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**COMMUNITY COLLEGE OF PHILADELPHIA**  
(A Component Unit of the City of Philadelphia)

Basic Financial Statements, Management's Discussion and Analysis  
and Supplementary Information

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

**COMMUNITY COLLEGE OF PHILADELPHIA**  
(A Component Unit of the City of Philadelphia)

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## **Independent Auditors' Report**

Board of Trustees  
Community College of Philadelphia:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Community College of Philadelphia (the College), a component unit of the City of Philadelphia, Pennsylvania, as of and for the years ended June 30, 2013 and 2012, 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 U.S. generally accepted accounting principles; 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.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Community College of Philadelphia, as of June 30, 2013 and 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

## ***Other Matters***

### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 12 and the schedule of funding progress on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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 and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supplementary schedules on pages 60 to 63 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical section on pages 50 to 59 have 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 them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October XX, 201X 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Philadelphia, Pennsylvania  
October XX, 201X

**COMMUNITY COLLEGE OF PHILADELPHIA**  
(A Component Unit of the City of Philadelphia)

Management's Discussion and Analysis

June 30, 2013 and 2012

(Unaudited)

The Community College of Philadelphia (the College)'s financial statements are prepared using Governmental Accounting Standards Board (GASB) Statements 34 and 35 standards. 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.

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 2013 are compared to those for the 2012 fiscal year.

### **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 deferred outflows of resources minus liabilities and deferred inflow of resources as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.
- The *Statement of Cash Flows* is reported 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.

### **Financial Highlights**

#### ***Campus Development***

As of September 2011, construction was completed on two major projects that began in fiscal 2009. These projects include the erection of a new building (Pavilion) at the Main Campus; and expansion and redesign of the Northeast Regional Center. A third project, the renovation of portions of the Mint, Bonnell and West Buildings, was completed during fiscal 2013. Principal financing for these projects was completed in October 2008 utilizing twenty year tax exempt bonds. Total borrowing was \$74.8 million at interest rates for various maturities of between 3.0% and 6.25%. Because of the disruptions occurring in the bond insurance industry, the College elected to issue the bonds on an uninsured basis. A Moody's bond rating of A2 was received at the time the bonds were issued. This rating was subsequently upgraded to A1. In addition to bond proceeds, capital gifts and grants in the amount of \$2.8 million were used to support the Northeast and Main Campus construction.

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On July 15, 2011, the College executed a \$1 million five-year loan through the Pennsylvania State Public School Building Authority's revolving loan program at a fixed rate of 3%. The proceeds from this loan were used to pay for the leasehold improvements and outfitting for the additional leased space at the West Philadelphia Regional Center. This project included the lease of 7,291 square feet of space immediately adjacent to the current center as well as redesign and upgrades to portions of the Center's main 23,000 square foot classroom building. The newly leased space was placed into full operation as of January 2012. Small-scale renovations to the existing West Philadelphia Regional Center building are planned to be completed in fiscal 2014.

Several smaller projects have recently been completed or are underway on the Main Campus in the West Building. A new divisional office suite was completed in spring 2013 for the Math, Science and Allied Health Programs Division. In summer 2013 a suite of classrooms, teaching laboratories and offices were completed for fall 2013 occupancy by the Architecture, Design and Construction Programs. Several renovation projects will be underway during the 2013-14 academic year in the Main Campus West Building. These projects include: renovation and update of the four existing chemistry labs, and renovation of the former Architecture Programs' spaces to create new biochemistry and engineering technologies labs. Funding for the chemistry lab project was provided by a \$1.8 million dollar five-year loan from the State Public School Building Authority (SPSBA) revolving capital pool. The loan was made in January 2013 at a borrowing rate of 2.0%. The remainder of the West building project cost was financed via a seven year \$2.4 million dollar loan from PNC Bank at a rate of 2.027%. State agreement to fund the amortization of 50% of debt cost of the \$1.8 million chemistry lab loan has been received. An application to the State has been filed for State support to amortize fifty percent of the \$2.4 million loan.

Recent capital projects have been focused on several goals: creating integrated, one-stop enrollment services centers for students; updating and expanding academic program laboratories and classrooms to support current and emerging programmatic needs; expanding resources available to students and faculty outside the classroom for collaborative learning opportunities; providing the required infrastructure for the evolving use of technology in teaching, learning and administrative activities; ensuring that the physical requirements needed for the College's Business Continuity Plan are in place; and updating and expanding the College's food service and bookstore operations.

All current construction projects are employing sustainable design principles. Both the new Northeast Building and the Main Campus Pavilion Building are expected to achieve a gold level LEED designation.

On December 15, 2010, the College completed the purchase of 434-440 North 15th Street for a price of \$5,801,000. The property was purchased for cash. The property includes an 88,500 square foot building and exterior parking for approximately 30 vehicles. Initially the property is being used for parking and facility operations. Longer term use of the property is anticipated to be developed as a mixed use facility including parking, retail, and programmatic space.

In June 2013, the College began planning efforts to create a new Facility Mater Plan. The planning effort is being guided by Francis Cauffman Architects.

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***Enrollments***

Credit FTE (full-time equivalent) enrollments in fiscal year 2013 were 15,116. This represented a 653 FTE or a 4.1% decrease over the prior year's FTE credit enrollments of 15,769. Fiscal 2012 credit FTE enrollments were 322 FTEs or 2.0% lower than the 2011 credit enrollments of 16,091. Enrollments for the first half of the 2014 fiscal year are currently greater (approximately one percent) than 2013 fiscal year levels.

***Revenues***

In July 2005, Act 46 was enacted. This law changed the basis upon which Commonwealth of Pennsylvania (the State) community colleges were intended to be funded effective for the 2005-06 year and thereafter. Funding based upon current year enrollments was eliminated and a foundation funding level was established for each community college. This foundation funding was to provide a base level of funding not tied to enrollments. Under the provisions of Act 46, foundation funding may not be reduced. Annually a small growth increment was to be added to the foundation based upon enrollment increase changes in the last two audited years. The other significant operating budget change as a result of Act 46 was the establishment of Economic Development (high priority) Program funding. The State was to provide supplemental funding for FTEs taught in programs identified to be high priority by State officials. The amount of funding received was to be based upon a lump sum statewide dollar allocation and each college's reported FTE enrollments for the prior year in priority program areas. Economic Development funding allocations were to be proportionate to FTEs taught in the priority program areas.

Beginning with the fiscal 2010 State Budget, the provisions of Act 46 were not followed in funding Pennsylvania community colleges. For fiscal years 2010 and 2011, operating funding for each college was set to equal the amount received for 2008-09 less a 0.21% reduction. Of the operating budget allocations to the Pennsylvania Community Colleges by the State in fiscal 2010 and 2011, 9.1% was allocated from federal economic stimulus funds provided by the Federal Government to the State. For the Community College of Philadelphia, this represented \$2.8 million of state funding that was provided from Federal Stimulus Funds. Total 2012 State operating funding (including capital lease funding) was \$28,229,309 or 9.4% less than received in fiscal 2011. Funding received via federal stimulus dollars in the prior two years was not replaced by State revenues. State operating funding for the 2013 fiscal year was \$28,239,824, essentially unchanged from the funding received in fiscal 2012.

Act 46 also modified state capital funding for the Pennsylvania community colleges. A revolving capital pool was created which provides the potential for increased funding for major capital projects and improved predictability for when major capital project funding will become available. Capital funding from the State capital pool was \$6,330,656 in the 2011 fiscal year, \$6,327,091 in the 2012 fiscal year and \$6,384,089 in the 2013 fiscal year.

Total state funding in the 2011 fiscal year was \$38,449,827, a change of \$398,610 or 1.0% over the state funds received in 2010. This amount includes the \$2,844,299 allocated to the College by the State out of federal stimulus funds. State funding 2011 was positively impacted by the State's decision to forgive earlier audit findings in the amount of \$775,994. Total state funding in the 2012 fiscal year was \$34,556,400, a decrease of \$3,893,427 or 10.1% over the state funds received in 2011. Funding provided in fiscal 2011 from federal

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stimulus funds was not replaced by the State in 2012 funding. Total State funding in 2013 was \$34,623,913, an increase of \$67,513 over 2012 state funding.

Total 2013 City funding was \$25,409,207, the same level received in fiscal years 2012 and 2011. Of this 2013 funding, \$18,063,705 was used for operating budget purposes. The remaining funds, \$7,345,502, were used for capital purchases and debt service payments.

In 2013, the tuition charge per credit was \$148, an increase of \$10 over the 2012 per credit tuition charge of \$138. The Technology Fee was unchanged at \$28 per credit. The General College Fee which supports student life programs remained unchanged at \$4 per credit. The College charges course fees which range from \$75 to \$300 in selected high-cost courses. Average total tuition and fee revenue per credit for 2013 was \$187.66, an increase of \$10.05 or 5.7% over the average per credit charge in fiscal 2012 of \$177.61.

Tuition and fee revenue totaled \$75,272,804 in 2013, \$73,744,923 in 2012, and \$72,048,633 in 2011. The 'scholarship allowance' amounts for 2013, 2012, and 2011 respectively were \$43,269,962, \$43,563,813, and \$43,917,028. The scholarship allowance represents tuition and fee payments made using public and private grants and scholarships. The relatively stable scholarship allowance amounts between fiscal 2013 and fiscal 2012 is reflective of the small drop in enrollments coupled with no change in the federal Pell financial aid award amounts for the 2013 fiscal year.

Gift revenue in the amount of \$2,809,152 is reported in the Statement of Revenues, Expenses and Changes in Net Position. This value reflects capital contributions received by the foundation on behalf of the College for Main Campus construction projects. These funds were transferred to the College for capital project expenses during the 2013 fiscal year. This is the first time that a transfer of capital gifts to the college has occurred.

Net investment income was \$332,708 in 2013, \$1,098,141 in 2012, and \$717,865 in 2011. During the 2011 fiscal year unit values in the College's fixed income investments remained relatively stable. In response to historically low rates of return on short-term fixed income investments, in April 2011, the College moved \$10 million of core operating cash into longer-term fixed income investments. As a result, investment income improved for the 2012 fiscal year. (See footnote 2.) However, unit value depreciation within the U. S. bond market toward the end of the 2013 fiscal year coupled with the continuing historically low fixed income rates throughout most of the 2013 fiscal year resulted in the reduced amount reported for investment income in fiscal 2013.

The increase in Federal Grants and contracts from \$56,839,421 in 2012 to \$58,714,660 in 2013 reflects the value of the Trade Adjustment Assistance Community College Career Training (TAACCCT) Grant. The College's award amount increased from \$2,545,260 in 2012 to \$7,796,871 in 2013. In addition to being one of the program service providers in the State, the College is serving as the lead institution for administering this state-wide community college grant. In fiscal 2013, the College received \$526,203 to support the state-wide administration of the grant.

### ***Expenses***

Exclusive of Student Aid and Depreciation expenses, the College's operating expenses totaled \$145,268,904 in fiscal 2013, \$137,182,600 in fiscal 2012 and \$138,283,458 in fiscal 2011. Effective August 31, 2011, five-year labor contracts with the College's faculty and classified employee unions expired. Agreement on a new contract



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was not achieved during the 2012 fiscal year, and the terms of the prior contract were in effect. All 2011-12 employee salaries were kept at the amounts in place for the 2010-11 fiscal year. Agreement on a new contract was reached in September 2013. The agreement terms reflect a retroactive salary increase adjustment for employees averaging 1.5% for the 2012-13 year. This adjustment is included in the expenses reported for the 2012-13 year. In addition to the salary and related fringe benefit increase, expenses for the 2013 were greater as a result of increased grant expenditures primarily associated with the higher level of activity in the TAACCCT Grant.

In fiscal 2008, the College implemented the GASB 45 accounting standard. This standard requires that the present value of future post-retirement benefits other than pensions, projected to be paid to retired employees be recorded as an expense in public institutions' financial statements. As required by GASB 45, the bi-annual reassessment of the liability was prepared in April 2012 for reporting as of June 30, 2012 and June 30, 2013. However, changing average rates of returns on the College's investment funds as result of recent years' fixed income rates led the college to revalue the liability in April 2013 to determine whether the discount rate used in the present value computation was still appropriate. As a result the discount rate was changed from 5% to 4%. This had the impact of increasing the amount of the accrual recorded for 2013 from \$7,346,416 to \$8,530,033. In the recently concluded collective bargaining process with college employees, conditions of eligibility for the post-retirement benefit were altered in a way that will moderately reduce this financial exposure for the College in the future. The impact of this change in eligibility is not reflected in the amount recorded as a liability for 2013.

The College elected to phase in the reporting of the GASB 45 post-employment benefit liability over a 30 year period and to continue to fund the costs of the post-retirement benefit out of the College's annual budget revenues. A separate trust has not been established to fund any portion of this liability. The cumulative estimated value for the accrued post-employment benefit liability in fiscal years 2013, 2012, and 2011 was \$38,755,360, \$30,225,327, and \$22,614,325 respectively. Absent this reporting requirement, the College's net position as of June 30, 2013 would have been at a level of \$117.5 million.

Effective September 1, 2009, the College placed its employee medical plan, offered through Independence Blue Cross, on a self-insurance basis. A reinsurance limit of \$225,000 was in place for the 2013 fiscal year to cap institutional financial exposure for individuals with extraordinarily large claims in a policy year. As another component of the self-insurance approach, the College has established a self-insurance accrued liability account for possible large claim levels in the future. The value of this accrued liability as of June 30, 2013 was \$961,161 and \$868,124 in 2012. This amount is reported under 'Current Liabilities: Accounts Payable and Accrued Liabilities.'

***Net Position Change***

Net position as of June 30, 2013 was \$78,781,963. As a result of financial circumstances which contributed to asset growth, net position increased by \$4.17 million in the 2013 fiscal year prior to recording the impact of the post-employment benefit liability. The change in net position after recording the post-employment benefit accrual was a negative \$4.4 million. 'Unrestricted net position' fell from a negative \$4.6 million to a negative \$15.3 million. Absent the cumulative impact of the GASB 45 reporting requirements, unrestricted net position

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would currently be at a level of \$23.4 million. The other factor significantly reducing the unrestricted net position was unfunded depreciation expense for 2013 in the amount of \$10.4 million.

***Assets***

As of June 30, 2012, the College's cash, long-term and short-term investments totaled \$38.0 million, a decrease of \$1.6 million over the \$39.6 million reported as of June 30, 2012. This reduction from the prior year reflects the timing of payments in the month of June 2013. The College's average cash position for fiscal 2013 was approximately \$3.0 million greater than in fiscal 2012. 'Accounts Receivable Net' were at a level of \$6.0 million in 2013 and \$4.0 million in 2012. These amounts reflect student, employee, vendor, legal and Foundation receivables. The increases in accounts receivable occurred in the following areas: receivables in the amount of \$809,152 from the Foundation for capital gifts that have not yet been released to the College, as well as \$771,153 due from the Foundation for related payroll and grant related expenses. In addition, there was a small decrease in the year end receivables for auxiliaries.

The College's investment in capital assets as of June 30, 2013 net of accumulated depreciation was \$180.1 million, an increase of \$0.7 million over the amount reported for 2012, \$179.4 million. The growth in the net value of assets reflects the substantial completion of several Main Campus Mint and West Building projects during the 2013 fiscal year.

***Liabilities***

The College's outstanding long-term debt (including the current year portion and excluding capital lease obligations) was at a level of \$97.1 million as of June 2011, decreased to \$90.2 million as of June 2012 and decreased to \$86.0 million as of June 2013. The current level of debt reflects the borrowing for the two new capital projects that were financed during the 2008 fiscal year. Additionally, the College has accrued compensated absences and retirement incentive payments in the amounts of \$3.1 million and \$0.5 million, respectively. The accrual for compensated absences consists of unused vacation pay for employees on the College's payroll.

Accounts payable and accrued liabilities increased from \$15.5 million as of June 2012 to \$16.9 million as of June 2013. The major factors contributing to this increase were increased accrued salaries in anticipation of the collective bargaining agreement settlement as well as timing of accounts payable payments. Dollars payable to governmental agencies decreased from \$2.4 million in 2012 to \$1.9 million in 2013. These payables reflect unused State and Federal financial aid dollars. The capital lease obligations decreased from \$7.2 million as of June 2012 to \$6.3 million as of June 2013. This obligation includes a \$5.3 million performance contract with Johnson Controls, Inc. Under the terms of the performance contract, the College is utilizing a fifteen-year capital lease to amortize the costs of ten separate capital projects which both addressed critical infrastructure renewal needs at the College's main campus facilities and are reducing operating costs through energy and other facility operating cost savings. The performance contract terms guarantee that the operational costs savings from the ten projects will pay a substantial portion of the capital lease expense. Capital leases also include technology expenses associated with academic and administrative computing.

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***Net Position***

At June 30, 2013, the College's assets of \$231.5 million exceeded its liabilities of \$152.7 million by \$78.8 million. Net position at 2013, 2012 and 2011 are summarized into the following categories:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net investment in capital assets	\$ 91,369,577	86,330,902	80,136,789
Restricted, expendable	2,740,642	1,364,726	730,624
Unrestricted	<u>(15,328,256)</u>	<u>(4,553,255)</u>	<u>5,035,726</u>
Total net assets	<u>\$ 78,781,963</u>	<u>83,142,373</u>	<u>85,903,139</u>

The College's net position reflect its investment in capital assets (e.g., land, buildings, machinery, and equipment), less accumulated depreciation and outstanding debt incurred to acquire those assets. The College uses these capital assets to provide services to students, faculty, and administration; consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The negative unrestricted net asset position (\$15.3 million) incorporates the cumulative impact of the GASB 45 post-employment benefit expense accrual in the amount of \$38.8 million.

**Summary of College Financial Position**

The following tables summarize the College's financial status as of the end of the 2013, 2012 and 2011 fiscal years. The tables provide a condensed version of the College's Statements of Net Position and of Revenues, Expenses, and Changes in Net Position as of the end of June 30, 2013, 2012, and 2011.

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***Summary of Net Position***

While the College's current asset to current liability ratio was 1.02 as of June 30, 2013, 1.08 as of June 30, 2012, and 1.11 as of June 30, 2011, the College has adequate liquidity to meet its short-term obligations. The relatively low ratio reflects the fact that \$15.8 million of the College's operating cash was moved from short-term investments to longer-term fixed-income investments in 2011. While not classified as current assets, these 'long-term' investments are liquid and available immediately if required for cash needs. The reduction in the amount reported for unrestricted net position reflects the growing level of annual depreciation expense resulting from the completion of new construction and the growing impact of the GASB 45 post-employment expense accrual.

**Summary of Net Position**

June 30, 2013, 2012 and 2011

	<u>2013</u>	<u>2012</u> (In millions)	<u>2011</u>
Assets:			
Current assets	\$ 32.0	31.8	30.6
Noncurrent assets:			
Capital assets net of depreciation	180.1	179.5	167.0
Bond proceeds available for campus construction	2.4	2.9	15.1
Other	<u>17.0</u>	<u>17.2</u>	<u>18.5</u>
Total assets	\$ <u>231.5</u>	<u>231.4</u>	<u>231.2</u>
Liabilities:			
Current liabilities	\$ 31.4	29.5	27.5
Noncurrent liabilities	<u>121.4</u>	<u>118.8</u>	<u>117.8</u>
Total liabilities	\$ <u>152.8</u>	<u>148.3</u>	<u>145.3</u>
Net position:			
Net investment in capital assets	\$ 91.4	86.3	80.2
Unrestricted	(15.3)	(4.6)	5.0
Restricted:			
Expendable	<u>2.7</u>	<u>1.4</u>	<u>0.7</u>
Total net position	\$ <u>78.8</u>	<u>83.1</u>	<u>85.9</u>

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***Schedule of Changes in Net Position***

The change in net position for fiscal years 2013, 2012, and 2011 was a negative \$4.4 million, negative \$2.8 million, and positive \$1.5 million respectively. The following table quantifies the changes:

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
		(In millions)	
Operating revenues:			
Net tuition and fees	\$ 32.0	30.1	28.1
Auxiliary enterprises and other sources	1.9	2.1	1.9
Total	<u>33.9</u>	<u>32.2</u>	<u>30.0</u>
Operating expenses	<u>164.0</u>	<u>157.0</u>	<u>153.3</u>
Operating loss	(130.1)	(124.8)	(123.3)
Net nonoperating revenues	<u>112.0</u>	<u>108.0</u>	<u>111.2</u>
Change in net assets before other revenues	(18.1)	(16.8)	(12.1)
Net capital revenue and changes to endowments	<u>13.7</u>	<u>14.0</u>	<u>13.6</u>
Total change in net position	\$ <u>(4.4)</u>	<u>(2.8)</u>	<u>1.5</u>

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***Schedule of Fund Balances***

The following chart shows fund balances in the four fund groups: Unrestricted, Restricted, Endowment and Plant. The 2011, 2012 and 2013 amounts reported for unrestricted operations funds were reduced by the impact of GASB 45 reporting of an accrued expense liability for post-employment benefits. The impact of GASB 45 reporting in 2011 was \$6,038,635, in 2012 was \$7,611,002 and in 2013 was \$8,530,033. The negative unrestricted plant fund balance reflects the use of \$5.8 million of college cash resources in fiscal 2011 for the purchase of the 430-440 North 15th Street property as well as unfunded depreciation expense.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total unrestricted fund	\$ (8,297,655)	100,502	7,609,166
Endowment fund:			
True and term endowment	—	—	—
Quasi endowment (unrestricted)	<u>1,859,894</u>	<u>1,914,234</u>	<u>1,743,728</u>
Total endowment	<u>1,859,894</u>	<u>1,914,234</u>	<u>1,743,728</u>
Plant fund:			
Net invested in capital assets	91,369,577	86,330,902	80,136,789
Restricted expendable – capital	2,740,642	1,364,726	730,624
Unrestricted	<u>(8,890,495)</u>	<u>(6,567,991)</u>	<u>(4,317,168)</u>
Total plant fund	<u>85,219,724</u>	<u>81,127,637</u>	<u>76,550,245</u>
Total net position	<u><u>\$ 78,781,963</u></u>	<u><u>83,142,373</u></u>	<u><u>85,903,139</u></u>

***Community College of Philadelphia Foundation***

The College Foundation was established in 1985. Total assets for 2013, 2012, and 2011 were \$12.6 million, \$12.0 million, and \$9.3 million, respectively. Total unrestricted net position for 2013, 2012, and 2011 for the Foundation was \$1.5 million, \$1.3 million, and \$1.4 million, respectively. The remaining net position is restricted based upon donor intent. To support funding for the College's current campus development efforts and develop more scholarship opportunities for students, the College's first Capital Campaign was initiated in 2009. A goal of \$10 million was established. As of August 2011, the goal had been achieved. The final amount of gifts received was \$17.1 million. The Foundation provided \$2.8 million to the College from the proceeds of the Capital Campaign during fiscal year 2013.

**COMMUNITY COLLEGE OF PHILADELPHIA**  
(A Component Unit of the City of Philadelphia)

Statements of Net Position

June 30, 2013 and 2012

Assets	Business-type activities The Community College of Philadelphia		Component unit The Community College of Philadelphia Foundation	
	2013	2012	2013	2012
Current assets:				
Cash and cash equivalents (note 2)	\$ 11,967,374	11,562,871	344,345	101,296
Short-term investments (note 2)	10,325,397	10,888,433	3,485,382	1,673,923
Restricted short-term investments (note 2)	—	1,364,726	—	996,523
Accounts receivable, net (note 3)	5,414,648	3,979,868	383,344	1,568,326
Receivable from government agencies (note 7)	2,752,692	2,608,520	—	—
Accrued interest receivable	47,943	50,235	—	—
Unamortized bond issuance costs	153,680	176,314	—	—
Other assets	1,338,150	1,136,696	—	—
Total current assets	31,999,884	31,767,663	4,213,071	4,340,068
Noncurrent assets:				
Endowment investments (note 2)	—	—	7,460,107	6,429,733
Accounts receivable, net (note 3)	—	—	926,381	1,158,880
Bond proceeds available for campus construction	2,444,146	2,947,510	—	—
Other long term investments (note 2)	15,750,134	15,782,209	—	—
Unamortized bond issuance costs	1,277,911	1,422,378	—	—
Capital assets, net (note 4)	180,052,760	179,484,523	—	—
Total noncurrent assets	199,524,951	199,636,620	8,386,488	7,588,613
Total assets	\$ 231,524,835	231,404,283	12,599,559	11,928,681

See accompanying notes to financial statements.

**COMMUNITY COLLEGE OF PHILADELPHIA**  
(A Component Unit of the City of Philadelphia)

Statements of Net Position

June 30, 2013 and 2012

Liabilities and Net Position	Business-type activities The Community College of Philadelphia		Component unit The Community College of Philadelphia Foundation	
	2013	2012	2013	2012
Current liabilities:				
Accounts payable and accrued liabilities (note 5)	\$ 15,994,555	14,173,138	1,959,082	224,052
Payable to government agencies (note 7)	1,907,504	2,418,723	—	—
Deposits	186,902	123,494	—	—
Unearned revenue	2,430,576	2,323,832	986,999	244,500
Current portion of capital lease obligation (note 6)	2,324,476	2,141,430	—	—
Current portion of long-term debt (note 6)	8,498,508	8,257,274	—	—
Unamortized bond premium	32,651	49,637	—	—
Total current liabilities	<u>31,375,172</u>	<u>29,487,528</u>	<u>2,946,081</u>	<u>468,552</u>
Noncurrent liabilities:				
Accrued liabilities (note 5)	902,430	1,297,574	—	—
Payable to government agencies (note 7)	—	—	—	—
Annuity payable	—	—	377	12,719
Capital lease obligation (note 6)	3,982,732	5,038,186	—	—
Long-term debt (note 6)	77,517,384	81,963,699	—	—
Unamortized bond premium	209,794	249,596	—	—
Other post-employment benefits liability (note 9)	38,755,360	30,225,327	—	—
Total noncurrent liabilities	<u>121,367,700</u>	<u>118,774,382</u>	<u>377</u>	<u>12,719</u>
Total liabilities	<u>152,742,872</u>	<u>148,261,910</u>	<u>2,946,458</u>	<u>481,271</u>
Net position:				
Net investment in capital assets	91,369,577	86,330,902	—	—
Restricted (note 8):				
Nonexpendable:				
Scholarships, awards and faculty chair	—	—	5,791,697	5,024,844
Annuities	—	—	11,347	7,860
Expendable:				
Scholarships, awards and faculty chair	—	—	1,775,546	1,728,346
Capital projects	2,740,642	1,364,726	577,902	3,392,412
Unrestricted	<u>(15,328,256)</u>	<u>(4,553,255)</u>	<u>1,496,609</u>	<u>1,293,948</u>
Total net position	<u>\$ 78,781,963</u>	<u>83,142,373</u>	<u>9,653,101</u>	<u>11,447,410</u>

See accompanying notes to financial statements.



**COMMUNITY COLLEGE OF PHILADELPHIA**

(A Component Unit of the City of Philadelphia)

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

Years ended June 30, 2013 and 2012

	<b>Business-type activities</b>		<b>Component unit</b>	
	<b>The Community College of Philadelphia</b>		<b>The Community College of Philadelphia Foundation</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Operating revenues:				
Student tuition	\$ 58,228,544	56,483,928	—	—
Student fees	17,044,260	17,260,995	—	—
Less scholarship allowance	(43,269,962)	(43,563,813)	—	—
Net student fees	32,002,842	30,181,110	—	—
Auxiliary enterprises	1,775,612	1,827,133	—	—
Gifts	—	—	738,617	3,342,841
Other sources	158,047	167,258	70,208	17,106
Total operating revenues	33,936,501	32,175,501	808,825	3,359,947
Operating expenses (note 11):				
Educational and general:				
Instruction	66,436,316	62,162,440	80,469	113,984
Public service	155,657	62,796	—	—
Academic support	17,246,555	17,723,410	—	—
Student services	21,913,072	21,075,190	7,589	1,129
Institutional support	26,216,369	23,281,334	1,582,774	639,323
Physical plant operations	12,741,867	12,244,438	—	—
Depreciation	10,423,443	9,764,169	—	—
Student aid	8,327,636	10,014,970	238,178	321,383
Auxiliary enterprises	559,068	632,992	—	—
Total operating expenses	164,019,983	156,961,739	1,909,010	1,075,819
Operating (loss) surplus	\$ (130,083,482)	(124,786,238)	(1,100,185)	2,284,128

See accompanying notes to financial statements.

**COMMUNITY COLLEGE OF PHILADELPHIA**

(A Component Unit of the City of Philadelphia)

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

Years ended June 30, 2013 and 2012

	<b>Business-type activities</b>		<b>Component unit</b>	
	<b>The Community College of Philadelphia</b>		<b>The Community College of Philadelphia Foundation</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Nonoperating revenues (expenses):				
State appropriations (note 12)	\$ 28,239,824	28,229,309	—	—
City appropriations (note 12)	18,063,705	17,652,197	—	—
Federal grants and contracts	58,714,660	56,839,421	—	—
Gifts from the Community College of Philadelphia Foundation	2,809,152	—	(2,809,152)	—
State grants and contracts	7,190,874	6,495,102	—	—
Nongovernmental grants and contracts	1,119,415	1,014,162	1,078,297	365,456
Net investment income	332,708	1,098,141	1,036,731	20,385
Interest on capital asset-related debt service	(4,856,369)	(3,926,641)	—	—
Other nonoperating revenues	379,512	539,680	—	—
Net nonoperating revenues	111,993,481	107,941,371	(694,124)	385,841
(Loss) gain before other revenues, expenses, gains or losses	(18,090,001)	(16,844,867)	(1,794,309)	2,669,969
Capital appropriations	13,729,591	14,084,101	—	—
(Decrease) increase in net position	(4,360,410)	(2,760,766)	(1,794,309)	2,669,969
Net position, beginning	83,142,373	85,903,139	11,447,410	8,777,441
Net position, ending	\$ 78,781,963	83,142,373	9,653,101	11,447,410

See accompanying notes to financial statements.

**COMMUNITY COLLEGE OF PHILADELPHIA**

(A Component Unit of the City of Philadelphia)

(Business-Type Activities – College only)

## Statements of Cash Flows

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Tuition and fees	\$ 31,910,181	30,269,238
Payments to suppliers	(27,987,848)	(20,864,082)
Payments to employees	(74,669,197)	(76,958,264)
Payments for employee benefits	(34,201,811)	(32,004,232)
Payments for student aid	(8,327,636)	(10,282,045)
Auxiliary enterprises	1,772,166	1,829,829
Other cash receipts	158,047	175,526
Net cash used in operating activities	<u>(111,346,098)</u>	<u>(107,834,030)</u>
Cash flows from noncapital financing activities:		
State appropriations	28,209,309	28,228,017
City appropriations	18,063,705	17,652,197
Gifts and grants	69,353,397	65,383,312
Other nonoperating	442,920	548,756
Net cash provided by noncapital financing activities	<u>116,069,331</u>	<u>111,812,282</u>
Cash flows from capital and related financing activities:		
State capital appropriations	6,384,089	6,327,091
City capital appropriations	7,345,502	7,757,010
Decrease in bond proceeds available for campus construction	503,364	13,961,301
Proceeds from capital debt	6,775,092	1,000,000
Purchases of capital assets	(9,875,352)	(17,084,934)
Principal on capital debt	(12,968,909)	(10,256,224)
Interest on capital debt	(4,777,353)	(5,051,706)
Net cash used in capital and related financing activities	<u>(6,613,567)</u>	<u>(3,347,462)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	47,400,465	39,552,092
Purchases of investments	(45,440,628)	(43,390,344)
Interest on investments	335,000	1,098,655
Net cash provided by (used in) investing activities	<u>2,294,837</u>	<u>(2,739,597)</u>
Increase (decrease) in cash	404,503	(2,108,807)
Cash and cash equivalents, beginning	<u>11,562,871</u>	<u>13,671,678</u>
Cash and cash equivalents, ending	<u><u>\$ 11,967,374</u></u>	<u><u>11,562,871</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)

## Statements of Cash Flows

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of net operating loss to net cash used in operating activities:		
Operating loss	\$ (127,274,330)	(124,786,238)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation	10,423,443	9,764,169
Changes in assets and liabilities:		
Accounts receivable	(1,681,822)	198,323
Prepaid and other assets	(201,454)	(59,846)
Loans to students and employees	102,870	14,593
Accounts payable and accrued liabilities	1,453,169	(689,116)
Deferred revenues	111,145	113,083
Other post employment benefits	8,530,033	7,611,002
Net cash used in operating activities	<u>\$ (108,536,946)</u>	<u>(107,834,030)</u>
Supplemental disclosure of noncash capital financing activity:		
Capital assets acquired via capital lease	\$ 1,116,328	3,954,516

See accompanying notes to financial statements.

**COMMUNITY COLLEGE OF PHILADELPHIA**  
(A Component Unit of the City of Philadelphia)

Notes to Financial Statements

June 30, 2013 and 2012

**(1) Summary of Significant Accounting Policies**

**(a) 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 Government 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' approval authority over all decisions made by the Foundation board of directors and the College has the authority to amend the by-laws of the Foundation at any time. Therefore, 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.

**(b) 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 U.S. generally accepted accounting principles, 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 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 of Pennsylvania and City of Philadelphia; federal, state, and private grants; net investment income; gifts; interest expense; and disposals of capital assets.

**COMMUNITY COLLEGE OF PHILADELPHIA**  
(A Component Unit of the City of Philadelphia)

Notes to Financial Statements

June 30, 2013 and 2012

**(c) Government Appropriations**

Revenue from the Commonwealth of Pennsylvania and City of Philadelphia 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:

**Commonwealth of Pennsylvania**

General state legislation establishing community colleges provides for the reimbursement of certain college expenses from Commonwealth funds appropriated for this purpose. Act 46 enacted in July 2005 changed the original basis of allocating operating funds to Commonwealth community colleges from a formula approach based upon full-time equivalents (FTE) students taught in the current fiscal year to a state-wide community college appropriation. Under Act 46, the state-wide operating budget appropriation for community colleges is to be distributed among each of the fourteen 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, twenty-five percent of any new dollars in the operating funding granted community colleges is to be distributed proportionally among the colleges experiencing growth in the prior year based upon their share of the FTE growth. Colleges whose enrollments are stable or decline do not receive any increase from the growth funding.

The other significant operating funding change as a result of Act 46 was the establishment of Economic Development (high priority) program funding. High priority program funding is based upon prior year enrollments in program areas defined by the State to contribute to trained worker growth in critical employment areas. Using prior-year FTE enrollments in targeted programs as the allocation mechanism, each college is to receive a proportionate share of the available funds allocated to high priority programs.

Beginning with the 2010 fiscal year state budget, and continuing for the 2011, 2012, and 2013 fiscal years, the provisions of Act 46 were not followed in allocating operational funds to Pennsylvania community colleges. The 2009-10 State operating allocation, including high priority program funding, for each college was computed using the amount each college received for 2008-09 and reducing it by 0.21%. In fiscal 2011 and fiscal 2012 the total state operating allocation to community colleges was unchanged from 2010 funding levels, but 9.1% of the revenues were allocated by the State from Federal Economic Stimulus Funds provided by the Federal Government to the Commonwealth of Pennsylvania. The State appropriation to the College funded from Federal Stimulus funds was \$2.8 million in each of the two years. Federal Stimulus funding was not replaced upon the expiration of the federal program. The fiscal 2012-13 operating allocation to the College was reduced by the \$2.8 million previously funded through the Federal Stimulus Funds in the 2011 and 2012 fiscal years.

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

**COMMUNITY COLLEGE OF PHILADELPHIA**  
(A Component Unit of the City of Philadelphia)

Notes to Financial Statements

June 30, 2013 and 2012

costs for eligible capital leases is reimbursed at the rate of 50%. Capital costs not previously approved for annual funding are subject to a competitive application process with the allocation of available funds made by the Pennsylvania Department of Education using state-wide criteria.

Any excesses or deficiencies between provisional payments and the final annual reimbursement calculation of annual Commonwealth funding are reflected as a payable or receivable from the Commonwealth.

**(d) Net Position**

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

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

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

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

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

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

**(e) 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.

**(f) Investments**

Investments in marketable securities are stated at fair value. Valuations for marketable securities are provided by external investment managers or are based on audited financial statements when available.

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;

**COMMUNITY COLLEGE OF PHILADELPHIA**  
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Notes to Financial Statements

June 30, 2013 and 2012

(ii) as increases in restricted – expendable net position if the terms of the gift or the College’s interpretation of relevant state law impose restrictions on the current use of the income or net gains; and

(iii) as increases in unrestricted net position in all other cases.

The College policy permits investments in obligations of the U.S. Treasury; certificates of deposit; commercial paper rated A-1 by Standard and Poor’s Corporation or P-1 by Moody’s Commercial Paper Record; bankers’ acceptances; repurchase agreements; the Commonfund’s, Intermediate Term Fund, Multi-Strategy Bond Fund, and specifically approved fixed income securities. The investment practice of the Foundation includes the use of the Commonfund, Multi-Strategy Equity Funds, Multi-Strategy Bond Funds, and specifically approved fixed income securities.

**(g) 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.

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.

**(h) 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 college policy and collective bargaining agreements.

**(i) 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.



**COMMUNITY COLLEGE OF PHILADELPHIA**  
(A Component Unit of the City of Philadelphia)

Notes to Financial Statements

June 30, 2013 and 2012

**(j) Student Fees**

Included in student fees are general college fees of \$1,459,960 and \$1,569,124 for the years ended June 30, 2013 and 2012, respectively, which have been designated for use by the various student organizations and activities.

**(k) Tax Status**

The College generally is exempt from federal and state taxes due to its status as an unincorporated association established by the Pennsylvania Community College Act of 1963 (the Act). Under the Act, community colleges are considered to be activities of the Commonwealth.

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

On July 15, 2007, the 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.

**(l) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

**(m) 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.

**(n) Self Insurance**

The Community College of Philadelphia Board of Trustees approved the College's participation in a self-insurance medical plan through Independence Blue Cross, which became effective September 1, 2009. A reinsurance limit of \$225,000 is in place to limit institutional financial exposure for individuals with extraordinarily large claims in a policy year. As another component of the self-insurance approach, the College has established a self-insurance accrued liability account for possible large claim levels in the future.

**COMMUNITY COLLEGE OF PHILADELPHIA**  
(A Component Unit of the City of Philadelphia)

Notes to Financial Statements

June 30, 2013 and 2012

**(o) *Reclassifications***

Certain reclassifications have been made to the 2012 financial statement information to conform to the 2013 financial statement presentation. There was no impact on the previously reported change in net position of the College.

**(p) *Recent Accounting Pronouncements***

The GASB issued Statement No. 61 “The Financial Reporting Entity: Omnibus” in November 2010 (GASB 61), which is effective for the College’s year ended June 30, 2013. This statement is an amendment of GASB Statements No. 14 “The Financial Reporting Entity”, and No. 34 “Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments”. GASB 61 amends certain requirements for inclusion of component units in the reporting government’s financial reporting entity and the conditions under which component units are consolidated as blended component units rather than discretely presented. Under the amended guidance, the College’s component unit foundation continues to be reported as a component unit because the College is financially accountable for the foundation, as defined in the standard. The foundation continues to be discretely presented because 1) the Board and management of the foundation are separate from those of the College 2) the foundation provides scholarships and other benefits directly to students of the College as well as providing fundraising on behalf of the College itself and 3) the Foundation has no outstanding debt.

The GASB issued Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements” (GASB 62) in December 2010, which is effective for the College’s year ended June 30, 2013. The statement incorporates into the GASB’s own pronouncements certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements including Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure. GASB 62 did not have an impact on the College’s financial statements because the provisions of the standard are generally consistent with the original GASB and AICPA requirements except where clarification was necessary to appropriately apply the standards to governmental entities.

The College adopted the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB 63), for the year ended June 30, 2013.

The GASB 63 objective is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The adoption of GASB 63 did not have a significant impact on the financial statements as the underlying accounting and financial reporting guidance has not changed. The College has no items that are classified as deferred inflows or outflows of resources as of June 30, 2013.

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Notes to Financial Statements

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GASB Statement No. 65, Items Previously Reported as Assets and Liabilities (GASB 65), effective for the College's fiscal year ended June 30, 2014, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. As a result of the adoption of GASB 65, the gain or loss from debt refunding will be reported as a deferred inflow or outflow of resources rather than as an asset or liability. Also, debt issuance costs, except any portion related to prepaid insurance costs, will be recognized as expense in the period incurred, rather than as an asset. These provisions will be applied retroactively to the beginning of the first period presented, when adopted in fiscal year 2014.

**(2) 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 minimum A – by Standard and Poor's or A3 by Moody's Investors Service, Inc. (Moody's) that are of U.S. dollar denomination. Investments in asset-backed and mortgage-backed bonds are limited to those rated AAA/Aaa. Investments in commercial paper must be rated A1/P1 or better. The maximum percentage of investments in any one sector is limited to 100% for U.S. government and agency, 25% for asset-backed bonds, 40% for corporate notes and bonds, and 25% for mortgage-backed bonds.

Deposits are comprised of demand deposit accounts with financial institutions. At both June 30, 2013 and 2012 cash on hand was \$4,000. At June 30, 2013 and 2012, the carrying amount of deposits was \$11,963,374 and \$11,558,871, and the bank balance was \$13,065,228 and \$12,750,839, respectively. The differences were caused primarily by items in transit. Deposits of \$1,000,000 were covered by federal depository insurance of \$250,000 for each of four bank accounts at both June 30, 2013 and 2012.

Demand deposits include \$1,289,823 in restricted cash at June 30, 2013, which represents unused proceeds of the 2013 SPSBA PNC Loan to be used for specific state-approved capital projects and included in cash and cash equivalents in the accompanying statements of net position.

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The following is the carrying value (fair value) of deposits and investments at June 30, 2013:

	<u>College</u>	<u>Foundation</u>
Deposits:		
Demand deposits	\$ 11,963,374	344,345
Investments:		
Insured Money Market Deposit	3,160,910	—
U.S. Treasury obligations	3,735,124	—
U.S. government agency obligations	2,387,710	—
Corporate & Foreign Bonds	3,819,385	—
Intermediate fixed income mutual fund	5,510,950	—
Multi-strategy equity mutual fund	—	5,479,208
Multi-strategy bond mutual fund	5,210,826	1,980,899
Money market mutual funds	2,250,626	3,485,382
Total deposits and investments	<u>\$ 38,038,905</u>	<u>11,289,834</u>

The following is the carrying value (fair value) of deposits and investments at June 30, 2012:

	<u>College</u>	<u>Foundation</u>
Deposits:		
Demand deposits	\$ 11,558,871	101,296
Investments:		
Certificate of deposit	5,121,724	—
U.S. Treasury obligations	3,808,668	—
U.S. government agency obligations	1,989,271	—
Corporate bonds	4,267,480	—
Intermediate fixed income mutual fund	5,470,918	1,919,205
Multi-strategy equity mutual fund	—	4,510,528
Multi-strategy bond mutual fund	5,227,307	—
Money market mutual funds	2,150,000	2,670,446
Total deposits and investments	<u>\$ 39,594,239</u>	<u>9,201,475</u>

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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, 2013 and 2012, bond proceeds available for campus construction include the following:

	<u>2013</u>	<u>2012</u>
Construction funds	\$ 2,444,146	2,947,510

The College's investments are subject to various risks. Among these risks are custodial credit risk, credit risk, and interest rate risk. Each one of these risks is discussed in more detail below.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to the College. The College does not have a deposit policy for custodial credit risk. Commonwealth of Pennsylvania Act 72 of 1971, as amended, allows banking institutions to satisfy the collateralization requirement by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments. At June 30, 2013 and 2012, the College's bank balance was exposed to custodial credit risk as follows:

	<u>2013</u>	<u>2012</u>
Uninsured and collateral held by pledging bank's trust department not in the College's name	\$ 12,065,228	11,750,839

The College participates in the Certificate of Deposit Account Registry Service (CDARS) for its certificate of deposit and Insured Cash Sweep (ICS). CDARS and ICS allow the College to access 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 certificate 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.

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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:

<b>June 30, 2013</b>		
	<b>Multi-Strategy Bond</b>	<b>Intermediate</b>
Government	21%	22%
Agency	26	13
AAA	8	20
AA	3	11
A	10	22
BBB	14	9
Below BBB	11	3
Non-Rated/Other	7	—
Total	<u>100%</u>	<u>100%</u>

<b>June 30, 2012</b>		
	<b>Multi-Strategy Bond</b>	<b>Intermediate</b>
Government	13%	23%
Agency	25	14
AAA	11	20
AA	3	9
A	12	20
BBB	14	8
Below BBB	12	6
Non-Rated/Other	10	—
Total	<u>100%</u>	<u>100%</u>

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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:

		<b>June 30, 2013</b>
		<b>Fixed income securities</b>
Aaa		62%
Aa		7
A		16
Baa		15
	Total	100%

  

		<b>June 30, 2012</b>
		<b>Fixed income securities</b>
Aaa		55%
Aa		10
A		18
Below BBB		12
Nonrated/other		5
	Total	100%

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income investments. The College's investment policy does not specifically address limitations in the maturities of investments. The weighted average maturities of the College's fixed income investments at June 30, 2013 are as follows:

	<b>June 30, 2013</b>	<b>June 30, 2012</b>
	<b>Weighted average maturity (years)</b>	<b>Weighted average maturity (years)</b>
Certificate of deposit	—	0.18
U.S. Treasury obligations	4.00	3.81
U.S. government agency obligations	3.00	3.25
Corporate bonds	5.10	5.03

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**(3) Accounts Receivables**

Accounts receivable include the following at June 30:

	<b>2013</b>		<b>2012</b>	
	<b>College</b>	<b>Component unit Foundation</b>	<b>College</b>	<b>Component unit Foundation</b>
Tuition and fee receivables	\$ 5,049,777	—	4,692,876	—
Grants receivable	30,478	108,136	6,441	56,461
Other receivables	1,969,407	—	1,530,606	—
Pledges receivable	—	1,310,553	—	2,796,534
Receivable from foundation	963,091	—	191,938	—
	<u>8,012,753</u>	<u>1,418,689</u>	<u>6,421,861</u>	<u>2,852,995</u>
Less allowance for doubtful accounts	<u>(2,598,105)</u>	<u>(108,964)</u>	<u>(2,441,993)</u>	<u>(125,789)</u>
Total	<u>\$ 5,414,648</u>	<u>1,309,725</u>	<u>3,979,868</u>	<u>2,727,206</u>

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

Accounts receivable, tuition and fees and other are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the College's historical losses and periodic review of individual accounts. The allowance was \$2,598,105 and \$2,441,993 for the years ended June 30, 2013 and 2012, respectively. \$926,381 of the Foundation's pledges receivable are expected to be collected subsequent to June 30, 2014, generally on a five-year payment schedule.



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**(4) Capital Assets**

Capital assets consist of the following at June 30, 2013:

	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Retirements and adjustments</b>	<b>Balance June 30, 2013</b>
Capital assets not depreciated:				
Land and improvements	\$ 28,072,235	982,698	—	29,054,933
Construction in progress	17,590,440	5,598,370	(22,072,307)	1,116,503
Works of art	705,208	—	—	705,208
	<u>46,367,883</u>	<u>6,581,068</u>	<u>(22,072,307)</u>	<u>30,876,644</u>
Capital assets being depreciated:				
Buildings and improvements	202,508,856	24,531,447	—	227,040,303
Equipment and furniture	38,853,330	1,609,066	(1,670,813)	38,791,583
Library books	4,657,905	181,203	—	4,839,108
Microforms	1,671,710	—	—	1,671,710
Software	4,039,594	—	—	4,039,594
System software	8,080,668	—	—	8,080,668
	<u>259,812,063</u>	<u>26,321,716</u>	<u>(1,670,813)</u>	<u>284,462,966</u>
Total before depreciation	<u>\$ 306,179,946</u>	<u>32,902,784</u>	<u>(23,743,120)</u>	<u>315,339,610</u>

Accumulated depreciation by asset categories is summarized as follows:

	<b>Balance July 1, 2012</b>	<b>Depreciation</b>	<b>Retirements</b>	<b>Balance June 30, 2013</b>
Buildings and improvements	\$ 84,013,359	5,854,447	—	89,867,806
Equipment and furniture	28,028,785	3,246,466	(1,832,016)	29,443,235
Library books	3,856,699	154,127	—	4,010,826
Microforms	1,641,286	13,729	—	1,655,015
Software	3,408,932	10,115	—	3,419,047
System software	5,746,362	1,144,559	—	6,890,921
Total	<u>\$ 126,695,423</u>	<u>10,423,443</u>	<u>(1,832,016)</u>	<u>135,286,850</u>
Net capital assets				<u>\$ 180,052,760</u>

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Capital assets consist of the following at June 30, 2012:

	<b>Balance July 1, 2011</b>	<b>Additions</b>	<b>Retirements and adjustments</b>	<b>Balance June 30, 2012</b>
Capital assets not depreciated:				
Land and improvements	\$ 25,228,503	2,843,732	—	28,072,235
Construction in progress	36,306,328	13,854,610	(32,570,498)	17,590,440
Works of art	705,208	—	—	705,208
	<u>62,240,039</u>	<u>16,698,342</u>	<u>(32,570,498)</u>	<u>46,367,883</u>
Capital assets being depreciated:				
Buildings and improvements	172,083,578	30,425,278	—	202,508,856
Equipment and furniture	32,782,952	6,427,488	(357,110)	38,853,330
Library books	4,480,982	176,923	—	4,657,905
Microforms	1,659,434	12,276	—	1,671,710
Software	4,034,744	4,850	—	4,039,594
System software	6,995,089	1,085,579	—	8,080,668
	<u>222,036,779</u>	<u>38,132,394</u>	<u>(357,110)</u>	<u>259,812,063</u>
Total before depreciation	<u>\$ 284,276,818</u>	<u>54,830,736</u>	<u>(32,927,608)</u>	<u>306,179,946</u>

Accumulated depreciation by asset categories is summarized as follows:

	<b>Balance July 1, 2011</b>	<b>Depreciation</b>	<b>Retirements</b>	<b>Balance June 30, 2012</b>
Buildings and improvements	\$ 78,485,686	5,352,568	—	83,838,254
Equipment and furniture	25,062,061	3,371,557	(357,110)	28,076,508
Library books	3,702,828	153,871	—	3,856,699
Microforms	1,621,003	20,283	—	1,641,286
Software	3,525,984	10,330	—	3,536,314
System software	4,890,802	855,560	—	5,746,362
Total	<u>\$ 117,288,364</u>	<u>9,764,169</u>	<u>(357,110)</u>	<u>126,695,423</u>
Net capital assets				<u>\$ 179,484,523</u>

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**(5) Accounts Payable and Accrued Liabilities**

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

	<b>2013</b>		<b>2012</b>	
	<b>Component unit</b>		<b>Component unit</b>	
	<b>College</b>	<b>Foundation</b>	<b>College</b>	<b>Foundation</b>
Category:				
Vendors and others	\$ 6,335,591	995,990	6,163,431	32,114
Accrued salaries	4,085,888	—	2,876,364	—
Accrued benefits	2,016,985	—	1,945,353	—
Compensated absences	3,141,021	—	3,174,843	—
Retirement incentive payments	826,619	—	819,153	—
Payroll withholding taxes	148,925	—	118,315	—
Accrued interest	341,956	—	373,253	—
Payable to college	—	963,092	—	191,938
Total	\$ <u>16,896,985</u>	<u>1,959,082</u>	<u>15,470,712</u>	<u>224,052</u>

Retirement incentive payments are described in note 9.

Long-term liability activity for the year ended June 30, 2013 was as follows:

<b>2013</b>	<b>Beginning balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Total ending balance</b>	<b>Current portion</b>
Long-term liabilities:					
Accrued liabilities	\$ 15,470,712	1,975,995	(549,722)	16,896,985	15,994,555
Payable to government agencies	2,418,723	—	(511,219)	1,907,504	1,907,504
Capital lease obligation	7,179,616	1,116,328	(1,988,736)	6,307,208	2,324,476
Long-term debt	90,220,973	6,775,092	(10,980,173)	86,015,892	8,498,508
Unamortized bond premium	299,233	—	(56,788)	242,445	32,651
Other post-employment benefits	30,225,327	8,530,033	—	38,755,360	—
	\$ <u>145,814,584</u>	<u>18,397,448</u>	<u>(14,086,638)</u>	<u>150,125,394</u>	<u>28,757,694</u>

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Long-term liability activity for the year ended June 30, 2012 was as follows:

<b>2012</b>	<b>Beginning balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Total ending balance</b>	<b>Current portion</b>
Long-term liabilities:					
Accrued liabilities	\$ 16,098,143	2,123,491	(2,750,922)	15,470,712	14,173,138
Payable to government agencies	1,111,529	1,607,271	(300,077)	2,418,723	2,418,723
Capital lease obligation	5,629,277	3,954,516	(2,404,177)	7,179,616	2,141,430
Long-term debt	97,073,020	1,000,000	(7,852,047)	90,220,973	8,257,274
Unamortized bond premium	348,870	—	(49,637)	299,233	49,637
Other post-employment benefits	22,614,325	7,611,002	—	30,225,327	—
	<u>\$ 142,875,164</u>	<u>16,296,280</u>	<u>(13,356,860)</u>	<u>145,814,584</u>	<u>27,040,202</u>

**(6) Debt**

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

Debt consisted of the following at June 30, 2013:

	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Principal payments</b>	<b>Balance June 30, 2013</b>	<b>Current portion</b>
1999 Series (a)	\$ 2,525,000	—	(2,525,000)	—	—
2003 Series (b)	800,000	—	(800,000)	—	—
2006 Series (c)	1,520,000	—	(315,000)	1,205,000	325,000
2007 Series (d)	22,185,000	—	(1,870,000)	20,315,000	1,965,000
2008 Series (e)	61,490,000	—	(3,575,000)	57,915,000	3,775,000
2013B Series(f)	—	2,575,092	(1,238,539)	1,336,553	1,336,553
SPSBA Loan(g)	794,300	—	(267,814)	526,486	278,037
SPSBA Loan(h)	906,673	—	(200,199)	706,474	196,910
SPSBA Loan(i)	—	1,800,000	(188,621)	1,611,379	346,639
SPSBA Loan (j)	—	2,400,000	—	2,400,000	275,369
	<u>\$ 90,220,973</u>	<u>6,775,092</u>	<u>(10,980,173)</u>	<u>86,015,892</u>	<u>8,498,508</u>

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Debt consisted of the following at June 30, 2012:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Balance June 30, 2012</u>	<u>Current portion</u>
1999 Series (a)	\$ 3,705,000	—	(1,180,000)	2,525,000	1,235,000
2003 Series (b)	1,570,000	—	(770,000)	800,000	800,000
2006 Series (c)	1,815,000	—	(295,000)	1,520,000	315,000
2007 Series (d)	23,980,000	—	(1,795,000)	22,185,000	1,870,000
2008 Series (e)	64,930,002	—	(3,440,002)	61,490,000	3,575,000
SPSBA Loan(f)	1,073,018	—	(278,718)	794,300	271,215
SPSBA Loan (g)	—	1,000,000	(93,327)	906,673	191,059
	<u>\$ 97,073,020</u>	<u>1,000,000</u>	<u>(7,852,047)</u>	<u>90,220,973</u>	<u>8,257,274</u>

Future annual principal and interest payments at June 30, 2013 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
2014	\$ 8,498,508	4,389,019	12,887,527
2015	6,160,293	4,098,583	10,258,876
2016	6,170,886	3,796,374	9,967,260
2017	6,147,857	3,527,594	9,675,451
2018	5,980,767	3,206,646	9,187,413
2019	5,329,480	2,916,632	8,246,112
2020	5,580,817	2,664,532	8,245,349
2021	5,842,284	2,394,068	8,236,352
2022	5,815,000	2,105,850	7,920,850
2023	6,130,000	1,792,390	7,922,390
2024	4,320,000	1,461,600	5,781,600
2025	4,580,000	1,202,400	5,782,400
2026	4,855,000	927,600	5,782,600
2027	5,150,000	636,300	5,786,300
2028	5,455,000	327,300	5,782,300
	<u>\$ 86,015,892</u>	<u>35,446,888</u>	<u>121,462,780</u>

**(a) 1999 Series**

Under a loan agreement, dated May 18, 1999, with the Hospitals and Higher Education Facilities Authority the College borrowed \$9,555,000 of 1999 Community College Revenue Bonds. Of the total obligation, \$9,060,419 (net of bond discount and issuance cost of \$233,817) was used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1994 Series A Bonds. As a result, that portion of the 1994 Series A Bonds is considered to be defeased and the related liability \$(8,380,000) has been removed from the statement of net position. The 1999 Series Bonds were payable over

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15 years at rates from 4.20% to 4.85% with an average annual debt service payment of \$1,356,513. The remaining principal on the 1999 Series Bonds was re-financed with the 2013B Series on March 29, 2013.

**(b) 2003 Series**

Under a loan agreement dated December 4, 2003, with the State Public School Building Authority, the College borrowed \$6,935,000 of Series A of 2003 Community College Revenue Bonds. The total obligation was used for the purpose of financing: (i) the acquisition and installation of an integrated computer system for Finance, Human Resources, and student use; (ii) upgrade to the existing computer network infrastructure to accommodate the new integrated computer system; (iii) the cost of software acquisition and training modules to implement the new integrated computer system; and (iv) the costs and expenses of issues the 2003 bonds. In addition to the bond proceeds, the authority contributed \$50,000 to the project. The funds from the authority were used to offset some of the issuance cost. The Bonds are scheduled to be repaid of a ten-year period through May 1, 2013 at interest rates that vary from 3.75% to 5.00%, with an average annual debt service payment of \$828,603. The 2003 Series Bonds have been fully repaid as of May 1, 2013.

**(c) 2006 Series**

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

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

	<u>Principal</u>
2014	\$ 325,000
2015	340,000
2016	355,000
2017	185,000
	<u>\$ 1,205,000</u>

**(d) 2007 Series**

Under a loan agreement dated February 21, 2007 with the State Public School Building Authority, the College borrowed \$30,525,000 of 2007 Community College Refunding Revenue Bonds. Of the total obligation, \$30,525,000 (including bond premium net of bond discount and issuance cost of \$449,782) was used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1998 Series Bonds and

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2001 Series Bonds. As a result, that portion of the 1998 Series Bond and 2001 Series Bonds is considered to be defeased, and the related liability (\$6,730,000 and \$23,970,000, respectively) has been removed from the statement of net position. The 1998 and 2001 Series Bonds were called as of November 1, 2011 and the related escrow with the trustee of the defeased bonds is zero. The 2007 Series Bonds are payable over 16 ½ years at rates from 4.00% to 5.00% with an average annual debt service payment of \$2,602,675.

Principal payments required by the loan agreement are as follows:

	<u><b>Principal</b></u>
2014	\$ 1,965,000
2015	2,055,000
2016	2,160,000
2017	2,270,000
2018	2,385,000
2019 – 2023	<u>9,480,000</u>
	<u><u>\$ 20,315,000</u></u>

**(e) 2008 Series**

Under a loan agreement dated October 9, 2008 with the State Public School Building Authority, the College borrowed \$74,770,000 of 2008 Series Community College Revenue Bonds. The bonds are being issued for the benefit of the College to finance a project consisting of: (a) the construction, equipping and furnishing of an approximately 45,000 square foot building for instructional facilities and student meeting spaces on the main campus of the college, and other capital projects related thereto; (b) the renovation and expansion of administrative buildings for the provision of student services on the main campus of the College; (c) the expansion of the campus facilities comprising the Northeast Regional Center of the College in Northeast Philadelphia; and (d) the payment of costs and expenses incident to the issuance of the bonds. The College also received \$50,000 from the State Public School Building Authority that was applied to issuance cost. The bonds are scheduled to be repaid over a 20-year period through June 15, 2028 at the interest rate of 3.0% to 6.25%, with an average annual debt service payment of \$6,064,257.

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

	<u>Principal</u>
2014	\$ 3,775,000
2015	2,675,000
2016	2,795,000
2017	2,930,000
2018	3,110,000
2019 – 2023	18,270,000
2024 – 2028	24,360,000
	<u>\$ 57,915,000</u>

**(f) 2013B Series**

Under a loan agreement dated March 29, 2013 with the State Public School Building Authority, the College borrowed \$2,575,092 for the purpose of refinancing the remaining principal from the 1999 Series Bonds. The net present value savings of this transaction is \$54,962 of the refunded principal. The bond is scheduled to be repaid over a two-year period through May 1, 2014 at a fixed annual interest rate of 1.198% with an average annual debt service payment of \$1,296,923.

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

	<u>Principal</u>
2014	\$ 1,336,553
	<u>\$ 1,336,553</u>

**(g) Revolving Loan Obligation**

Under a loan agreement dated February 26, 2010 with the State Public School Building Authority, the College borrowed \$1,350,000 for the purpose of completing three capital projects: Mint Building Masonry Renewal, West Building elevator renovations, and the replacement of the Northwest Regional Center chiller plant. The loan is scheduled to be repaid over a five-year period through May 15, 2015 at a fixed annual interest rate of 2.50% an average annual debt service payment of \$290,402.

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

	<u>Principal</u>
2014	\$ 278,037
2015	248,449
	<u>\$ 526,486</u>



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**(h) Revolving Loan Obligation**

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

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

	<u>Principal</u>
2014	\$ 196,910
2015	202,861
2016	208,993
2017	<u>97,710</u>
	<u>\$ 706,474</u>

**(i) Revolving Loan Obligation**

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

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

	<u>Principal</u>
2014	\$ 342,398
2015	353,606
2016	360,673
2017	367,963
2018	<u>186,739</u>
	<u>\$ 1,611,379</u>

**(j) Revolving Loan Obligation**

Under a loan agreement dated April 1, 2013 with the State Public School Building Authority, the College borrowed \$2,400,000 for the purpose of renovations to several spaces in the West Building on the College's Main Campus to address critical programmatic needs. The loan is scheduled to be repaid over a five-year period through November 1, 2020 at a fixed annual interest rate of 2.027% an average annual debt service payment of \$325,551.

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

	<u>Principal</u>
2014	\$ 275,369
2015	285,377
2016	291,220
2017	297,184
2018	303,269
2019 – 2021	<u>947,581</u>
	<u>\$ 2,400,000</u>

**(k) Operating Leases**

The College leases certain equipment and property under operating lease arrangements that expire through 2026. Rental expense for operating leases was \$851,300 and \$660,394 for the years ended June 30, 2013 and 2012, respectively.

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

2014	\$ 718,596
2015	518,178
2016	164,121
2017	152,414
2018	156,987
2019 – 2026	<u>499,787</u>
	<u>\$ 2,210,083</u>

**(l) Capital Leases**

The College leases certain equipment under capital lease arrangements that expire in 2023. These leases are recorded at the lower of cost or present value and amounted to \$6,307,208 and \$7,179,616 at June 30, 2013 and 2012, respectively. Amortization charges of capital leases were \$1,988,736 and \$2,404,177 for the years ended June 30, 2013 and 2012, respectively.

Future minimum lease payments under capital leases are as follows:

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	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
2014	\$ 2,065,677	258,799	2,324,476
2015	1,536,869	196,910	1,733,779
2016	1,391,864	151,660	1,543,524
2017	1,142,727	112,488	1,255,215
2018	861,954	81,980	943,934
2019 – 2023	2,215,594	154,718	2,370,312
	<u>\$ 9,214,685</u>	<u>956,555</u>	<u>10,171,240</u>

**(7) (Payable to) Receivable from Government Agencies**

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

	<u>2013</u>		<u>2012</u>	
	<u>Payable</u>	<u>Receivable</u>	<u>Payable</u>	<u>Receivable</u>
Commonwealth of Pennsylvania:				
Provision for potential audit findings and reimbursement calculation	\$ 49,084	—	79,599	—
Grants and special projects	—	439,175	—	341,683
PHEAA for grants	1,858,420	2,923	2,338,993	6,209
	<u>1,907,504</u>	<u>442,098</u>	<u>2,418,592</u>	<u>347,892</u>
City of Philadelphia Grants Receivable	—	17,069	—	423,235
Federal:				
Financial aid programs	—	346,172	131	226,064
Grants and special projects	—	1,947,353	—	1,611,329
	<u>—</u>	<u>2,310,594</u>	<u>131</u>	<u>2,260,628</u>
Total	<u>\$ 1,907,504</u>	<u>2,752,692</u>	<u>2,418,723</u>	<u>2,608,520</u>

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**(8) Restricted Net Position**

The College is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. These funds are comprised of the following at June 30:

	<b>2013</b>		<b>2012</b>	
	<b>College</b>	<b>Component unit Foundation</b>	<b>College</b>	<b>Component unit Foundation</b>
Restricted – nonexpendable:				
Endowment funds	\$ —	5,791,697	—	5,024,844
Gift annuity	—	11,347	—	7,860
	<u>—</u>	<u>5,803,044</u>	<u>—</u>	<u>5,032,704</u>
Restricted – expendable:				
Scholarships and awards	—	1,775,546	—	1,728,346
Capital program	2,740,642	577,902	1,364,726	3,392,412
	<u>2,740,642</u>	<u>2,353,448</u>	<u>1,364,726</u>	<u>5,120,758</u>
Total	\$ <u>2,740,642</u>	<u>8,156,492</u>	<u>1,364,726</u>	<u>10,153,462</u>

**(9) Employee Benefits**

**(a) Defined Benefit Plans**

Retirement benefits are provided for substantially all employees through payments to one of the board-authorized retirement programs. The authorized pension plans at June 30, 2013 and 2012 are the Teachers' Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments. Although the College no longer offers 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 8 employees participating in the SERS and 19 employees in the PSERS. The collective bargaining agreements with the full-time faculty and classified employees made a provision for early retirement for those 55 to 59 years old whose age and years of service add up to 70 or more. This option expired on August 31, 2011 and has been be fully dispensed with as of August 31, 2012.

The PSERS and SERS are defined benefit plans and are administered by the Commonwealth as established under legislative authority. Contributions are made by employees, the College, and the Commonwealth according to the schedule below. Death benefits are available to employee beneficiaries according to various options at time of death. 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.

Additionally, a retirement incentive option is available to employees 62 or older, who have completed at least 15 years of full-time service, and whose combined age and years of service equal

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at least 80. At June 30, 2013, there were 10 people who accepted the early retirement and incentive options, the present value of future payments of \$478,804 and \$566,178 has been accrued at June 30, 2013 and 2012, respectively. Future payments in the next two fiscal years are expected to be \$427,970 and \$72,800, respectively.

**(b) Defined Contribution Plans**

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

The College's contributions for each employee (and interest allocated to the employee's accounts) are fully vested. Death benefits in the amount of the full present value of accumulation are provided to the beneficiary of a participant who dies prior to retirement. Various payment options are available. The College has 1,182 employees participating in this program.

The payroll for employees covered by the four plans was \$62,337,917 and \$63,747,455; and the College's total payroll is \$76,015,530 and \$76,796,463 at June 30, 2013 and 2012, respectively. Contributions made by the College during fiscal 2012 and 2013 totaled \$5,503,258 and \$5,475,891, respectively, representing 8.63% and 8.78%, respectively, of covered payroll. College employees contributed \$4,955,611 and \$4,855,664, respectively. A summary of retirement benefits follows:

Type of employee	Defined contribution plans	PSERS	SERS
College contribution:			
Full-time faculty	10% of base contract	6.18% of all earnings	10.51% of all earnings
Visiting lecturers	5% of base contract	N/A	N/A
Part-time faculty	5% of all earnings	N/A	N/A
Administrators and other staff	10% of base contract	6.18% of all earnings	10.51% of all earnings
Others	10% of annual salary	6.18% of all earnings	10.51% of all earnings
Employee contribution	5% of base salary	Members prior to July 22, 1983: 6.5% of all earnings Members after July 22, 1983: 7.5% of all earnings	6.25% of all earnings

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**Other Post-employment Benefits Liability**

**(c) Plan Description**

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

**(d) Funding Policy**

The contribution requirements of plan members and the College are established and may be amended by the College's Board of Trustees. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid to fund the health care benefits provided to current retirees. The College paid premiums of \$1,873,156 and \$1,815,758 for the fiscal years ended June 30, 2013 and 2012, respectively. Total retiree contributions made by plan members were \$589,471 and \$601,079 for the fiscal years ended June 30, 2013 and 2012, respectively.

The Retiree drug Subsidy (RDS) was created as part of the 2003 federal law that created the Medicare prescription drug program and was included to encourage employers to retain the prescription benefits offered to Medicare-eligible retirees. Under the law, employers that retain prescription drug coverage for retirees that is at least equivalent to Medicare Part D coverage receive a subsidy from the U.S. government equal to 28% of the employer's annual drug costs that fall within a certain range. The College received payments of \$210,727 for fiscal year ended June 30, 2012 and \$260,502 for the fiscal year ended June 30, 2013.

The College also provides life insurance for retirees until the end of the contract year in which the employee turns 65 years of age. Contract year is defined as fiscal year for Administrators/Confidential and Academic year for Faculty/Classified. The College paid premiums of \$10,925, covering 33 retirees for the fiscal year ended June 30, 2012 and \$10,129, covering 36 retirees for the fiscal year ended June 30, 2013.

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**(e) Annual OPEB Cost and Net OPEB Obligation**

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

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Annual required contribution	\$ 12,255,644	10,982,860	8,872,232
Annual OPEB cost (expense)	12,255,644	10,982,860	8,872,232
Contributions made	(3,725,611)	(3,371,858)	(2,833,597)
Increase in net OPEB obligation	8,530,033	7,611,002	6,038,635
Net OPEB obligation at July 1	30,225,327	22,614,325	16,575,690
Net OPEB obligation at June 30	\$ 38,755,360	30,225,327	22,614,325

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

	<b>Annual OPEB cost</b>	<b>Percentage of annual OPEB cost contributed</b>	<b>Net OPEB obligation</b>
Fiscal year ended:			
June 30, 2013	\$ 12,255,644	30.39%	\$ 38,755,360
June 30, 2012	10,982,860	30.70	30,225,327
June 30, 2011	8,872,232	31.93	22,614,325

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June 30, 2013 and 2012

**(f) Funded Status and Funding Progress**

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

Actuarial valuation date	July 1, 2012
Actuarial value of assts	\$ —
Actuarial accrued liability	124,575,199
Unfunded actuarial accrued liability (UAAL)	\$ 124,575,199
Funded ratio	—
Annual covered payroll (note 11)	\$ 76,015,530
UAAL as a percentage of covered payroll	163.88%

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

**(g) Actuarial Methods and Assumptions**

The calculations are based on the types of benefits provided under the terms of the College's Retirement Benefits plan at the time of the valuation. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following actuarial methods and significant assumptions were used for the July 1, 2012 valuation:

Actuarial cost method	Projected unit credit
Amortization method	Closed, level dollar amortization over 30 years
Remaining amortization period	24 years
Discount rate	4.00%
Medical trend rate	7.50% gradually decreasing to 4.50% in 2019
Prescription drug trend rate	9.00% gradually decreasing to 4.50% in 2021
Dental trend rate	3.00%
Mortality table	RP-2000 healthy mortality table projected to 2013 with scale AA

**(10) 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



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June 30, 2013 and 2012

and capital expenditure audit is completed by the College's independent auditor. The College has accrued for audit findings through 2006, the last year Commonwealth audits were performed.

The use of grant monies received is subject to compliance audits by the disbursing governmental agency. The College believes it is in compliance with all significant grant requirements.

The nature of the educational industry is such that, from time to time, the College is exposed to various risks of loss related to torts; alleged negligence; acts of discrimination; breach of contract; labor disputes; disagreements arising from the interpretation of laws or regulations; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services. The College addresses these risks by purchasing commercial insurance. The College's retention of risk is limited to the deductibles on its insurance policies which range from \$0 to \$150,000 per claim depending on the nature of the claim.

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

**(11) Operating Expenses**

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

	<b>2013</b>		<b>2012</b>	
	<b>Component unit</b>		<b>Component unit</b>	
	<b>College</b>	<b>Foundation</b>	<b>College</b>	<b>Foundation</b>
Salaries	\$ 76,015,530	633,639	76,796,463	291,330
Benefits	34,247,087	133,897	32,061,700	63,823
Contracted services	11,372,678	260,438	6,057,160	53,933
Supplies	3,635,794	91,302	2,759,676	74,271
Depreciation	10,423,443	—	9,764,169	—
Student aid	8,327,636	302,451	10,014,970	321,383
Other post retirement benefits	8,530,033	—	7,611,002	—
Gifts from the Community College of Philadelphia Foundation	—	2,809,152	—	—
Other	11,467,782	487,283	11,896,599	271,079
<b>Total</b>	<b>\$ 164,019,983</b>	<b>4,718,162</b>	<b>156,961,739</b>	<b>1,075,819</b>

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Notes to Financial Statements

June 30, 2013 and 2012

**(12) City and State Appropriations**

Appropriations from the Commonwealth and the City for the years ended June 30, 2013 and 2012 are as follows:

	<b>2013</b>		<b>2012</b>	
	<b>Operations</b>	<b>Capital</b>	<b>Operations</b>	<b>Capital</b>
Commonwealth of Pennsylvania	\$ 28,239,824	6,384,089	28,229,309	6,327,091
City of Philadelphia	18,063,705	7,345,502	17,652,197	7,757,010
Total appropriations	<u>\$ 46,303,529</u>	<u>13,729,591</u>	<u>45,881,506</u>	<u>14,084,101</u>

**(13) Pass-Through Grants**

The College distributed \$42,430,511 in 2013 and \$41,269,869 in 2012 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.

**(14) Subsequent Events**

The College Foundation changed its investment manager from the Commonfund to PFM Asset Management, LLC effective July 1, 2013.

The College settled its five year collective bargaining agreement with Faculty and Classified employee unions on September 12, 2013. The agreement is through August 31, 2013.

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Schedule of Funding Progress

June 30, 2013 and 2012

Valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL (OAAL) percentage of covered payroll ((a-b)/c)
July 1, 2007	\$ —	72,351,392	72,351,392	—	\$ 64,747,493	111.74%
July 1, 2009	—	81,337,622	81,337,622	—	73,489,322	110.68
July 1, 2011	—	103,846,976	103,846,976	—	76,796,463	135.22
July 1, 2012	—	124,575,199	124,575,199	—	76,015,530	163.88

**Schedule of contributions from the College**

Fiscal year	Annual required contribution	Contribution	Percentage contributed
June 30, 2008	\$ 7,257,715	2,063,042	28.43%
June 30, 2009	7,463,367	2,281,821	30.57
June 30, 2010	8,590,625	2,391,154	27.83
June 30, 2011	8,872,232	2,833,597	31.94
June 30, 2012	10,982,860	3,371,858	30.70
June 30, 2013	12,255,644	3,725,611	30.39

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

Actuarial cost method

Projected Unit Credit

Asset valuation method

N/A

Remaining amortization period

24 years

Actuarial assumptions:

Discount rate

4.00%

Medical cost trend rate

7.50% gradually decreasing to 4.50% in 2019

Prescription drug cost trend rate

9.00% gradually decreasing to 4.50% in 2021

Dental cost trend rate

3.00%

Mortality table

RP-2000 healthy mortality table projected to 2013 with scale AA

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Statistical Section

Years ended June 30, 2005 through June 30, 2013

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Statistical Section

Years ended June 30, 2005 through June 30, 2013

**Schedule of Revenues by Source**

Year ended June 30

(Amounts expressed in thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:									
Student tuition and fees (net of scholarship allowances)	\$ 32,003	30,181	28,132	29,608	31,618	29,723	27,146	26,258	26,604
State grants and contracts	—	—	—	—	—	—	—	—	81
Nongovernmental grants and contracts	—	—	—	—	—	—	75	50	69
Sales of auxiliary enterprises	1,776	1,827	1,734	1,650	1,371	1,274	1,132	1,075	1,113
Other operating revenues	158	168	180	194	95	76	73	65	91
Total operating revenues	<u>33,937</u>	<u>32,176</u>	<u>30,046</u>	<u>31,452</u>	<u>33,084</u>	<u>31,073</u>	<u>28,426</u>	<u>27,448</u>	<u>27,958</u>
City appropriations	18,064	17,652	18,092	18,946	19,245	20,243	19,644	18,958	18,947
State appropriations	28,240	28,229	29,275	28,750	31,496	31,554	30,855	29,564	26,924
Federal grants and contracts	58,715	56,839	58,890	51,131	32,552	30,668	27,391	28,823	32,173
State grants and contracts	7,191	6,495	5,967	5,585	5,831	7,818	8,570	8,662	6,151
Gifts from the Community College of Philadelphia Foundation	2,809	—	—	—	—	—	—	—	—
Nongovernmental grants and contracts	1,119	1,014	1,419	1,580	2,688	1,632	1,332	785	1,245
Private gifts	—	—	—	—	—	—	—	1	20
Net investment income	333	1,098	718	1,587	249	1,084	1,780	1,148	709
Other nonoperating revenue	379	540	333	353	354	1,237	321	151	412
Total nonoperating revenues	<u>116,850</u>	<u>111,867</u>	<u>114,694</u>	<u>107,932</u>	<u>92,415</u>	<u>94,236</u>	<u>89,893</u>	<u>88,092</u>	<u>86,581</u>
Capital appropriations	<u>13,730</u>	<u>14,084</u>	<u>13,648</u>	<u>13,979</u>	<u>13,721</u>	<u>8,316</u>	<u>7,762</u>	<u>7,235</u>	<u>6,525</u>
Total revenues	<u>\$ 164,517</u>	<u>158,127</u>	<u>158,388</u>	<u>153,363</u>	<u>139,220</u>	<u>133,625</u>	<u>126,081</u>	<u>122,775</u>	<u>121,064</u>

See accompanying independent auditors' report.

**COMMUNITY COLLEGE OF PHILADELPHIA**  
(A Component Unit of the City of Philadelphia)

Statistical Section

Years ended June 30, 2005 through June 30, 2013

**Schedule of Revenues by Source**

Year ended June 30

(Amounts expressed in percentages)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:									
Student tuition and fees (net of scholarship allowances)	19.45%	19.09%	17.76%	19.31%	22.71%	22.24%	21.53%	21.39%	21.98%
State grants and contracts	—	—	—	—	—	—	—	—	0.07
Nongovernmental grants and contracts	—	—	—	—	—	—	0.06	0.04	0.06
Sales of auxiliary enterprises	1.08	1.16	1.09	1.08	0.98	0.95	0.90	0.88	0.92
Other operating revenues	0.10	0.11	0.11	0.13	0.07	0.06	0.06	0.05	0.06
Total operating revenues	<u>20.63</u>	<u>20.36</u>	<u>18.96</u>	<u>20.52</u>	<u>23.76</u>	<u>23.25</u>	<u>22.55</u>	<u>22.36</u>	<u>23.09</u>
City appropriations	10.98%	11.16%	11.42%	12.35%	13.82%	15.15%	15.58%	15.44%	15.65%
State appropriations	17.17	17.85	18.48	18.75	22.62	23.61	24.47	24.08	22.24
Federal grants and contracts	35.69	35.95	37.18	33.34	23.38	22.95	21.72	23.48	26.58
State grants and contracts	4.37	4.11	3.77	3.64	4.19	5.85	6.80	7.06	5.08
Gifts from the Community College of Philadelphia Foundation	1.70	—	—	—	—	—	—	—	—
Nongovernmental grants and contracts	0.68	0.64	0.90	1.03	1.93	1.22	1.06	0.64	1.03
Private gifts	—	—	—	—	—	—	—	—	0.02
Net investment income	0.20	0.69	0.45	1.03	0.18	0.81	1.41	0.94	0.59
Other nonoperating revenue	0.23	0.33	0.22	0.23	0.26	0.94	0.25	0.11	0.33
Total nonoperating revenues	<u>71.02</u>	<u>70.73</u>	<u>72.42</u>	<u>70.37</u>	<u>66.38</u>	<u>70.53</u>	<u>71.29</u>	<u>71.75</u>	<u>71.52</u>
Capital appropriations	<u>8.35</u>	<u>8.91</u>	<u>8.62</u>	<u>9.11</u>	<u>9.86</u>	<u>6.22</u>	<u>6.16</u>	<u>5.89</u>	<u>5.39</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>

Source: Audited financial statements.

**COMMUNITY COLLEGE OF PHILADELPHIA**  
(A Component Unit of the City of Philadelphia)

Statistical Section

Years ended June 30, 2005 through June 30, 2013

**Schedule of Expenses by Use**

Year ended June 30

(Amounts expressed in thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Expenses:									
Salaries	\$ 76,015	76,796	78,168	73,489	69,694	68,333	64,747	63,350	64,503
Benefits	34,247	32,062	32,500	30,231	27,121	25,210	25,309	23,980	22,595
Contracted services	11,373	6,057	5,376	4,881	5,214	4,869	4,089	4,212	4,089
Supplies	3,636	2,760	3,253	2,198	2,107	2,416	1,996	2,183	1,917
Depreciation	10,423	9,764	7,660	6,493	6,588	6,374	5,947	6,086	5,675
Student aid	8,328	10,015	7,376	7,935	4,409	4,326	4,342	6,975	8,512
Other	11,468	11,895	12,948	11,730	12,269	11,692	11,109	11,383	11,129
GASB 45 (Other post-employment benefits) accrual	<u>8,530</u>	<u>7,611</u>	<u>6,039</u>	<u>6,199</u>	<u>5,181</u>	<u>5,195</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total operating expenses	<u>164,020</u>	<u>156,960</u>	<u>153,320</u>	<u>143,156</u>	<u>132,583</u>	<u>128,415</u>	<u>117,539</u>	<u>118,169</u>	<u>118,420</u>
Interest on capital asset-related debt service	<u>4,856</u>	<u>3,927</u>	<u>3,542</u>	<u>1,841</u>	<u>1,889</u>	<u>2,273</u>	<u>1,993</u>	<u>2,603</u>	<u>2,852</u>
Total nonoperating expenses	<u>4,856</u>	<u>3,927</u>	<u>3,542</u>	<u>1,841</u>	<u>1,889</u>	<u>2,273</u>	<u>1,993</u>	<u>2,603</u>	<u>2,852</u>
Total expenses	<u>\$ 168,876</u>	<u>160,887</u>	<u>156,862</u>	<u>144,997</u>	<u>134,472</u>	<u>130,688</u>	<u>119,532</u>	<u>120,772</u>	<u>121,272</u>

See accompanying independent auditors' report.

**COMMUNITY COLLEGE OF PHILADELPHIA**  
(A Component Unit of the City of Philadelphia)

Statistical Section

Years ended June 30, 2005 through June 30, 2013

**Schedule of Expenses by Use**

Year ended June 30

(Amounts expressed in percentages)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Expenses:									
Salaries	45.01%	47.73%	49.83%	50.68%	51.83%	52.29%	54.17%	52.45%	53.19%
Benefits	20.28	19.93	20.72	20.85	20.17	19.29	21.17	19.86	18.63
Contracted services	6.73	3.77	3.43	3.37	3.88	3.72	3.42	3.49	3.37
Supplies	2.15	1.72	2.07	1.52	1.57	1.85	1.67	1.81	1.58
Depreciation	6.17	6.07	4.88	4.48	4.90	4.88	4.98	5.04	4.68
Student aid	4.93	6.22	4.70	5.47	3.28	3.31	3.63	5.78	7.02
Other	6.79	7.39	8.26	8.09	9.12	8.95	9.29	9.41	9.18
GASB 45 (Other post-employment benefits) accrual	5.05	4.73	3.85	4.27	3.85	3.97	—	—	—
Total operating expenses	<u>97.11</u>	<u>97.56</u>	<u>97.74</u>	<u>98.73</u>	<u>98.60</u>	<u>98.26</u>	<u>98.33</u>	<u>97.84</u>	<u>97.65</u>
Interest on capital asset-related debt service	<u>2.89</u>	<u>2.44</u>	<u>2.26</u>	<u>1.27</u>	<u>1.40</u>	<u>1.74</u>	<u>1.67</u>	<u>2.16</u>	<u>2.35</u>
Total nonoperating	<u>2.89</u>	<u>2.44</u>	<u>2.26</u>	<u>1.27</u>	<u>1.40</u>	<u>1.74</u>	<u>1.67</u>	<u>2.16</u>	<u>2.35</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>

Source: Audited financial statements.

See accompanying independent auditors' report.



**COMMUNITY COLLEGE OF PHILADELPHIA**  
(A Component Unit of the City of Philadelphia)

Statistical Section

Years ended June 30, 2005 through June 30, 2013

**Schedule of Expenses by Function**

Year ended June 30

(Amounts expressed in thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Expenses by function:									
Instruction	\$ 66,436	62,162	62,184	57,714	53,368	51,996	48,457	47,272	49,010
Public services	156	63	92	46	123	93	30	70	68
Academic support	17,247	17,723	19,251	18,540	16,828	14,920	13,927	12,577	12,233
Student services	21,913	21,075	21,744	20,241	18,212	17,776	16,315	17,030	16,592
Institutional support	26,216	23,281	22,003	20,095	21,385	21,296	17,956	17,365	16,299
Operation and maintenance of plant	12,742	12,244	12,392	11,307	10,905	10,949	9,964	9,632	9,079
Depreciation	10,423	9,764	7,660	6,493	6,588	6,374	5,947	6,086	5,675
Student aid	8,328	10,015	7,377	7,935	4,409	4,326	4,342	7,440	8,512
Auxiliary enterprises	559	633	617	785	765	685	601	618	624
Other	—	—	—	—	—	—	—	78	328
Interest on capital debt	4,856	3,927	3,542	1,841	1,889	2,273	1,993	2,603	2,852
Total expenses by function	<u>\$ 168,876</u>	<u>160,887</u>	<u>156,862</u>	<u>144,997</u>	<u>134,472</u>	<u>130,688</u>	<u>119,532</u>	<u>120,771</u>	<u>121,272</u>

**Schedule of Expenses by Function**

Year ended June 30

(Percent of total expenses)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Expenses by function:									
Instruction	39.34%	38.64%	39.64%	39.80%	39.69%	39.79%	40.54%	39.14%	40.41%
Public services	0.09	0.04	0.06	0.03	0.09	0.07	0.03	0.06	0.06
Academic support	10.21	11.02	12.28	12.79	12.51	11.42	11.65	10.41	10.09
Student services	12.98	13.10	13.86	13.96	13.54	13.60	13.65	14.10	13.68
Institutional support	15.52	14.47	14.03	13.86	15.90	16.30	15.02	14.38	13.44
Operation and maintenance of plant	7.54	7.61	7.90	7.80	8.12	8.37	8.33	7.98	7.49
Depreciation	6.17	6.07	4.88	4.48	4.90	4.88	4.98	5.04	4.68
Student aid	4.93	6.22	4.70	5.47	3.28	3.31	3.63	6.16	7.02
Auxiliary enterprises	0.33	0.39	0.39	0.54	0.57	0.52	0.50	0.51	0.51
Other	—	—	—	—	—	—	—	0.06	0.27
Interest on capital debt	2.89	2.44	2.26	1.27	1.40	1.74	1.67	2.16	2.35
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>

Source: Audited financial statements.

See accompanying independent auditors' report.

**COMMUNITY COLLEGE OF PHILADELPHIA**  
(A Component Unit of the City of Philadelphia)

Statistical Section

Years ended June 30, 2005 through June 30, 2013

**Schedule of Net Position and Changes in Net Position**

Year ended June 30

(Amounts expressed in thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total revenues (from schedule of revenues by source less capital appropriations)	\$ 150,786	144,042	144,740	139,384	125,499	125,309	118,318	115,541	114,539
Total operating expenses (from schedule of expenses by use)	<u>168,876</u>	<u>160,887</u>	<u>156,862</u>	<u>144,997</u>	<u>134,472</u>	<u>130,688</u>	<u>119,532</u>	<u>120,771</u>	<u>121,272</u>
Income before other revenues and expenses	(18,090)	(16,845)	(12,122)	(5,613)	(8,973)	(5,379)	(1,214)	(5,230)	(6,733)
Capital grants and contracts	—	—	—	—	—	—	35	235	638
Deductions to permanent endowments	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(14)</u>	<u>(106)</u>	<u>(22)</u>	<u>(378)</u>
Total changes in net position	(18,090)	(16,845)	(12,122)	(5,613)	(8,973)	(5,393)	(1,285)	(5,017)	(6,473)
Net position, beginning	<u>83,142</u>	<u>85,903</u>	<u>84,377</u>	<u>76,011</u>	<u>71,263</u>	<u>68,340</u>	<u>61,863</u>	<u>59,646</u>	<u>59,594</u>
Net position, ending	<u>\$ 65,052</u>	<u>69,058</u>	<u>72,255</u>	<u>70,398</u>	<u>62,290</u>	<u>62,947</u>	<u>60,578</u>	<u>54,629</u>	<u>53,121</u>
Net investment in capital assets	\$ 91,370	86,331	80,136	69,278	60,947	54,231	49,504	49,416	49,372
Restricted – nonexpendable	—	—	—	—	—	—	13	79	100
Restricted – expendable	2,740	1,364	731	511	511	1,874	920	145	556
Unrestricted	<u>(15,328)</u>	<u>(4,553)</u>	<u>5,036</u>	<u>14,588</u>	<u>14,553</u>	<u>15,158</u>	<u>17,903</u>	<u>12,222</u>	<u>9,618</u>
Total net position	<u>\$ 78,782</u>	<u>83,142</u>	<u>85,903</u>	<u>84,377</u>	<u>76,011</u>	<u>71,263</u>	<u>68,340</u>	<u>61,862</u>	<u>59,646</u>

Source: Audited financial statements.

See accompanying independent auditors' report.

**COMMUNITY COLLEGE OF PHILADELPHIA**  
(A Component Unit of the City of Philadelphia)

Statistical Section

Years ended June 30, 2005 through June 30, 2013

**Fiscal Year Enrollment and Degree Statistics**

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Enrollments and student demographics:									
Credit FTE	15,116	15,769	16,091	15,808	14,208	13,942	13,570	13,594	15,294
Unduplicated Credit Headcount	28,264	29,094	29,032	28,783	26,868	26,212	26,157	26,293	29,269
Percentage – Men	36.9%	35.5%	35.5%	34.5%	33.7%	33.2%	32.8%	32.9%	32.5%
Percentage – Women	63.1	64.5	64.5	65.5	66.3	66.8	67.2	67.1	67.5
Percentage – Black	49.7%	49.9%	49.2%	48.9%	48.6%	48.0%	48.3%	47.8%	50.2%
Percentage – White	25.1	24.6	24.4	25.0	25.7	25.2	26.0	26.8	26.9
Percentage – Asian	7.7	7.3	7.2	7.1	7.4	7.7	7.6	7.3	6.7
Percentage – Hispanic	10.6	4.9	6.5	7.0	6.8	6.3	5.9	5.6	5.6
Percentage – American Indian/other	0.4	0.5	0.5	0.4	0.4	0.4	0.5	0.5	0.6
Percentage – Unknown	6.5	12.9	12.2	11.6	11.1	12.4	11.7	12.0	10.0
Degrees awarded:									
Associate	1,712	1,828	1,702	1,667	1,741	1,592	1,481	1,465	1,507
Certificate	167	180	214	216	259	319	232	170	154

Source: Department of Institutional Research.

See accompanying independent auditors' report.

**Undergraduate Average Annual Tuition and Fees**

Community College of Philadelphia in Comparison to Other Selected Colleges

(Full-time Academic Year Tuition and Fee Charges)

	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>	<b>2008-09</b>	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
Community College of Philadelphia	\$ 4,320	4,080	3,840	3,696	3,528	3,528	3,336	3,120	2,856
Bucks County Community College	3,936	3,888	3,744	3,264	3,096	2,976	2,904	2,784	2,832
Delaware County Community College	3,768	3,312	3,144	3,072	2,880	2,760	2,616	2,532	2,556
Montgomery County Community College	3,500	3,498	3,276	3,052	2,520	2,424	2,328	2,256	2,160
Temple University	13,596	13,596	12,424	11,764	11,448	10,802	10,380	9,640	9,102
West Chester University	8,620	8,274	7,680	7,211	6,737	6,518	6,293	6,147	6,006
Drexel University	36,090	34,405	33,005	31,865	30,440	29,085	25,450	24,280	23,180

Note: Community College values reflect amounts charged to sponsoring district residents.

Source: College and University Institutional Websites.

**COMMUNITY COLLEGE OF PHILADELPHIA**  
(A Component Unit of the City of Philadelphia)

Statistical Section

Years ended June 30, 2005 through June 30, 2013

**Faculty and Staff Statistics**

For Fall Term in Year

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Faculty:								
Part-time	734	757	771	737	684	641	623	787
Full-time	412	418	413	395	393	395	399	399
Percentage tenured	80.6%	83.0%	84.0%	79.5%	79.6%	78.5%	76.1%	74.1%
Administrative and support staff:								
Part-time	20	22	19	19	23	31	31	28
Full-time	447	472	460	462	457	426	429	424
Total employees:								
Part-time	754	779	790	756	707	672	654	815
Full-time	859	890	873	857	850	821	828	823
Students per full-time staff:								
Number credit students	18,692	19,751	19,503	19,047	17,327	17,352	16,871	16,889
Faculty	46	47	47	48	44	44	42	42
Administrative and support staff	42	42	42	44	38	41	39	40
Average annual faculty salary	\$ 66,137	66,236	67,266	65,381	63,408	60,799	57,346	58,473

Source: Institutional Human Resource Records.

See accompanying independent auditors' report.

**Gross Square Feet of College Buildings**

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Main Campus – Buildings	911,051	900,613	900,613	852,445	852,445	852,445	852,445	852,445	840,877
Main Campus – 17 Street Garage	230,360	230,360	230,660	230,660	230,360	230,360	230,360	230,360	230,360
Main Campus Recreation Deck	62,600	62,600	62,600	62,600	62,600	62,600	62,600	62,600	62,600
Main Campus – CBI Garage	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	—	—	—	—	—	—
Northeast Regional Center	109,075	109,075	109,075	109,075	59,876	59,876	59,876	59,876	59,876
West Regional Center	39,394	39,394	32,090	32,090	32,090	32,090	32,090	32,090	32,090
Northwest Regional Center	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Total gross square feet	<u>1,605,882</u>	<u>1,595,444</u>	<u>1,588,440</u>	<u>1,451,772</u>	<u>1,402,273</u>	<u>1,402,273</u>	<u>1,402,273</u>	<u>1,402,273</u>	<u>1,390,705</u>

Source: Institutional Physical Plant Records.

**COMMUNITY COLLEGE OF PHILADELPHIA**

(A Component Unit of the City of Philadelphia)

Statistical Section

Years ended June 30, 2005 through June 30, 2013

**Demographic Statistics**

City of Philadelphia Last Eight Calendar Years

	<b>Population as of June 30</b>	<b>Average annual unemployment rate</b>
Year:		
2005 – 06	1,463,281	6.7
2006 – 07	1,448,394	6.2
2007 – 08	1,449,634	6.0
2008 – 09	1,540,351	7.1
2009 – 10	1,547,297	9.8
2010 – 11	1,526,006	10.9
2011 – 12	1,536,471	10.8
2012 – 13	1,547,607	10.5

Sources: United States Census Bureau and Bureau of Labor Statistics

See accompanying independent auditors' report.

**COMMUNITY COLLEGE OF PHILADELPHIA**  
(A Component Unit of the City of Philadelphia)

**Supplemental Schedules**

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## Schedule 1

## COMMUNITY COLLEGE OF PHILADELPHIA

(A Component Unit of the City of Philadelphia)

## Component Unit Schedule of Net Position

June 30, 2013

(In thousands)

## Assets:

Cash on deposit and on hand	\$ 12,312
Equity in pooled cash and investments	—
Equity in treasurer's account	—
Investments	37,021
Internal balances	—
Amounts held by fiscal agent	—
Notes receivable	—
Taxes receivable	—
Accounts receivable	9,431
Allowance for doubtful accounts	(2,707)
Interest and dividends receivable	48
Due from other governments	2,753
Restricted assets	3,633
Inventories	—
Other assets	1,338
Property, plant and equipment	180,053
Total assets	<u>\$ 243,882</u>

## Liabilities:

Notes payable	\$ —
Vouchers and accounts payable	13,868
Salaries and wages payable	4,086
Accrued expenses	902
Funds held in escrow	187
Due to other governments	1,908
Deferred revenue	3,418
Current portion of long-term obligations	10,823
Noncurrent portion of long-term obligations	81,500
Other Post Employment Benefits (GASB 45)	38,755
Total liabilities	<u>\$ 155,447</u>

## Net position:

Net investment in capital assets	\$ 91,370
Restricted for:	
Capital projects	3,318
Debt service	—
Community development projects	—
Behavioral health programs	—
Intergovernmental financing	—
Tuition stabilization and scholarships	7,579
Rate stabilization	—
Unrestricted (deficit)	(13,832)
Total net position	<u>\$ 88,435</u>

See accompanying independent auditors' report.

## Schedule 2

**COMMUNITY COLLEGE OF PHILADELPHIA**

(A Component Unit of the City of Philadelphia)

Component Unit Schedule of Activities

Year ended June 30, 2013

(In thousands)

Program revenues					Net expense and changes in net position
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Education activities
Community college services	\$ 173,595	33,778	68,103	2,809	68,905
General revenues:					
Taxes					—
Grants and contributions*					60,033
Interest and investment earnings					1,370
Miscellaneous					1,347
Special items					—
Transfers					—
Total general revenues, special items and transfers					62,750
Change in net assets					(6,155)
Net position – beginning					94,590
Net position – ending					\$ 88,435

\* Includes Commonwealth appropriations of \$34,624 and City of Philadelphia appropriations of \$25,409.

See accompanying independent auditors' report.



## Schedule 3

**COMMUNITY COLLEGE OF PHILADELPHIA**

(A Component Unit of the City of Philadelphia)

Component Unit Capital Asset Format

Year ended June 30, 2013

Capital asset business-type activity format: Fiscal year 2013

Name of company: Community College of Philadelphia

	<b>Beginning balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending balance</b>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 28,072,235	982,698	—	29,054,933
Fine arts	705,208	—	—	705,208
Construction in process	17,590,440	5,598,370	(22,072,307)	1,116,503
Total capital assets not being depreciated	46,367,883	6,581,068	(22,072,307)	30,876,644
Capital assets being depreciated:				
Buildings	202,332,679	24,531,447	—	226,864,126
Other improvements	17,848,884	181,203	—	18,030,087
Equipment	38,324,129	1,585,816	(1,667,319)	38,242,626
Furniture	1,130,195	23,250	(3,494)	1,149,951
Leasehold improvements	176,176	—	—	176,176
Infrastructure	—	—	—	—
Total capital assets being depreciated	259,812,063	26,321,716	(1,670,813)	284,462,966
Less accumulated depreciation for:				
Buildings	83,872,437	5,840,295	—	89,712,732
Other improvements	14,653,278	1,322,530	—	15,975,808
Equipment	27,009,739	3,204,576	(1,831,987)	28,382,328
Furniture	1,019,047	41,890	(29)	1,060,908
Leasehold improvements	140,922	14,152	—	155,074
Infrastructure	—	—	—	—
Total accumulated depreciation	126,695,423	10,423,443	(1,832,016)	135,286,850
Total capital assets being depreciated, net	133,116,640	15,898,273	161,203	149,176,116
Business-type activities capital assets, net	\$ 179,484,523	22,479,341	(21,911,104)	180,052,760

See accompanying independent auditors' report.

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With  
*Government Auditing Standards***

Board of Trustees  
Community College of Philadelphia:

We have audited, in accordance with the 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), a component unit of the City of Philadelphia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October XX, 2013.

**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 determine the 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 the College's 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Purpose of this Report**

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 communication is not suitable for any other purpose.

KPMG, LLP

Philadelphia, Pennsylvania  
October XX, 201X