |
| Changes in assumptions                                                                                          | 45,500                               | -                                   |
| Net difference between projected and actual earnings<br>on pension plan investments                             | 39,000                               | -                                   |
| Changes in proportion and differences between College<br>contributions and proportionate share of contributions | 217,000                              | 36,000                              |
| Total                                                                                                           | <u>\$ 319,000</u>                    | <u>\$ 46,000</u>                    |

(Continued)

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

June 30, 2018

NOTE H - EMPLOYEE BENEFITS - Continued

| <u>SERS</u>                                                                                                     | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|-----------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience                                                               | \$ 46,647                            | \$ 52,384                           |
| Changes of assumptions                                                                                          | 138,127                              | -                                   |
| Net difference between projected and actual earnings<br>on pension plan investments                             | -                                    | 109,693                             |
| Changes in proportion                                                                                           | 643,414                              | 62,109                              |
| Changes in proportion and differences between College<br>contributions and proportionate share of contributions | -                                    | 156,011                             |
| Total                                                                                                           | <u>\$ 828,188</u>                    | <u>\$ 380,197</u>                   |

*Actuarial Assumptions*

The following methods and assumptions were used in the actuarial valuations for the year ended June 30, 2018. These methods and assumptions were applied to all periods included in the measurement:

PSERS

|                           |                                                                                                                                                                                                            |
|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial cost method     | entry age normal-level % of pay                                                                                                                                                                            |
| Investment rate of return | 7.25%, includes inflation at 2.75%                                                                                                                                                                         |
| Salary increases          | effective average of 5.0%, which reflects an allowance for inflation of 2.75%, real wage growth of 2.25% and merit of seniority increases of 2.25%                                                         |
| Mortality rates           | Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. |

SERS

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

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2018

**NOTE H - EMPLOYEE BENEFITS - Continued**

|                            |                                                                                               |
|----------------------------|-----------------------------------------------------------------------------------------------|
| Projected salary increases | average of 5.60% with range of 3.70% - 8.90% including inflation                              |
| Inflation                  | 2.60%                                                                                         |
| Mortality rate             | projected RP-2000 Mortality Tables adjusted for actual plan experience and future improvement |
| Cost of living adjustments | none (ad hoc)                                                                                 |

**PSERS**

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

| <u>Asset class</u>      | <u>Target<br/>allocation</u> | <u>Long-term<br/>expected rate<br/>of return</u> |
|-------------------------|------------------------------|--------------------------------------------------|
| Global Public Equity    | 20.00%                       | 5.10%                                            |
| Fixed Income            | 36.00%                       | 2.60%                                            |
| Commodities             | 8.00%                        | 3.00%                                            |
| Absolute Return         | 10.00%                       | 3.40%                                            |
| Risk Parity             | 10.00%                       | 3.80%                                            |
| Infrastructure/MLPs     | 8.00%                        | 4.80%                                            |
| Real Estate             | 10.00%                       | 3.60%                                            |
| Alternative Investments | 15.00%                       | 6.20%                                            |
| Cash                    | 3.00%                        | 0.60%                                            |
| Financing (LIBOR)       | -20.00%                      | 1.11%                                            |
| Total                   | <u>100.00%</u>               |                                                  |

**SERS**

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

(Continued)

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2018

NOTE H - EMPLOYEE BENEFITS - Continued

| <u>Asset class</u>   | <u>Target<br/>allocation</u> | <u>Long-term<br/>expected rate<br/>of return</u> |
|----------------------|------------------------------|--------------------------------------------------|
| Private Equity       | 16.00%                       | 8.00%                                            |
| Global Public Equity | 43.00%                       | 5.30%                                            |
| Real Estate          | 12.00%                       | 5.44%                                            |
| Multi-Strategy       | 12.00%                       | 5.10%                                            |
| Fixed Income         | 14.00%                       | 1.63%                                            |
| Cash                 | 3.00%                        | -0.25%                                           |
| Total                | <u>100.00%</u>               |                                                  |

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 \$1,679,000 using a 7.25% discount rate. The College's net pension liability would have been \$2,067,000 assuming a 1% point decrease (6.25%) in the discount rate and would have been \$1,352,000 assuming a 1% point increase (8.25%) in the discount rate.

For SERS, the College's net pension liability is \$2,758,923 using a 7.25% discount rate. The College's net pension liability would have been \$3,501,934 assuming a 1% point decrease (6.25%) in the discount rate and would have been \$2,122,448 assuming a 1% point increase (8.25%) in the discount rate.

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.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2018

**NOTE H - EMPLOYEE BENEFITS - Continued**

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 1,225 employees participating in this program.

The payroll for employees covered by the three plans was \$62,194,258; and the College's total payroll is \$77,953,315 at June 30, 2018. Contributions made by the College during fiscal 2018 totaled \$5,943,256, representing 9.56% of covered payroll. College employees contributed \$4,839,552 during fiscal 2018. A summary of retirement benefits follows:

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

**3. Other Post-Employment Benefits (OPEB)**

*Program Description*

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

*Eligibility*

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

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

June 30, 2018

NOTE H - EMPLOYEE BENEFITS - Continued

*Funding Policy*

Post-employment benefits other than pensions stems from the College's three collective bargaining agreements. For the fiscal year ended June 30, 2018, the College paid \$0.9 million on behalf of the retirees and spouses. The College pays 100% of the premium for coverage for retirees until the end of the contract year in which the retiree attains age 65. Thereafter, the retiree pays 50% of the total premium, less the Medicare Part B premium. Pre-65 and post-65 retirees pay 50% of active medical benefits for pre-65 spouses. Post-65 retirees pay 50% of the premium for the coverage of post-65 spouses, less their Medicare Part B premium. Pre-65 retirees pay 0% of the premium for the coverage of post-65 spouses (the College pays 100% of their premium). Surviving spouses must pay 100% of the premium for coverage without getting reimbursed for Medicare Part B premium if over 65. Retirees on Medicare disability are given the Medicare Part B reimbursement regardless of age. The College pays 100% of the premium for retired post-65 part-time teachers and their spouses.

| Employees/Retirees/Beneficiaries                              | Number of<br>Participants as of<br>July 1, 2017 |
|---------------------------------------------------------------|-------------------------------------------------|
| Actives                                                       | 878                                             |
| In-actives entitled to but not yet receiving benefit payments | -                                               |
| In-actives currently receiving benefit payments               | 515                                             |
| Total                                                         | 1,393                                           |

The following table provides a summary of the changes in the College's total OPEB liability for fiscal year ended June 30, 2018. The valuation date was July 1, 2017, and the measurement date was June 30, 2017.

| Change in Total OPEB Liability (TOL)              | July 1, 2017          |
|---------------------------------------------------|-----------------------|
| TOL, Beginning of Year                            | \$ 232,502,029        |
| Service Cost                                      | 10,624,414            |
| Interest                                          | 6,233,949             |
| Change in Benefit Terms                           | -                     |
| Difference Between Expected and Actual Experience | (47,379,552)          |
| Employee Contributions                            | 942,650               |
| Benefits Paid                                     | (5,876,680)           |
| Changes in Assumptions                            | <u>(19,250,954)</u>   |
| TOL, End of Year                                  | <u>\$ 177,795,856</u> |

(Continued)

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2018

NOTE H - EMPLOYEE BENEFITS - Continued

The following summarizes the development of Expense for fiscal 2018:

|                                                   |                      |
|---------------------------------------------------|----------------------|
| Service Cost                                      | \$ 10,624,414        |
| Interest                                          | 6,233,949            |
| Expected Return on Assets                         | -                    |
| Amortization of:                                  |                      |
| Total OPEB Liability and Assumption (Gain)/Loss   | -                    |
| Fiduciary Net Position (Gain)/Loss                | <u>-</u>             |
| Expense                                           | <u>\$ 16,858,363</u> |
| Weighted Average Assumptions to Determine Expense |                      |
| Actual Benefit Payments                           | \$ 4,934,030         |
| Discount Rate                                     | 2.71%                |
| Expected Return on Assets                         | N/A                  |
| Salary Scale                                      | 3.00%                |
| Health Care Trend Rate                            |                      |
| Current Rate                                      | 6.85%                |
| Ultimate Rate / Year Reached                      | 4.00% / 2036         |

Deferred outflows of resources and deferred inflows of resources reported by the College at June 30, 2018 are as follows:

**Gain/Loss Deferred Inflows**

| Date Amortization<br>Base Set | Net Amount at<br>June 30, 2018 | Amortization Period<br>Remaining at<br>June 30, 2018 |
|-------------------------------|--------------------------------|------------------------------------------------------|
| June 30, 2018                 | \$ <u>66,630,506</u>           | 6.06                                                 |
| Total                         | \$ <u>66,630,506</u>           |                                                      |

**Gain/Loss Deferred Outflows**

| Date Amortization<br>Base Set | Net Amount at<br>June 30, 2018 | Amortization Period<br>Remaining at<br>June 30, 2018 |
|-------------------------------|--------------------------------|------------------------------------------------------|
| June 30, 2018                 | \$ <u>-</u>                    | 6.06                                                 |
| Total                         | \$ <u>-</u>                    |                                                      |

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2018

**NOTE H - EMPLOYEE BENEFITS - Continued**

*Deferred Outflows and Inflows Projection*

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

| Year ended June 30: |               |
|---------------------|---------------|
| 2019                | \$ 10,995,133 |
| 2020                | 10,995,133    |
| 2021                | 10,995,133    |
| 2022                | 10,995,133    |
| 2023                | 10,995,133    |
| Thereafter          | 11,654,841    |

*Actuarial Assumptions*

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

Discount Rate: 3.13% for determining June 30, 2018 disclosure and estimated fiscal 2019 expense; 2.71% for determining June 30, 2017 liability and fiscal 2018 expense.

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

A one-percentage point change in the discount rate and assumed health care cost trend rates would have the following impact on the liability for post-employment benefits obligations at June 30, 2018:

| Discount Rate Change                     | <u>1% Decrease</u> | <u>1% Increase</u> |
|------------------------------------------|--------------------|--------------------|
| Net OPEB Liability                       | \$ 208,742,646     | \$ 152,982,317     |
| Net OPEB Liability Healthcare Trend Rate | \$ 151,664,620     | \$ 210,771,167     |

The complete actuarial assumptions and methods used for determining GASB 75 obligations are described on the Fiscal Year 2018 GASB 75 Report dated August 14, 2018. The Report is available at the Office of the Controller, Community College of Philadelphia, Suite M1-2, 1700 Spring Garden St, Philadelphia, PA 19130.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2018

**NOTE H - EMPLOYEE BENEFITS - Continued**

**4. Retirement Incentive Program**

A retirement incentive option was offered to employees 62 years or older, who have completed at least 15 years of full-time service, and whose combined age and years of service equal at least 80. This option expired August 31, 2014. During 2015, there were two people who accepted the early retirement and incentive options; the present value of future payments as of June 30, 2018 of \$980,639 has been accrued. Future payments in the next two fiscal years are each expected to be \$879,533.

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-seven employees received or will receive the incentive payment during fiscal years 2017-18, 2018-19, 2019-2020 and 2020-21.

**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.

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 \$300,000 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.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2018

**NOTE J - OPERATING EXPENSES**

The College's and component unit Foundation's operating expenses, on a natural classification basis, were comprised of the following for the year ended June 30, 2018:

|                                | <u>College</u>        | <u>Component<br/>unit<br/>Foundation</u> |
|--------------------------------|-----------------------|------------------------------------------|
| Salaries                       | \$ 76,986,020         | \$ 967,295                               |
| Benefits                       | 36,258,572            | 281,722                                  |
| Contracted services            | 7,859,052             | 133,689                                  |
| Supplies                       | 3,548,903             | 52,840                                   |
| Depreciation                   | 8,132,985             | -                                        |
| Student aid                    | 7,213,061             | 519,607                                  |
| Other post-retirement benefits | 12,309,409            | -                                        |
| Other                          | <u>12,092,302</u>     | <u>536,446</u>                           |
| Total                          | <u>\$ 164,400,304</u> | <u>\$ 2,491,599</u>                      |

**NOTE K - CITY AND COMMONWEALTH APPROPRIATIONS**

Appropriations from the Commonwealth and the City for the year ended June 30, 2018 are as follows:

|                              | <u>Operations</u>    | <u>Capital</u>       |
|------------------------------|----------------------|----------------------|
| Commonwealth of Pennsylvania | \$ 30,891,611        | \$ 5,352,051         |
| City of Philadelphia         | <u>23,310,452</u>    | <u>7,098,755</u>     |
| Total appropriations         | <u>\$ 54,202,063</u> | <u>\$ 12,450,806</u> |

**NOTE L - PASS-THROUGH GRANTS**

The College distributed \$29,607,438 in 2018 for student loans through the U.S. Department of Education Federal Direct Loan Program. These distributions and related funding sources are not included as expenses and revenues, nor as cash disbursements and cash receipts in the accompanying financial statements.

**NOTE M - SUBSEQUENT EVENTS**

The College has evaluated subsequent events through September 28, 2018, noting no items which would require disclosure in the financial statements.

## SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS<sup>1</sup> (UNAUDITED)**

Year ended June 30, 2018

(Amounts are in thousands)

**Total OPEB Liability**

|                                           |                   |
|-------------------------------------------|-------------------|
| Service cost                              | \$ 10,624         |
| Interest cost                             | 6,234             |
| Actual and expected experience difference | (47,379)          |
| Changes in assumptions                    | (19,251)          |
| Changes in benefit terms                  | -                 |
| Benefit payments                          | (4,934)           |
|                                           | <hr/>             |
| Net change in total OPEB liability        | (54,706)          |
| Total OPEB liability - beginning          | 232,502           |
|                                           | <hr/>             |
| Total OPEB liability - ending (a)         | <u>\$ 177,796</u> |

**Plan Fiduciary Net Position**

|                                           |             |
|-------------------------------------------|-------------|
| Contribution - employer                   | \$ 4,934    |
| Net investment income                     | -           |
| Benefit payments                          | (4,934)     |
| Administrative expense                    | -           |
|                                           | <hr/>       |
| Net change in plan fiduciary net position | -           |
| Plan fiduciary net position - beginning   | -           |
|                                           | <hr/>       |
| Plan fiduciary net position - ending (b)  | <u>\$ -</u> |

Net OPEB liability - ending (a)-(b) \$ 177,796

Plan fiduciary net position as a percentage of the total OPEB liability 0%

Covered-employee payroll<sup>2</sup> 54,241

Net OPEB liability as a percentage of covered-employee payroll 328%

**Notes to Schedule:**

**Changes in assumptions.** The discount rate was updated from 4.00% (under GASB 75) to 2.71% and 3.13% as of June 30, 2016 and June 30, 2017, respectively, in accordance with GASB 75.

<sup>1</sup> Since it is the first year of implementation, there is only one year available for the required 10-year schedule.

<sup>2</sup> Covered payroll reflects the payroll for the measurement period.

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

See accompanying report of independent certified public accountants.

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

Years ended June 30,

|                                                                            | <u>2018</u>  | <u>2017</u>  | <u>2016</u>  |
|----------------------------------------------------------------------------|--------------|--------------|--------------|
| <b>PSERS</b>                                                               |              |              |              |
| College's proportion of the net pension liability (asset)                  | 0.0000%      | 0.0035%      | 0.0032%      |
| College's proportionate share of the net pension liability (asset)         | \$ 1,679,000 | \$ 1,734,000 | \$ 1,386,000 |
| College's covered employee payroll                                         | \$ 455,779   | \$ 454,763   | \$ 413,104   |
| Plan fiduciary net position as a percentage of the total pension liability | 51.84%       | 50.14%       | 54.36%       |
| <b>SERS</b>                                                                |              |              |              |
| College's proportion of the net pension liability (asset)                  | 0.0160%      | 0.0147%      | 0.0110%      |
| College's proportionate share of the net pension liability (asset)         | \$ 2,758,923 | \$ 2,827,306 | \$ 1,998,201 |
| College's covered employee payroll                                         | \$ 979,992   | \$ 894,293   | \$ 653,759   |
| Plan fiduciary net position as a percentage of the total pension liability | 63.00%       | 57.80%       | 58.90%       |

See accompanying report of independent certified public accountants.

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

**SCHEDULE OF CONTRIBUTIONS (UNAUDITED)**

Years ended June 30,

|                                                                     | <u>2018</u>    | <u>2017</u>    | <u>2016</u>    |
|---------------------------------------------------------------------|----------------|----------------|----------------|
| <b>PSERS</b>                                                        |                |                |                |
| Contractually required contribution                                 | \$ 130,000     | \$ 111,000     | \$ 83,000      |
| Contribution in relation to the contractually required contribution | <u>130,000</u> | <u>111,000</u> | <u>83,000</u>  |
| Contribution deficiency (excess)                                    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| Covered employee payroll                                            | \$ 455,779     | \$ 454,763     | \$ 413,104     |
| Contributions as a % of covered employee payroll                    | 28.5226%       | 24.4083%       | 20.0918%       |
| <b>SERS</b>                                                         |                |                |                |
| Contractually required contribution                                 | \$ 325,667     | \$ 301,735     | \$ 202,576     |
| Contribution in relation to the contractually required contribution | <u>325,667</u> | <u>301,735</u> | <u>202,576</u> |
| Contribution deficiency (excess)                                    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| Covered employee payroll                                            | \$ 979,992     | \$ 894,293     | \$ 653,759     |
| Contributions as a % of covered employee payroll                    | 33.2316%       | 33.7401%       | 30.9863%       |

See accompanying report of independent certified public accountants.

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

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

Year ended June 30,

(Amounts expressed in thousands)

|                                                             | 2018              | 2017              | 2016              | 2015              | 2014              | 2013              | 2012              | 2011              | 2010              | 2009              |
|-------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenues:                                                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Student tuition and fees (net of scholarship allowances)    | \$ 33,234         | \$ 32,992         | \$ 31,643         | \$ 31,973         | \$ 35,338         | \$ 32,003         | \$ 30,181         | \$ 28,132         | \$ 29,608         | \$ 31,618         |
| Nongovernmental grants and contracts                        | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Sales of auxiliary enterprises                              | 1,523             | 1,737             | 1,740             | 1,786             | 1,671             | 1,776             | 1,827             | 1,734             | 1,650             | 1,371             |
| Other operating revenues                                    | <u>46</u>         | <u>62</u>         | <u>87</u>         | <u>196</u>        | <u>166</u>        | <u>158</u>        | <u>168</u>        | <u>180</u>        | <u>194</u>        | <u>95</u>         |
| Total operating revenues                                    | <u>34,803</u>     | <u>34,791</u>     | <u>33,470</u>     | <u>33,955</u>     | <u>37,175</u>     | <u>33,937</u>     | <u>32,176</u>     | <u>30,046</u>     | <u>31,452</u>     | <u>33,084</u>     |
| City appropriations                                         | 23,310            | 24,189            | 23,272            | 21,271            | 18,346            | 18,064            | 17,652            | 18,092            | 18,946            | 19,245            |
| State appropriations                                        | 30,892            | 30,868            | 30,128            | 28,632            | 28,179            | 28,240            | 28,229            | 29,275            | 28,750            | 31,496            |
| Federal grants and contracts                                | 49,026            | 48,888            | 53,551            | 57,871            | 58,796            | 58,715            | 56,839            | 58,890            | 51,131            | 32,552            |
| State grants and contracts                                  | 7,953             | 8,126             | 8,278             | 7,343             | 6,591             | 7,191             | 6,495             | 5,967             | 5,585             | 5,831             |
| Gifts from the Community College of Philadelphia Foundation | 242               | 835               | 225               | 141               | 100               | 2,809             | -                 | -                 | -                 | -                 |
| Nongovernmental grants and contracts                        | 1,582             | 1,528             | 1,456             | 1,521             | 1,704             | 1,119             | 1,014             | 1,419             | 1,580             | 2,688             |
| Net investment income                                       | 36                | 75                | 815               | 365               | 695               | 333               | 1,098             | 718               | 1,587             | 249               |
| Other nonoperating revenue                                  | <u>399</u>        | <u>378</u>        | <u>2,579</u>      | <u>1,087</u>      | <u>324</u>        | <u>379</u>        | <u>540</u>        | <u>333</u>        | <u>353</u>        | <u>354</u>        |
| Total nonoperating revenues                                 | <u>113,440</u>    | <u>114,887</u>    | <u>120,304</u>    | <u>118,231</u>    | <u>114,735</u>    | <u>116,850</u>    | <u>111,867</u>    | <u>114,694</u>    | <u>107,932</u>    | <u>92,415</u>     |
| Capital appropriations                                      | <u>12,450</u>     | <u>11,050</u>     | <u>12,354</u>     | <u>10,859</u>     | <u>13,969</u>     | <u>13,730</u>     | <u>14,084</u>     | <u>13,648</u>     | <u>13,979</u>     | <u>13,721</u>     |
| Total revenues                                              | <u>\$ 160,693</u> | <u>\$ 160,728</u> | <u>\$ 166,128</u> | <u>\$ 163,045</u> | <u>\$ 165,879</u> | <u>\$ 164,517</u> | <u>\$ 158,127</u> | <u>\$ 158,388</u> | <u>\$ 153,363</u> | <u>\$ 139,220</u> |

See accompanying report of independent certified public accountants.

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

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

Year ended June 30,

(Amounts expressed in percentages)

|                                                             | <u>2018</u>    | <u>2017</u>    | <u>2016</u>    | <u>2015</u>    | <u>2014</u>    | <u>2013</u>    | <u>2012</u>    | <u>2011</u>    | <u>2010</u>    | <u>2009</u>    |
|-------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenues:                                                   |                |                |                |                |                |                |                |                |                |                |
| Student tuition and fees (net of scholarship allowances)    | 20.68%         | 20.53%         | 19.05%         | 19.61%         | 21.30%         | 19.45%         | 19.09%         | 17.76%         | 19.31%         | 22.71%         |
| Nongovernmental grants and contracts                        | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| Sales of auxiliary enterprises                              | 0.95           | 1.08           | 1.05           | 1.10           | 1.01           | 1.08           | 1.16           | 1.09           | 1.08           | 0.98           |
| Other operating revenues                                    | <u>0.03</u>    | <u>0.04</u>    | <u>0.05</u>    | <u>0.12</u>    | <u>0.10</u>    | <u>0.10</u>    | <u>0.11</u>    | <u>0.11</u>    | <u>0.13</u>    | <u>0.07</u>    |
| Total operating revenues                                    | <u>21.66</u>   | <u>21.65</u>   | <u>20.15</u>   | <u>20.83</u>   | <u>22.41</u>   | <u>20.63</u>   | <u>20.36</u>   | <u>18.96</u>   | <u>20.52</u>   | <u>23.76</u>   |
| City appropriations                                         | 14.51          | 15.04          | 14.01          | 13.05          | 11.06          | 10.98          | 11.16          | 11.42          | 12.35          | 13.82          |
| State appropriations                                        | 19.22          | 19.21          | 18.14          | 17.56          | 16.99          | 17.17          | 17.85          | 18.48          | 18.75          | 22.62          |
| Federal grants and contracts                                | 30.51          | 30.42          | 32.23          | 35.49          | 35.45          | 35.69          | 35.95          | 37.18          | 33.34          | 23.38          |
| State grants and contracts                                  | 4.95           | 5.06           | 4.98           | 4.50           | 3.97           | 4.37           | 4.11           | 3.77           | 3.64           | 4.19           |
| Gifts from the Community College of Philadelphia Foundation | 0.15           | 0.52           | 0.14           | 0.09           | 0.06           | 1.7            | -              | -              | -              | -              |
| Nongovernmental grants and contracts                        | 0.98           | 0.95           | 0.88           | 0.93           | 1.02           | 0.68           | 0.64           | 0.90           | 1.03           | 1.93           |
| Net investment income                                       | 0.02           | 0.05           | 0.49           | 0.22           | 0.42           | 0.20           | 0.69           | 0.45           | 1.03           | 0.18           |
| Other nonoperating revenue                                  | <u>0.25</u>    | <u>0.24</u>    | <u>1.55</u>    | <u>0.67</u>    | <u>0.20</u>    | <u>0.23</u>    | <u>0.33</u>    | <u>0.22</u>    | <u>0.23</u>    | <u>0.26</u>    |
| Total nonoperating revenues                                 | <u>70.59</u>   | <u>71.49</u>   | <u>72.42</u>   | <u>72.51</u>   | <u>69.17</u>   | <u>71.02</u>   | <u>70.73</u>   | <u>72.42</u>   | <u>70.37</u>   | <u>66.38</u>   |
| Capital appropriations                                      | <u>7.75</u>    | <u>6.86</u>    | <u>7.43</u>    | <u>6.66</u>    | <u>8.42</u>    | <u>8.35</u>    | <u>8.91</u>    | <u>8.62</u>    | <u>9.11</u>    | <u>9.86</u>    |
| Total revenues                                              | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

See accompanying report of independent certified public accountants.

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

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

Year ended June 30,

(Amounts expressed in thousands)

|                                                  | 2018       | 2017       | 2016       | 2015       | 2014       | 2013       | 2012       | 2011       | 2010       | 2009       |
|--------------------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Expenses:                                        |            |            |            |            |            |            |            |            |            |            |
| Salaries                                         | \$ 76,986  | \$ 78,629  | \$ 77,931  | \$ 77,161  | \$ 75,438  | \$ 76,015  | \$ 76,796  | \$ 78,168  | \$ 73,489  | \$ 69,694  |
| Benefits                                         | 36,259     | 36,417     | 36,978     | 36,140     | 35,885     | 34,247     | 32,062     | 32,500     | 30,231     | 27,121     |
| Contracted services                              | 7,859      | 6,512      | 6,458      | 8,331      | 9,697      | 11,373     | 6,057      | 5,376      | 4,881      | 5,214      |
| Supplies                                         | 3,549      | 3,376      | 3,857      | 3,073      | 3,232      | 3,636      | 2,760      | 3,253      | 2,198      | 2,107      |
| Depreciation                                     | 8,133      | 8,204      | 8,861      | 9,698      | 10,490     | 10,423     | 9,764      | 7,660      | 6,493      | 6,588      |
| Student aid                                      | 7,213      | 8,770      | 8,739      | 8,211      | 10,459     | 8,328      | 10,015     | 7,376      | 7,935      | 4,409      |
| Other                                            | 12,092     | 12,959     | 13,167     | 12,815     | 12,314     | 11,468     | 11,895     | 12,948     | 11,730     | 12,269     |
| GASB 45 (Other post-employment benefits) accrual | 12,309     | 11,703     | 11,686     | 8,016      | 8,641      | 8,530      | 7,611      | 6,039      | 6,199      | 5,181      |
| Total operating expenses                         | 164,400    | 166,570    | 167,677    | 163,445    | 166,156    | 164,020    | 156,960    | 153,320    | 143,156    | 132,583    |
| Interest on capital asset-related debt service   | 3,413      | 3,263      | 3,315      | 4,225      | 4,258      | 4,689      | 3,927      | 3,542      | 1,841      | 1,889      |
| Total nonoperating expenses                      | 3,413      | 3,263      | 3,315      | 4,225      | 4,258      | 4,689      | 3,927      | 3,542      | 1,841      | 1,889      |
| Total expenses                                   | \$ 167,813 | \$ 169,833 | \$ 170,992 | \$ 167,670 | \$ 170,414 | \$ 168,709 | \$ 160,887 | \$ 156,862 | \$ 144,997 | \$ 134,472 |

See accompanying report of independent certified public accountants.

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

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

Year ended June 30,

(Amounts expressed in percentages)

|                                                     | 2018           | 2017           | 2016           | 2015           | 2014           | 2013           | 2012           | 2011           | 2010           | 2009           |
|-----------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Expenses:                                           |                |                |                |                |                |                |                |                |                |                |
| Salaries                                            | 45.88%         | 46.30%         | 45.57%         | 46.02%         | 44.27%         | 45.06%         | 47.73%         | 49.83%         | 50.68%         | 51.83%         |
| Benefits                                            | 21.61          | 21.44          | 21.63          | 21.55          | 21.04          | 20.28          | 19.93          | 20.72          | 20.85          | 20.17          |
| Contracted services                                 | 4.68           | 3.83           | 3.78           | 4.97           | 5.69           | 6.74           | 3.77           | 3.43           | 3.37           | 3.88           |
| Supplies                                            | 2.11           | 1.99           | 2.26           | 1.83           | 1.90           | 2.16           | 1.72           | 2.07           | 1.52           | 1.57           |
| Depreciation                                        | 4.85           | 4.83           | 5.18           | 5.78           | 6.16           | 6.18           | 6.07           | 4.88           | 4.48           | 4.90           |
| Student aid                                         | 4.30           | 5.16           | 5.11           | 4.90           | 6.14           | 4.94           | 6.22           | 4.70           | 5.47           | 3.28           |
| Other                                               | 7.21           | 7.63           | 7.70           | 7.64           | 7.23           | 6.80           | 7.39           | 8.26           | 8.09           | 9.12           |
| GASB 45 (Other post-employment<br>benefits) accrual | <u>7.33</u>    | <u>6.89</u>    | <u>6.83</u>    | <u>4.78</u>    | <u>5.07</u>    | <u>5.06</u>    | <u>4.73</u>    | <u>3.85</u>    | <u>4.27</u>    | <u>3.85</u>    |
| Total operating expenses                            | <u>97.97</u>   | <u>98.07</u>   | <u>98.06</u>   | <u>97.47</u>   | <u>97.50</u>   | <u>97.22</u>   | <u>97.56</u>   | <u>97.74</u>   | <u>98.73</u>   | <u>98.60</u>   |
| Interest on capital asset-related<br>debt service   | <u>2.03</u>    | <u>1.93</u>    | <u>1.94</u>    | <u>2.53</u>    | <u>2.50</u>    | <u>2.78</u>    | <u>2.44</u>    | <u>2.26</u>    | <u>1.27</u>    | <u>1.40</u>    |
| Total nonoperating expenses                         | <u>2.03</u>    | <u>1.93</u>    | <u>1.94</u>    | <u>2.53</u>    | <u>2.50</u>    | <u>2.78</u>    | <u>2.44</u>    | <u>2.26</u>    | <u>1.27</u>    | <u>1.40</u>    |
| Total expenses                                      | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

See accompanying report of independent certified public accountants.

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

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

Year ended June 30,

(Amounts expressed in thousands)

|                                    | 2018              | 2017              | 2016              | 2015              | 2014              | 2013              | 2012              | 2011              | 2010              | 2009              |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Expenses by function:              |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Instruction                        | \$ 64,578         | \$ 65,509         | \$ 66,018         | \$ 65,046         | \$ 66,210         | \$ 66,436         | \$ 62,162         | \$ 62,184         | \$ 57,714         | \$ 53,368         |
| Public service                     | 145               | 124               | 183               | 86                | 109               | 156               | 63                | 92                | 46                | 123               |
| Academic support                   | 19,182            | 18,880            | 18,824            | 18,372            | 17,492            | 17,247            | 17,723            | 19,251            | 18,540            | 16,828            |
| Student services                   | 24,212            | 24,405            | 25,142            | 23,494            | 22,811            | 21,913            | 21,075            | 21,744            | 20,241            | 18,212            |
| Institutional support              | 25,111            | 24,854            | 24,429            | 24,371            | 25,229            | 26,216            | 23,281            | 22,003            | 20,095            | 21,385            |
| Operation and maintenance of plant | 15,093            | 15,013            | 14,913            | 13,336            | 12,586            | 12,742            | 12,244            | 12,392            | 11,307            | 10,905            |
| Depreciation                       | 8,133             | 8,204             | 8,861             | 9,698             | 10,490            | 10,423            | 9,764             | 7,660             | 6,493             | 6,588             |
| Student aid                        | 7,213             | 8,770             | 8,739             | 8,211             | 10,459            | 8,328             | 10,015            | 7,377             | 7,935             | 4,409             |
| Auxiliary enterprises              | 733               | 811               | 567               | 831               | 770               | 559               | 633               | 617               | 785               | 765               |
| Interest on capital debt           | 3,413             | 3,263             | 3,315             | 4,225             | 4,258             | 4,689             | 3,927             | 3,542             | 1,841             | 1,889             |
| Total expenses by function         | <u>\$ 167,813</u> | <u>\$ 169,833</u> | <u>\$ 170,991</u> | <u>\$ 167,670</u> | <u>\$ 170,414</u> | <u>\$ 168,709</u> | <u>\$ 160,887</u> | <u>\$ 156,862</u> | <u>\$ 144,997</u> | <u>\$ 134,472</u> |

(Amounts expressed in percentages)

|                                    | 2018           | 2017           | 2016           | 2015           | 2014           | 2013           | 2012           | 2011           | 2010           | 2009           |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Expenses by function:              |                |                |                |                |                |                |                |                |                |                |
| Instruction                        | 38.48%         | 38.57%         | 38.61%         | 38.79%         | 38.85%         | 39.38%         | 38.64%         | 39.64%         | 39.80%         | 39.69%         |
| Public service                     | 0.09           | 0.07           | 0.11           | 0.05           | 0.06           | 0.09           | 0.04           | 0.06           | 0.03           | 0.09           |
| Academic support                   | 11.43          | 11.12          | 11.01          | 10.96          | 10.26          | 10.22          | 11.02          | 12.28          | 12.79          | 12.51          |
| Student services                   | 14.43          | 14.37          | 14.70          | 14.01          | 13.39          | 12.99          | 13.10          | 13.86          | 13.96          | 13.54          |
| Institutional support              | 14.96          | 14.63          | 14.29          | 14.54          | 14.80          | 15.54          | 14.47          | 14.03          | 13.86          | 15.90          |
| Operation and maintenance of plant | 8.99           | 8.84           | 8.72           | 7.95           | 7.39           | 7.55           | 7.61           | 7.90           | 7.80           | 8.12           |
| Depreciation                       | 4.85           | 4.83           | 5.18           | 5.78           | 6.16           | 6.18           | 6.07           | 4.88           | 4.48           | 4.90           |
| Student aid                        | 4.30           | 5.16           | 5.11           | 4.90           | 6.14           | 4.94           | 6.22           | 4.70           | 5.47           | 3.28           |
| Auxiliary enterprises              | 0.44           | 0.48           | 0.33           | 0.50           | 0.45           | 0.33           | 0.39           | 0.39           | 0.54           | 0.57           |
| Interest on capital debt           | 2.03           | 1.93           | 1.94           | 2.52           | 2.50           | 2.78           | 2.44           | 2.26           | 1.27           | 1.40           |
| Total expenses by function         | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

See accompanying report of independent certified public accountants.

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

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

Year ended June 30,

(Amounts expressed in thousands)

|                                                                                  | 2018                | 2017             | 2016             | 2015             | 2014             | 2013             | 2012             | 2011             | 2010             | 2009             |
|----------------------------------------------------------------------------------|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total revenues (from schedule of revenues by source less capital appropriations) | \$ 148,423          | \$ 149,678       | \$ 153,776       | \$ 152,186       | \$ 151,910       | \$ 150,786       | \$ 144,042       | \$ 144,740       | \$ 139,384       | \$ 125,499       |
| Total operating expenses (from schedule of expenses by use)                      | <u>167,813</u>      | <u>169,833</u>   | <u>170,992</u>   | <u>167,670</u>   | <u>170,414</u>   | <u>168,709</u>   | <u>160,887</u>   | <u>156,862</u>   | <u>144,997</u>   | <u>134,472</u>   |
| Income before other revenues and expenses                                        | (19,390)            | (20,155)         | (17,216)         | (15,484)         | (18,504)         | (17,923)         | (16,845)         | (12,122)         | (5,613)          | (8,973)          |
| Capital grants and contracts                                                     | -                   | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Deductions to permanent endowments                                               | <u>-</u>            | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>         |
| Total changes in net position                                                    | (19,390)            | (20,155)         | (17,216)         | (15,484)         | (18,504)         | (17,923)         | (16,845)         | (12,122)         | (5,613)          | (8,973)          |
| Net position, beginning                                                          | <u>51,951</u>       | <u>61,057</u>    | <u>65,919</u>    | <u>72,538</u>    | <u>77,072</u>    | <u>81,265</u>    | <u>85,903</u>    | <u>84,377</u>    | <u>76,011</u>    | <u>71,263</u>    |
| Net position, ending                                                             | <u>\$ 32,561</u>    | <u>\$ 40,902</u> | <u>\$ 48,703</u> | <u>\$ 57,054</u> | <u>\$ 58,568</u> | <u>\$ 63,342</u> | <u>\$ 69,058</u> | <u>\$ 72,255</u> | <u>\$ 70,398</u> | <u>\$ 62,290</u> |
| Net investment in capital assets                                                 | \$ 102,005          | \$ 99,772        | \$ 98,776        | \$ 96,979        | \$ 93,771        | \$ 89,660        | \$ 86,331        | \$ 80,136        | \$ 69,278        | \$ 60,947        |
| Restricted - nonexpendable                                                       | -                   | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Restricted - expendable                                                          | 5,101               | 4,939            | 4,912            | 4,742            | 4,742            | 2,740            | 1,364            | 731              | 511              | 511              |
| Unrestricted                                                                     | <u>(216,535)</u>    | <u>(52,760)</u>  | <u>(42,631)</u>  | <u>(35,802)</u>  | <u>(25,975)</u>  | <u>(15,328)</u>  | <u>(4,553)</u>   | <u>5,036</u>     | <u>14,588</u>    | <u>14,553</u>    |
| Total net position                                                               | <u>\$ (109,429)</u> | <u>\$ 51,951</u> | <u>\$ 61,057</u> | <u>\$ 65,919</u> | <u>\$ 72,538</u> | <u>\$ 77,072</u> | <u>\$ 83,142</u> | <u>\$ 85,903</u> | <u>\$ 84,377</u> | <u>\$ 76,011</u> |

Source: Audited financial statements.

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

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

Year ended June 30,

|                                       | 2018   | 2017   | 2016   | 2015   | 2014   | 2013   | 2012   | 2011   | 2010   | 2009   |
|---------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Enrollments and student demographics: |        |        |        |        |        |        |        |        |        |        |
| Credit FTE                            | 13,596 | 13,659 | 14,481 | 14,851 | 15,051 | 15,116 | 15,769 | 16,091 | 15,808 | 14,208 |
| Unduplicated Credit Headcount         | 24,443 | 25,571 | 26,837 | 27,942 | 28,096 | 28,264 | 29,094 | 29,032 | 28,783 | 26,868 |
| Percentage - Men                      | 36.3%  | 37.1%  | 37.8%  | 37.7%  | 37.7%  | 36.9%  | 35.5%  | 35.5%  | 34.5%  | 33.7%  |
| Percentage - Women                    | 63.7   | 62.9   | 62.2   | 62.3   | 62.3   | 63.1   | 64.5   | 64.5   | 65.5   | 66.3   |
| Percentage - Black                    | 48.1   | 48.8   | 49.4   | 50.7   | 50.2   | 49.7   | 49.9   | 49.2   | 48.9   | 48.6   |
| Percentage - White                    | 23.5   | 24.0   | 23.8   | 23.9   | 24.3   | 25.1   | 24.6   | 24.4   | 25.0   | 25.7   |
| Percentage - Asian                    | 9.8    | 9.4    | 8.9    | 8.4    | 8.2    | 7.7    | 7.3    | 7.2    | 7.1    | 7.4    |
| Percentage - Hispanic                 | 14.0   | 13.0   | 12.8   | 11.8   | 11.4   | 10.6   | 4.9    | 6.5    | 7.0    | 6.8    |
| Percentage - American Indian/other    | 0.3    | 0.3    | 0.3    | 0.4    | 0.4    | 0.4    | 0.5    | 0.5    | 0.4    | 0.4    |
| Percentage - Unknown                  | 4.3    | 4.5    | 4.8    | 4.8    | 5.6    | 6.5    | 12.9   | 12.2   | 11.6   | 11.1   |
| Degrees awarded:                      |        |        |        |        |        |        |        |        |        |        |
| Associate                             | 1,731  | 1,794  | 1,880  | 1,916  | 1,857  | 1,712  | 1,828  | 1,702  | 1,667  | 1,741  |
| Certificate                           | 495    | 471    | 475    | 446    | 338    | 167    | 180    | 214    | 216    | 259    |

Source: Department of Institutional Research.

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

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

For Fall Term in Year

|                                   | 2018      | 2017      | 2016      | 2015      | 2014      | 2013      | 2012      | 2011      | 2010      | 2009      |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Faculty:                          |           |           |           |           |           |           |           |           |           |           |
| Part-time                         | 543       | 548       | 676       | 635       | 643       | 734       | 757       | 771       | 737       | 684       |
| Full-time                         | 443       | 467       | 400       | 395       | 407       | 412       | 418       | 413       | 395       | 393       |
| Percentage tenured                | 65.2%     | 61.8%     | 74.0%     | 81.7%     | 79.9%     | 80.6%     | 83.0%     | 84.0%     | 79.5%     | 79.6%     |
| Administrative and support staff: |           |           |           |           |           |           |           |           |           |           |
| Part-time                         | 40        | 38        | 18        | 11        | 12        | 20        | 22        | 19        | 19        | 23        |
| Full-time                         | 470       | 466       | 445       | 453       | 441       | 447       | 472       | 460       | 462       | 457       |
| Total employees:                  |           |           |           |           |           |           |           |           |           |           |
| Part-time                         | 583       | 586       | 694       | 646       | 655       | 754       | 779       | 790       | 756       | 707       |
| Full-time                         | 913       | 933       | 845       | 848       | 848       | 859       | 890       | 873       | 857       | 850       |
| Students per full-time staff:     |           |           |           |           |           |           |           |           |           |           |
| Number credit students            | 17,296    | 18,126    | 18,099    | 19,119    | 19,066    | 18,692    | 19,751    | 19,503    | 19,047    | 17,327    |
| Faculty                           | 39        | 39        | 45        | 47        | 47        | 46        | 47        | 47        | 48        | 44        |
| Administrative and support staff  | 37        | 39        | 41        | 42        | 43        | 42        | 42        | 42        | 44        | 38        |
| Average annual faculty salary     | \$ 67,883 | \$ 69,196 | \$ 63,789 | \$ 65,212 | \$ 64,059 | \$ 66,137 | \$ 66,236 | \$ 67,266 | \$ 65,381 | \$ 63,408 |

Source: Institutional Human Resource Records.

**GROSS SQUARE FEET OF COLLEGE BUILDINGS**

|                                     | 2018             | 2017             | 2016             | 2015             | 2014             | 2013             | 2012             | 2011             | 2010             | 2009             |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Main Campus - Buildings             | 911,051          | 911,051          | 911,051          | 911,051          | 911,051          | 900,613          | 900,613          | 852,445          | 852,445          | 852,445          |
| Main Campus - 17 Street Garage      | 230,360          | 230,360          | 230,360          | 230,360          | 230,360          | 230,360          | 230,660          | 230,660          | 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           | 88,500           | -                | -                | -                |
| Northeast Regional Center           | 109,075          | 109,075          | 109,075          | 109,075          | 109,075          | 109,075          | 109,075          | 109,075          | 59,876           | 59,876           |
| West Regional Center                | 39,394           | 39,394           | 39,394           | 39,394           | 39,394           | 39,394           | 32,090           | 32,090           | 32,090           | 32,090           |
| Northwest Regional Center           | 90,000           | 90,000           | 90,000           | 90,000           | 90,000           | 90,000           | 90,000           | 90,000           | 90,000           | 90,000           |
| Total gross square feet             | <u>1,605,882</u> | <u>1,605,882</u> | <u>1,605,882</u> | <u>1,605,882</u> | <u>1,605,882</u> | <u>1,595,444</u> | <u>1,588,440</u> | <u>1,451,772</u> | <u>1,402,273</u> | <u>1,402,273</u> |

Source: Institutional Physical Plant Records.

See accompanying report of independent certified public accountants.

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

**DEMOGRAPHIC STATISTICS**

City of Philadelphia Last Ten Calendar Years

| Year:     | <b>Population<br/>as of June 30</b> | <b>Average<br/>annual<br/>unemployment<br/>rate</b> |
|-----------|-------------------------------------|-----------------------------------------------------|
| 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                                                 |
| 2017 – 18 | 1,580,863                           | 5.7                                                 |

Sources: United States Census Bureau and Bureau of Labor Statistics

See accompanying report of independent certified public accountants.

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

**COMPONENT UNIT SCHEDULE OF NET POSITION**

Year ended June 30, 2018

(In thousands)

Assets:

|                                   |                |
|-----------------------------------|----------------|
| Cash on deposit and on hand       | \$ 17,716      |
| Investments                       | 44,525         |
| Accounts receivable               | 9,510          |
| Allowance for doubtful accounts   | (3,674)        |
| Interest and dividends receivable | 50             |
| Due from other governments        | 1,734          |
| Restricted assets                 | 8,018          |
| Other assets                      | 1,297          |
| Property, plant and equipment     | <u>164,372</u> |

|              |                   |
|--------------|-------------------|
| Total assets | \$ <u>243,548</u> |
|--------------|-------------------|

Deferred outflows of resources:

|                   |       |
|-------------------|-------|
| Deferred outflows | 7,278 |
|-------------------|-------|

Liabilities:

|                                             |                |
|---------------------------------------------|----------------|
| Vouchers and accounts payable               | \$ 12,853      |
| Salaries and wages payable                  | 3,497          |
| Accrued expenses                            | 2,098          |
| Funds held in escrow                        | 282            |
| Due to other governments                    | 729            |
| Deferred revenue                            | 2,876          |
| Current portion of long-term obligations    | 7,116          |
| Noncurrent portion of long-term obligations | 69,256         |
| Other post-employment benefits (GASB 45)    | <u>182,234</u> |

|                   |                   |
|-------------------|-------------------|
| Total liabilities | \$ <u>280,941</u> |
|-------------------|-------------------|

Deferred inflows of resources:

|                  |        |
|------------------|--------|
| Deferred inflows | 67,057 |
|------------------|--------|

Net position:

|                                        |                  |
|----------------------------------------|------------------|
| Net investment in capital assets       | \$ 102,005       |
| Restricted for:                        |                  |
| Capital projects                       | 5,215            |
| Tuition stabilization and scholarships | 10,309           |
| Rate stabilization                     | -                |
| Unrestricted (deficit)                 | <u>(214,701)</u> |

|                    |                           |
|--------------------|---------------------------|
| Total net position | \$ <u><u>(97,172)</u></u> |
|--------------------|---------------------------|

See accompanying report of independent certified public accountants.

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

**COMPONENT UNIT SCHEDULE OF ACTIVITIES**

Year ended June 30, 2018

(In thousands)

|                            |            | Program revenues       |                                          |                                         | Net expense<br>and changes<br>in net position |
|----------------------------|------------|------------------------|------------------------------------------|-----------------------------------------|-----------------------------------------------|
|                            |            | Charge for<br>services | Operating<br>grants and<br>contributions | Capital grants and<br>contributions     | Education<br>activities                       |
|                            | Expenses   |                        |                                          |                                         |                                               |
| Community college services | \$ 170,305 | \$ 34,757              | \$ 60,139                                | \$ -                                    | \$ 75,409                                     |
|                            |            |                        |                                          | General revenues:                       |                                               |
|                            |            |                        |                                          | Taxes                                   |                                               |
|                            |            |                        |                                          | Grants and contributions*               | 66,653                                        |
|                            |            |                        |                                          | Interest and investment earnings        | 879                                           |
|                            |            |                        |                                          | Miscellaneous                           | 1,861                                         |
|                            |            |                        |                                          | Special items-Prior Period Adj. GASB 75 | <u>(154,262)</u>                              |
|                            |            |                        |                                          | Total general revenues                  | <u>(84,869)</u>                               |
|                            |            |                        |                                          | Change in net assets                    | (160,278)                                     |
|                            |            |                        |                                          | Net position - beginning                | <u>63,106</u>                                 |
|                            |            |                        |                                          | Net position - ending                   | <u>\$ (97,172)</u>                            |

\* Includes Commonwealth appropriations of \$36,244 and City of Philadelphia appropriations of \$30,409.

See accompanying report of independent certified public accountants.

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

**COMPONENT UNIT CAPITAL ASSET FORMAT**

Year ended June 30, 2018

|                                              | Beginning<br>balance  | Increases           | Decreases             | Ending<br>balance     |
|----------------------------------------------|-----------------------|---------------------|-----------------------|-----------------------|
| Business-type activities:                    |                       |                     |                       |                       |
| Capital assets not being depreciated:        |                       |                     |                       |                       |
| Land                                         | \$ 31,056,794         | \$ -                | \$ -                  | \$ 31,056,794         |
| Fine arts                                    | 787,708               | -                   | -                     | 787,708               |
| Construction in process                      | <u>4,080,144</u>      | <u>3,053,979</u>    | <u>(6,590,855)</u>    | <u>543,268</u>        |
| Total capital assets not being depreciated   | <u>35,924,646</u>     | <u>3,053,979</u>    | <u>(6,590,855)</u>    | <u>32,387,770</u>     |
| Capital assets being depreciated:            |                       |                     |                       |                       |
| Buildings                                    | 235,080,565           | 7,339,518           | -                     | 242,420,083           |
| Other improvements                           | 17,957,771            | 190,600             | (1,878)               | 18,146,493            |
| Equipment                                    | 38,266,120            | 2,504,696           | (104,502)             | 40,666,314            |
| Furniture                                    | 1,157,551             | 124,650             | -                     | 1,282,201             |
| Leasehold improvements                       | <u>199,231</u>        | <u>-</u>            | <u>-</u>              | <u>199,231</u>        |
| Total capital assets being depreciated       | <u>292,661,238</u>    | <u>10,159,464</u>   | <u>(106,380)</u>      | <u>302,714,322</u>    |
| Less accumulated depreciation for:           |                       |                     |                       |                       |
| Buildings                                    | 112,316,839           | 5,812,501           | -                     | 118,129,340           |
| Other improvements                           | 16,920,877            | 244,306             | (1,878)               | 17,163,305            |
| Equipment                                    | 32,266,307            | 2,043,805           | (104,502)             | 34,205,610            |
| Furniture                                    | 1,023,113             | 30,068              | -                     | 1,053,181             |
| Leasehold improvements                       | <u>176,778</u>        | <u>2,306</u>        | <u>-</u>              | <u>179,084</u>        |
| Total accumulated depreciation               | <u>162,703,914</u>    | <u>8,132,986</u>    | <u>(106,380)</u>      | <u>170,730,520</u>    |
| Total capital assets being depreciated, net  | <u>129,957,324</u>    | <u>2,026,478</u>    | <u>-</u>              | <u>131,983,802</u>    |
| Business-type activities capital assets, net | <u>\$ 165,881,970</u> | <u>\$ 5,080,457</u> | <u>\$ (6,590,855)</u> | <u>\$ 164,371,572</u> |

See accompanying report of independent certified public accountants.

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

**Grant Thornton LLP**  
Two Commerce Square  
2001 Market St., Suite 700  
Philadelphia, PA 19103  
T 215.561.4200  
F 215.561.1066  
[GrantThornton.com](http://GrantThornton.com)  
[linked.in/GrantThorntonUS](https://www.linkedin.com/company/grantthorntonus)  
[twitter.com/GrantThorntonUS](https://twitter.com/GrantThorntonUS)

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, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 28, 2018.

**Internal control over financial reporting**

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

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

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

#### Compliance and other matters

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

#### Intended purpose

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

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

Philadelphia, Pennsylvania

September 28, 2018